MICHIGAN PUBLIC SERVICE COMMISSION

ANNUAL REPORT OF NATURAL GAS UTILITIES (MAJOR AND NONMAJOR)

This form is authorized by 1919 PA 419, as amended, authorizes this form being MCL 460.51 et seq.; and 1969 PA 306, as amended, being MCL 24.201 et seq. Filing of this form is mandatory. Failure to complete and submit this form will place you in violation of the Acts.

Report submitted for year ending:

December 31, 2006

Present legal name of respondent:

SEMCO ENERGY Inc.

Present DBA name in Michigan if different from legal name:

SEMCO ENERGY GAS CO. (MPSC DIVISION)

Address of principal place of business:

1411 Third St., Suite A., Port Huron, MI 48060

Utility representative to whom inquires regarding this report may be directed:

Name: Steven W. Warsinske   Title: Vice President of Accounting

Address: 1411 Third St., Suite A

City: Port Huron   State: Michigan   Zip Code: 48060

Telephone, Including Area Code: (810) 987-2200

If the Utility name has been changed during the past year:

Prior Name

Date of Change

Two copies of the published annual report to stockholders:

[ ] were forwarded to the Commission
[X] will be forwarded to the Commission

on or about May 28, 2007

Annual reports to stockholders:

[ ] are published.   [X] are not published.

Should you have any questions regarding this report, please contact:

Brian Ballinger, Financial Analysis Section Supervisor
(517) 241-6103 OR blballi@michigan.gov

Michigan Public Service Commission
Regulated Energy Division
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

MPSC FORM P-522 (1-05)

INSTRUCTIONS FOR THE FILING OF THE ANNUAL REPORT OF
NATURAL GAS UTILITIES (MAJOR AND NONMAJOR)

GENERAL INFORMATION

I. Purpose:

By authority conferred upon the Michigan Public Service Commission by 1919 PA 419, as amended, being MCL 460.51 et seq. and 1969 PA 306, as amended, being MCL 24.201 et seq., this form is a regulatory support requirement. It is designed to collect financial and operational information from public utilities, licensees and others subject to the jurisdiction of the Michigan Public Service Commission. This report is a nonconfidential public use form.

II. Who Must Submit:

Each major and nonmajor gas company, as classified by the Commission's Uniform System of Accounts must submit this form.

NOTE: Major- A gas company having annual natural gas sales over 50 million Dth in each of the 3 previous calendar years.
Nonmajor - A gas company having annual natural gas sales at or below 50 million Dth in each of the 3 previous calendar years.

The class to which any utility belongs shall originally be determined by the average of its annual gas sales for the last three consecutive years. Subsequent changes in classification shall be made when the annual gas sales for each of the three immediately preceding years exceeds the upper limit, or is less than the lower limit of the classification previously applicable to the utility.

III. What and Where to Submit:

(a) Submit an original copy of this form to:

Michigan Public Service Commission
Market Monitoring &Enforcement Section
6545 Mercantile Way
P.O. Box30221
Lansing, MI 48909

Retain one copy of this report for your files.

(b) Submit immediately upon publication, one (1) copy of the latest annual report to stockholders and any annual financial or statistical report regularly prepared and distributed to bondholders, security analyst, or industry association. (Do not include monthly and quarterly reports. If reports to stockholders are not prepared, enter "NA" in column (c) on Page 5, the List of Schedules.) Mail these reports to:

Michigan Public Service Commission
Market Monitoring &Enforcement Section
6545 Mercantile Way
P.O. Box30221
Lansing, MI 48909

(c) For the CPA certification, submit with the original submission of the form, a letter or report prepared in conformity with current standards of reporting which will:

(i) contain a paragraph attesting to the conformity, in all material aspects, of the schedules and pages listed below with the Commission's applicable Uniform Systems of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

(ii) Signed by independent certified public accountants or an independent licensed public accountant, certified or licensed by a regulatory authority or a state or other political subdivision of the U.S. (See 18 CFR 41.10-41.12 for specific qualifications).

Schedules	Reference Page
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

When accompanying this form, insert the letter or report immediately following the cover sheet. Use the following form for the letter or report unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

> In connection with our regular examination of the financial statements of__________ for the year ended on which we have reported separately under date of____________ we have also reviewed schedules ______________ of Form P-522 for the year filed with the Michigan Public Service Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.
>
> Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Michigan Public Service Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

State in the letter or report which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(d) Federal, state and local governments and other authorized users may obtain additional blank copies to meet their requirements for a charge from:

Michigan Public Service Commission
Market Monitoring &Enforcement Section
6545 Mercantile Way
P.O. Box30221
Lansing, MI 48909

IV. When to Submit

Submit this report form on or before April 30 of the year following the year covered by this report.

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (USOA). Interpret all accounting words and phrases in accordance with the USOA.

II. Enter in whole number (dollars or Dth) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required). The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.

III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "NONE" where it truly and completely states the fact.

IV. For any page(s) that is not applicable to respondent, either

(a) Enter the words "NOT APPLICABLE" on the particular page(s), or
(b) Omit the page(s) and enter "NA", "NONE", or "NOT APPLICABLE" in column © on the List of Schedules, pages 2, 3 and 4.

V. Complete this report by means which result in a permanent record. Complete the original copy in permanent black ink or typewriter print, if practical. The copies, however, may be carbon copies or other similar means of reproduction provided the impression are clear and readable.

VI. Enter the month, day, and year for all dates. Use customary abbreviations. The "Date of Report" at the top of each page is applicable only to resubmissions (See VIII, below).

VII. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ( ).

VIII. When making revisions, resubmit only those pages that have been changed from the original submission. Submit the same number of copies as required for filing the form. Include with the resubmission the identification and Attestation page, page 1. Mail dated resubmissions to:

Michigan Public Service Commission
Market Monitoring &Enforcement Section
6545 Mercantile Way
P.O. Box30221
Lansing, MI 48909

IX. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement (8 ½ x 11 inch size) to the page being supplemented. Provide the appropriate identification information, including the title(s) of the page and page number supplemented.

X. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.

XI. Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why the different figures were used.

XII. Report all gas volumes on a pressure base of 14.65 psia and a temperature base 60° F.

XIII. Respondents may submit computer printed schedules (reduced to 8 ½ x 11 inch size) instead of the preprinted schedules if they are in substantially the same format

DEFINITIONS

I. <u>BTU per cubic foot</u> - The total heating value, expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60°F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.65 cm. Per sec.^{2}) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)

II. Commission Authorization (Comm. Auth.) - The authorization of the Michigan Public Service Commission, or any other Commission. Name the Commission whose authorization was obtained and give the date of the authorization.

III. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

MPSC FORM P-522

ANNUAL REPORT OF NATURAL GAS COMPANIES (MAJOR AND NONMAJOR)

IDENTIFICATION

01 Exact Legal Name of Respondent SEMCO ENERGY GAS CO. (MPSC DIVISION)	02 Year of Report December 31, 2006

03 Previous Name and Date of Change (if name changed during year)

04 Address of Principal Business Office at End of Year (Street, City, State, Zip)

1411 THIRD STREET, SUITE A, PORT HURON, MI 48060

05 Name of Contact Person STEVEN W. WARSINSKE	06 Title of Contact Person VICE PRESIDENT OF ACCOUNTING

07 Address of Contact Person (Street, City, State, Zip)

1411 THIRD STREET, SUITE A, PORT HURON, MI 48060

08 Telephone of Contact Person, Including Area Code: (810) 987-2200	09 This Report is: (1) X An Original (2) A Resubmission	10 Date of Report (Mo, Da, Yr) 04/30/07

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 and including December 31 of the year of the report.

01 Name STEVEN W. WARSINSKE	03 Signature Ste W W	04 Date Signed (Mo, Da, Yr) 4/30/2007
02 Title VICE PRES OF ACCOUNTING		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
COMMON SECTION		
Regulatory Commission Expenses	350-351	
Research, Development and Demonstration Activities	352-353	
Distribution of Salaries and Wages	354-355	
Charges for Outside Professional and Other Consultative Services	357	
GAS PLANT STATISTICAL DATA		
Natural Gas Reserves and Land Acreage	500-501	
Changes in Estimated Hydrocarbon Reserves and Costs, and Net Realizable Value	504-505	
Compressor Stations	508-509	
Gas and Oil Wells	510	
Gas Storage Projects	M 512-513	
Distribution and Transmission Lines	M 514	
Liquefied Petroleum Gas Operations	516-517	
Distribution system Peak Deliveries	M 518	
Auxiliary Peaking Facilities	519	
System Map	522	
Footnote Data	551	
Stockholders' Report	---	
MPSC SCHEDULES		
Reconciliation of Deferred Income Tax Expense	117A-B	
Operating Loss Carryforward	117C	
Notes & Accounts Receivable Summary for Balance Sheet	228A	
Accumulated Provision for Uncollectible Accounts - Credit	228A	
Receivables From Associated Companies	228B	
Materials and Supplies	228C	
Notes Payable	260A	
Payables to Associated Companies	260B	
Customer Advances for Construction	268	
Accumulated Deferred Income Taxes - Temporary	277	
Gas Operation and Maintenance Expenses (Nonmajor)	320N-324N	
Lease Rentals Charged	333A-333D	
Depreciation, Depletion and Amortization of Gas Plant (Nonmajor)	336N	
Particulars Concerning Certain Other Income Accounts	341	
Gain or Loss on Disposition of Property	342A-B	
Expenditures for Certain Civic, Political and Related Activities	343	
Common Utility Plant and Expenses	356	
Summary of Costs Billed to Associated Companies	358-359	
Summary of Costs Billed from Associated Companies	360-361	

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
SEMCO ENERGY Gas Co (MPSC Division)	(1) [X] An Original (2) [ ] Resubmission	04/30/07	Dec. 31, 2006

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that were the general corporate books are kept.

Steven W. Warsinske
Vice President & Chief Accounting Officer
1411 Third Street, Suite A
Port Huron, MI 48060

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and date organized.

Michigan - June 2, 1950

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Michigan: Gas Utility Service

5. Have you engaged as the principal accountant to audit you financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes. . . . enter date when such independent accountant was initially engaged: ____________________

2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
SEMCO ENERGY Gas Co (MPSC Division)	(1) [x] An Original (2) [ ] Resubmission	04/30/07	Dec. 31, 2006

CONTROL OVER RESPONDENT & OTHER ASSOCIATED COMPANIES

1. If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.
2. List any entities which respondent did not control either directly or indirectly and which did not control respondent by which were associated companies at any time during the year.
3. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.

Effective January 1, 2000 SEMCO Energy Gas Company (MPSC Division) is a division of SEMCO Energy, Inc.

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
SEMCO ENERGY Gas Co (MPSC Division)	(1) [x] An Original (2) [ ] A Resubmission	04/30/07	Dec. 31, 2006

LIST OF SCHEDULES (Natural Gas Utility)

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K and this report are compatible.

DEFINITIONS

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition or an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
NONE			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

OFFICERS

1. Report below the name, title and salary for the top five executive officers.
2. Report in column (b) salaries and wages accrued during the year including deferred compensation.
3. In column (c) report any other compensation provided, such as bonuses, car allowance, stock options and rights, savings contribution, etc., and explain in a footnote what the amounts represent.
4. If a change was made during the year in the incumbent of any position, show the name and total remuneration of the previous incumbent and the date the change in incumbency occurred.
5. Upon request, the Company will provide the Commission with supplemental information on officers and other employees' salaries.

Line No.	Name and Title (a)	Base Wages (b)	Other Compensation (c)	Total Compensation (d)
1	George A. Schreiber, Jr., President and CEO	$516,154	$227,396	$743,550
2	Michael V Palmeri, Senior Vice President, Treasurer, and CFO	$271,538	$102,141	$373,679
3	Eugene N. Dubay, Sen. Vice President Operations	$265,923	$99,325	$365,248
4	Peter F. Clark, Senior Vice President and General Counsel	$244,231	$86,042	$330,273
5	Lance Smotherman, Senior Vice President of Human Resources	$199,847	$54,855	$254,702
	(c) Other Compensation			
	George A. Schreiber, Jr.			
	Bonus to pay taxes relating to life insurance premium.		$10,416	
	Bonus		$200,000	
	Country Club Dues		$2,580	
	Auto Allowance		$14,400	
			$227,396	
	Michael V Palmeri			
	Bonus to pay taxes relating to life insurance premium.		$2,941	
	Company match contribution to 401(K) plan		$8,800	
	Bonus		$83,200	
	Auto Allowance		$7,200	
			$102,141	
	Eugene N Dubay			
	Bonus to pay taxes relating to life insurance premium.		$5,544	
	Company match contribution to 401(K) plan		$8,800	
	Bonus		$72,800	
	Stock Option		$4,981	
	Auto Allowance		$7,200	
			$99,325	
	Peter F. Clark			
	Bonus to pay taxes relating to life insurance premium.		$3,814	
	Tax Preparation Fees		$428	
	Company match contribution to 401(K) plan		$8,800	
	Bonus		$65,800	
	Auto Allowance		$7,200	
			$86,042	
	Lance Smotherman			
	Bonus to pay taxes relating to life insurance premiums		$2,503	
	Company match contribution to 401(K) plan		$8,800	
	Bonus		$36,167	
	Tax Preparation Fees		$185	
	Auto Allowance		$7,200	
			$54,855	

Mr. Smotherman's title was changed upon his promotion to Senior Vice President of Human Resources and Administration on February 22, 2007

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
Effective 01/01/00 the Company became a division of SEMCO Energy Inc., as such, there are no longer Corporate Directors required.			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SECURITY HOLDERS AND VOTING POWERS

1. (A) Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were then in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
(B) Give also the name and indicate the voting powers resulting from ownership of securities of the respondent of each officer and director not included in the list of 10 largest security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement the circumstances whereby such security became vested with voting rights and give other important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent: if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning nay options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued on a prorata basis.

1. Give date of the latest closing of the stock book prior to end of year, and state the purpose of such closing:

NOT APPLICABLE

2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy:

3. Give the date and place of such meeting:

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

SECURITY HOLDERS AND VOTING POWERS (Continued)

Line No.	Name (and Title) and Address of Security Holde (a)	VOTING SECURITIES Number of votes as of (date): Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	TOTAL votes of all voting securities	0			
5	TOTAL number of security holders	0			
6	TOTAL votes of seurity holders listed below	0			
7					
8	Not Applicable				
9					
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference tc Commission authorization, if any was required, Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.
6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a materiel interest.
11. Estimated increase or decrease in annual revenues due to important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. If the important changes during the year relating to

1. Not applicable
2. Not applicable
3. Not applicable
4. Not applicable
5. Not applicable
6. Not applicable
7. Not applicable
8. Local Union #16201, United Steelworkers of America, received an increase of 2.5% as of 06/30/06
   Local Union #3135, United Steelworkers of America, received an increase of 2% as of 04/21/06
   Local Union #473, Utility Workers Union of America, received an increase of 2.5% as of 12/01/06
   Non-union employees received an average merit increase of 3.78% effective 04/01/06
9. Not applicable
10. Not applicable

IMPORTANT CHANGES DURING THE YEAR (Continued)

11. The Company received a rate increase effective January 10, 2007 in Order U-14893. The Company's overall revenue requirement reflects an increase of $12.5 million in SEMCO's overall revenue requirement based on the Company's current expected revenues at current rates.

Rate Class	Customers	Estimated Increase
Residential	226,669	$9,031,742
G-S 1	19,004	1,582,362
G-S 2	3,516	734,904
G-S 3	857	1,001,649
Transport/Special Contract	177	298,876

12. Not applicable

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114, 118)	200-201	430,197,248	445,677,910
3	Construction Work in Progress (107)	200-201	5,028,653	966,041
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		435,225,901	446,643,951
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115, 119)	200-201	(181,149,732)	(185,939,528)
6	Net Utility Plant (Enter Total of line 4 less 5)		254,076,169	260,704,423
7	Nuclear Fuel (120.1-120.4, 120.6)	- - -	0	0
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	- - -	0	0
9	Net Nuclear Fuel (Enter Total of line 7 less 8)		0	0
10	Net Utility Plant (Enter Total of lines 6 and 9)		254,076,169	260,704,423
11	Utility Plant Adjustments (116)	122-123	0	0
12	Gas Stored Underground-Noncurrent (117)	220	0	0
13	OTHER PROPERTY AND INVESTMENTS			
14	Nonutility Property (121)	221	115,703	115,703
15	(Less) Accum. Prov. for Depr. and Amort. (122)	221	(34,545)	(38,293)
16	Investments in Associated Companies (123)	222-223	0	0
17	Investments in Subsidiary Companies (123.1)	224-225	0	0
18	(For cost of Account 123.1 See Footnote Page 224, line 42)			
19	Noncurrent Portion of Allowances	- - -	0	0
20	Other Investments (124)	222-223,229	0	0
21	Special Funds (125-128)	- - -	0	0
22	TOTAL Other Property and Investments (Total of lines 14 thru 21)		81,158	77,410
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	- - -	0	0
25	Special Deposits (132-134)	- - -	1,389,967	3,436,571
26	Working Fund (135)	- - -	0	452
27	Temporary Cash Investments (136)	222-223	0	0
28	Notes Receivable (141)	228A	0	0
29	Customer Accounts Receivable (142)	228A	33,866,390	14,493,598
30	Other Accounts Receivable (143)	228A	1,227,810	1,265,088
31	(Less) Accum. Prov. for Uncoll. Acct.-Credit (144)	228A	(954,163)	(1,432,270)
32	Notes Receivable from Associated Companies (145)	228B	0	0
33	Accounts Receivable from Associated Companies (146)	228B	0	0
34	Fuel Stock (151)	228C	0	0
35	Fuel Stock Expenses Undistributed (152)	228C	0	0
36	Residuals (Elec) and Extracted Products	228C	0	0
37	Plant Materials and Operating Supplies (154)	228C	1,374,805	1,545,019
38	Merchandise (155)	228C	0	0
39	Other Materials and Supplies (156)	228C	0	0
40	Nuclear Material Held for Sale (157)	228C	0	0

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SEMCO ENERGY GAS CO	(1) X An Original	MO/DA/YR	
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
41	Allowances (158.1 and 158.2)	---	0	0
42	(Less) Noncurrent Portion of Allowances	---	0	0
43	Stores Expense Undistributed (163)	227C	209,425	151,896
44	Gas Stored Underground-Current (164.1)	220	74,710,163	73,462,538
45	Liquefied Natural Gas Stored and Held for Processing (164..2-164.3)	220	0	0
46	Prepayments (165)	226,230	9,380,903	5,149,600
47	Advances for Gas (166-167)	229	0	0
48	Interest and Dividends Receivable (171)	---	0	0
49	Rents receivable (172)	---	0	0
50	Accrued Utility Revenues (173)	---	52,125,820	30,106,383
51	Miscellaneous Current and Accrued Assets (174)	---	0	1,874,191
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)		173,331,120	130,053,066
53	DEFERRED DEBITS			
54	Unamortized Debt Expenses (181)	---	214,984	168,918
55	Extraordinary Property Losses (182.1)	230	0	0
56	Unrecovered Plant & Regulatory Study Costs (182.2)	230	0	0
57	Other Regulatory Assets	232	855,526	0
58	Prelim. Survey & Invest. Charges (Electric) (183)	---	0	0
59	Prelim. Survey & Invest. Charges (Gas) (183.1, 183.2)	231	0	0
60	Clearing Accounts (184)	---	0	0
61	Temporary Facilities	---	0	0
62	Miscellaneous Deferred Debits (186)	233	7,523,906	25,109,181
63	Def. Losses from Disposition of Utility Plant (187)	---	0	0
64	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
65	Unamortized Loss on Reacquired Debt (189)	---	1,144,888	899,571
66	Accumulated Deferred Income Taxes (190)	234-235	22,093,313	5,265,524
67	Unrecovered Purchased Gas Costs (191)	---	0	0
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		31,832,617	31,443,195
69	TOTAL Assets and Other Debits (Enter Total of lines 10, 11, 12, 22, 52 and 68)		459,321,064	422,278,094

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	7,477,130	7,477,130
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	51,252,806	51,252,806
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	(268,951)	(268,951)
11	Retained Earnings (215, 215.1, 216)	118-119	84,808,942	86,798,951
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		143,269,927	145,259,936
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	0	0
17	(Less) Reacquired Bonds (222)	256-257	0	0
18	Advances from Associated Companies (223)	256-257	0	0
19	Other Long-Term Debt (224)	256-257	136,040,000	140,230,000
20	Unamortized Premium on Long-Term Debt (225)	258-259	0	0
21	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	258-259	0	0
22	TOTAL Long-Term Debt (Enter Total of lines 16 thru 21)		136,040,000	140,230,000
23	OTHER NONCURRENT LIABILITIES			
24	Obligations Under Capital Leases-Noncurrent (227)	- - -	0	0
25	Accumulated Prov. for Property Insurance (228.1)	- - -	0	0
26	Accumulated Prov. for Injuries and Damages (228.2)	- - -	220,000	220,000
27	Accumulated Prov. for Pensions and Benefits (228.3)	- - -	0	0
28	Accumulated Misc. Operating Provisions (228.4)	- - -	0	0
29	Accumulated Provision for Rate Refunds (229)	- - -	0	0
30	TOTAL Other Noncurrent Liabilities (Enter Total of lines 24 thru 29)		220,000	220,000
31	CURRENT AND ACCRUED LIABILITIES			
32	Notes Payable (231)	260A	0	0
33	Accounts Payable (232)	- - -	45,634,650	35,128,050
34	Notes Payable to Associated Companies (233)	260A	72,907,481	52,891,927
35	Accounts Payable to Associated Companies (234)	260A	0	0
36	Customer Deposits (235)	- - -	3,167,712	1,228,759
37	Taxes Accrued (236)	262-263	7,190,819	1,222,049
38	Interest Accrued (237)	- - -	0	0
39	Dividends Declared (238)	- - -	0	0
40	Matured Long-Term Debt (239)	- - -	0	0

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
41	Matured Interest (240)	---	0	0
42	Tax Collections Payable (241)	---	4,273	3,716
43	Misc. Current and Accrued Liabilities (242)	268	5,793,906	1,953,983
44	Obligations Under Capital Leases-Current (243)	---	0	0
45	Federal Income Taxes Accrued for Prior Years (244)	---	86,473	86,473
46	Michigan Single Business Taxes Accrued for Prior Years-Adj. (244.1)	---	0	0
47	Fed. Inc. Taxes Accrued for Prior Years-Adj. (245)	---	0	0
48	Michigan Single Business Taxes Accrued for Prior Years-Adj. (244.1)	---	0	0
49	TOTAL Current and Accrued Liabilities (Enter total of lines 32 thru 48)		134,785,314	92,514,957
50	DEFERRED CREDITS			
51	Customer Advances for Construction (252)	---	257,450	257,450
52	Accumulated Deferred Investment Tax Credits (255)	266-267	352,020	87,108
53	Deferred Gains from Disposition of Utility Plt. (256)	---	0	0
54	Other Deferred Credits (253)	269	(3,509,787)	14,966,643
55	Other Regulatory Liabilities (285-286)	278	535,963	230,904
56	Unamortized Gain on Reacquired Debt (257)	260	0	0
57	Accumulated Deferred Income Taxes (281-284)	272-277	47,370,177	28,511,096
58	TOTAL Deferred Credits (Enter Total of lines 51 thru 57)		45,005,823	44,053,201
59	TOTAL Liabilities and Other Credits (Enter total of lines 14, 22, 30, 49 and 58)		459,321,064	422,278,094

NAME OF RESPONDENT	This Report is:	Date of Report	Year of Report
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STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

4. Use page 122 for important notes regarding the statement of income or any account thereof.

5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.

