S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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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 its Kansas ad valorem tax refund dollars.	Case No. U-12889

At the August 16, 2001 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On April 12, 2001, SEMCO Energy Gas Company (SEMCO), a division of SEMCO Energy Inc., filed an application requesting authority to refund its entire Kansas ad valorem tax refund, plus interest, to its current retail gas customers through a credit to their bills. Concurrently with that filing, SEMCO mailed a copy of the application to the Association of Businesses Advocating Tariff Equity (ABATE), Attorney General Jennifer M. Granholm (Attorney General), and the Commission Staff (Staff), who were all parties to Cases Nos. U-11215-R and U-11265-R.

Pursuant to Commission directive, on May 11, 2001, SEMCO mailed a notice of opportunity to comment to ABATE and the Attorney General, directing written comments to be filed no later than June 8, 2001. ABATE filed written comments advocating that SEMCO's tarriffed transportation customers should share in the refund. No other comments were received.

Subsequently, a settlement agreement was jointly sponsored by SEMCO, ABATE, and the Staff resolving all issues in this case. Although the Attorney General did not sign the settlement, she has not expressed opposition to its approval.

According to the terms of the settlement agreement, attached as Exhibit A, SEMCO's $713,175 Kansas ad valorem tax refund, plus interest calculated through the mid-point of the September 2001 billing month of $234,231, shall be distributed among SEMCO's residential, GS-1, GS-2, GS-3, and transportation customers based on their location within SEMCO's service territory.

Because the settlement neither increases any customer's rates nor increases SEMCO's cost of service, the Commission may approve the settlement agreement without providing notice or an opportunity for a hearing, pursuant to MCL 460.6a; MSA 22.13(6a).

The Commission FINDS that:

a. Jurisdiction is pursuant to 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, as amended, 1992 AACS, R 460.17101 et seq.

b. The settlement agreement is reasonable and in the public interest, and should be approved.

c. Ex parte approval is appropriate.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. SEMCO Energy Gas Company is authorized to implement credits to its residential, GS-1, GS-2, GS-3, and transportation customers as set forth in the settlement agreement so as to distribute to those customers the principal amount of $713,175 of its Kansas ad valorem tax refund, plus interest of $234,231.

C. Rights to any portion of this refund shall not vest until a refund amount has been credited to a customer's bill.

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

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of August 16, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

B. SEMCO Energy Gas Company is authorized to implement credits to its residential, GS-1, GS-2, GS-3, and transportation customers as set forth in the settlement agreement so as to distribute to those customers the principal amount of $713,175 of its Kansas ad valorem tax refund, plus interest of $234,231.

C. Rights to any portion of this refund shall not vest until a refund amount has been credited to a customer's bill.

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of August 16, 2001.

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Its Executive Secretary

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Suggested Minute:

"Adopt and issue order dated August 16, 2001 approving the settlement agreement and authorizing SEMCO Energy Gas Company to return to its customers, in the form of bill credits, $713,175 in Kansas ad valorem tax refunds and $234,231 in interest, as set forth in the order."