6. Give concise explanations concerning significant amounts of any refunds made or received during the year.

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	360,547,344	387,767,451
3	Operating Expenses			
4	Operation Expenses (401)	320-325	317,042,989	339,662,126
5	Maintenance Expenses (402)	320-325	2,620,586	2,266,498
6	Depreciation Expense (403)	336-338	13,298,459	12,872,602
7	Amort. & Depl. of Utility Plant (404-405)	336-338	76,958	82,771
8	Amort. of Utility Plant Acq. Adj. (406)	336-338	0	0
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)		0	0
10	Amort. of Conversion Expenses (407)		0	0
11	Regulatory Debits (407.3)		0	0
12	(Less) Regulatory Credits (407.4)		0	0
13	Taxes Other Than Income Taxes (408.1)	262-263	6,235,162	7,433,970
14	Income Taxes - Federal (409.1)	262-263	2,030,406	7,421,933
15	- Other (409.1)	262-263	0	0
16	Provision for Deferred Income Taxes (410.1)	234,272-277	4,564,410	3,175,158
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234,272-277	(4,084,704)	(6,180,354)
18	Investment Tax Credit Adj. - Net (411.4)	266	(264,912)	(264,912)
19	(Less) Gains from Disp. of Utility Plant (411.6)		0	0
20	Losses from Disp. of Utility Plant (411.7)		0	0
21	(Less) Gains from Disposition of Allowances (411.8)		0	0
22	Losses from Disposition of Allowances (411.9)		0	0
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		341,519,355	366,469,792
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25)		19,027,989	21,297,659

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be attached at page 122.

8. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on page 122 or in a supplemental statement.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year (a)	Previous Year (b)	Current Year (c)	Previous Year (d)	Current Year (e)	Previous Year (f)	Line No.
						1
		360,547,344	387,767,451			2
						3
		317,042,989	339,662,126			4
		2,620,586	2,266,498			5
		13,298,459	12,872,602			6
		76,958	82,771			7
		0	0			8
		0	0			9
		0	0			10
		0	0			11
		0	0			12
		6,235,162	7,433,970			13
		2,030,406	7,421,933			14
		0	0			15
		4,564,410	3,175,158			16
		(4,084,704)	(6,180,354)			17
		(264,912)	(264,912)			18
		0	0			19
		0	0			20
		0	0			21
		0	0			22
		341,519,355	366,469,792			23
		19,027,989	21,297,659			24

NAME OF RESPONDENT	This Report is:	Date of Report	Year of Report
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STATEMENT OF INCOME FOR THE YEAR (Continued)

NONE

Line No.	OTHER UTILITY		OTHER UTILITY		OTHER UTILITY	
	Current Year (a)	Previous Year (b)	Current Year (c)	Previous Year (d)	Current Year (e)	Previous Year (f)
1						
2						
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NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		19,027,989	21,297,659
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues from Merchandising, Jobbing and Contract Work (415)		80,135	147,923
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)		(71,818)	(139,476)
31	Revenues from Nonutiltiy Operations (417)		(13,929)	5,828
32	(Less) Expenses of Nonutility Operations (417.1)		2,700	(240)
33	Nonoperating Rental Income (418)		0	0
34	Equity in Earnings of Subsidiary Companies (418.1)	119	0	0
35	Interest and Dividend Income (419)		228,491	214,598
36	Allowance for Other Funds Used During Construction (419.1)		230,676	124,626
37	Miscellaneous Nonoperating Income (421)		0	6,010
38	Gain on Disposition of Property (421.1)		0	207,545
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		456,255	566,814
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		0	0
42	Miscellaneous Amortization (425)	340	0	0
43	Miscellaneous Income Deductions (426.1-426.5)	340	(273,153)	(230,530)
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		(273,153)	(230,530)
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	0	0
47	Income Taxes-Federal (409.2)	262-263	(64,086)	(177,145)
48	Income Taxes-Other (409.2)	262-263	0	0
49	Provision for Deferred Inc. Taxes (410.2)	234,272-277	0	0
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234,272-277	0	0
51	Investment Tax Credit Adj.-Net (411.5)		0	0
52	(Less) Investment Tax Credits (420)		0	0
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 thru 52)		(64,086)	(177,145)
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		119,016	159,139
55	Interest Charges			
56	Interest on Long-Term Debt (427)		0	0
57	Amort. of Debt Disc. and Expense (428)	258-259	291,384	46,068
58	Amortization of Loss on Reacquired Debt (428.1)		0	245,317
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259	0	0
60	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		0	0
61	Interest on Debt to Assoc. Companies (430)	340	13,016,079	11,572,430
62	Other Interest Expense (431)	340	364,533	261,903
63	(Less) Allowance for Borrowed Funds Used During Contribution-Cr.(432)		0	0
64	Net Interest Charges (Enter Total of lined 56 thru 63)		13,671,996	12,125,717
65	Income Before Extraordinary Items (Enter Total of lines 25,54 and 64)		5,475,009	9,331,081
66	Extraordinary Items			
67	Extraordinary Income (43)		0	0
68	(Less) Extraordinary Deductions (435)		0	0
69	Net Extraordinary Items (Enter total of line 67 less line 68)		0	0
70	Income Taxes-Federal and Other (409.3)	262-263	0	0
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)		0	0
72	Net Income (Enter Total of lines 65 and 71)		5,475,009	9,331,081

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

RECONCILIATION OF DEFERRED INCOME TAX EXPENSE

1. Report on this page the charges to accounts 410, 411 and 420 reported in the contra accounts 190, 281, 282, 283 and 284.
2. The charges to the subaccounts of 410 and 411 found on pages 114-117 should agree with the subaccount totals reported on these pages.

In the event the deferred income tax expenses reported on pages 114-117 do not directly reconcile with the amounts found on these pages, then provide the additional information requested in instruction #3, on a separate page.

Line No.		Electric Utility	Gas Utility
1	Debits to Account 410 from:		
2	Account 190/191		1,467,607
3	Account 281		
4	Account 282		2,258,837
5	Account 283		837,966
6	Account 284		
7	Reconciling Adjustments		
8	TOTAL Account 410.1 (on pages 114-115 line 16)		4,564,410
9	TOTAL Account 410.2 (on page 117 line 49)		
10	Credits to Account 411 from:		
11	Account 190/191		(1,648,630)
12	Account 281		
13	Account 282		(1,667,366)
14	Account 283		(768,708)
15	Account 284		
16	Reconciling Adjustments		
17	TOTAL Account 411.1 (on pages 114-115 line 17)		(4,084,704)
18	TOTAL Account 411.2 (on page 117 line 50)		
19	Net ITC Adjustment:		
20	ITC Utilized for the Year DR		
21	ITC Utilized for the Year CR		(264,912)
22	ITC Adjustments:		
23	Adjust last year's estimate to actual per filed return		
24	Other (specify)		
25	Net Reconciling Adjustments Account 411.4*		(264,912)
26	Net Reconciling Adjustments Account 411.5**		
27	Net Reconciling Adjustments Account 420***		

* on pages 114-15 line 18   ** on page 117 line 51   *** on page 117 line 52

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RECONCILIATION OF DEFERRED INCOME TAX EXPENSE (Continued)

3. (a) Provide a detailed reconciliation of the applicable deferred income tax expense subaccount(s) reported on pages 114-117 with the amount reported on these pages.

(b) Identify all contra accounts (other than accounts 190 and 281-284).

(c) Identify the company's regulatory authority to utilize contra accounts other than accounts 190 or 281-284 for the recording of deferred income tax expense(s).

Other Utility	Total Utility	Other Income	Total Company	Line No.
				1
	1,467,607		1,467,607	2
				3
	2,258,837		2,258,837	4
	837,966		837,966	5
				6
				7
	4,564,410			8
		0		9
				10
	(1,648,630)		(1,648,630)	11
				12
	(1,667,366)		(1,667,366)	13
	(768,708)		(768,708)	14
				15
				16
	(4,084,704)			17
		0		18
				19
				20
	(264,912)		(264,912)	21
				22
				23
				24
	(264,912)			25
		0		26
		0		27

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

OPERATING LOSS CARRYFORWARD

Fill in below when the company sustains an operating loss, loss carryback or carryforward whenever or wherever applicable.

Line No.	Year (a)	Operating Loss (b)	Loss Utilized: Loss Carryforward (F) or Carryback (B) (c)	Loss Utilized: Amount (d)	Year (e)	Balance Remaining (f)
1						
2						
3		**Not Applicable**				
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NAME OF RESPONDENT	This Report is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO	(1) X An Original	MO/DA/YR	
(MPSC Division)	(2) A Resubmission	04/30/07	Dec. 31, 2006

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance or retained earnings. Follow by credit, the debit, items in that order.
5. Show dividends for each class and series of capita stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement, attach them at page 122.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance - Beginning of Year		84,808,942
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439)		
4	Credit:		
5	Credit:		
6	Credit:		
7	Credit:		
8	TOTAL Credits to Retained Earnings (Acct. 439)		
9	Debit:		
10	Debit:		
11	Debit:		
12	Debit:		
13	TOTAL Debits to Retained Earnings (Acct. 439)		
14	Balance Transferred from Income (Account 433 Less Account 418.1)		5,475,009
15	Appropriations of Retained Earnings (Account 436)		
16			
17			
18			
19			
20			
21	TOTAL Appropriation of Retained Earnings (Account 436)		
22	Dividends Declared - Preferred Stock (Account 437)		
23			
24			
25			
26			
27			
28	TOTAL Dividends Declared - Preferred Stock (Account 437)		

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

STATEMENT OF RETAINED EARNINGS FOR THE YEAR (Continued)

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
29	Dividends Declared - Common Stock (Account 438)		(3,485,000)
30			
31			
32			
33			
34			
35	TOTAL Dividends Declared - Common Stock (Account 438)		(3,485,000)
36	Transfers from Account 216.1, Unappropriated Subsidiary Earnings		
37	Balance - End of Year (Enter Total of lines 1 thru 36)		86,798,951
38			
39			
40			
41			
42			
43	TOTAL Appropriated Retained Earnings (Account 215)		
44	TOTAL Appropriated Retained Earnings-Amortizaiton Reserve, Federal (Acct. 215.1)		
45	TOTAL Appropriated Retained Earnings (Accounts 215 & 215.1)		
46	TOTAL Retained Earnings (Accounts 215, 215.1 & 216)		
47	Balance - Beginning of Year (Debit or Credit)		
48	Equity in Earnings for Year (Credit) (Account 418.1)		
49	(Less) Dividends Received (Debit)		
50	Other Changes (Explain)		
51	Balance - End of Year (Enter Total of lines 47 thru 50)		

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondents annual stockholders report are applicable to the statement, such notes should be attached to page 122, Information about noncash investing and financing activities should be provided on page 122. Provide also on page 122 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
3. Operating Activities-Other: Include gains and losses pertianing to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on page 122 the amounts of interest paid (net of amounts capitalized) and income taxes paid

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities:	
2	Net Income (Line 72 (c) on page 117)	5,475,009
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	12,681,334
5	Amortization of (Specify) Deferred Debt Expense	291,384
6		
7		
8	Deferred Income Taxes (Net)	(34,135,032)
9	Investment Tax Credit Adjustments (Net)	(264,912)
10	Net (Increase) Decrease in Receivables	19,813,620
11	Net (Increase) Decrease in Inventory	1,134,939
12	Net (Increase) Decrease in Allowances Inventory	
13	Net Increase (Decrease) in Payables and Accrued Expenses	(18,414,323)
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net (Increase) Decrease in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other: Net (Increase) Decrease in Other Working Capital	20,380,882
19	Net (Increase) Decrease in Other Deferred Debits	18,340,819
20	Net (Increase) Decrease in Other Deferred Credits	15,580,012
21	Net Cash Provided by (Used in) Operating Activities	
22	(Total of lines 2 thru 20)	40,883,732
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(19,526,122)
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance for Other Funds Used During Construction	
31	Other:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(19,526,122)
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment of Securities (a)	

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

STATEMENT OF CASH FLOWS

4. Investing Activities
Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on page 122.
Do no include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on page 122.

5. Codes used:
(a) Net proceeds or payments.
(b) Bonds, debentures and other long-term debt.
(c) Include commercial paper.
(d) Identify separately such items as investments, fixed assets, intangibles, etc.
6. Enter on page 122 clarifications and explanations.

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net (Increase) Decrease in Payables and Accrued Expenses	
53	Other:	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	(19,526,122)
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	(20,015,554)
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	(20,015,554)
71		
72	Payments for Retirement of:	
73	Long-Term Debt (b)	4,190,000
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	(3,485,000)
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	(19,310,554)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	2,047,056
87		
88	Cash and Cash Equivalents at Beginning of Year	1,389,967
89		
90	Cash and Cash Equivalents at End of Year	3,437,023

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) X An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/07	Year of Report Dec. 31, 2006

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 15 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be attached hereto.

See Page 123 for Footnote data.

Note 1. Company Description and Significant Accounting Policies

Company Description. The accompanying financial statements represent the operations of SEMCO Energy, Inc. which are located in areas of Michigan regulated by the Michigan Public Service Commission ("MPSC"). References to the "Company" in this document mean these operations. The Company operates as a division of SEMCO Energy, Inc. and references in this document to the "Parent" mean SEMCO Energy, Inc. The Company is a regulated public utility headquartered in Port Huron, Michigan and distributes and transports natural gas to approximately 250,000 customers throughout Michigan. The Company does business under the name SEMCO Energy Gas Company. The Company is regulated by the MPSC and, as a result, is also referred to as the "MPSC Division." The MPSC has jurisdiction over, among other things, rates, accounting procedures, and standards of service.

Basis of Presentation. The accompanying financial statements of the Company were prepared in accordance with the accounting requirements of the MPSC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, or "GAAP". Differences between MPSC accounting requirements and GAAP are discussed in Note 1 (under the captions "Accounts Receivable" and "Property, Plant, Equipment and Depreciation") and Note 3.

In connection with the preparation of the financial statements, management was required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, money market funds, and commercial paper with original maturities of three months or less.

Restricted Cash. At December 31, 2006, and 2005, the Company had $3.4 million and $1.4 million, respectively, of restricted cash. Restricted cash includes deposits to an escrow account to comply with credit requirements of two of the Company's gas suppliers.

Accounts Receivable. Trade accounts receivable are recorded at the billed amount and do not bear interest. In accordance with MPSC accounting requirements, customer accounts with credit balances are netted against accounts receivable in the accompanying financial statements. These credit balance accounts are a result of advance payments from customers who sign up for the Company's budget payment program. This program is designed so customers can pay their estimated annual gas charges in equal monthly payments. As a result, customers make advance payments during the non-heating season when consumption and charges are generally low, and then utilize these advance payments to pay for a portion of their gas bills during the heating season, when consumption and charges are generally high. For GAAP purposes, these advance payments would be reflected as a liability rather than netted against accounts receivable.

The allowance for doubtful accounts is the Company's estimate of the amount of probable credit losses in existing accounts receivable. Allowance for doubtful accounts is based primarily on the aging of receivables, while also taking into consideration historical write-off experience and regional economic data. The Company reviews allowance for doubtful accounts monthly. Account balances are charged off against the allowance when the Company determines it is probable that certain individual receivables will not be recovered. Uncollectible accounts, or bad debt expense, was $2.0 million and $1.6 million for 2006 and 2005, respectively.

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Accrued Revenue. Accrued revenue represents revenue earned in the current period but not billed to the customer until a future date, usually within one month.

Gas in Underground Storage. The Company's natural gas inventory at December 31, 2006, and 2005, was reported at average cost. In general, commodity costs and variable transportation costs are capitalized as gas in underground storage. Fixed costs, primarily pipeline demand charges and storage charges, are expensed as incurred through the cost of gas.

Property, Plant, Equipment and Depreciation. The Company's property, plant and equipment are recorded at cost. The Company provides for depreciation on a straight-line basis over the estimated useful lives of the related property. The lives over which the Company's significant classes of regulated and non-regulated depreciable property are depreciated are as follows (in years):

Land	—
Underground gas storage property	25 - 39
Gas transmission property	30 - 41
Gas distribution property	19 - 58
General property	5 - 34

The Company's ratio of depreciation to the average balance of property was approximately 3.3% for both years 2006 and 2005.

Depreciation rates on the Company's property are set by the MPSC. The depreciation rates are intended to expense, over the expected life of the property, both the original cost of the property and the expected costs to remove or retire the property at the end of its useful life. The component of depreciation expenses related to the expected costs to remove or retire property is known in the utility industry as negative salvage value. In accordance with MPSC accounting requirements, the accompanying financial statements reflect both of these components of depreciation expense as a charge to accumulated depreciation. Under the MPSC accounting requirements, when the regulated property is ultimately retired, or otherwise disposed of in the ordinary course of business, the original cost of the property and the actual removal costs, less salvage proceeds, are charged to accumulated depreciation. By contrast, GAAP requires the portion of depreciation expense related to expensing the original cost of the property to be charged to accumulated depreciation, while the portion related to expensing the expected costs to remove or retire the regulated property, less expected salvage proceeds, to be charged to a regulatory liability. Under GAAP, when the regulated property is ultimately retired, or otherwise disposed of in the ordinary course of business, the original cost of the property is charged to accumulated depreciation, and the actual removal costs, less salvage proceeds, are charged to the regulatory liability. With respect to the retirement or disposal of non-regulated assets, the resulting gains or losses are recognized in income.

Asset Retirement Obligations. The Company accounts for asset retirement obligations under the provisions of SFAS 143, "Accounting for Asset Retirement Obligations" and Financial Accounting Standards Board ("FASB") Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations ("FIN 47")."

SFAS 143 requires companies to record the fair value of the cost to remove assets at the end of their useful life, if there is a legal obligation to remove them. FIN 47 clarifies the term "conditional asset retirement obligation" as used in SFAS 143. The term refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

The Company has identified certain assets for which asset retirement obligations must be recognized. At December 31, 2006, and December 31, 2005, the Company estimated that the cost of retiring these assets at the date of removal would be $10.6 million and $11.0 million, respectively. The present value of these obligations at December 31, 2006, and December 31, 2005, was $1.1 million and $1.0 million, respectively, and these amounts are recognized as a liability under other deferred liabilities in the Company's Balance Sheets.

Goodwill. Goodwill represents the excess of purchase price and related costs over the value assigned to the net identifiable assets of businesses acquired. The Company accounts for goodwill under the provisions of SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets." SFAS 141 addresses financial accounting and reporting for all business combinations and requires that all business combinations entered into after June 2001 be recorded under the purchase method. This statement also addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. SFAS 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets at acquisition. This statement also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition.

The Company is required to perform impairment tests on its goodwill annually or at any time when events occur which could impact the value of the Company's business segments. If an impairment test of goodwill shows that the carrying amount of the goodwill is in excess of the fair value, a corresponding impairment loss would be recorded in the Statements of Income. The annual impairment tests for 2006 and 2005 were performed for the Company's business segments and indicated that there was no impairment of goodwill. The Company's goodwill at December 31, 2006, and 2005, was $5.4 million.

Customer Advance Payments. Customer advance payments are deposits the Company receives from customers to cover customer credit risk.

Revenue Recognition. The Company bills monthly on a cycle basis and follows the utility industry practice of recognizing accrued revenue for services rendered to its customers but not billed at month end. Gas sales revenue is comprised of three components: (i) monthly customer service fees; (ii) volumetric distribution charges; and (iii) volumetric gas commodity charges. Monthly customer service fees represent fixed fees charged to customers. Distribution charges are charged to customers based on the volume of gas they consume. Gas commodity charges represent the cost of gas consumed by customers. As discussed in more detail in the Cost of Gas section below, the Company does not earn any income on the gas commodity charge portion of customer rates.

Cost of Gas, Gas Charges Recoverable from Customers, and Amounts Payable to Customers. The Company operates under an MPSC-approved gas cost recovery ("GCR") pricing mechanism. The GCR pricing mechanism is designed so that, in the absence of any cost disallowances, the Company's cost of gas purchased is passed-through to the Company's customers on a dollar-for-dollar basis and, therefore, the Company does not recognize any income on the gas commodity charge portion of customer rates.

The GCR pricing mechanism allows for the adjustment of rates charged to customers for increases and decreases in the cost of gas purchased by the Company for sale to customers. The GCR pricing mechanism is subject to an MPSC review of the Company's GCR gas purchase plans and actual gas purchases. A GCR gas purchase plan is filed annually with the MPSC by December 31 of each year for the upcoming April 1 to March 31 GCR period. A reconciliation case is filed by June 30 of each year to reconcile actual gas purchases during the previous April 1 to March 31 GCR period to the GCR gas purchase plan for the same period. Both the GCR gas purchase plan and the reconciliation case may involve MPSC reviews of Company actions and decisions and potential cost disallowances. From time to time, parties in GCR cases propose cost disallowances, and those matters are litigated in the proceedings. The Company does not recognize potential cost disallowances until the Company determines that the cost disallowances are probable. Disallowed costs are expensed in the cost of gas but are not recovered in rates.

Under the GCR pricing mechanism, the gas commodity charge portion of customers' gas rates (which is also referred to as the "GCR rate") may be adjusted upward on a quarterly basis and downward on a monthly basis if actual natural gas prices paid by the Company are significantly different than the prices set in the MPSC-approved GCR plan. Any difference between actual allowed cost of gas purchased and the estimate for a particular GCR period is deferred as either a gas charge over- or under-recovery and included in customer GCR rates during the next GCR period. A gas charge over-recovery occurs when the estimated cost of gas exceeds the actual cost of gas purchased and is reflected in Amounts Payable to Customers in the current liabilities section of the Company's Balance Sheets. A gas charge under-recovery occurs when the actual cost of gas purchased exceeds the estimated cost of gas and is reflected in Gas Charges Recoverable from Customers in the current assets section of the Company's Balance Sheets. At December 31, 2006, the Company had $0.1 million recorded in current liabilities for Amounts Payable to Customers and $1.5 million recorded in current assets for Gas Charges Recoverable from Customers, under the GCR pricing mechanism.

Self-Insurance. The Company is self-insured for health care costs up to $75,000 per subscriber annually. Insurance coverage is carried for risks in excess of this amount. The Company incurred self-insured health care expense of approximately $1.9 million and $1.7 million for the years ended December 31, 2006 and 2005, respectively. Estimated claims incurred but not reported were $0.4 million as of December 31, 2006, and 2005, and are included in other current liabilities in the Company's Balance Sheets.

Income Taxes. The Company is included in the consolidated federal income tax return of the Parent. The Company's income tax expense, income taxes payable and deferred income taxes in the accompanying financial statements are computed on a stand-alone basis. Investment tax credits ("ITC") utilized in prior years for income tax purposes are deferred for financial accounting purposes and are amortized through credits to the income tax provision over the lives of the related property. For additional information, refer to Note 3.

Affiliate Cost Allocations. As discussed above, the Company operates as a division of the Parent. The Parent and its other divisions and subsidiaries are referred to collectively as the Company's "Affiliates." The Parent provides various services to the Company and its Affiliates, such as executive management, incentive compensation, legal, accounting, finance, treasury, tax and human resources. The Parent's costs incurred to provide these services are allocated among the Company and its Affiliates using a allocation formula that is accepted by the MPSC. These expenses are recorded on the Company's and its Affiliate's books by an adjustment to an account payable to the Parent. For additional information, refer to Note 7.

Share-Based Compensation. In December 2004, the FASB issued SFAS 123 (revised 2004) — "Share-Based Payment" ("SFAS 123-R"). This standard supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and requires recognition of expense in the Company's financial statements for the cost of share-based payment transactions, including stock option awards, based on the fair value of the award at the grant date. This standard also amends SFAS 95, "Statement of Cash Flows," to require that excess tax benefits related to the excess of the share-based compensation deductible for tax purposes over the compensation recognized for financial reporting purposes be classified as cash inflows from financing activities rather than as a reduction of taxes paid in operating activities.

The Parent is the issuer of all share-based awards to employees of the Company and its Affiliates and accounts for all share-based compensation in its books and records. The Parent's share-based compensation is allocated to the Company as described above under the caption "Affiliate Cost Allocations." The Parent, and Company, adopted SFAS 123-R on January 1, 2006, using the modified prospective method described in SFAS 123-R. Under this transition method, compensation expense recognized during 2006, included: (i) compensation expense for all share-based awards granted prior to, but not yet vested as of, December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" (collectively "SFAS 123"); and (ii) compensation expense for all share-based awards granted after December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123-R. In accordance with the modified prospective method, results for the Parent's prior periods were not been restated.

Prior to the adoption of SFAS 123-R, the Parent accounted for share-based compensation arrangements in accordance with SFAS 123. In accordance with SFAS 123, the Parent chose to account for certain of its share-based compensation arrangements under APB 25 for purposes of determining net income but presented the pro forma disclosures required by SFAS 123. As a result, the Parent's net income (loss) as reported in its Consolidated Statements of Operations for periods prior to January 1, 2006, reflected compensation expense for certain of its share-based compensation arrangements calculated using the intrinsic value method provided for under the provisions and related interpretations of APB 25 rather than the fair value method provided for under SFAS 123. If all of the Parent's share-based compensation expense for periods prior to January 1, 2006, had been determined in a manner consistent with the provisions of SFAS 123, the Parent's net income (loss) available to common shareholders and related earnings (loss) per share would have been reduced to the pro forma amounts set forth in the table below:

	Years Ended December 31,	
	2005	2004
	(In thousands, except per share amounts)	
Parent's net income (loss) available to common shareholders		
As reported	$ 169	$ (8,386)
Add back total share-based compensation expense included in reported net income, net of related tax effects	492	122
Deduct total share-based compensation expense determined under fair value based method for all awards, net of related tax effects	755	330
Pro forma	$ (94)	$ (8,594)
Parent's earnings (loss) per share — basic As reported	$ 0.01	$ (0.30)
Pro forma	$ —	$ (0.30)
Parent's arnings (loss) per share — diluted As reported	$ 0.01	$ (0.30)
Pro forma	$ —	$ (0.30)

As a result of adopting SFAS 123-R on January 1, 2006, the Parent's income before income taxes and net income available to common shareholders was $0.5 million and $0.3 million lower, respectively, for 2006, than if the Parent had continued to account for share-based compensation under APB 25. The reductions in earnings reduced basic and diluted earnings per share by $0.01 for 2006. Refer to Note 9 for further information about the Parent's share-based compensation arrangements.

New Accounting Standards. In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes — an interpretation of SFAS No. 109." This interpretation clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements in accordance with SFAS 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company does not expect that the interpretation will have a material impact on its consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 defines fair value, provides guidance for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. SFAS 157 applies to other standards that require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of evaluating the effect of this statement on its consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," which changes the financial reporting for defined benefit pension and postretirement plans. SFAS 158 requires companies to, among other things, recognize in their consolidated statements of financial position the funded status of their defined benefit postretirement plans measured as the difference between the fair value of plan assets and the related benefit obligation. For a pension plan, the benefit obligation would be the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation would be the accumulated postretirement benefit obligation. SFAS 158 also requires companies to recognize as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period but, pursuant to SFAS 87 and 106, are not recognized as components of net periodic benefit cost in the consolidated statement of operations. Amounts recognized in accumulated other comprehensive income would be adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of SFAS 87 and 106. The Company adopted SFAS 158 on December 31, 2006. For further information, refer to Note 8.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115." SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. If the Company chooses to elect the fair value option for an item, the Company would recognize unrealized gains and losses associated with changes in the fair value of the item over time. SFAS 159 will also require disclosures for items for which the fair value option has been elected. SFAS 159 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of choosing to elect the fair value option for any of its financial instruments or other items on its financial position, cash flows, and results of operations.

Statements of Cash Flows. For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. During the year ended December 31, 2006, cash paid for interest and income taxes was $13.4 million and $6.5 million, respectively. During the year ended December 31, 2005, cash paid for interest and income taxes was $11.8 million and $6.1 million, respectively.

Note 2. Regulatory Matters

On May 25, 2006, the Company filed a request with the MPSC seeking authority to increase the Company's base rates by approximately $18.9 million. As part of its filing, the Company also proposed to change various aspects of the Company's rate design (meaning the way in which the costs of providing service to customers are collected in base rates and other rates and charges). These proposed rate design changes included: (i) elimination of a consumption-based distribution charge for residential customers, to be replaced by a fixed monthly service charge (which would include the current fixed monthly customer charge) for those customers or, in the alternative, to collect a fixed monthly customer charge and a fixed distribution charge; (ii) collection of lost and unaccounted for ("LAUF") gas costs in the gas cost recovery ("GCR") rate or, in the alternative, an annual "true-up" of LAUF gas costs allowed by the MPSC in base rates and the Company's actual LAUF gas costs; (iii) an annual "true-up" of the uncollectible (or bad debt) expense allowed by the MPSC in base rates and the Company's actual uncollectible expense; (iv) the recovery of certain Company-sponsored or -funded conservation program costs; and (v) the recovery of the capital-related costs associated with the replacement of certain bare steel mains and storage field compressors. As an alternative, the Company proposed that the volumetric billing determinant for residential rates be set at a level that more closely approximated current customer usage, on a normalized basis.

In July 2006, the MPSC set a schedule for the proceeding on this filing and, based on that schedule, the Company had expected the MPSC to decide the case by mid- to late-Spring 2007. On December 29, 2006, the parties to the proceeding reached a settlement and filed it with the MPSC. The MPSC met on January 9, 2007, approved the proposed settlement, and issued an order for the implementation of the new rates for service rendered on and after January 10, 2007.

The order approving the settlement revised base rates, which are intended to recover the Company's non-gas costs of providing service. These revised base rates are estimated to produce total annual revenues of approximately $90.5 million. This total annual revenue figure includes an estimated increase in annual base rate revenues of approximately $12.65 million based on adjusted 2005 test year data. However, the Company expects that, based on the Company's current projections for 2007 residential use per customer, the revised rates would result in an increase of approximately $10.55 million in annualized base rate revenue. This base rate increase does not affect or include the cost of natural gas used by customers, which fluctuates with changes in market prices, and is passed through to customers via the GCR component of customer rates as discussed in Note 1 under the caption, "Cost of Gas, Gas Charges Recoverable from Customers, and Amounts Payable to Customers."

With the exceptions discussed below, none of the changes to rate design proposed by the Company were part of the MPSC-approved settlement. The consumption-based distribution charge for residential customers was not eliminated; however, the fixed monthly customer charge was increased from $9.50 to $10.00 per month, increasing the portion of fixed costs recovered in a fixed charge. The Company's proposals for recovery of LAUF gas costs and an annual true-up for uncollectible expense were not included in the MPSC-approved settlement, nor were the conservation program or the recovery of the capital-related costs associated with the replacement of certain bare steel mains and storage field compressors.

The MPSC order did address the continuing decline in residential customer consumption by changing a key billing element included in residential base rates. In the MPSC order issued in the Company's previous rate case proceeding in March 2005, residential base rates were set using annual customer usage of about 113 Mcf of natural gas. In the MPSC order issued on January 9, 2007, residential base rates were set using annual customer usage of 96 Mcf of natural gas. This reduction in the use per residential customer billing determinant recognizes that residential customer consumption has been steadily declining and sets base rates using an annual volume of gas consumption per customer that may be reasonably expected to be sold in a year with normal weather under current consumption patterns.

As a part of the settlement approved in the MPSC order, the Company also agreed not to file for base rate increases until after January 1, 2008.

In December 2004, the Company filed a base rate increase request totaling $11.65 million with the MPSC. On March 29, 2005, the MPSC approved a proposed settlement, which, at the time of settlement, was expected to produce an additional $7.1 million in annual revenue from customers. Increases in the fixed customer charge for several commercial and industrial customer classes and the increase in fees for certain services mitigated some of the effect of consumption and weather on the Company's revenues. The rate adjustments authorized by this settlement became effective on March 30, 2005.

The Company also is involved in various GCR proceedings before the MPSC, which are described in Note 1 under the caption, "Cost of Gas, Gas Charges Recoverable from Customers, and Amounts Payable to Customers." The Company seeks to end its GCR period ending on March 31 of each year with no significant under-recovery or over-recovery of costs incurred to purchase gas for sale to customers. However, if actual gas prices near the end of the GCR period change significantly from prices in the GCR plan, a significant under-recovery or over-recovery could occur.

On October 14, 2004, the MPSC initiated a generic proceeding involving all Michigan electric and gas utilities to review SFAS 143, "Accounting for Asset Retirement Obligations," Federal Energy Regulatory Commission Order No. 631, "Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations," and related accounting and ratemaking issues. As directed by the MPSC, the Company filed responses, in the form of testimony, to various questions raised by the MPSC regarding the Company's accounting practices for property retirements, including the cost of removal. Among other things, this proceeding involves an examination of possible changes in accounting for property retirements, for rate making purposes. On August 8, 2006, the Administrative Law Judge issued a Proposal for Decision that FAS 143 and FERC Order 631 be adopted for accounting purposes but not ratemaking purposes, and that the MPSC give due consideration to the revision of the traditional method of calculating removal costs. The matter awaits a decision by the MPSC.

Regulatory Assets and Liabilities. The Company is subject to the provisions of SFAS 71. The provisions of SFAS 71 allow the Company to defer expenses and income as regulatory assets and liabilities in the Balance Sheet when it is probable that those expenses and income will be allowed in the rate-setting process in a period different from the period in which they would have been reflected in the Statements of Income by an unregulated entity. These deferred regulatory assets and liabilities are then included in the Statements of Income in the periods in which the same amounts are reflected in rates. Management's assessment of the probability of recovery or pass-through of regulatory assets and liabilities requires judgment and interpretation of laws and regulatory commission orders. If, for any reason, the Company ceases to meet the criteria for application of regulatory accounting treatment for all or part of its operations, the regulatory assets and liabilities related to those portions ceasing to meet such criteria would be eliminated from the Balance Sheet and included in the Statement of Income for the period in which the discontinuance of regulatory accounting treatment occurs. Such amounts would be classified as extraordinary items. Criteria that give rise to the discontinuance of SFAS 71 include (i) increasing competition that restricts the ability of the Company to charge prices to recover specific costs, and (ii) a significant change in the manner in which rates are set by regulatory agencies from cost-based regulation to another form of regulation. The Company's review of these criteria currently supports the continuing application of SFAS 71.

The following table summarizes the regulatory assets and liabilities recorded in the Balance Sheets as of December 31, 2006 and 2005.

	December 31, 2006	December 31, 2005
	(In thousands)	
Regulatory assets		
Current		
Gas charges recoverable from customers	$ 1,467	$ —
Noncurrent		
Unfunded status of postretirement benefit plans	$15,555	$ —
Deferred postretirement benefit expense	4,458	5,202
Deferred loss on reacquired debt	900	1,145
Asset retirement obligation	867	822
Deferred environmental costs	2,488	792
Other	579	1,068
	$24,847	$ 9,029
Regulatory liabilities		
Current		
Amounts payable to customers (gas cost overrecovery)	$ 129	$ 2,095
Noncurrent		
Deferred tax benefits	$ 231	$ 2,088
Deferred investment tax credits	87	352
	$ 318	$ 2,440

Note 3. Income Taxes

The Company is included in the consolidated federal income tax return of the Parent. The Company's income tax expense, income taxes payable and deferred income taxes reflected here and in the accompanying financial statements are computed on a stand-alone basis. The Company accounts for income taxes in accordance with SFAS 109, "Accounting for Income Taxes." SFAS 109 requires an annual measurement of deferred tax assets and deferred tax liabilities based upon the estimated future tax effects of temporary differences and carry-forwards.

	Years Ended December 31, 2006	2005
	(In thousands)	
Federal income tax expense (benefit):		
Current	$2,094	$7,599
Deferred to future periods	480	(3,005)
Amortization of deferred investment tax credits ("ITC")	(265)	(265)
Total income tax expense	$2,309	$4,329

Reconciliation of Statutory Rate to Effective Rate. The table below provides a reconciliation of the difference between the Company's provision for income taxes and income taxes computed at the statutory rate.

	Years Ended December 31, 2006	2005
	(In thousands)	
Net Income	$ 5,475	$ 9,331
Add back income tax expense	2,309	4,329
Pre-tax income	$ 7,784	$13,660
Computed federal income tax expense	$ 2,724	$ 4,781
Amortization of deferred ITC	(265)	(265)
Other	(150)	(187)
Total income tax expense	$ 2,309	$ 4,329

Deferred Income Taxes. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the Company's financial statements. In accordance with MPSC accounting requirements, both current and non-current deferred tax assets are reflected in the Company's accompanying Balance Sheet in deferred debits and both current and non-current deferred tax liabilities are reflected in deferred credits. Under GAAP, the deferred taxes included in current assets and current liabilities would be netted and shown as either a net current asset or net current liability. Likewise, deferred taxes included in deferred debits and deferred credits would be netted and shown as either a net deferred debit or net deferred credit. The table below shows the principal components of the Company's deferred tax assets (liabilities).

	December 31, 2006	2005
	(In thousands)	
Property, plant and equipment	$ (23,357)	$ (24,140)
Retiree medical benefit liability	(337)	(71)
Retiree medical benefit regulatory assets	(1,560)	(1,821)
Deferred ITC	123	236
Unamortized debt expense	(315)	(317)
Property taxes	(1,148)	(1,245)
Gas in underground storage	2,497	1,124
Gas charge over-recovery	(468)	733
Other	1,319	224
Total deferred taxes	$ (23,246)	$ (25,277)
Gross deferred tax liabilities	$ (28,511)	$ (47,370)
Gross deferred tax assets	5,265	22,093
Total deferred taxes	$ (23,246)	$ (25,277)

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Net Operating Losses. The Parent has an estimated net operating loss ("NOL") carryforward for federal tax purposes of $84 million at December 31, 2006, of which an $19 million expires in 2022, $49 million expires in 2023 and $16 million expires in 2024. The Parent's ability to utilize its NOLs is limited by the Internal Revenue Code. However, the Parent currently expects that the Company and its Affiliates will achieve enough taxable income in future years to utilize its NOLs prior to their expiration.

Note 4. Long-Term Debt

The Company's long-term debt is held by the Parent. The Company has $16 million of long-term debt due to the Parent that has an interest rate of 7.46% . This interest rate is based on the weighted average interest rate of several of the Parent's long-term notes that were outstanding in 1999. The remainder of the Company's long-term debt due to the Parent relates specifically to long-term notes issued by the Parent and partially assigned to the Company. This assigned debt bears the same maturity and interest rate as the Parent's underlying notes. The Parent has called and repaid its underlying notes related to $54 million of the debt assigned to the Company, but the $54 million assigned to the Company remains outstanding. The following table shows the Company's long-term debt at December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
	(In thousands)	
7.46% Series Due 2008	16,000	16,000
7.125% Series Due 2008	35,115	33,020
8.10% Series Due 2010	54,000	54,000
7.75% Series Due 2013	35,115	33,020
Total long-term Debt	$ 140,230	$ 136,040

At December 31, 2006, there were no annual sinking fund requirements for the Company's existing debt over the next five years. The Company has $105 million of long-term debt maturing over the next five years as follows (in millions):

2007	$—
2008	$51
2009	$—
2010	$54
2011	$—

Note 5. Short-Term Borrowings

The Company meets all its short-term cash needs through borrowings from the Parent. In addition, as discussed in Note 7, the Company utilizes its short-term debt arrangement with the Parent to record transactions with its Affiliates. Interest paid to the Parent is at variable rates that coincide with the weighted average variable rates that the Parent pays for its short-term bank borrowings. The following table provides additional information regarding the Company's short-term borrowings:

	Years Ended December 31, 2006	Years Ended December 31, 2005
	(In thousands)	
Outstanding borrowings at year end	$52,892	$72,907
Weighted average interest rate	6.7%	5.6%

Note 6. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments:

Cash, Cash Equivalents, Accounts Receivables, Payables and Notes Payable. The carrying amount approximates fair value because of the short maturity of those instruments.

Long-Term Debt. The fair values of the Company's long-term debt are estimated based on quoted market prices for the same or similar issues, including the Parent's long-term debt. The table below shows the estimated fair values of the Company's long-term debt as of December 31, 2006, and 2005:

	December 31,	
	2006	2005
	(In thousands)	
Long-term debt, including current maturities		
Carrying amount	$140,230	$136,040
Fair value	142,417	141,124

Note 7. Transactions with Affiliates

As discussed in Notes 4 and 5, the Company borrows funds from the Parent to finance its short-term and long-term cash requirements. The Company's interest expense on advances from the Parent was $13.0 million and $11.6 million in 2006 and 2005, respectively. The Parent also allocates costs to the Company and its Affiliates as discussed in Note 1 under the caption "Affiliate Cost Allocations." Parent cost allocations to the Company for 2006 and 2005 were $9.3 million and $7.7 million, respectively. The majority of these cost allocations are reflected in operations and maintenance expense while smaller portions are reflected in property and other tax expense and depreciation expense. During 2006 and 2005, the Company also made dividend distributions to the Parent in the amounts of $3.5 million and $14.5 million, respectively. An affiliate of the Company provides information technology ("IT") services to the Company. During 2006, the Company paid $4.8 million to this affiliate for IT services, $1.0 million of which was capitalized as property and $3.8 million of which was recorded as operations and maintenance expense. During 2005, the Company paid $4.1 million to this affiliate for IT services, $0.5 million of which was capitalized as property and $3.6 million of which was recorded as operations and maintenance expense. The Company provides certain operations and maintenance services to an Affiliate and revenues received by the Company for those services in 2006 and 2005 were $0.2 million and $0.2 million, respectively. These amounts are recorded as offsets to operations and maintenance expense. The Company records all of the above described Affiliate transactions through its short-term debt arrangement with the Parent rather than through a trade account payable or receivable. Refer to Note 5 for the amount of the Company's outstanding short-term borrowings with the Parent.

Note 8. Pension Plans and Other Postretirement Benefits

The Company participates in the Parent's defined benefit pension plans and other postretirement benefit plans. The periodic benefit cost associated with each of the Parent's plans is pro-rated between the Company and its Affiliates based on each Affiliate's respective number participants in a particular plan as a percent of the total participants in the plan. Plan contributions are also pro-rated between the Company and its Affiliates in the same manner. The Company's pro-rated, or direct, net periodic benefit costs and plan contributions are recorded directly on the Company's books as an adjustment to the Company's accrued pension and other postretirement benefit costs. These pro-rated items are not part of the cost allocations from the Parent, which are discussed in Note 1 under the caption "Affiliate Cost Allocations." However, the Parent's pro-rata share of these items is allocated to the Company and its Affiliates in the manner discussed in Note 1.

Adoption of SFAS 158. The Company and its Affiliates adopted SFAS 158 on December 31, 2006. SFAS 158 requires, among other things, that the Company and its Affiliates recognize in their Balance Sheets the funded status of the defined benefit pension and postretirement benefit plans measured as the difference between the fair value of plan assets and the related benefit obligation, with a corresponding adjustment to accumulated comprehensive income, net of tax. Upon the adoption of SFAS 158, the Company and its Affiliates recorded an additional $21.9 million of net accrued/prepaid pension and other postretirement costs and a $0.4 million decrease in intangible assets, with a corresponding adjustment to accumulated comprehensive income, net of income taxes. As a result of adopting SFAS 158, the Company's and its Affiliate's accumulated comprehensive income included $30.7 million (excluding the effects of income taxes), representing the unrecognized prior service costs and unrecognized gains and losses of the Parent's pension and postretirement plans. The Company determined that a major portion of this amount was recoverable in future periods under the regulatory rate-setting process, as provided for under the provisions of SFAS 71. As a result, $29.6 million of the unrecognized prior service costs and unrecognized gains and losses (less certain income tax benefits) associated with the Parent's plans were reclassified from accumulated comprehensive income to regulatory assets in December 2006. The remaining balance of $1.1 million represents the unrecognized prior service costs and unrecognized gains and losses of the Parent's supplemental executive retirement plan ("SERP"), which is discussed in this note under the section entitled "Pensions." For additional information on SFAS 158, refer to Note 1 under the section entitled "New Accounting Standards." For additional information on the regulatory assets impact of the reclassification, refer to Note 2.

The incremental effect of the adoption of SFAS 158 and the adjustment for regulatory treatment on the Parent's Consolidated Statement of Financial Position at December 31, 2006, for all of the Parent's pension and other postretirement plans is presented in the following table:

	Before Adoption of SFAS 158	Adjustments to Adopt SFAS 158	After Adoption of SFAS 158	Adjustments for Regulatory Treatment	Final Amounts
			(In thousands)		
Regulatory assets	$ 14,319	$ —	$ 14,319	$ 26,872	$ 41,191
Other assets	13,124	1,370	14,494	—	14,494
Liability for pension and other postretirement costs	$ (2,854)	$(23,642)	$(26,496)	$ —	$ (26,496)
Deferred Income tax liability	(43,169)	11,164	(32,005)	(11,003)	(43,008)
Accumulated comprehensive loss	$ 5,399	$ 11,109	$ 16,508	$(15,869)	$ 639

Pensions. The Parent has defined benefit pension plans for eligible employees ("Pension Plans"). Benefits under the Pension Plans are generally based upon years of service or a combination of years of service and compensation during the final years of employment. The Company's and its Affiliate's funding policy is to contribute amounts annually to fund the Pension Plans based upon actuarial and economic assumptions intended to achieve adequate funding of projected benefit obligations. The Parent also has a SERP, which is an unfunded defined benefit pension plan.

In each of 2006 and 2005, the Company and its Affiliates expensed pension costs of $6.1 million and $5.0 million, respectively. The Company's direct share of pension costs for 2006 and 2005 was $2.2 million and $1.9 million, respectively. The Company and its Affiliates contributed $6.7 million to fund the Pension Plans during 2006. The Company's direct share of these contributions was $3.3 million. The Company and its Affiliates estimate they will contribute $4.7 million to fund the Pension Plans in 2007.

Other Postretirement Benefits. The Parent has postretirement benefit plans ("Postretirement Plans") that provide certain medical and prescription drug benefits to eligible retired employees, their spouses and covered dependents. Determination of benefits is based on a combination of the retiree's age and years of service at retirement. The Company and its Affiliates account for retiree medical benefits in accordance with SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires the full accrual of such costs during the years that the employee renders service to the Company until the date of full eligibility.

In each of 2006 and 2005, the Company and its Affiliates expensed retiree medical costs of $1.3 million and $1.0 million, respectively. The Company's direct share of retiree medical costs for 2006 and 2005 was $0.8 million and $0.7 million, respectively. The retiree medical expense of the Company and its Affiliates for each of those years includes $0.9 million ($0.7 million for the Company) of amortization of previously deferred retiree medical costs. Prior to getting regulatory approval for the recovery of retiree medical benefits in rates, the Company deferred, as a regulatory asset, any portion of retiree medical expense that was not yet provided for in customer rates. After receiving rate approval for recovery of such costs, the Company began amortizing, as retiree medical expense, the amounts previously deferred. The Company and its Affiliates, as a matter of practice, have paid retiree medical costs from their corporate assets. During 2006, the Company and its Affiliates paid $1.3 million from their corporate assets, net of participant contributions, to cover retiree medical costs. The Company's direct share of these payments was $0.9 million. The Company and its Affiliates estimate they will pay $1.6 million from their corporate assets or the Parent's funded Postretirement Plans in 2007 to cover retiree medical costs.

The Parent has certain Voluntary Employee Benefit Association ("VEBA") trusts to fund its retiree medical benefits. The Company and its Affiliates made no contributions to the VEBA trusts during 2006, 2005 and 2004. The Company and its Affiliates can also partially fund retiree medical benefits on a discretionary basis through Internal Revenue Code Section 401(h) accounts. No cash contributions were made to the 401(h) accounts in 2006, 2005 and 2004.

Net periodic benefit costs for the Parent's Pension Plans and Postretirement Plans for 2006 and 2005, included the following components:

	Pension Benefits Years Ended December 31,		Other Postretirement Benefits Years Ended December 31,	
	2006	2005	2006	2005
	(In thousands)			
Components of net periodic benefit cost				
Service cost	$ 3,919	$ 2,922	$ 583	$ 467
Interest cost	5,161	4,899	1,951	1,860
Expected return on plan assets	(5,981)	(5,460)	(2,307)	(2,163)
Amortization of transition obligation	—	—	69	69
Amortization of prior service cost (credit)	136	108	(286)	(286)
Amortization of net loss	2,901	2,497	399	198
Amortization of regulatory asset	—	—	899	899
Net periodic benefit cost	$ 6,136	$ 4,966	$ 1,308	$ 1,044

The Parent uses a measurement date of December 31 for all of its plans. The following tables provide the changes in the projected benefit obligations, plan assets and funded status of the Parent's Pension Plans and Postretirement Plans and other information as of December 31, 2006 and 2005:

	Pension Benefits December 31,		Other Postretirement Benefits December 31,	
	2006	2005	2006	2005
	(In thousands)			
Change in projected benefit obligation (PBO)/Accumulated Postretirement benefit obligation (APBO)				
PBO /APBO at prior measurement date	$ 94,845	$ 82,227	$36,133	$34,409
Service cost	3,919	2,922	583	467
Interest cost	5,161	4,899	1,951	1,860
Actuarial (gain) loss	(2,919)	8,122	3,734	1,074
Benefits paid	(3,536)	(3,527)	(1,291)	(1,677)
Assumed administrative expenses included in service cost	(174)	—	(68)	—
Plan amendments	27	202	(1,713)	—
PBO /APBO at current measurement date	$ 97,323	$ 94,845	$39,329	$36,133
Change in plan assets				
Fair value of assets at prior measurement date	$ 69,712	$ 63,454	$27,178	$25,449
Actual return on plan assets	8,438	4,043	3,106	1,729
Company contributions	6,675	5,742	1,292	1,677
Benefits paid	(3,536)	(3,527)	(1,292)	(1,677)
Assumed administrative expenses included in service cost	(174)	—	(68)	—
Fair value of assets at current measurement date	$ 81,115	$ 69,712	$30,216	$27,178
Funded status	$ (16,208)	$ (25,133)	$ (9,113)	$ (8,955)
Items not yet recognized as a component of net periodic benefit costs				
Net transition obligation	$ —	$ —	$ —	$ 483
Net prior service cost (credit)	789	898	(3,286)	(2,273)
Net loss	24,832	33,101	8,365	5,828
	$ 25,621	$ 33,999	$ 5,079	$ 4,038
The above amounts are reflected in the consolidated statements of financial position as follows:				
Regulatory assets	$ 24,484	N/A	$ 5,079(a)	N/A
Accumulated comprehensive income	1,137	N/A	—	N/A
	$ 25,621	N/A	$ 5,079	N/A
The above amounts are expected to be recognized as components of net periodic benefit costs in 2007 as follows:				
Net prior service cost (credit)	$ 136	N/A	$ (432)	N/A
Net loss	2,187	N/A	608	N/A
	$ 2,323	N/A	$ 176	N/A

(a) This amount is reflected in regulatory assets, net of income tax benefits related to Medicare Part D subsidies.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

The following table shows the portion of the unrecognized prior service cost and unrecognized loss associated with the Parent's Pension Plans and Postretirement Plans that is reflected in the Company's accompanying Balance Sheets:

	Pension Benefits December 31,		Other Postretirement Benefits December 31,	
	2006	2005	2006	2005
	(In thousands)			
The above amounts are reflected in the balance sheets as follows:				
Regulatory assets	$ 14,524	N/A	$ 1,031(a)	N/A
Accumulated comprehensive income	—	N/A	—	N/A
	$ 14,524	N/A	$ 1,031	N/A

(a) This amount is reflected in regulatory assets, net of income tax benefits related to Medicare Part D subsidies.

Assumptions. The following tables provide the assumptions used to determine the benefit obligations and the net periodic benefit costs for the Parent's Pension Plans and Postretirement Plans for 2006 and 2005:

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
	(In thousands, except for percentages)			
Assumptions and dates used at disclosure				
Discount rate	5.90%	5.50%	5.90%	5.50%
Compensation increase rate	4.00%	4.00%	N/A	N/A
Current year trend — medical	N/A	N/A	10.00%	8.00%
Current year trend — prescription drug	N/A	N/A	10.00%	10.00%
Ultimate year trend	N/A	N/A	5.00%	5.00%
Year of Ultimate trend rate	N/A	N/A	2013	2013
Measurement date	12/31/2006	12/31/2005	12/31/2006	12/31/2005
Cencus date	1/01/2006	1/01/2005	1/01/2006	1/01/2005
Assumptions used to determine expense				
Discount rate	5.50%	5.75%	5.50%	5.75%
Long-term rate of return on assets	8.50%	8.50%	8.50%	8.50%
Compensation increase rate	4.00%	4.00%	N/A	N/A
Current year trend — medical	N/A	N/A	8.00%	8.00%
Current year trend — prescription drug	N/A	N/A	10.00%	12.00%
Ultimate year trend	N/A	N/A	5.00%	5.00%
Year of Ultimate trend rate	N/A	N/A	2013	2010
Effect of a 1% increase in health care cost trend rates APBO	N/A	N/A	$ 45,908	$ 41,869
Dollar change	N/A	N/A	$ 6,579	$ 5,735
Percentage change	N/A	N/A	16.73%	15.87%
Effect of a 1% decrease in health care cost trend rates APBO	N/A	N/A	$ 34,033	$ 31,476
Dollar change	N/A	N/A	$ (5,296)	$ (4,658)
Percentage change	N/A	N/A	(13.47)%	(12.89)%

The discount rate is determined by reference to the CitiGroup pension discount curve, other long-term corporate bond measures and the expected cash flows of the plans. The duration of the securities underlying those indexes reasonably matches the expected timing of anticipated future benefit payments.

The expected long-term rate of return on plan assets is established based on the Company's expectations of asset returns for the investment mix in its plans (with some reliance on historical asset returns for the plans). The expected returns of various asset categories are blended to derive an appropriate long-term assumption.

Plan Assets. The weighted-average asset allocations of the Parent's Pension Plans and its Postretirement Plans at December 31, 2006, and 2005 are presented in the following table:

	Percentage Allocation			
	Pension Benefits		Other Postretirement Benefits	
December 31,	**2006**	**2005**	**2006**	**2005**
Asset Category Equity securities	68.0%	65.0%	64.1%	65.0%
Debt securities	26.4%	25.9%	35.9%	35.0%
Other	5.6%	9.1%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

The Company and its Affiliates have a target asset allocation of 70% equities and 30% debt instruments for funding the Pension Plans. This does not include certain insurance contracts for retirees. Year-end pension contributions and cash held for retiree pension payments also impact the actual allocation compared to the target allocation. The funding for the Postretirement Plans has a target allocation of 60% equities and 40% debt and other instruments.

The primary goal of the Company's and its Affiliate's funding approach is to ensure that pension and other postretirement liabilities are met. An emphasis is placed on the long-term characteristics of individual asset classes and the benefits of diversification across multiple asset classes. The approach incorporates an assessment of the proper long-term level of risk for the plans, considering factors such as the long-term nature of the plans' liabilities, the current funded status of the plans, and the impact of asset allocation on the volatility and magnitude of the plans' contributions and expense.

Estimated Future Benefit Payments. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

		Other Postretirement Benefits		
	Pension Benefits	**Gross Benefits**	**Less Medicare Part D Subsidy**	**Net Benefits**
	(In thousands)			
2007	$ 3,880	$ 1,753	$ 189	$ 1,564
2008	4,034	1,903	214	1,689
2009	4,380	2,055	242	1,813
2010	4,710	2,200	273	1,927
2011	5,032	2,357	290	2,067
Years 2012 - 2016	31,701	13,132	1,923	11,209

401(k) Plan. The Company participates in the Parent's defined contribution plan, commonly referred to as a 401(k) plan, covering eligible employees. The 401(k) plan contain provisions for Company matching contributions. The amount expensed for the Company's share of the match provision was $0.5 million for both 2006 and 2005.

Note 9. Share-Based Compensation

The Parent is the issuer of all share-based awards to employees of the Company and its Affiliates and accounts for all share-based compensation in its books and records. The Parent's share-based compensation is allocated to the Company as described in Note 1 under the caption "Affiliate Cost Allocations." The Parent's 2004 Stock Award and Incentive Plan ("2004 Plan"), provides for the issuance, in various forms, of up to 1,500,000 shares of Common Stock, plus any shares that become available through forfeiture or other prescribed means from the Parent's previous long-term incentive or stock option plans after the effective date of the 2004 Plan. Awards may be in the form of stock options, stock appreciation rights, restricted stock, deferred stock, bonus stock and awards in lieu of obligations, dividend equivalents, other share-based awards, or performance awards. Awards granted thus far under the 2004 Plan have been in the form of (i) stock options, (ii) performance share units and restricted stock units, and (iii) restricted stock. These awards are discussed below.

The Parent also has a deferred compensation plan for its Board and an employee stock gift program. The deferred compensation plan allows for the deferral of Director compensation, at the Director's election, and deferred amounts can be invested in a hypothetical fund that tracks the price changes of the Parent's Common Stock. Any deferral of Director compensation is expensed in the Parent's Consolidated Statement of Operations when earned by the Director. The employee stock gift program provides one free share of Parent Common Stock to an employee the first time he or she enrolls in the Parent's program to make contributions to the Parent's DRIP via employee payroll deductions. The Board has decided to terminate the employee stock gift program, subject to satisfying any bargaining duty it may have with respect to such termination with the collective bargaining representatives of certain employee groups.

At December 31, 2006, there were approximately 581,000 share-based awards available to be granted to employees and Directors under these plans. There were no modifications to awards outstanding under these plans during the years ended December 31, 2006, 2005 and 2004. The Parent recognized expense related to its share-based compensation arrangements of $1.8 million and $0.8 million during 2006 and 2005, respectively. The tax benefit recognized in income in relation to this compensation expense was $0.7 million, $0.3 million and less than $0.1 million, during 2006, 2005 and 2004, respectively. The Parent did not capitalize any expense related to its share-based arrangements during 2006, 2005 and 2004. The Parent has issued, and expects to continue to issue, new shares of Common Stock upon the exercise of stock options or upon the settlement of performance share units and restricted stock units.

The Company's allocated share of share-based compensation was $0.9 million and $0.4 million during 2006 and 2005, respectively. The tax benefit recognized in Company's income in relation to this compensation expense was $0.3 million and $0.1 million during 2006 and 2005, respectively. The Company did not capitalize any expense related to its share-based arrangements.

Restricted Stock Units for Executives. During 2004 and 2005, the Parent issued 114,728 restricted stock units ("RSUs") to certain executives under the 2004 Plan. Each RSU is equivalent to one share of Parent Common Stock. 10,000 of the RSUs issued in 2004 have been forfeited because the executive to whom the RSUs were issued is no longer employed by the Parent. Of the RSUs issued in 2005, 14,728 vest in full on the three-year anniversary of issuance as long as the executive who received the RSUs remains employed on the vesting date. The remaining 90,000 outstanding RSUs vest at different dates over the period from issuance to March 31, 2007. Approximately 42% of these remaining 90,000 RSUs vested in full on approximately the one-year anniversary of issuance, with the fulfillment of the requirement that the executives who received the RSUs remained employed on the vesting date. Approximately 29% of these remaining 90,000 RSUs vested in 2006, with the fulfillment of the requirements that the executives who received the RSU's remained employed on the vesting date and that certain performance goals be attained. The remaining 29% vest in 2007, subject to the attainment of certain performance targets and as long as the executives remain employed on the vesting dates. Notwithstanding these vesting conditions, the RSUs vest in their entirety upon consummation of a change in control of the Company, as defined in the Company's severance agreements with its executives. Settlement of the vested RSUs will be made in shares of the Company's Common Stock. The earliest any such settlements would occur is 2007.

A summary of information about the Parent's non-vested RSUs as of December 31, 2006, and changes during the year then ended is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2006	69,728	$ 6.04
Granted	—	
Earned and vested	(28,750)	5.84
Unearned	—	
Forfeited	—	
Non-vested at December 31, 2006	40,978	$ 6.18

The grant date fair value of an RSU is equal to the price of the underlying share of the Parent's Common Stock on the grant date. During 2004, 97,500 RSUs were granted to executives with a weighted average grant date fair value of $5.70 per unit. During 2005, 17,228 RSUs were granted to executives with a weighted average grant date fair value of $6.66 per unit. No RSUs were granted to executives during 2006. During 2005, and 2006, 35,000 RSUs with a total fair value of $0.2 million and 28,750 RSUs with a total fair value of $0.2 million, respectively, were earned and vested but, under the terms of the RSUs, will not be paid out in shares of Common Stock until 2007. As of December 31, 2006, there was a total of 63,750 RSUs earned and vested. As of December 31, 2006, there was $0.1 million of total unrecognized compensation cost related to non-vested RSUs granted under the 2004 Plan. That cost is expected to be recognized over a weighted-average period of 1.1 years.

Employee Performance Share Units. The Parent also grants performance share units ("PSUs") to certain employees of the Company and its Affiliates under the 2004 Plan. The Parent grants a specific number of PSUs, which is referred to as the "Target Grant." During 2006 and 2005, the Parent granted 225,705 and 168,667 PSUs, respectively. Each PSU is equivalent to one share of Parent Common Stock. Under the terms of the PSUs, the grantee can vest in PSUs equivalent to 25% to 150% of the Target Grant, if actual performance results are within 25% to 150% of the target performance goals. Following a three-year performance period (or a two-year vesting period for 25,000 of the PSUs issued in 2005), a percentage of PSUs will vest if the individuals who received the PSUs are actively employed with the Company or its Affiliates on the last day of the performance period and if the threshold level of performance is met or exceeded with respect to at least one of the established performance goals. On February 22, 2007, the Board approved an amendment to the form PSU award agreement, to effect the immediate satisfaction of all performance criteria and the immediate award of all PSUs at 100% of the Target Grant upon the effective date of a change in control of the Parent, irrespective of the grantee's employment status after or as a result of the change in control. Additionally, all PSUs granted by the Parent after February 22, 2007, will be granted pursuant to a form PSU award agreement that provides for vesting in the same manner. Settlement of vested PSUs will be made in shares of the Parent's Common Stock.

A summary of information about the Parent's non-vested PSUs as of December 31, 2006, and changes during the year then ended is presented below:

	Number of PSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2006	168,667	$ 6.15
Granted	225,705	5.39
Earned and vested	—	—
Unearned	—	—
Forfeited	(11,575)	5.74
Non-vested at December 31, 2006	382,797	$ 5.71

The grant date fair value of a PSU is equal to the price of the underlying share of the Parent's Common Stock on the grant date. The weighted-average grant date fair value of PSUs granted was $5.39 per unit during 2006, and $6.15 per unit during 2005. There were no PSUs settled in shares of Common Stock during 2006, and 2005. As of December 31, 2006, there was $1.1 million of total unrecognized compensation cost related to the Parent's non-vested PSUs granted under the 2004 Plan. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock for Directors. The Parent grants shares of restricted Common Stock to non-employee Directors under the 2004 Plan as part of the compensation paid to Directors. The restricted Common Stock vests over a three-year period as long as the individuals who received the restricted Common Stock continue to serve on the Board on the vesting dates. Notwithstanding these vesting conditions, the restricted Common Stock for Directors vests in its entirety upon consummation of a change in control of the Parent, as defined in the 2004 Plan, and in certain other circumstances.

A summary of information about the Parent's non-vested restricted Common Stock as of December 31, 2006, and changes during the year then ended is presented below:

	Number of Restricted Stock Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2006	161,500	$ 5.83
Granted	9,750	5.45
Vested	(65,250)	5.78
Forfeited	(7,000)	5.83
Non-vested at December 31, 2006	99,000	$ 5.83

The grant date fair value of a share of restricted Common Stock is equal to the price of a share of the Parent's Common Stock on the grant date. During 2006 and 2005, 9,750 shares and 168,750 shares, respectively, of restricted Common Stock were granted with a weighted average grant date fair value of $5.45 per share and $5.83 per share, respectively. During 2006 and 2005, 65,250 shares and 7,250 shares, respectively, of restricted Common Stock were vested. The total value of shares vested during 2006 and 2005, were $0.4 million and less than $0.1 million, respectively. As of December 31, 2006, there was $0.4 million of total unrecognized compensation cost related to the Parent's non-vested restricted Common Stock granted under the 2004 Plan. That cost is expected to be recognized over a weighted-average period of 1.2 years.

Options to Purchase Common Stock. The exercise price of all stock options granted under the 2004 Plan is equal to the average of the high and low market price of the Parent's Common Stock on the option grant date. The options vest over the three-year period following the date of grant and expire ten years from the date of grant.

Notwithstanding this three-year vesting condition, stock options vest in their entirety upon consummation of a change in control of the Parent, as defined in the Parent's severance agreements with its executives and the 2004 Plan. Both the number of options granted and the exercise price are adjusted for any stock dividends and stock splits occurring during the life of the options. The fair values of the options were estimated at the grant date using a Black-Scholes option pricing model and the weighted average assumptions shown in the table below:

	Year Ended December 31, 2006	Year Ended December 31, 2005
Expected volatility	35.47%	41.92%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	4.70%	3.95%
Average expected term (years)	5	5

The expected volatility is based on the historical volatility of the Parent's Common Stock. The Company uses historical data and other factors to estimate option exercise and employee termination within the model. The expected term of options granted is derived from historical data and other factors and represents the period of time that options granted are expected to be outstanding. The risk free rate for periods within the contractual life of an option is based on the U.S. Treasury yield curve in effect at the date of grant.

A summary of information about the Parent's options as of December 31, 2006, and changes during the year then ended is presented below:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term(Years)	Aggregate Instrinsic Value (in thousands)
Outstanding at January 1, 2006	1,159,359	$ 8.38		
Granted	192,372	5.39		
Exercised	(4,533)	4.13		
Forfeited or expired	(25,552)	9.73		
Outstanding at December 31, 2006	1,321,646	$ 7.94	6.30	$ 586
Exercisable at December 31, 2006	925,296	$ 8.94	5.37	$ 356

The weighted-average grant date fair value of options granted during 2006 2005 and 2004 was $2.11, $2.59 and $2.20, respectively. During 2006 and 2005, the total intrinsic value of options exercised and the total cash received and tax benefits realized from the exercise of options were less than $0.1 million, combined. As of December 31, 2006, there was $0.6 million of total unrecognized compensation cost related to the Parent's non-vested stock options granted under the 2004 Plan. That cost is expected to be recognized over a weighted-average period of 1.5 years.

For further information regarding the impact of the adoption of SFAS 123-R on share-based compensation, refer to the caption "Share-Based Compensation" in Note 1.

Note 10. Commitments and Contingencies

As discussed in Note 1, the Company is a division of the Parent. The Parent, being the legal entity, generally enters into various contracts on behalf of its divisions, which commits itself and its divisions to future obligations. As a result, commitments and contingencies of the Parent and its other divisions may, in certain circumstances, require the use of Company assets in order to be satisfied and therefore be considered commitments and contingencies of the Company. In this Note, commitments and contingencies related specifically to the Company are discussed by reference to the "Company" and commitments and contingencies related to the Parent and its divisions, including the Company, are discussed by reference to the "Parent."

Capital Investments. The Company's plans for expansion and improvement of its business properties are continually reviewed. For 2007, aggregate capital expenditures for property in the service area regulated by the MPSC are projected to be approximately $18.8 million.

Lease Commitments. The Parent leases buildings, vehicles and equipment. The resulting leases are classified as operating leases in accordance with SFAS 13, "Accounting for Leases." A significant portion of the Parent's vehicles are leased. Leases on the majority of the Parent's new vehicles are for a minimum of twelve months. The Parent has the right to extend each vehicle lease annually and to cancel the extended lease at any time.

The Parent's future minimum lease payments that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2006, totaled $16.9 million consisting of (in millions):

2007	$ 2.2
2008	$ 2.1
2009	$ 2.1
2010	$ 2.2
2011	$ 1.7
Thereafter	$ 6.6

The Parent's total lease payments were approximately $3.1 million and $2.9 million in 2006 and 2005, respectively. The annual future minimum lease payments are less than the lease payments incurred in 2006 and 2005, because most of the vehicle leases at December 31, 2006, were on a month-to-month basis and were subject to cancellation at any time. However, management expects to renew or replace substantially all of these leases.

Commitments for Natural Gas Supplies. The Parent enters into contracts to purchase natural gas and natural gas transportation and storage services from various suppliers. These contracts, which have expiration dates that range from 2007 to 2015, are used to assure an adequate supply of natural gas to meet the needs of customers of the Company and its Affiliates and to minimize exposure to market price fluctuations. The Parent's gas purchase contractual obligations as of December 31, 2006, total $288.5 million, consisting of (in millions):

2007	$ 112.1
2008	$ 65.9
2009	$ 58.3
2010	$ 14.3
2011	$ 12.7
Thereafter	$ 25.2

Guarantees. The Parent has issued letters of credit through financial institutions for the benefit of third parties that have extended credit or have financial exposure to the Company and its Affiliates. At December 31, 2006, the outstanding letters of credit amounted to $7.7 million. Under the terms of these letters of credit, if the Parent does not pay amounts when due under the covered contracts, the beneficiary may present its claim for payment to the financial institution, which will in return request payment from the Company. The letters of credit are entered into on a short term basis, normally every six-to-twelve months, and are then renewed for another short term period. At December 31, 2006, the scheduled expiration dates for these letters of credits ranged from February 2007 through September 2007.

Environmental Issues. Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured from processes involving coal, coke or oil. Residual byproducts of these processes may have caused environmental conditions that require investigation and remediation. The Parent owns seven sites in Michigan where such manufactured gas plants were located. Even though the Parent never operated manufactured gas facilities at four of the sites, and did so at one site for only a brief period of time, the Parent is subject to local, state and federal laws and regulations that require, among other things, the investigation and, if necessary, the remediation of contamination associated with these sites, irrespective of fault, legality of initial activity, or ownership, and which may impose liability for damage to natural resources. The Parent has complied with the applicable Michigan Department of Environmental Quality ("MDEQ") requirements, which require current landowners to mitigate unacceptable risks to human health from the byproducts of manufactured gas plant operations and to notify the MDEQ and adjacent property owners of potential contaminant migration. The Parent is currently investigating these sites and anticipates conducting any necessary additional investigatory and remediation activities as appropriate. The Parent has already remediated and closed a site related to one of the manufactured gas plant sites, with the MDEQ's approval.

The Parent is also attempting to identify other potentially responsible parties to bear some or all of the costs and liabilities associated with the investigatory and remediation activities at several of these sites and also is pursuing recovery of the costs of these activities from insurance carriers. The Parent is unable to predict, however, whether and to what extent it will be successful in involving other potentially responsible parties in investigatory or remediation activities, or in bearing some or all of the costs thereof, or in securing insurance recoveries for some or all of the costs associated with these sites.

The Parent accrues for costs associated with environmental investigation and remediation obligations when such costs are probable and reasonably estimable. Accruals for estimated costs for environmental remediation obligations are generally recognized no later than the completion of the Parent's Remedial Action Plan ("RAP") for a site. Such accruals are expected to be adjusted as further information becomes available or circumstances change. At three of the Parent's sites, the Parent has begun efforts to determine the extent of remediation, if any, that must be performed, with the expectation of completing and submitting a RAP for each of the sites to the MDEQ. As a result of investigational work performed to date, the Parent's Consolidated Statements of Financial Position include an accrual and a corresponding regulatory asset in the amount of $1.6 million at December 31, 2006, for estimated environmental investigation and remediation costs that it believes are probable at these three sites. Approximately $1.0 million of the $1.6 million is reflected in the Company's accompanying Balance Sheet at December 31, 2006. This accrual has not been discounted to its present value. The accrued costs are expected to be paid out over the next three years.

The accrual of $1.6 million represents what the Parent believes is probable and reasonably estimable. However, the Parent also believes that it is reasonably possible that there could be up to an estimated $18.5 million of environmental investigation and remediation costs for these three sites, in addition to the $1.6 million already accrued. It is also reasonably possible that the amount accrued or the reasonably possible range of costs may change in the future as the Parent's investigation of these sites continues and any remediation activities are undertaken. The Parent's cost estimates have been developed using probabilistic modeling, advice from outside consultants, and judgment by management. The liabilities estimated by the Parent are based on a current understanding of the costs of investigation and remediation. Actual costs, which may differ materially from these estimates, may vary depending, among other factors, on the environmental conditions at each site, the level of any remediation required, and changes in applicable environmental laws.

The Parent has done less investigational and remediation work at the remaining four sites but has met all applicable MDEQ requirements. The Parent believes that further investigation and any remediation of environmental conditions at these sites may be the obligation of other potentially responsible parties. It is reasonably possible that the Parent's current estimate concerning costs likely to be incurred in connection with the investigation and any remediation of conditions at these four sites may change in the future as new information becomes available and circumstances change, including the Parent's further evaluation of the obligations of other potentially responsible parties for these costs. If this were to occur, the Parent's liability with respect to costs at these four sites could be material.

In accordance with an MPSC accounting order, the payment by the Parent of environmental assessment and remediation costs associated with certain manufactured gas plant sites and other environmental expenses are deferred and amortized over ten years. Rate recognition of the related amortization expense does not begin until the costs are subject to review in a base rate case.

Personal Property Taxes. The Company and other Michigan utilities have asserted that Michigan's valuation tables in effect prior to 2000 resulted in the substantial overvaluation of utility personal property. Valuation tables established by the Michigan State Tax Commission ("STC") are used to estimate the reduction in value of personal property based on the property's age. In 1998, the Company began filing its personal property tax information with local taxing jurisdictions using a revised calculation of the value of personal property subject to taxation. A number of local taxing jurisdictions accepted the revised calculation, and the Company recorded lower property tax expense in 1998 and subsequent years associated with these taxing jurisdictions. The Company has also filed appeals to recover excess payments made in 1997 and subsequent years based on the revised calculation and recorded lower property tax expense as a result of the filings.

In November 1999, the STC approved new valuation tables for utility personal property. The new tables became effective in 2000 and are being used for current year assessments in most jurisdictions. However, several local taxing jurisdictions took legal actions attempting to prevent the STC from implementing the new valuation tables and others continued to prepare assessments based on the superseded tables. The legality of the new valuation tables providing lower values for gas distribution property was resolved in favor of the STC in January 2004.

Throughout the period that property tax appeals for prior years have been pending, the Company has reflected the amount of the excess property tax payments that it expected to recover in prepaid expenses in its Balance Sheets. At December 31, 2004, the Company had approximately $1.8 million recorded in prepaid expenses for its estimated recovery. During 2005, the Company made settlement offers to all taxing jurisdictions involved with the property tax appeals. Numerous taxing jurisdictions have accepted the Company's settlement offers and have made refunds to the Company. In 2006 cumulative property tax refunds exceeded the $1.8 million reserve by approximately $1.3 million and, therefore, the Company reduced its 2006 property tax expense by such amount. The Company will continue to seek settlements with taxing jurisdictions that have not yet accepted the Company's offers. If the taxing jurisdictions that have not yet accepted the Company's settlement offers were to accept the Company's offers, it would result in additional property tax refunds of approximately $0.4 million. If any taxing jurisdictions do not accept the Company's settlement offers, the property tax appeals involving these jurisdictions would move forward before the Michigan Tax Tribunal.

Other Contingencies. In the normal course of business, the Company and its Affiliates may be a party to lawsuits and administrative proceedings before various courts and government agencies. The Company and its Affiliates also may be involved in private dispute resolution proceedings. These lawsuits and proceedings may involve personal injury, property damage, contractual issues and other matters (including alleged violations of federal, state and local laws, rules, regulations and orders). Management cannot predict the outcome or timing of any pending or threatened litigation or of actual or possible claims. Except as otherwise stated, management believes resulting liabilities, if any, will not have a material adverse impact upon the Company's financial position, results of operations, or cash flows.

Note 11. Subsequent Event

On February 22, 2007, the Parent entered into an Agreement and Plan of Share Exchange (the "Exchange Agreement") by and among the Company, Cap Rock Holding Corporation ("Cap Rock") and Semco Holding Corporation, a direct wholly-owned subsidiary of Cap Rock ("SEMCO Holding"), under which SEMCO Holding will acquire all the outstanding Common Stock and Preferred Stock of the Parent. Pursuant to the terms of the Exchange Agreement, each issued and outstanding share of Common Stock and Preferred Stock of the Company will be transferred to SEMCO Holding. The Common Stock will be transferred for the right to receive $8.15 in cash per share, without interest, and the Preferred Stock will be transferred for the right to receive approximately $213.07 in cash per share plus a make-whole premium to be calculated at closing, without interest (collectively, the "Exchange Consideration"), in each case on the terms and subject to the conditions set forth in the Exchange Agreement (collectively, the "Share Exchange"). The Parent's Board, upon the unanimous recommendation of its Finance Committee (which is comprised entirely of independent directors), approved the Exchange Agreement and has recommended that the holders of the Parent's Common Stock approve the Share Exchange at a special meeting to be held at a future date determined in accordance with the Exchange Agreement.

The Parent has made customary representations, warranties and covenants in the Exchange Agreement. The Exchange Agreement contains a "go shop" provision pursuant to which the Parent has the right to solicit and engage in discussions and negotiations with respect to competing acquisition proposals for 35 days following the date of the Exchange Agreement. In accordance with the Exchange Agreement, the Board, through its Finance Committee and with the assistance of the Parent's advisors, intends to solicit superior proposals during this period. There can be no assurance that the solicitation of superior proposals will result in an alternative transaction.

Following the "go shop" period, as it may be extended, the Parent is subject to a "no shop" restriction on its ability to solicit third-party proposals, provide information and engage in discussions and negotiations with third parties. The no shop provision is subject to a "fiduciary out" provision that allows the Parent to provide information and participate in discussions and negotiations with respect to third-party acquisition proposals submitted after the "go shop" period that the Board believes in good faith, after consultation with its financial advisors and outside counsel, constitute or could reasonably be expected to result in a "superior proposal," as defined in the Exchange Agreement.

The Parent may terminate the Exchange Agreement under certain circumstances, including if its Board determines in good faith that it has received a "superior proposal" and that failure to terminate the Exchange Agreement would be inconsistent with its fiduciary duties, and the termination otherwise complies with certain terms of the Exchange Agreement. In connection with such termination, the Parent must pay a termination fee to SEMCO Holding and reimburse SEMCO Holding for its out-of-pocket expenses, subject to a cap. The amount of such termination fee and expense reimbursement will depend on whether such termination is in connection with a "superior proposal" submitted during or after the "go-shop" period.

Consummation of the transaction is not subject to a financing condition, but is subject to various other conditions, including approval of the Share Exchange by the holders of the Parent's Common Stock, approval by the RCA, expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and satisfaction of other customary closing conditions.

Note 12. Quarterly Financial Information (Unaudited)

In the opinion of the Company, the following quarterly information includes all adjustments necessary for a fair statement of the results of operations for such periods. Due to the seasonal nature of the Company's Gas Distribution Business, the results of operations reported on a quarterly basis show substantial variations.

	Quarters During 2006			
	First	Second	Third	Fourth
	(In thousands)			
Operating revenues	$170,504	$51,053	$31,773	$107,217
Operating income	10,414	2,238	(62)	6,438
Net income (loss)	6,652	(1,038)	(3,103)	2,964

	Quarters During 2005			
	First	Second	Third	Fourth
	(In thousands)			
Operating revenues	$147,833	$55,129	$35,076	$149,729
Operating income (loss)	10,775	2,727	(29)	7,825
Net income (loss)	7,726	(119)	(2,698)	4,422

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)	Electric (c)
1	UTILITY PLANT		
2	In Service		
3	Plant in Service (Classified)	435,859,843	
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified - ARO	314,168	
7	Experimental Plant Unclassified		
8	TOTAL (Enter Total of lines 3 thru 7)	436,174,011	
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	966,041	
12	Acquisition Adjustments	9,503,899	
13	TOTAL Utility Plant (Enter Total of line 8 thru 12)	446,643,951	
14	Accum. Prov. for Depr., Amort., & Depl.	(185,939,528)	
15	Net Utility Plant (Enter Total of line 13 less 14)	260,704,423	
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZAITON AND DEPLETION		
17	In Service:		
18	Depreciaition	(181,436,382)	
19	Amort. and Depl. of Producing Natural Gas Land and Land Rights		
20	Amort. of Underground Storage Land and Land Rights		
21	Amort. of Other Utility Plant	(266,742)	
22	TOTAL In Service (Enter Total of lines 18 thru 21)	(181,703,124)	
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)		
27	Held for Future Use		
28	Depreciation - ARO	(111,672)	
29	Amortization		
30	TOTAL held for Future Use (Enter Total of lines 28 and 29)	(111,672)	
31	Abandonment of Leases (Natural Gas)		
32	Amort. of Plant Acquisition Adj.	(4,124,732)	
33	TOTAL Accumulated Provisions (Should agree with line 14 above) (Enter Total of lines 22, 26, 30, 31, and 32	(185,939,528)	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
435,859,843					3
					4
					5
314,168					6
					7
436,174,011					8
					9
					10
966,041					11
9,503,899					12
446,643,951					13
(185,939,528)					14
260,704,423					15
					16
					17
(181,436,382)					18
					19
					20
(266,742)					21
(181,703,124)					22
					23
					24
					25
					26
					27
(111,672)					28
					29
(111,672)					30
					31
(4,124,732)					32
(185,939,528)					33

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified), this schedule includes Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified - Gas.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such amounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior year's tentative account distributions of these

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1		1. Intangible Plant		
2	301	Organization	83,734	
3	302	Franchises and Consents	462,534	2,266
4	303	Miscellaneous Intangible Plant		
5		TOTAL Intangible Plant	546,268	2,266
6		2. Production Plant		
7		Manufactured Gas Production Plant		
8	304.1	Land		
9	304.2	Land Rights		
10	305	Structures and Improvements	315,147	
11	306	Boiler Plant Equipment		
12	307	Other Power Equipment		
13	308	Coke Ovens		
14	309	Producer Gas Equipment		
15	310	Water Gas Generating Equipment		
16	311	Liquefied Petroleum Gas Equipment		
17	312	Oil Gas Generating Equipment		
18	313	Generating Equipment-Other Processes		
19	314	Coal, Coke and Ash Handling Equipment		
20	315	Catalytic Cracking Equipment		
21	316	Other Reforming Equipment		
22	317	Purification Equipment		
23	318	Residual Refining Equipment		
24	319	Gas Mixing Equipment		
25	320	Other Equipment		
26		TOTAL Manufactured Gas Production Plant	315,147	0

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
					1
			83,734	301	2
			464,800	302	3
			0	303	4
0	0	0	548,534		5
					6
					7
			0	304.1	8
			0	304.2	9
			315,147	305	10
			0	306	11
			0	307	12
			0	308	13
			0	309	14
			0	310	15
			0	311	16
			0	312	17
			0	313	18
			0	314	19
			0	315	20
			0	316	21
			0	317	22
			0	318	23
			0	319	24
			0	320	25
0	0	0	315,147		26

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
27		Natural Gas Production & Gathering Plant		
28	325.1	Producing Lands		
29	325.2	Producing Leaseholds	139	
30	325.3	Gas Rights		
31	325.4	Rights-of-Way		
32	325.5	Other Land		
33	325.6	Other Land Rights		
34	326	Gas Well Structures		
35	327	Field Compressor Station Structures		
36	328	Field Measuring and Regulating Station Structures		
37	329	Other Structures		
38	330	Producing Gas Wells-Well Construction		
39	331	Producing Gas Wells-Well Equipment		
40	332	Field Lines		
41	333	Field Compressor Station Equipment		
42	334	Field Measuring and Regulating Station Equipment		
43	335	Drilling and Cleaning Equipment		
44	336	Purification Equipment		
45	337	Other Equipment	55,772	
46	338	Unsuccessful Exploration & Development Costs		
47		TOTAL Production and Gathering Plant	55,911	0
48		Products Extraction Plant		
49	340.1	Land		
50	340.2	Land Rights		
51	341	Structures and Improvements		
52	342	Extraction and Refining Equipment		
53	343	Pipe Lines		
54	344	Extracted Products Storage Equipment		
55	345	Compressor Equipment		
56	346	Gas Measuring and Regulating Equipment		
57	347	Other Equipment		
58		TOTAL Products Extraction Plant	0	0
59		TOTAL Natural Gas Production Plant	55,911	0
60		SNG Production Plant (Submit Supplemental Statement)		
61		TOTAL Production Plant	371,058	0
62		3. Natural Gas Storage and Processing Plant		
63		Underground Storage Plant		
64	350.1	Land	603,938	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
					27
			0	325.1	28
139			0	325.2	29
			0	325.3	30
			0	325.4	31
			0	325.5	32
			0	325.6	33
			0	326	34
			0	327	35
			0	328	36
			0	329	37
			0	330	38
			0	331	39
			0	332	40
			0	333	41
			0	334	42
			0	335	43
			0	336	44
			55,772	337	45
			0	338	46
139	0	0	55,772		47
					48
				340.1	49
				340.2	50
				341	51
				342	52
				343	53
				344	54
				345	55
				346	56
				347	57
					58
139	0	0	55,772		59
					60
139	0	0	55,772		61
					62
					63
0			603,938	350.1	64

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
65	350.2	Rights-of-Way		
66	351	Structures and Improvements	725,069	
67	352	Wells	6,322,207	
68	352.1	Storage Leaseholds and Rights	1,093,862	
69	352.2	Reservoirs		
70	352.3	Non-Recoverable Natural Gas		
71	353	Lines	472,961	
72	354	Compressor Station Equipment	2,725,667	
73	355	Measuring and Regulating Equipment	2,038,151	
74	356	Purification Equipment		
75	357	Other Equipment		
76	358	Gas in Underground Storage-Noncurrent	6,252,616	
77		TOTAL Underground Storage Plant	20,234,471	0
78		Other Storage Plant		
79	360.1	Land		
80	360.2	Land Rights		
81	361	Structures and Improvements		
82	362	Gas Holders		
83	363	Purification Equipment		
84	363.1	Liquefaction Equipment		
85	363.2	Vaporizing Equipment		
86	363.3	Compressor Equipment		
87	363.4	Measuring and Regulating Equipment		
88	363.5	Other Equipment		
89		TOTAL Other Storage Plant	0	0
90		Base Load Liquefied NG Terminating and Processing Plant		
91	364.1	Land		
92	364.1a	Land Rights		
93	364.2	Structures and Improvements		
94	364.3	LNG Processing Terminal Equipment		
95	364.4	LNG Transportation Equipment		
96	364.5	Measuring and Regulating Equipment		
97	364.6	Compressor Station Equipment		
98	364.7	Communication Equipment		
99	364.8	Other Equipment		
100		TOTAL Base Load LNG Terminating and Processing	0	0
101				
102		TOTAL Natural Gas Storage and Processing Plant	20,234,471	0

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
			0	350.2	65
			725,069	351	66
			6,322,207	352	67
			1,093,862	352.1	68
			0	352.2	69
			0	352.3	70
			472,961	353	71
			2,725,667	354	72
			2,038,151	355	73
			0	356	74
			0	357	75
	81,242		6,333,858	358	76
0	81,242	0	20,315,713		77
					78
			0	360.1	79
			0	360.2	80
			0	361	81
			0	362	82
			0	363	83
			0	363.1	84
			0	363.2	85
			0	363.3	86
			0	363.4	87
			0	363.5	88
0	0	0	0		89
					90
			0	364.1	91
			0	364.1a	92
			0	364.2	93
			0	364.3	94
			0	364.4	95
			0	364.5	96
			0	364.6	97
			0	364.7	98
			0	364.8	99
0	0	0	0		100
					101
0	81,242	0	20,315,713		102

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
103		4. Transmission Plant		
104	365.1	Land	77,076	
105	365.2	Land Rights	95,021	
106	365.3	Rights-of-Way		
107	366	Structures and Improvements	2,046,875	
108	367	Mains	15,798,624	
109	368	Compressor Station Equipment		
110	369	Measuring and Regulating Station Equipment	6,234,503	1,139,084
111	370	Communication Equipment	5,115	
112	371	Other Equipment		
113		TOTAL Transmission Plant	24,257,214	1,139,084
114		5. Distribution Plant		
115	374.1	Land	126,519	
116	374.2	Land Rights	2,554,393	113,063
117	375	Structures and Improvements	1,345,742	
118	376	Mains	155,519,143	3,588,790
119	377	Compressor Station Equipment		
120	378	Measuring and Regulating Station Equip.-Genral	7,325,323	414,574
121	379	Measuring and Regulating Station Equip.-City Gate	4,984,244	267,367
122	380	Services	109,293,023	5,131,307
123	381	Meters	37,866,800	1,690,295
124	382	Meter Installations	22,864,951	1,264,690
125	383	House Regulators	6,985,081	261,267
126	384	House Regulator Installations		
127	385	Industrial Measuring and Regulating Station Equip.	2,477,368	97,099
128	386	Other Property on Customer's Premises	3,398	
129	387	Other Equipment		
130		TOTAL Distribution Plant	351,345,985	12,828,452
131		6. General Plant		
132	389.1	Land	300,083	
133	389.2	Land Rights		
134	390	Structures and Improvements	2,831,423	150,931
135	391	Office Furniture and Equipment	1,588,525	102,625
136	391.1	Computers and Computer Related Equipment	11,677,206	8,957,096
137	392	Transportation Equipment	90,128	
138	393	Stores Equipment	119,679	
139	394	Tools, Shop and Garage Equipment	3,418,168	51,949
140	395	Laboratory Equipment	28,205	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
					103
			77,076	365.1	104
			95,021	365.2	105
				365.3	106
	162,837		2,209,712	366	107
	-71,890		15,726,734	367	108
				368	109
	-162,838		7,210,750	369	110
			5,115	370	111
				371	112
0	-71,891	0	25,324,408		113
					114
			126,519	374.1	115
			2,667,456	374.2	116
3,358	15,895		1,358,279	375	117
433,640	-299,662		158,374,631	376	118
				377	119
82,816	-15,895		7,641,186	378	120
31,174	-106,288		5,114,149	379	121
311,451	-26,924		114,085,955	380	122
391,729	-1,706		39,163,660	381	123
			24,129,641	382	124
			7,246,348	383	125
				384	126
65	-732		2,573,670	385	127
			3,398	386	128
				387	129
1,254,233	-435,312	0	362,484,892		130
					131
			300,083	389.1	132
				389.2	133
134,241			2,848,113	390	134
	-4,305		1,686,845	391	135
5,470,146	-740,561		14,423,594	391.1	136
			90,128	392	137
	4,305		123,984	393	138
40,354			3,429,763	394	139
	-28,205		0	395	140

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SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
141	396	Power Operated Equipment	357,145	
142	397	Communication Equipment	2,994,945	356,328
143	398	Miscellaneous Equipment	205,754	
144		SUBTOTAL (Lines 132 thru 143)	23,611,261	9,618,930
145	399	Other Tangible Property		
146		TOTAL General Plant	23,611,261	9,618,930
147		TOTAL (Accounts 101 and 106)	420,366,257	23,588,732
148	101.1	Property Under Capital Leases		
149	102	Gas Plant Purchased (See Instruction 8)		
150	(LESS) 102	Gas Plant Sold (See Instruction 8)		
151	103	Experimental Gas Plant Unclassified		
152		TOTAL GAS PLANT IN SERVICE	420,366,257	23,588,732

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
35,430			321,715	396	141
	34,126		3,385,399	397	142
2			205,752	398	143
5,680,173	-734,640		26,815,377		144
				399	145
5,680,173	-734,640	0	26,815,377		146
6,934,545	-1,160,601	0	435,859,843		147
				101.1	148
				102	149
				(102)	150
				103	151
6,934,545	-1,160,601	0	435,859,843		152

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PLANT LEASED TO OTHERS (Account 104)

1 Report below the information called for concerning gas plant leased to others.

2. In column (c) give the date of Commission authorization of the lease of gas plant to others.

Line No.	Name of Leasee (Designate associated companies with an asterisk) (a)	Description of Property Leased (b)	Commission Author-ization (c)	Expiration Date of Lease (d)	Balance at End of Year
1					
2					
3					
4					
5	**NONE**				
6					
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8					
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45					
46					
47	TOTAL				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS PLANT HELD FOR FUTURE USE (Account 105)

1 Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.

2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included in This Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1	Natural Gas Lands, Leaseholds, and Gas Rights Held for Future Utility Use (per Pages 500-501)			
2				
3	**NONE**			
4				
5				
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45				
46	TOTAL			

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

PRODUCTION PROPERTIES HELD FOR FUTURE USE (Account 105.1)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.
2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.1.

Line No.	Description and Location of Property (a)	Date Originally Included in This Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1	Natural Gas Lands, Leaseholds, and Gas Rights Held for Future Utility Use (per Pages 500-501)			
2				
3				
4	**NONE**			
5				
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7				
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46	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

CONSTRUCTION WORK IN PROGRESS - GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of contruction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Distribution:		
2	Mains	463,145	1,519,248
3	M & R Stn & City Gate Equipment	41,244	62,444
4	Services	0	30,708
5	Unallocated	453,577	0
6			
7			
8	General:		
9	Computer Equipment	1,925	25,202
10	Tools and Work Equipment	2,225	17,228
11	Communication Equipment	1,045	14,998
12			
13			
14	Amortized:		
15	Franchises	2,880	472
16			
17			
18			
19			
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42			
43	TOTAL	966,041	1,670,300

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

CONSTRUCTION OVERHEADS - GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalzed should be shown as separate items.
2. On page 218 furnish information concerning construction overheads.
3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page 218 the accounting procedures employed an the amounts of engineering, supervision and administrative costs, etc., which are directly charged to contruction.
4. Enter on this page engineering, supervision, adminisitrative, and allowance for funds used during construction, etc., which are first assigned to a blanket work order and then proated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1			
2	Administrative and General Expense Allocation	3,492,000	13,545,463
3			
4	Supervision & Engineering Expense Allocation	2,150,750	9,612,854
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46	TOTAL	5,642,750	

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE

1. For each construction overhead: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.

2. Show below the computation of allowance for funds used during construction rates, if those differ from the overall rate of return authorized by the Michigan Public Service Commission.

ADMINISTRATIVE AND GENERAL:

(a) Overhead charges are intended to cover salaries and expenses of officers, managers, and general office employees, and other general and administrative expenses applicable to construction.

(b) Periodically, studies are made to determine the administrative and general expenses applicable to construction.

(c) All construction work orders are charged with a percentage of overhead on a gross charge basis.

(d) A variable numerator allocation was applied to all pertinent construction on a monthly basis.

(e) No differentiation on construction type.

(f) Overhead is directly assigned.

SUPERVISION AND ENGINEERING:

(a) Overhead charges are intended to cover the cost of supervision and directing construction activities including wages and expenses of engineers, superintendents, draftsmen, inspectors, clerks, and others reporting to and responsible to the Engineering Department.

(b) The supervision and engineering expenses are accumulated on an actual time and actual cash applicable to construction basis.

(c) All construction work orders for "CONSTRUCTED ASSETS" are charged with a percentage of overhead on a gross charge basis.

(d) A variable numerator allocation was applied to all pertinent construction on a monthly basis.

(e) No differentiation on construction type.

(f) Overhead is directly assigned.

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (Account 108 & 110)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 204-211, column (d), excluding retirements of nondepreciable property.
3. Accounts 108 and 110 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Gal Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	(181,149,732)	(181,149,732)		
2	Depreciation Prov. for Year, Charged to				
3	(403) Depreciation Expense	(12,662,785)	(12,662,785)		
4	(403.1) Deprec. and Deplet. Expense				
5	(413) Exp. of Gas Plt. Leas. to Others				
6	Transportation Expenses-Clearing				
7	Other Clearing Accounts				
8	Other Accounts (Specify): (404) (421)	(15,440)	(15,440)		
9	Add'l Posting error btw exp & accum	639	639		
10	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 9)	(12,677,586)	(12,677,586)		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	6,931,844	6,931,844		
13	Cost of Removal	960,751	960,751		
14	Salvage (Credit)	(1,001)	(1,001)		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	7,891,594	7,891,594		
16	Other Debit or Credit Items: Net Y/E RWIP	(130)	(130)		
17	ARO CY Adjmt	(1,812)	(1,812)		
18	Adj Accum Depr for trf of asset to Co 23	(1,862)	(1,862)		
19	Balance End of Year (Enter Total of lines 1, 10, 15, & 16)	(185,939,528)	(185,939,528)		

Section B. Balances at End of Year According to Functional Classifications

Line No.	Item	Total	Gal Plant in Service	Gas Plant Held for Future Use	Gas Plant Leased to Others
20	Production - Manufactured Gas	(220,458)	(220,458)		
21	Production and Gathering - Natural Gas	2,081	2,081		
22	Transportation				
23	Underground Gas Storage	(9,829,662)	(9,829,662)		
24	Franchise / Leaseholds	(266,742)	(266,742)		
25	Base Load LNG Terminating & Proc. Plt.				
26	Transmission	(9,682,865)	(9,682,865)		
27	Distribution	(152,064,112)	(152,064,112)		
28	General	(13,877,770)	(13,877,770)		
29	TOTAL (Enter total of lines 20 thru 28)	(185,939,528)	(185,939,528)		

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GAS STORED (ACCOUNT 117, 164.1, 164.2 AND 164.3)

1. If during the year adjustment was made to the stored gas inventory (such as to correct cumulative inaccuracies of gas measurements), furnish in a footnote an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment, and account charged or credited.
2. Give in a footnote a concise statement of the facts and the accounting performed with respect to any encroachment of withdrawals during the year, or restoration of previous encroachment, upon native gas constituting the "gas cushion" of any storage reservoir.
3. If the company uses a "base stock" in connection with its inventory acounting, give a concise statement of the basis of establishing such "base stock" and the inventory basis and the accounting performed with respect to any encroachment of withdrawals upon "base stock," or restoration of previous encroachment, including brief particulars of any such accounting during the year.
4. If the company has provided accumulated provision for stored gas which may not eventually be fully recovered from any storage project, furnish a statement showing: (a) date of Commission authorization of such accumulated provision, (b) explanation of circumstances requiring such provision, (c) basis of provision and factors of calculation, (d) estimated ultimate accumulated provision accumulation, and (e) a summary showing balance of accumulated provision and entries during year.
5. Report pressure base of gas volumes as 14.73 psia at 60 F.

Line No.	Description (a)	Noncurrent (Account 117) (b)	Current Account 164.1) (c)	LNG (Account 164.2) (d)	LNG (Account 164.3) (e)	Total (f)
1	Balance at Beginning of Year	6,252,616	74,710,163			80,962,779
2	Gas Delivered to Storage (contra Account)	81,242	52,603,080			52,684,322
3	Gas Withdrawn from Storage (contra Account)		53,850,704			53,850,704
4	Other Debits or Credits (Net)					
5	Balance at End of Year	6,333,858	73,462,539			80,962,779
6	Mcf	2,632,530	10,235,257			12,867,787
7	Amount Per Mcf	2.4060	7.1774			6.2919
8	State basis of segregatin of inventory between current and noncurrent portions:					

(1) Dollars and quantity are accounted for in account 358.000; reference pages 208/209.

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NONUTILITY PROPERTY (Account 121)

1. Give a brief description and state the location of nonutility property included in Account 121.
2. Designate with an asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.
3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.
4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property. These items are separate and distinct from those allowed to be grouped under instruction No. 5.
5. Minor items (5% of the Balance at the End of the Year, for Account 121) may be grouped.
6. Natural gas companies which have oil property should report such property by State, classified as to (a) oil lands and land rights, (b) oil wells, and (c) other oil property. Gasoline plants and other plants for the recovery of products from natural gas are classifiable as gas plant and should be reported as such and not shown as Nonutility Property.

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales, Transfers, etc. (c)	Balance at End of Year (d)
1				
2	H,B 6911 Angling Rd Cottrellville, MI	84,327	0	84,327
3	L Three Rivers Gas Plant Three Rivers, MI	8,229	0	8,229
4	L, B Niles Warehouse Niles, MI	23,147	0	23,147
5				
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25		115,703	0	115,703

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	(34,545)
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	(3,748)
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify): 421	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	(3,748)
8	Net Charges for Plant Retired	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	0
13	Other Debit or Credit Items (Describe):	
14	Trnfr cost of asset retired and accum dep to NBV acct to offset gain	
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	(38,293)

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INVESTMENTS (Account 123, 124, 136)

1. Report below investments in Accounts 123, Investmenst in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.

2. Provide a subheading for each account and list thereunder the information called for:

(a) Investment in Securities - List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.

(b) Investment Advances - Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment (a)	Book Cost at Beginning of Year (if book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference.) (b)	Purchases or Additions During Year (c)
1			
2	NONE		
3			
4			
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Name of Respondent	This Report Is:	Date of Report	Year of Report
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INVESTMENTS (Account 123, 124, 136) (Continued)

Each note should be listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.

3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.

5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (r the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (if book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference.) (f)	Revenues for Year (g)	Gain on Loss from Investment Disposed of (h)	Line No.
					1
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		NONE			3
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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INVESTMENT IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, Investments in Subsidiary Companies.
2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).

(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity, and interest rate.

(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.

3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1				
2				
3	**NONE**			
4				
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42			TOTAL	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

INVESTMENT IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged, designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the total cost of Account 123.1.

Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
		0		1
	NONE	0		2
		0		3
		0		4
		0		5
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	0	0		42

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS PREPAYMENTS UNDER PURCHASE AGREEMENTS

1. Report below the information called for concerning gas prepayments as defined in the text of Account 165, Prepayments. (Report advances on page 229.)
2. If any prepayment at beginning of year (or incurred during year) was canceled, forfeited, or applied to another purpose, state in a footnote gas volume and dollar amount, period when such prepayment was incurred, and accounting disposition of prepayment amount. Give a concise explanation of circumstances causing forfeiture or other disposition of the repayment.

Line No.	Name of Vendor (Designate associated companies with an asterisk (a)	Seller FERC Rate Schedule No. (b)	BALANCE BEGINNING OF YEAR Mcf (14.73 psia at 60 F) (c)	BALANCE BEGINNING OF YEAR Amount (d)
1				
2	*ANR Pipeline		N/A	2,046,604
3				
4	*Trunkline Pipeline		N/A	170,000
5				
6	* Northern Natural Gas		N/A	180,547
7				
8	*Panhandle Eastern Pipeline		N/A	450,000
9				
10	Tenaska Marketing Ventures		100,000	1,675,700
11				
12	Peoples Energy (Integrys)		0	0
13				
14	*Note: Amount represents required deposits on pipeline transportation and storage accounts.			
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42	TOTAL		100,000	4,522,851

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GAS PREPAYMENTS UNDER PURCHASE AGREEMENTS (Continued)

3. If for any reason a take or pay situation is in controversy, list in the columns below the amount of those prepayment claims which have not been paid, together with footnote notation that the amount is in controversy (and any explanation the respondent chooses to make).

4. If any prepayment was determined other than by reference to amounts per Mcf or demand-commodity factors, furnish in a footnote a concise explanation of basis of computation.

BALANCE END OF YEAR		PREPAYMENTS IN CURRENT YEAR				
Mcf (14.73 psia at 60 F) (e)	Amount (f)	Cents per Mcf (g)	Mcf (14.73 psia at 60 F) (e)	Percent of Year's required take (f)	Make-up Period expiration date (j)	Line No.
						1
	0					2
						3
N/A	170,000	N/A	N/A	N/A	N/A	4
						5
	0	N/A	N/A	N/A	N/A	6
						7
N/A	450,000	N/A	N/A	N/A	N/A	8
						9
0	700	N/A	N/A	N/A	N/A	10
						11
90,000	880,700	979	90,000	>1%	N/A	12
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90,000	1,501,400		90,000			42

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NOTES AND ACCOUNTS RECEIVABLE SUMMARY FOR BALANCE SHEET

Show separately by footnote the total amount of notes employees included in Notes Receivable (Account 141) and accounts receivable from directors, officers and and Other Accounts Receivable (Account 143).

Line No.	Accounts (a)	Balance Beginning of Year (b)	Balance End of Year (c)
1	Notes Receivable (Account 141)		
2	Customer Accounts Receivable (Account 142)	33,866,390	14,493,598
3	Other Accounts Receivable (Account 143)	1,227,810	1,265,088
	(Disclose any capital stock subscriptions received)		
4	TOTAL	35,094,200	15,758,686
5	Less: Accumulated Provision for Uncollectible Accounts-Cr. (Account 144)	-954,163	-1,432,270
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	34,140,037	14,326,416
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14			

ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNT-CR. (Account 144)

1. Report below the information called for concerning this accumulated provision.
2. Explain any important adjustments to subaccounts.
3. Entries with respect to officers and employees shall not include items for utility services.

Line No.	Item (a)	Utility Customers (b)	Merchandise Jobbing and Contract Work (c)	Officers and Employees (d)	Other (e)	Total (f)
1	Balance beginning of year	1,025,013	(70,850)			954,163
2	Prov. for uncollectibles for current year	2,111,715				2,111,715
3	Accounts written off	(2,076,450)	(12,780)			(2,089,231)
4	Coll. of accounts written off	455,384	238			455,622
5	Adjustments (explain):__________					
6	Balance end of year	1,515,662	(83,392)			1,432,270
7						
8						
9						
10						
11						

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)

1. Report particulars of notes and accounts receivable from associated companies* at end of year.
2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.
3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.
4. If any note was received in satisfaction of an open account, state the period covered by such open account.
5. Include in column (f) interest recorded as income during the year including interest on account and notes held any time during the year.
6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.

* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year Debits (c)	Totals for Year Credits (d)	Balance End of Year (e)	Interest for Year (f)
1						
2						
3	Under current software system receivables and payables are netted against one another and appear on page 112.					
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24						
25	TOTAL	0	0	0	0	

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

MATERIAL AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material. Nonmajor companies may report total on line 4.

2. Give an explanation of important inventory adjustments during the year (on a supplemental page) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected-debited or credited. Show separately debits or credits to stores expense-clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Dept. or Departments Which Use Material (d)
1	Fuel Stock (Account 151)			
2	Fuel Stock Expense Undistributed (Account 152)			
3	Residuals and Extract Products (Account 153)			
4	Plant Materials & Operating Supplies (Account 15	1,374,805	1,545,019	
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations & Maintenance			
7	Production Plant (Estimated)			
8	Transmission Plant (Estimated)			
9	Distribution Plant (Estimated)			
10	Assigned to - Other			
11	TOTAL Account 154 (Enter total of lines 5 th	1,374,805	1,545,019	Serv/Oper
12	Merchandise (Account 155)			
13	Other Material & Supplies (Account 156)			
14	Nuclear Materials Held for Sale (Account 157) (Not applicable to Gas Utilities)			
15	Stores Expense Undistributed (Account 163)	209,425	151,896	
16				
17				
18				
19				
20	TOTAL Materials & Supplies (Per Balance She	1,584,230	1,696,915	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ADVANCES FOR GAS PRIOR TO INITIAL DELIVERIES OR COMMISSION CERTIFICATION

(Accounts 124, 166 and 167)

1. Report below the information called for concerning all advances for gas, as defined in the text of Account 166, Advances for Gas Exploration, Development and Production, and 167, Other Advances for Gas, whether reported in Accounts 166, 167, or reclassified to Account 124, Other Investments. List Account 124 items first.
2. In column (a), give the date the advance was made, the payee (designate associated companies with an asterisk) a brief statement of the purpose, (exploration, development, production, general loan, etc.) and the estimated date of repayment. Do not use the term indefinite in reporting estimated date of repayment. If advances are made to a payee in connection with different projects with different arrangements for repayment, use separate lines for reporting; otherwise all advances may be grouped by payee, subject to the requirements of instruction 3 below.
3. If the beginning balance shown in column (c) does not agree with prior year's ending balance, column (g), provide a detailed explanation in a footnote. Show all Advances made during the year in column (d) and all repayments or other credits in column (e) separately by account, as reported in column (f).

Line No.	Date of Advance, Payee, Purpose and Estimated Date of Repayment (a)	Account Number (124, 166 or 167) (b)	Balance at Beginning of Year (c)	Advances During Year (d)	Repayments or Other Credits During Year (e)	Accounts Charged (f)	Balance at End of Year (g)
1							
2							
3	**NONE**						
4							
5							
6							
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

2. Report all payments for undelivered gas on line 5 and complete pages 226 to 227 showing particulars (details) for gas prepayments.

Line No.	Nature of Prepayment (a)	Balance at End of Year (in Dollars) (b)
1	Prepaid Insurance	330,496
2	Prepaid Rents	
3	Prepaid Taxes (pages 262-263)	3,278,701
4	Prepaid Interest	
5	Gas Prepayments (pages 226-227)	1,501,400
6	Miscellaneous Prepayments	39,003
7	TOTAL	5,149,600

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR Account Charged (d)	WRITTEN OFF DURING YEAR Amount (e)	Balance at End of Year (f)
1						
2	**NONE**					
3						
4						
5						
6						
7						
8						
9	TOTAL					

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2, and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR Account Charged (d)	WRITTEN OFF DURING YEAR Amount (e)	Balance at End of Year (f)
10						
11	**NONE**					
12						
13						
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29						
30	TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

PRELIMINARY SURVEY AND INVESTIGATION CHARGES (Account 183)

1. Report below particulars (details) concerning the cost of plans, surveys, and investigations made for the purpose of determining the feasibility of projects under contemplation.
2. For gas companies, report separately amounts included in Account 183.1, Preliminary Natural Gas Survey and Investigation Charges, and Account 183.2, Other Preliminary Survey and Investigation Charges.
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description and Purpose of Project (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1						
2						
3	**NONE**					
4						
5						
6						
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44	TOTAL					0

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

OTHER REGULATORY ASSETS

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $50,000) may be grouped by classes.
4. Give the number and name of the account(s) where each amount is recorded.

Line No.	Description and Purpose of Other Regulatory Assets	Debits	CREDITS Account Charged	CREDITS Amount	Balance at End of Year
	(a)	(b)	(c)	(d)	(e)
1					
2	FAS 109		286	855,526	0
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
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39					
40	TOTAL			855,526	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than $50,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Manuf Gas Plant Clean Up 1997	2,208		186	1,104	1,104
2	Manuf Gas Plant Clean UP 1998	6,012		186	2,004	4,008
3	Manuf Gas Plt Clean Up 1999	10,752		186	2,688	8,064
4	Manuf Gas Plt Clean Up 2000	36,480		186	7,296	29,184
5	Man Gas Plt Clean Up 2001	23,976		186	3,996	19,980
6	Manuf Gas Plt Clean Up 2002	12,768		186	1,824	10,944
7	Manuf Gas Plt Clean Up 2003	132,960		186	16,620	116,340
8	Manuf Gas Plt Clean Up 2004	197,640	17,730	186	43,866	171,504
9	Manuf Gas Plt Clean Up 2005	369,637	86,987	186	116,441	340,183
10	Manuf Gas Plt Clean Up 2006	0	855,421	186	42,517	812,904
11	Rate Case	52,197			52,197	0
12	Rate Case 2005	129,533	688		57,671	72,550
13	Rate Case 2006	0	507,138		0	507,138
14	Reg Asset - ARO	822,289	114,048	VAR	69,420	866,916
15	Gas In Storage-Inventory Adj	30,485		823	30,485	0
16	FAS 106 Costs	5,201,516		926	743,064	4,458,452
17	Reg Asset - FAS 158	0	17,604,469	VAR	2,049,874	15,554,595
18	Environmental Clean Up	0	974,000		0	974,000
19	Def Db FAS 158 Benefits	0	790,373		0	790,373
20						
21	Regulatory Assets	7,028,453	20,950,854		3,241,067	24,738,239
22						
23						
24	Def Cashier Over/Short	0	14,601	Var	14,601	0
25	Def Inventory Adjustment	0	160,726	Var	160,726	0
26	Deposits	50,000	0	186	0	50,000
27	Notes Receivable - Other	257,418	0	Var	62,994	194,424
28	Intangible Assets - Pen Gas	188,035	0	186	61,518	126,517
29						
30	Misc Deferred Debits	495,453	175,327		299,839	370,941
31						
32						
33						
34						
35						
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46						
47						
48	Misc. Work in Progress					
49	DEFERRED REGULATORY COMM. EXPENSES (SEE PAGES 350-351)					
50	TOTAL	7,523,906				25,109,181

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INSTRUCTIONS FOR THE FILING OF THE ANNUAL REPORT OF
MAJOR AND NONMAJOR GAS UTILITIES

TAX SCHEDULES

I. Purpose:

The Commission will permit the option to adopt FERC reporting requirements if the company agrees to file the MPSC information on a historical test-year basis in a rate case or upon request of the Commission Staff. For the following pages:

A.	Accumulated Deferred Income taxes	234-235
B.	Reconciliation of Reported Net Income With Taxable Income For Federal Income Taxes	261A-B
C.	Calculation of Federal Income Tax	261C-D
D.	Taxes Accrued, Prepaid and Charged During Year	262-263
E.	Accumulated Deferred Income taxes	272-277

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.

2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Electric			
2				
3				
4				
5	Other			
6	TOTAL Electric (Enter Total of lines 2 thru 7)			
7	Gas			
8	Accum. Deferred Income Taxes	22,093,313	(1,467,607)	1,648,630
9				
10				
11				
12				
13				
14				
15	Other			
16	TOTAL Gas (Enter Total of lines 10 thru 15)	22,093,313	(1,467,607)	1,648,630
17				
18	TOTAL (Account 190) (Enter Total of lines 8, 16 & 17)	22,093,313	(1,467,607)	1,648,630
19	Classification of Total:			
20	Federal Income Tax	22,093,313	(1,467,607)	1,648,630
21	State Income Tax			
22	Local Income Tax			

NOTES

In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

3. If more space is needed, use separate pages as required.
4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed other Other.

Changes During Year		ADJUSTMENTS					
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
							4
							5
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							7
		186	1,960,532	286	18,969,344	5,265,524	8
							9
							10
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							14
							15
			1,960,532		18,969,344	5,265,524	16
							17
			1,960,532		18,969,344	5,265,524	18
							19
			1,960,532		18,969,344	5,265,524	20
							21
							22

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

CAPITAL STOCK (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value Per Share (c)	Call Price at End of Year (d)
1	Common Stock	1,000,000	$10.00	
2	Common Stock	100	$1.00	
3				
4	Cumulative Preferred			
5	Not Designated as a Series	50,000		
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

CAPITAL STOCK (Accounts 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent.)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
747,703	$7,477,030					1
100	$100					2
						3
						4
						5
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Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

CAPITAL STOCK SUBSCRIBED, CAPITAL STOCK LIABILITY FOR CONVERSION, PREMIUM ON CAPITAL STOCK, AND INSTALLMENTS RECEIVED ON CAPITAL STOCK (Accounts 202 and 205, 203 and 206, 207, 212)

1. Show for each of the above accounts the amounts applying to each class and series of capital stock.
2. For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year.
3. Describe in a footnote the agreement and transactions under which a conversion liability exisited under Accout 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of the year.
4. For payment on Account 207, Capital Stock, designate with an asterisk any amounts representing the excess of consideration received over stated value of stocks without par value.

Line No.	Name of Account and Description of Item (a)	Number of Shares (b)	Amount (c)
1	Account 207.10 :		
2	Beginning Balance	-	51,252,806
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46	TOTAL		51,252,806

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

OTHER PAID-IN CAPITAL (Account 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received From Stockholders (Account 208) - State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and give brief explanation of the capital changes which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series to which related.

(d) Miscellaneous Paid-in Capital (Account 211) - Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1		
2		
3	**NONE**	
4		
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40	TOTAL	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

DISCOUNT ON CAPITAL (Account 213)

1. Report the balance at end of year of discount on capital stock for each class and series of capital stock.
2. If any changes occurred during the year in the balance with respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off during the year and specify the amount charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1		
2		
3	**NONE**	
4		
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20		
21	TOTAL	

CAPITAL STOCK EXPENSE (Account 214)

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Common Stock	268,951
2		
3		
4		
5		
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21	TOTAL	268,951

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement giving a brief description of security financing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.

2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance or redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 15 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as particulars (details) of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

NONE

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

LONG TERM DEBT (Accounts 221, 222, 223 and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.

3. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

4. For receiver's certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (d)
1	Long-Term			
2	8.1% Series Due 2010	06/30/94	08/31/10	54,000,000
3	7.46% Series			16,000,000
4	7.125% Series Due 2008		05/15/08	35,115,000
5	7.75% Series Due 2013		05/15/13	35,115,000
6				
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37				
38	TOTAL			140,230,000

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

LONG-TERM DEBT (Accounts 221, 222, 223, and 224) (Continued)

5. In a supplemental statement, give explanatory particulars (details) for Account 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.

6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.

7. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

8. If interest expanse was incurred during the year on any obligation retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

9. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

INTEREST FOR YEAR		HELD BY RESPONDENT			
Rate (in %) (d)	Amount (e)	Reacquired Bonds (Acct. 222) (f)	Sinking and Other Funds (g)	Redemption Price Per $100 at End of Year (h)	Line No.
					1
8.1%	4,374,000				2
7.46%	1,193,600				3
7.125%	2,501,944				4
7.750%	2,721,412				5
					6
					7
					8
					9
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	10,790,956				38

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expenses, Premium or Discount (c)	AMORTIZATION PERIOD Date From (d)	AMORTIZATION PERIOD Date To (e)
1					
2	Long-Term Debt - Parent	54,000,000		6/30/94	8/31/10
3					
4					
5					
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT(Account 181, 225, 226) (Cont)

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)	Line No.
				1
214,984	0	46,068	168,916	2
				3
				4
				5
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details of gain or loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reac-quired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	Account 189					
2						
3						
4						
5	10% Series Due 2007	06/30/94	7,876,000		1,144,888	899,571
6						
7						
8						
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

NOTES PAYABLE (Accounts 231)

1. Report the particulars indicated concerning notes payable at end of year.
2. Give particulars of collateral pledged, if any.
3. Furnish particulars for any formal or informal compensating balance agreement covering open lines of credit.
4. Any demand notes should be designated as such in column (d).
5. Minor amounts may be grouped by classes, showing the number of such amounts.

Line No.	Payee (a)	Purpose for which issued (b)	Date of Note (c)	Date of Maturity (d)	Int. Rate (e)	Balance End of Year (f)
1					%	$
2						
3	**NONE**					
4						
5						
6						
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27						
	TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

PAYABLES TO ASSOCIATED COMPANIES* (Accounts 233, 234)

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to a total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.
4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

* See definition on page 226B

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year: Debits (c)	Totals for Year: Credits (d)	Balance End of Year (e)	Interest for Year (f)
1	Notes Payable:					
2	SEMCO ENERGY, Inc.	78,585,825	434,467,146	437,222,299	81,340,979	
3						
4	SEMCO Energy Gas Co	-9,377,987	29,932,088	12,843,443	-26,466,632	
5	(Battle Creek Division)					
6						
7	ENSTAR	-39,555	8,441	94,460	46,464	
8						
9	SEMCO CONSTRUCTION PARENT	-368,709	0	368,709	0	
10						
11	SEMCO ENERGY VENTURES	-26,429	25,706	26,429	-25,706	
12						
13	SEMCO PIPELINE	34,266	7,277,193	169,445	-7,073,483	
14						
15	SEMCO GAS STORAGE	-7,617	0	7,617	0	
16						
17	HOTFLAME GAS COMPANY	-14,326	0	14,931	605	
18						
19	SEMCO INFORMATION TECH	4,122,013	4,530,710	5,478,396	5,069,700	
20						
21						
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23						
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34						
35						
36						
	TOTAL	72,907,481	476,241,283	456,225,729	52,891,927	2,225,123

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of report net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 117, line 72)	5,475,009
2	**Reconciling Items for the Year**	
3		
4	**Taxable Income Not Reported on Books**	
5	Contribution in Aid of Construction	5,377,776
6	Gas in Storage (FIFO adj)	3,763,410
7		
8		
9	**Deductions Recorded on Books Not Deducted for Return**	
10	Federal Income Tax Expense	2,309,286
11	Meals & Entertainment, Penalties, Other Perm. Diff.	52,615
12	Amort. of Reacq Debt	245,316
13	Vacation, Bonus, Benefits	141,998
14	Capitalized Interest	49,688
15	Property Taxes, Unclaimed Deposits	1,182,491
16	Inventory Writedown, 263A Adjustment	264,493
17	Bad Debts	478,107
18		
19	**Income Recorded on Books Not Included in Return**	
20	Non-Taxable Medicare Subsidy for Retiree Medical	374,854
21	Interest Income - AFUDC	230,676
22	GCR Cost Recovery	3,432,525
23		
24	**Deductions on Return Not Charged Against Book Income**	
25	Tax Depreciaton, Gains & Losses, Removal Costs	6,453,819
26	Manufacture Gas Plant Clean Up	721,782
27	Retiree Medical & Pension	1,055,278
28	Amort. of Rate Case	397,958
29	Goodwill Amortization	6,069
30		
31		
32		
33		
34	Federal Tax Net Income	6,667,228
35		
36		
37	**Show Computation of Tax:**	
38		
39	Tax on Line 34 @ 35%	2,333,531
40		
41		

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group that which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each

Line No.	SUBSTITUTED FERC FORM NO. 2, PAGE 261	TOTAL AMOUNT
1	Utility net operating income (page 114 line 20)	
2	Allocations: Allowance for funds used during construction	
3	Interest expense	
4		
5	Net income for the year (page 117 line 68)	
6	Allocation of Net income for the year	
7	Add: Federal income tax expenses	
8		
9	Total pre-tax income	
10		
11	Add: Taxable income not reported on books:	
12		
13		
14		
15	Add: Deductions recorded on books not deducted from return:	
16		
17		
18		
19	Subtract: Income recorded on books not included in return:	
20		
21		
22		
23	Subtract: Deductions on return not charged against book income:	
24		
25		
26	Federal taxable income for the year	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (continued)

group member, and basis of allocation, assignment, or sharing of the consolidation tax among the group members.

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2

4. A substitute page, designed to meet a particular need of a company, may be used as long as the data is consistent and meets the requirements of the above instructions.

UTILITY	OTHER	Line No.
		1
		2
		3
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		10
SUBSTITUTED FERC FORM NO. 2, PAGE 261		11
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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CALCULATION OF FEDERAL INCOME TAX

Line No.		TOTAL AMOUNT
1	Estimated Federal taxable income for the current year (page 261A)	6,667,228
2		
3	Show computation of estimated gross Federal income tax applicable to line 1:	
4	Tax on Line 1 @ 35%	2,333,531
5		
6		
7		
8	TOTAL	2,333,531
9		
10	Allocation of estimated gross Federal income tax from line 8	
11	Investment tax credits estimated to be utilized for the year (page 264 col (c))	
12		
13	Adjustment of last year's estimated Federal income tax to the filed tax return:	
14		
15	Last year's gross Federal income tax expense per the filed return	6,465,907
16	Last year's estimated gross Federal income tax expense	6,704,944
17	Increased (decreased) gross Federal income tax expense	(239,037)
18		
19	Last year's investment tax credits utilized per the filed return	
20	Last year's investment tax credits estimated to be utilized	
21	Increased (decreased) investment tax credits utilized	
22		
23	Additional Adjustments (specify)	
24	Rounding	(2)
25		
26		
27	Total Current Federal Income Tax	2,094,492
28	Expense:	
29	409.1 (page 114, line 14)	2,030,406
30	409.2 (page 117, line 47)	64,086

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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CALCULATION OF FEDERAL INCOME TAX (continued)

UTILITY	OTHER	Line No.
		1
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		3
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		10
		11
		12
		13
		14
6,465,907		15
6,704,944		16
(239,037)		17
		18
		19
		20
		21
		22
		23
(2)		24
		25
		26
2,094,492		27
		28
2,030,406		29
	64,086	30

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that

Line No.	Kind of Tax (See Instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Incl. in Account 165) (c)
1	Federal Income Tax	6,704,943	
2	FICA	0	
3	Federal Unemployment Tax (FUTA)	155	
4	General Tax Allocated to/from Parent	0	
5	Payroll Taxes Allocated to Affiliates	0	
6	State Sales, Use & Excise Tax	498,287	
7	State Unemployment Tax (SUTA)	1,073	
8	Michigan Single Business Tax (MSBT)	(14,421)	
9	Property Tax	0	4,459,682
10	City Income Tax	782	
11			
12			
13			
14			
15			
16			
17			
18	TOTAL	7,190,819	4,459,682

Line No.	DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.) Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Departments (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1		2,030,406		64,086
2		1,156,742		
3		18,298		
4		253,093		
5		(55,498)		
6		(70,662)		
7		115,140		
8		1,182,127		
9		3,635,922		
10		0		
11				
12				
13				
14				
15				
# 16				
17				
18	TOTAL	8,265,568		64,086

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

the total tax for each State and subdivision can readily be ascertained.

5. If any tax (exclude Federal and state income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).

6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.

7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll or otherwise pending transmittal of such taxes to the taxing authority.

8. Show in columns (i) thru (p) how the taxed accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.

9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)		BALANCE AT END OF YEAR: Taxes Accrued (Account 236) (g)	BALANCE AT END OF YEAR: Prepaid Taxes (Incl. in Account 165) (h)	Line No.
2,094,492	6,465,907			2,333,528		1
1,156,742	1,156,742			0		2
18,298	18,272			181		3
253,093	253,093			0		4
(55,498)	(55,498)			0		5
13,481,123	15,645,655			(1,666,245)		6
115,140	115,116			1,097		7
1,182,127	615,000			552,706		8
3,925,595	2,744,614			0	3,278,701	9
0	0			782		10
						11
						12
						13
						14
						15
						16
						17
22,171,112	26,958,901			1,222,049	3,278,701	18

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)		Other (p)	Line No.
					1
					2
					3
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					18

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

1. Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and non-utility operations. Explain by footnote any correction adjustments to the account balances shown in column (h). Include in column (j) the average period over which the tax credits are amortized.
2. Fill in columns for all line items as appropriate.

Line No.	Account Subdivisions (a)	Subaccount Number (b)	Balance at Beginning of Year (c)	Deferred for Year: Account Number (d)	Deferred for Year: Amount (e)
1	Gas Utility				
2	3%				
3	4%				
4	7%				
5	8%				
6	10%	255	352,020		
7					
8					
9					
10					
11					
12					
13					
14					
15	JDITC				
16					
17					
18					
19					
20	TOTAL		352,020		
21	Other				
22	3%				
23	4%				
24	7%				
25	8%				
26	10%				
27					
28					
29					
30					
31					
32	JDITC				
33					
34					
35	TOTAL				

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (Continued)

Allocations to Current Year's Income: Account Number (f)	Allocations to Current Year's Income: Amount (g)	Adjustments (h)	Balance at End of Year (i)	Average Period of Allocation to Income (j)	Line No.
					1
					2
					3
					4
					5
411	(264,912)		87,108	28.5 years	6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
	(264,912)		87,108	0	20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33
					34
					35

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Give description and amount of other current and accrued liabilities as of the end of year.
2. Minor items may be grouped by classes, showing number of items in each class.

Line No.	Item (a)	Balance at End of Year (b)
1		
2		
3	Accrued Int Cust Dep	-3,675
4	Accrued Gas Gift Cert	6,295
5	Accrued liability other	375
6	Employee Vacations	1,000,205
7	Accrue CWIP Vacations	331,564
8	Accrue Benefits - IBNR	368,000
9	Accrue CWIP PR Acct	122,013
10	Gas Charges	129,206
11		
12		
13		
14		
15		
16		
17		
18		
19	TOTAL	1,953,983

CUSTOMER ADVANCES FOR CONSTRUCTION (Account 252)

Line No.	List advances by department (a)	Balance at End of Year (b)
21	Customer Advance for Construction	257,450
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39	TOTAL	257,450

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

OTHER DEFERRED CREDITS (Accounts 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than $10,000) may be grouped by classes.
4. For any undelivered gas obligations to customers under take-or-pay clauses of sale agreements, show the total amount on this page and report particulars (details) called for by page 267. Show also on this page, but as a separate item, any advance billings or receipts for gas sales or service classified in Account 253 but not related to take-or-pay arrangements.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Accrued Pension	-3,473,694	Var	3,535,635	2,497,931	-4,511,398
2	Uncashed Checks	56,984	Var	22,606	24,114	58,492
3	Interest-Mdse Financing	108,644	123,840	124,336	15,692	0
4	Retiree Medical	-201,721	926/186	1,320,423	559,785	-962,359
5	Asset Retirement Obligation	1,039,521	404	85,968	115,859	1,069,412
6	FAS 159 Unfnd Benefits	0	186	71,790	18,377,290	18,305,500
7	Environmental Clean Up	0	186	0	974,000	974,000
8	GCC Deposits	0	131	5,498	38,494	32,996
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	-2,470,266		5,166,256	22,603,165	14,966,643

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY (Account 281)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amortizable property.
2. For Other (Specify), include deferrals relating to other

Line No.	Account (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Accelerated Amortization (Account 281)			
2	Electric			
3	Defense Facilities			
4	Pollution Control Facilities			
5				
6				
7				
8	TOTAL Electric (Enter Total of lines 3 thru 7)			
9	Gas			
10	Defense Facilities			
11	Pollution Control Facilities			
12				
13				
14				
15	TOTAL Gas (Enter Total of lines 10 thru 14)			
16				
17	TOTAL (Acct 281) (Total of lines 8, 15, and 16)			
18	Classification of TOTAL			
19	Federal Income Tax			
20	State Income Tax			
21	Local Income Tax			

NOTES

Not Applicable

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY (Acct. 281) (Continued)

income and deductions
3. Use separate pages as required.

Changes During Year		ADJUSTMENTS					
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14
							15
							16
							17
							18
							19
							20
							21

NOTES (Continued)

Not Applicable

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. For Other (Specify), include deferrals relating to other

Line No.	Account (a)	Balance at Beginning of Year (b)	Changes During Year: Amounts Debited to Account 410.1 (c)	Changes During Year: Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	44,832,119	2,258,837	(1,667,366)
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	44,832,119	2,258,837	(1,667,366)
6	Other (Specify)			
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	44,832,119	2,258,837	(1,667,366)
10	Classification of TOTAL			
11	Federal Income Tax	44,832,119	2,258,837	(1,667,366)
12	State Income Tax			
13	Local Income Tax			

NOTES

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

income and deductions

3. Use separate pages as required.

Changes During Year		ADJUSTMENTS				Balance at End of Year	Line No.
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)	(k)	
							1
							2
		286	22,921,552			22,502,038	3
							4
			22,921,552			22,502,038	5
							6
							7
							8
			22,921,552			22,502,038	9
							10
			22,921,552			22,502,038	11
							12
							13

NOTES (Continued)

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.

2. For Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	Changes During Year: Amounts Debited to Account 410.1 (c)	Changes During Year: Amounts Credited to Account 411.1 (d)
1	Electric			
2				
3				
4				
5				
6	Other			
7	TOTAL Electric (Enter Total of lines 2 thru 6)			
8	Gas			
9				
10				
11				
12				
13	Other	2,538,058	837,966	(768,708)
14	TOTAL Gas (Enter Total of lines 9 thru 13)	2,538,058	837,966	(768,708)
15	Other (Specify)			
16	TOTAL (Account 283) (Enter Total of lines 7, 14, 15)	2,538,058	837,966	(768,708)
17	Classification of TOTAL			
18	Federal Income Tax	2,538,058	837,966	(768,708)
19	State Income Tax			
20	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below, the order authorizing the use of the account for each item. Include amounts relatin to insignificant items listed under Other.

4. Fill in all columns for all items as appropriate.

5. Use separate pages as required.

Changes During Year		ADJUSTMENTS					
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
				286	3,401,742	6,009,058	13
					3,401,742	6,009,058	14
							15
					3,401,742	6,009,058	16
							17
					3,401,742	6,009,058	18
							19
							20

NOTES (Continued)

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

ACCUMULATED DEFERRED INCOME TAXES - TEMPORARY (Account 284)

1. Report the information called for below concerning each item included in this account at year end.

Line No.	Description of Item (a)	Balance at End of Year (b)	Date of Filing for Commission Approval (c)	Case Number (d)
1	Electric			
2				
3				
4				
5				
6				
7	TOTAL Electric (Enter Total of lines 2 thru 6)			
8	Gas			
9				
10				
11				
12				
13				
14	TOTAL Gas (Enter Total of lines 9 thru 13)			
15	Other (Specify)			
16	TOTAL (Account 284) (Enter Total of lines 7, 14, 15)	0		
17	Classification of TOTAL			
18	Federal Income Tax			
19	State Income Tax			
20	Local Income Tax			

NOTES

Not Applicable

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

OTHER REGULATORY LIABILITIES

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (amounts less than $50,000) may be grouped by classes.
4. Give the number and name of the account(s) where each amount is recorded.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS Account Credited (b)	DEBITS Amount (c)	Credits (d)	Balance at End of Year (e)
1					
2	FAS 109 Deferred Tax Liability	186	855,526	550,467	230,904
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	TOTAL		855,526	550,467	230,904

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS OPERATING REVENUES (ACCOUNT 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.
2. Natural Gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that were separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.
5. If increases or decreases from previous year (columns (c), (e) and (g)), are not derived from previously reported

Line No.	Title of Account (a)	OPERATING REVENUES Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	480 Residential Sales	228,021,712	245,402,030
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	108,168,672	112,056,302
5	Large (or Ind.) (See Instr. 6)	9,841,189	16,085,583
6	482 Other Sales to Public Authorities		
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Customers	346,031,573	373,543,915
9	483 Sales for Resale		
10	TOTAL Nat. Gas Service Revenues	346,031,573	373,543,915
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	346,031,573	373,543,915
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	1,516,590	1,340,247
16	488 Misc. Service Revenues	2,509,807	2,257,215
17	489 Rev. from Trans. of Gas of Others	7,629,128	7,722,092
18	490 Sales of Prod. Ext. from Nat. Gas		
19	491 Rev. from Nat. Gas Proc. by Others		
20	492 Incidental Gasoline and Oil Sales		
21	493 Rent from Gas Property	20,258	3,007
22	494 Interdepartmental Rents		
23	495 Other Gas Revenues	2,839,988	2,900,976
24	TOTAL Other Operating Revenues	14,515,771	14,223,537
25	TOTAL Gas Operating Revenues	360,547,344	387,767,452
26	(Less) 485 Provision for Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	360,547,344	
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	336,190,384	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	9,841,189	
30	Sales for Resale		
31	Other Sales to Pub. Auth. (Local Dist. Only)		
32	Interdepartmental Sales	0	
33	TOTAL (Same as Line 10, Columns (b) and (d))	346,031,573	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See pages 108-109, Important changes During Year, for important new territory added and important rate increases or decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.
				1
20,173,434	22,972,832	225,270	221,933	2
				3
10,556,540	11,294,692	22,773	22,371	4
963,301	1,691,150	479	661	5
				6
				7
31,693,275	35,958,674	248,522	244,965	8
				9
31,693,275	35,958,674	248,522	244,965	10
				11
	NOTES			12
				13
				14
				15
				16
				17
				18
				19
				20
	Demand Contracts			21
				22
	Name	Revenue		23
				24
	DTE #1	$360,000.00		25
				26
	DTE #2	$263,590.00		27
30,729,974	Mirant	$1,495,000.00		28
963,301				29
				30
				31
				32
31,693,275				33

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

CUSTOMER CHOICE GAS OPERATING REVENUES (ACCOUNT 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.
2. Natural Gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that were separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.
5. If increases or decreases from previous year (columns (c), (e) and (g)), are not derived from previously reported

Line No.	Title of Account (a)	OPERATING REVENUES Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	480 Residential Sales	3,843	
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	29,288	
5	Large (or Ind.) (See Instr. 6)		
6	482 Other Sales to Public Authorities		
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Customers	33,131	
9	483 Sales for Resale		
10	TOTAL Nat. Gas Service Revenues	33,131	0
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	33,131	0
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	0	
16	488 Misc. Service Revenues		
17	489 Rev. from Trans. of Gas of Others		
18	490 Sales of Prod. Ext. from Nat. Gas		
19	491 Rev. from Nat. Gas Proc. by Others		
20	492 Incidental Gasoline and Oil Sales		
21	493 Rent from Gas Property		
22	494 Interdepartmental Rents		0
23	495 Other Gas Revenues		
24	TOTAL Other Operating Revenues	0	0
25	TOTAL Gas Operating Revenues	33,131	0
26	(Less) 485 Provision for Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	33,131	
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	33,131	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	0	
30	Sales for Resale		
31	Other Sales to Pub. Auth. (Local Dist. Only)		
32	Interdepartmental Sales	0	
33	TOTAL (Same as Line 10, Columns (b) and (d))	33,131	

Name of Respondent	This Report Is:	Date of Report	Year of Report
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CUSTOMER CHOICE GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See pages 108-109, Important changes During Year, for important new territory added and important rate increases or decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.
				1
2,999		27		2
				3
18,129		26		4
				5
				6
				7
21,128		53		8
				9
21,128	0	53	0	10

	NOTES	Line No.
		11
		12
		13
		14
		15
		16
		17
		18
		19
		20
		21
		22
		23
		24
		25
		26
		27
21,128		28
0		29
		30
		31
		32
21,128		33

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RATE AND SALES SECTION

DEFINITIONS OF CLASSES OF SERVICE AND INSTRUCTIONS PERTAINING TO STATEMENTS ON SALES DATA

In the definitions below, the letters preceding the captions distinguish the main classes from the subclasses. Show the data broken into the subclasses if possible, but if not, report data under the main classes, drawing a dash through the subclasses.

When gas measured through a single meter is used for more than one class of service as here defined, as for example, for both commercial and residential purposes, assign the total to the class having the principal use.

Average Number of Customers. Number of customers should be reported on the basis of number of meters, plus number of flat-rate accounts, except that where separate meter readings are added for billing purposes, one customer shall be counted for code group of meters so added. The average number of customers means the average of the 12 figures at the close of each month.

Thousands of Cubic Feet or Therms Sold. (indicate which one by crossing out the one that does not apply). Give net figures, exclusive of respondent's own use and losses.

Revenues. This term covers revenues derived from (a) Sale of Gas (exclusive or forfeited discounts and penalties) and (b) Other Gas Revenues, such as rent from gas property, interdepartmental rents, customers' forfeited discounts and penalties, servicing of customers' installations and miscellaneous gas revenues.

AB. Residential Service. This class includes all sales of gas for residential uses such as cooking, refrigeration, water heating, space heating and other domestic uses.

A. Residential Service This class includes all sales of gas for residential use except space heating.

B. Residential Space Heating. This class includes all sales of gas for space heating including gas for other residential uses only when measured through the same meter.

CD. Commercial Service. This class includes service rendered primarily to commercial establishments such as restaurants, hotels, clubs, hospitals, recognized rooming and boarding houses, apartment houses (but not individual tenants therein), garages, churches, warehouses, etc.

C. Commercial Service. This class includes all sales of gas for commercial use except space heating.

D. Commercial Space Heating. This class includes all sales of gas for space heating including gas for other commercial uses only when measured through the same meter.

E. Industrial Service. This class includes service rendered primarily to manufacturing and industrial establishments where gas is used principally for large power, heating and metallurgical purposes.

F. Public Street and Highway Lighting. Covers service rendered to municipalities or other governmental units for the purpose of lighting streets, highways, parks and other public places.

G. Other Sales to Public Authorities. Covers service rendered to municipalities or other governmental units for lighting, heating, cooking, water heating and other general uses.

H. Interpartmental Sales. This class includes gas supplied by the gas department to other departments of the utility when the charges therefor are at tariff or other specific rates.

I. Other Sales. This class includes all service to ultimate consumers not included in the foregoing described classifications.

* A - I. Total Sales to Ultimate Customers. This is the total of the foregoing described classifications.

J. Sales to Other Gas Utilities for Resale. This class includes all sales of gas to other gas utilities or to public authorities for resale to ultimate consumers.

K. Other Gas Revenue. Revenues derived from operations of the respondent other than sales of gas. They include rent from gas property, interdepartmental rents, customers' forfeited discounts and penalties, services of customers' installations and miscellaneous gas revenues, such as fees and charges for changing, connecting and disconnecting service, profit on sales of materials and supplies not ordinarily purchased for resale, commission on sales or distribution of others' gas (sold under rates filed by such others), management or supervision fees, sale of steam (except where the respondent furnishes steam-heating service) and rentals from leased property on customers' premises.

* A - K. Total Gas Operating Revenues. The total of all the foregoing accounts.

Separate Schedules for Each State. Separate schedules in this section should be filed for each state in which the respondents operates.

Estimates. If actual figures are not available for the schedules in this section, give estimates. Explain the methods used and the factual basis of the estimates, using supplementary sheets, if necessary.

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

625-A. SALES DATA FOR THE YEAR
(For the State of Michigan)

Line No.	Class of Service (a)	Average Number of Customers per Month (b)	Gas Sold Mcf* (c)	Revenue (Show to nearest dollar) (d)	AVERAGES: Mcf* per Customer (e)	AVERAGES: Revenue per Customer (f)	AVERAGES: Revenue per Mcf* (g)
1	AB. Residential Service			$		$	$
2	A. Residential Service	2,051	138,325	5,897,217	67.44	2,875.29	42.63
3	B. Residential Space Heating Service	223,219	20,035,109	222,124,937	89.76	995.10	11.09
4	CD. Commercial Service						
5	C. Commercial Service, except space heating	830	331,354	5,787,847	399.22	6,973.31	17.47
6	D. Commercial Space Heating	21,784	9,804,008	98,439,193	450.06	4,518.88	10.04
7	E. Industrial Service	638	1,384,479	13,782,379	2,170.03	21,602.47	9.95
8	F. Public Street & Highway Lighting						
9	G. Other Sales to Pubic Authorities						
10	H. Interdepartmental Sales						
11	I. Other Sales						
12	A - I. Total Sales to Ultimate Consumers	248,522	31,693,275	346,031,573	127.53	1,392.36	10.92
13	J. Sales to Other Gas Utilities for Resale						
14	A - J. TOTAL SALES OF GAS	248,522	31,693,275	346,031,573	127.53	1,392.36	10.92
15	K. Other Gas Revenues						
16	A - K. TOTAL GAS OPERATING REVENUE	248,522	31,693,275	346,031,573	127.53	1,392.36	10.92

* Report Mcf on a pressure base of 14.65 psia dry and a temperature base of 60 F. Give two decimals.

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

625-B. SALES DATA BY RATE SCHEDULES FOR THE YEAR

1. Report below the distribution of customers, sales and revenues for the year by individual rate schedules. (See definition on first page of this section).
2. Column (a) - List all rate schedules by identification number or symbol. Where the same rate schedule designation applies to different rates in different zones, cities or districts, list separately data for each such area in which the schedule is available.
3. Column (b) - Give the type of service to which the rate schedule is applicable, i.e. cooking, space heating, commercial heating, commercial cooking, etc.
4. Column (c) - Using the classification shown in Schedule 625-A, column (a), indicate the class or classes of customers served under each rate schedule, e.g. (A) for Residential Service, (B) Heating Service, etc.
5. Column (d) - Give the average number of customers billed under each rate schedule during the year. The total of this column will approximate the total number of ultimate customers, line 12, Schedule 625-A.
6. Columns (e) and (f) - For each rate schedule listed, enter the total number of Mcf sold to, and revenues received from customers billed under that rate schedule. The totals of these columns should equal the totals shown on line 12, Schedule 625-A. If the utility sells gas to ultimate customers under special contracts, the totals for such sales should be entered on a line on this page in order to make the totals of columns (e) and (f) check with those entered on line 12, Schedule 625-A.
7. When a rate schedule was not in effect during the entire year, indicate in a footnote the period in which it was effective.

Line No.	Rate Schedule Designation (a)	Type of Service to which Schedule is applicable (b)	Class of Service (c)	Average Number of Customers per Month (d)	Mcf Sold (e)	Revenue (Show to nearest dollar) (f)
1	Residential Service Rate					
2		Non-Heat	A	2,051	138,325	5,897,217
3		Heat	B	223,219	20,035,109	222,124,937
4						
5	Commercial and Industrial Service Rate					
6		Comm & Ind Non-Hea	C	830	331,354	5,787,847
7		Comm & Ind Heat	DTE	22,422	11,188,487	112,221,572
8		Other	K	0	0	0
9						
10						
11						
12						
13						
14						
15						
16						
17						
18	TOTALS			248,522	31,693,275	346,031,573

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625-B. CUSTOMER CHOICE SALES DATA BY RATE SCHEDULES FOR THE YEAR

1. Report below the distribution of customers, sales and revenues for the year by individual rate schedules. (See definition on first page of this section).
2. Column (a) - List all rate schedules by identification number or symbol. Where the same rate schedule designation applies to different rates in different zones, cities or districts, list separately data for each such area ir which the schedule is available.
3. Column (b) - Give the type of service to which the rate schedule is applicable, i.e. cooking, space heating, commercial heating, commercial cooking, etc.
4. Column (c) - Using the classification shown in Schedule 625-A, column (a), indicate the class or classes of customers served under each rate schedule, e.g. (A) for Residential Service, (B) Heating Service, etc.
5. Column (d) - Give the average number of customers billed under each rate schedule during the year. The total of this column will approximate the total number of ultimate customers, line 12, Schedule 625-A.
6. Columns (e) and (f) - For each rate schedule listed, enter the total number of Mcf sold to, and revenues received from customers billed under that rate schedule. The totals of these columns should equal the totals shown on line 12, Schedule 625-A. If the utility sells gas to ultimate customers under special contracts, the totals for such sales should be entered on a line on this page in order to make the totals of columns (e) and (f) check with those entered on line 12, Schedule 625-A.
7. When a rate schedule was not in effect during the entire year, indicate in a footnote the period in which it was effective.

Line No.	Rate Schedule Designation (a)	Type of Service to which Schedule is applicable (b)	Class of Service (c)	Average Number of Customers per Month (d)	Mcf Sold (e)	Revenue (Show to nearest dollar) (f)
1			A			
2	General Gas Rate	Residential - Heat	B	27	2,999	3,843
3			C			
4	General Gas Rate	Commercial - Heat	D	26	18,129	29,288
5			E			
6			E			
7			D			
8			H			
9			K			
10						
11						
12						
13						
14						
15						
16						
17						
18	TOTALS			53	21,128	33,131

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

OFF-SYSTEM SALES - NATURAL GAS

Report particulars (details) concerning off-system sales. Off-system sales include all sales other than MPSC approved rate schedule Sales.

Line No.	Name (a)	Point of Delivery (City or town AND State) (b)	Account (c)	Mcf of Gas Sold (Approx. B.T.U. per Cubic Ft.) (d)
1				
2				
3	**NONE**			
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

OFF-SYSTEM SALES - NATURAL GAS (Continued)

Revenue for Year (See Instr. 5) (e)	Average Revenue per Mcf (in cents) (f)	Peak Day Delivery to Customers: Date (g)	Peak Day Delivery to Customers: Mcf Noncoin-cidental (h)	Peak Day Delivery to Customers: Mcf Coin-cidental (i)	Line No.
					1
					2
NONE					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
					20

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

REVENUE FROM TRANSPORTATION OF GAS OF OTHERS--NATURAL GAS (Account 489)

1. Report below particulars (details) concerning revenue from transportation or compression (by respondent) of natural gas for others. Subdivide revenue between transportation or compression for interstate pipeline companies and others.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas. Designate with an asterisk, however, if gas transported or compressed is other than natural gas.
3. In column (a) include the names of companies from which revenues were derived, points of receipt and delivery, and names of companies from which gas was received and to which delivered. Also specify the Commission order or regulation authorizing such transaction.

Line No.	Name of Company and Description of Service Performed (Designate associated companies with an asterisk) (a)	Distance Transported (in miles) (b)
1		
2	Miscellaneous Customers	Local
3	Customer Choice	Local
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
TOTAL		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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REVENUE FROM TRANSPORTATION OF GAS OF OTHERS--NATURAL (Acct. 489) (Cont'd)

4. Designate points of receipt and delivery so that they can be identified on map of the respondent's pipe line system.
5. Enter Mcf at 14.65 psia at 60 degrees F.
6. Minor items (less than 1,000,000 Mcf) may be grouped.

"Note: For transportation provided under Part 284 of Title 18 of the Code of Federal Regulations, report only grand totals for all transportation in columns (b) through (g) for the following regulation sections to be listed in column (a): 284.102, 284.122, 284.222, 284.223(a), 284.233(b), and 284.224. Details for each transportation are reported in separate annual reports required under Part 284 of the Commission's regulations."

Mcf of Gas Received (c)	Mcf of Gas Delivered (d)	Revenue (e)	Average Revenue per Mcf of Gas Delivered (in cents) (f)	FERC Tariff Rate Schedule Designation (g)	Line No.
					1
	12,442,445	7,595,998	0.6105		2
	21,128	33,131	1.5681		3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
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					24
					25
					26
					27
					28
					29
					30
	12,463,573	7,629,129	0.6121		

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

SALES OF PRODUCT EXTRACTED FROM NATURAL GAS (Account 490)

1. Report particulars (details) concerning sales of gasoline, butane, propane, and other products extracted from natural gas, including sales of any such products which may have been purchased from others for resale.

2. If the purchasers are numerous, it is permissible to group the sales by kind of product. Show the number of purchasers grouped. Show separately, however, sales to associated companies or to companies which were associated at the time the applicable sales contracts were made.

Line No.	Name of Purchaser (Designate associated companies with an asterisk) (a)	Name of Product (b)	Quantity (in gallons) (c)	Amount of Sales (in dollars) (d)	Sales Amount per Gallon (in cents) (d / c) (e)
1					
2					
3	**NONE**				
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					

REVENUES FROM NATURAL GAS PROCESSED BY OTHERS (Account 491)

1. Report particulars (details) concerning royalties and other revenues derived from permission granted to others for the righ to remove products from the respondent's natural gas.

2. If the respondent's natural gas is processed by other's for removal of saleable products and no revenue therefrom is derived by the respondent, complete only columns (a) and (b) below, and include the date of contract in column (a).

Line No.	Name of Processor and Description of Transaction (Designate associated companies with an asterisk) (a)	Mcf of Respondent's Gas Processed (14.73 psia at 60 F) (b)	Revenue (in dollars) (c)
1			
2			
3	**NONE**		
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	94,212	57,526
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering		
8	751 Production Maps and Records		
9	752 Gas Wells Expenses	82	697
10	753 Field Lines Expenses	451	
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses	382	756
14	757 Purification Expenses		
15	758 Gas Well Royalties		
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	915	1,453
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements	81	79
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines	343	520
24	765 Maintenance of Field Compressor Station Equipment	5,500	582
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment	3,276	1,228
26	767 Maintenance of Purification Equipment		268
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 18 thru 28)	9,200	2,677
30	TOTAL Natural Gas Production and Gathering (Total of lines 18	10,115	4,130
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Other		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility -- Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)	0	0

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
	B2. Products Extraction (Continued)		
48	Maintenance		
49	784 Maintenance Supervision and Engineering		
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extraction and Refining Equipment		
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	0	0
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration		
65	TOTAL Exploration and Development (Enter Total of lines 61 and 64)	0	0
	D. Other Gas Supply Expenses		
66	Operation		
67	800 Natural Gas Well Head Purchases		
68	801 Natural Gas Field Line Purchases	772,443	853,746
69	802 Natural Gas Gasoline Plant Outlet Purchases		
70	803 Natural Gas Transmission Line Purchases	280,065,161	327,559,749
71	803.1 Off-System Gas Purchases		
72	804 Natural Gas City Gate Purchases		
73	804.1 Liquefied Natural Gas Purchases		
74	805 Other Gas Purchases		
75	(Less) 805.1 Purchases Gas Cost Adjustments		
76	(Less) 805.2 Incremental Gas Cost Adjustments		
77	TOTAL Purchased Gas (Enter Total of lines 67 and 76)	280,837,604	328,413,495
78	806 Exchange Gas		
79	Purchased Gas Expenses		
80	807.1 Well Expenses - Purchased Gas		
81	807.2 Operation of Purchased Gas Measuring Stations	117,301	81,328
82	807.3 Maintenance of Purchased Gas Measuring Stations	844	1,471
83	807.4 Purchased Gas Calculations Expense		
84	807.5 Other Purchased Gas Expenses		
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 and 84)	118,145	82,799
86	808.1 Gas Withdrawn from Storage - Debit	53,711,695	69,582,441
87	(Less) 808.2 Gas Delivered to Storage - Credit	-52,464,070	-90,175,185
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit		
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit		
90	(Less) Gas Used in Utility Operations - Credit		
91	810 Gas Used for Compressor Station Fuel - Credit	-171,642	-137,872
92	811 Gas Used for Products Extraction - Credit		
93	812 Gas Used for Other Utility Operation - Credit	-618,183	-532,443
94	TOTAL Gas Used in Utility Operations - Credit (Total of lines 91 thru 9	-789,825	-670,315
95	813 Other Gas Supply Expenses	0	0
95a	813.1 Synthetic Gas Supply Expenses		
95b	813.2 Gas Cost Recovery Expenses - Royalties		
96	TOTAL Other Gas Supply Exp (Total of lines 77, 78, 85, 86 thru 89, 94	281,413,549	307,233,235
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96	281,517,876	307,294,891

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering		
102	815 Maps and Records		
103	816 Wells Expenses	40,139	68,886
104	817 Lines Expenses	863	0
105	818 Compressor Station Expenses	112,294	98,536
106	819 Compressor Station Fuel and Power	181,951	146,145
107	820 Measuring and Regulating Station Equipment	9,511	10,272
108	821 Purification Expenses		
109	822 Exploration and Development		
110	823 Gas Losses	30,485	52,260
111	824 Other Expenses		
112	825 Storage Well Royalties		
113	826 Rents		
114	TOTAL Operation (Enter Total of lines 101 thru 113)	375,243	376,099
115	Maintenance		
116	830 Maintenance Supervision and Engineering		
117	831 Maintenance of Structures and Improvements	3,751	3,638
118	832 Maintenance of Reservoirs and Wells	4,986	29,424
119	833 Maintenance of Lines		138
120	834 Maintenance of Compressor Station Equipment	166,122	203,606
121	835 Maintenance of Measuring and Regulating Station Equipme	2,321	17,309
122	836 Maintenance of Purification Equipment		
123	837 Maintenance of Other Equipment		
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	177,180	254,115
125	TOTAL Underground Storage Expenses (Total of lines 114 and 1	552,423	630,214
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment		
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 14	0	0

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Equipment		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts - Credit		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175	0	0
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146, and 17	552,423	630,214
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering		
181	851 System Control and Load Dispatching		
182	852 Communication System Expenses		
183	853 Compressor Station Labor and Expenses		
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		814
186	856 Mains Expenses	6,644	5,492
187	857 Measuring and Regulating Station Expenses	144,473	119,036
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	36,563	10,319
190	860 Rents	1,773	1,689
191	TOTAL Operation (Enter Total of lines 180 thru 190)	189,453	137,350

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
	3. TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering		
194	862 Maintenance of Structures and Improvements	89	1,472
195	863 Maintenance of Mains	6,546	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Reg. Station Equipment	39,272	37,559
198	866 Maintenance of Communication Equipment	480	0
199	867 Maintenance of Other Equipment		
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	46,387	39,031
201	TOTAL Transmission Expenses (Total of lines 191 and 200)	235,840	176,381
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	368,698	376,614
205	871 Distribution Load Dispatching	687,098	586,170
206	872 Compressor Station Labor and Expenses	549	505
207	873 Compressor Station Fuel and Power		
208	874 Mains and Services Expenses	2,085,237	2,103,129
209	875 Measuring and Regulating Station Expenses - General	294,383	299,611
210	876 Measuring and Regulating Station Expenses - Industrial	20,667	35,540
211	877 Measuring and Regulating Station Expenses - City Gate Check Station	497,915	468,126
212	878 Meter and House Regulator Expenses	365,253	301,936
213	879 Customer Installations Expenses	720,591	627,073
214	880 Other Expenses	1,802,953	1,855,854
215	881 Rents	61,643	65,903
216	TOTAL Operation (Enter Total of lines 204 thru 215)	6,904,987	6,720,461
217	Maintenance		
218	885 Maintenance Supervision and Engineering	39,336	43,063
219	886 Maintenance of Structures and Improvements	16,274	21,795
220	887 Maintenance of Mains	850,469	634,556
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Meas. and Reg. Sta. Equip. - General	105,019	108,473
223	890 Maintenance of Meas. and Reg. Sta. Equip. - Industrial	15,658	12,863
224	891 Maintenance of Meas. and Reg. Sta. Equip. - City Gate Check Station	113,098	56,123
225	892 Maintenance of Services	669,523	577,443
226	893 Maintenance of Meters and House Regulators	499,163	430,474
227	894 Maintenance of Other Equipment	64	2,071
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	2,308,604	1,886,861
229	TOTAL Distribution Expenses (Total of lines 216 and 228)	9,213,591	8,607,322
230	5. CUSTOMER ACCOUNTS EXPENSE		
231	Operation		
232	901 Supervision	196,986	314,776
233	902 Meter Reading Expenses	507,510	481,120
234	903 Customer Records and Collection Expenses	3,286,604	3,081,440
235	904 Uncollectible Accounts	2,039,187	1,587,080
236	905 Miscellaneous Customer Accounts Expenses		
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	6,030,287	5,464,416

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision		
241	908 Customer Assistance Expenses	78,918	73,822
242	909 Informational and Instructional Expenses	0	0
243	910 Miscellaneous Customer Service and Informational Expenses	0	0
244	TOTAL Customer Service and Informational Expenses (Lines 240 thru 243)	78,918	73,822
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision		
248	912 Demonstrating and Selling Expenses		0
249	913 Advertising Expenses		0
250	916 Miscellaneous Sales Expenses		1,616
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	0	1,616
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Supervision	3,017,698	3,069,954
255	921 Office Supplies and Expenses	3,206,978	3,097,378
256	(Less) (922) Administrative Expenses Transferred - Cr.	-3,492,000	-3,396,000
257	923 Outside Services Employed	10,979,910	9,632,020
258	924 Property Insurance	1,102,845	221,105
259	925 Injuries and Damages	302,562	1,282,111
260	926 Employee Pensions and Benefits	5,488,793	4,544,853
261	927 Franchise Requirements		
262	928 Regulatory Commission Expenses	716,870	790,255
263	(Less) (929) Duplicate Charges - Cr.		
264	930.1 General Advertising Expenses	199,337	10,976
265	930.2 Miscellaneous General Expenses	-4,562	468
266	931 Rents	436,995	343,028
267	TOTAL Operations (Enter Total of lines 254 thru 266)	21,955,426	19,596,148
268	Maintenance		
269	935 Maintenance of General Plant	79,215	83,816
270	TOTAL Administrative and General Exp. (Total of lines 267 and 26	22,034,641	19,679,964
271	TOTAL Gas O. and M. Exp (Lines 97, 177, 201, 229, 237, 244, 251, and 270)	319,663,574	341,928,624

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for the payroll period ending nearest to December 31, or any payroll period ending 60 days before or after December 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1	Payroll Period Ended (Date)	12/15/06
2	Total Regular Full-Time Employees	291
3	Total Part-Time and Temporary Employees	
4	Total Employees	291

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EXPLORATION AND DEVELOPMENT EXPENSES (Accounts 795, 796, 798)
(Except Abandoned Leases, Account 797)

1. Report below exploration and development costs for the year, exclusive of Account 797, Abandoned Leases, according to the prescribed accounts shown by the column headings.
2. Provide subheadings and subtotals for exploration and development costs for each State.
3. Explain in a footnote any differences between the amounts reported in column (f) and the amount shown on page 231, Preliminary Survey and Investigation Charges, for clearance to Account 798 during the year from Account 183.1, Preliminary Natural Gas Survey and Investigation Charges.

Line No.	Field (a)	County (b)	Delay Rentals (Account 795) (c)	Nonproductive Well Drilling (Account 796) Number of Wells (d)	Nonproductive Well Drilling (Account 796) Amount (e)	Other Exploration Costs (Account 798) (f)	Total (g)
1							
2							
3	**NONE**						
4							
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25							
26							
27	TOTAL						

ABANDONED LEASES (Account 797)

Line No.	Item (a)	Amount (b)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10	TOTAL	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805)

1. Report particulars of gas purchases during the year in the manner prscribed below.

2. Provide subheadings and totales for prescribed accounts as follow:

800 Natural Gas Well Head Purchases.
801 Natural Gas Field Line Purchases.
802 Natural Gas Gasoline Plant Outlet Purchases.
803 Natural Gas Transmission Line Purchases.
803.1 Off - System Gas Purchases.
804 Natural Gas City Gate Purchases.
804.1 Liquified Natural Gas Purchases.
805 Other Gas Purchases.

Purchases are to be reportee in account number sequence, e.g. all ppurchases charged to Account 800, followed by charges to Account 801, etc. Under each account number, purchaes should be reported by states in alphabetical order. Totals are to be shown for each account in Columns (h) and (i) and should agree with the books of accounts, or any differences reconciled.

In some cases, two or more lines will be required to report a purchase, as when it is charged to more than one account.

3. Purchaes may be reported by gas purchase contract totals (at the option of the respondent) provided that the same price is being paid for all gas purchased under the contract. If ftow or more prices are in effect under the same contract, separate details for each price shall be reported. The name of each seller included in the contract total shall be listed on separate sheets, clearly cross-referenced. Where two or more prices are in effect the sellers at each price are to be listed separately.

4. Purchases of less that 100,000 Mcf per year per contract from sellers not affiliated with the reporting company may (at the option of the respondent) be grouped by account number, except when the purchases were permanently discontinued during the reporting year. When grouped purchases are reported, the number of grouped purchases is to be reported in Column (b). Only Columns (a), (b), (h), (i), and (j) are to be completed for grouped purchases; however, the Commission may request additional deatails when necessary. Grouped non-jurisdictional purchases should be shown on a separate line.

5. Column instructions are as follows:

Column (b) - Report the names of all sellers. Abbreviations may be used where necessary.

Column (c) - Give the name of the producing field only for purchaes at the wellhead or from field lines. The plant name should be given for purchase from gasoline outlets. If purchases under a contract are from more than one field or plant, use the name of the one contributing the largest volume. Use a footnote to list the other fields or plants involved.

Colums (d) and (e) - Designate the state and country where the gas is received. Where gas is received in more than on county, use the name of the county having the largest volume and by footnote list the other counties involved.

Column (f) - Show date of the gas purchase contract. If gas is purchased under a renegotiated contract, show the date of the original contract and the date of the renegotiated contract on the following line in brackets. If new acreage is dedicated by ratification of an existing contract show the date of the ratification, rather than the date of the original contract. If gas is being sold from a different reservoir that the original dedicated acreage pursuant to Section 2.56(f)(2) of the Commission's Rules of Practice and Procedure, place the letter "A" after the contract date.

If the purchase was permanently discontinued during the reporting year, so indicate by an asterick (*) in Column (f).

Column (g) - Show for each purchase the approximate Btu per cubic foot.

Coumn (h) - State the volume of purchased gas as measured for purpose of determining the amount payable for the gas. Include current year receipts of make-up gas that was paid in prior years.

Column (i) - State the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in Column (h).

Column (j) - State the average cost per Mcf to the nearest hundredth of a cent. [Column (i) divided by Column (h) multiplied by 100].

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 & 805) (Continued)

Line No.	Account No. (a)	Name of Seller (Designate Associated Companies) (b)	Name of Producing Field or Gasoline Plant (c)	State (d)
1				
2		Please see Annual MPSC Filing.		
3				
4				
5				
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS PURCHASES (Account 800, 801, 802, 803, 803.1, 804, 804.1, & 805) (Continued)

County (e)	Date of Contract (f)	Approx. Btu Per Cu. ft. (g)	Gas Purchased-Mcf (14.73 psia 60 F) (h)	Cost of Gas (i)	Cost Per Mcf (cents) (j)	Line No.
						1
Please see Annual MPSC filing.						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
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						25

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

EXCHANGE GAS TRANSACTIONS (Account 806, Exchange Gas)

1. Report below the particulars (details) called for concerning the gas volumes and related dollar amounts of natural gas exchange transactions transactions (less than 100,000 Mcf) may be grouped.

2. Also give the particulars (details) called for conceming each natur gas exchange where consideration was received or

Line No.	Name of Company (Designate associated companies with an asterisk) (a)	Exchange Gas Received Point of Receipt (City, state, etc.) (b)	Mcf (c)	Debit (Credit) Account 242 (d)
1				
2				
3	**Not Applicable**			
4				
5				
6				
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42				
43				
44				
45	TOTAL			

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

EXCHANGE GAS TRANSACTIONS (Account 806, Exchange Gas) (Continued)

paid in performance of gas exchange services.

3. List individually net transactions occurring during the year for each rate schedule.

4. Indicate points of receipt and delivery of gas so that they may be readily identified on a map of the respondent's pipeline system.

Exchange Gas Delivered			Excess		
Point of Delivery (City, State, etc.) (e)	Mcf (f)	Debit (Credit) Account 174 (g)	Mcf Received or Delivered (h)	Debit (Credit) Account 806) (i)	Line No.
					1
					2
Not	**Applicable**				3
					4
					5
					6
					7
					8
					9
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Name of Respondent	This Report Is:	Date of Report	Year of Report
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EXCHANGE GAS TRANSACTIONS (Account 806, Exchange Gas) (Continued)

5. Furnish any additional explanations needed to further explain the accounting for exchange gas transaction.

6. Report the pressure base of measurement of gas volumes at 14.73 psia at 60 F.

Line No.	Name of Company (Designate associated companies with an asterisk)	Charges Paid or Payable by Respondent		Revenues Received or Receivable by Respondent		FERC Tariff Rate Schedule Identification
		Amount	Account	Amount	Account	
	(a)	(j)	(k)	(l)	(m)	(n)
1						
2						
3	**Not Applicable**					
4						
5						
6						
7						
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42						
43						
44						
45	TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811, and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
2. Natural Gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. If the reported Mcf for any use is an estimated quantity, state such fact in a footnote.
4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Mcf of gas used, omitting entries in columns (d) and (e).
5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas: Mcf of Gas Used (c)	Natural Gas: Amount of Credit (d)	Natural Gas: Amount per Mcf (in cents) (e)	Manufactured Gas: Mcf of Gas Used (f)	Manufactured Gas: Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Cr.	819	19,250	171,642	891.64		
2	811 Gas used for Products Extraction - Cr.						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respdt's Gas Processed by Others						
5	812 Gas used for Other Util. Oprs. - Cr. (Rpt sep. for each prin. use. Group minor uses)						
6	812.1 Gas used in Util. Oprs. - Cr. (Nonmajor only)						
7							
8	Meas./Reg. Station	VAR	66,931	442,357	660.92		
9	Heat/General Use	VAR	26,603	175,825	660.92		
10							
11							
12							
13							
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21							
22							
23							
24							
25	TOTAL		112,784	789,824	700.30		

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

TRANSMISSION AND COMPRESSION OF GAS BY OTHERS (Account 858)

1. Report below particulars (details) concerning gas transported or compressed for respondent by others equaling more than 1,000,000 Mcf (Bcf) and amounts of payments for such services during the year. Minor items (less than 1,000,000 Mcf) must be grouped.

2. In column (a) give name of companies to which payment were made, points of delivery and receipt of gas, names of companies to which gas was delivered and

Line No.	Name of Company and Description of Service Performed (Designate associated companies with an asterisk) (a)	Distance Transported (in miles) (b)
1		
2	NONE	
3		
4		
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45		
46	TOTAL	

Name of Respondent	This Report Is:	Date of Report	Year of Report
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TRANSMISSION AND COMPRESSION OF GAS BY OTHERS (Account 858) (Continued)

from which received. Points of delivery and receipt should be so designated that they can be identified readily on map of respondent's pipeline system.

3. If the Mcf of gas received differs from the Mcf delivered, explain in a footnote the reason for difference, i.e., uncompleted deliveries, allowance for transmission loss, etc

Mcf of Gas Delivered (14.73 psia at 60 F) (c)	Mcf of Gas Received (14.73 psia at 60 F) (d)	Amount of Payments (in dollars) (e)	Amount per Mcf of Gas Received (in cents) (f)	Line No.
				1
				2
				3
				4
NONE				5
				6
				7
				8
				9
				10
				11
				12
				13
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0				46

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

LEASE RENTALS CHARGED

1. For purposes of this schedule a "lease" is defined as a contract or other agreement by which one party (lessor) conveys an intangible right or land or other tangible property and equipment to another (lessee) for a specified period of one year (more for rent.
2. Report below, for leases with annual charges of $25,000 or more, but less than $250,000, the data called for in columns a, b (description only), f, g and j.
3. For leases having annual charges of $250,000 or more, report the data called for in all the columns below.
4. The annual charges referred to in Instruction 2 and 3 include the basic lease payment and other payments to or on behalf of the lessor such as taxes, depreciation, assumed interest or dividends on the lessor's securities, cost of replacements** and other expenditures with respect to leased property. The expense paid by lessee are to be itemized in column (e) below.
5. Leases of construction equipment in connection with construction work in progress are not required to be reported herein. Continuous, master or open-end leases for EDP or office equipment, automobile fleets and other equipment that short-lived and replaced under terms of the lease or for pole rentals shall report only the data called for in columns a, b (description only), f, g and j, unless the lessee has the option purchase the property.
6. In column (a) report the name of the lessor. List lessors which are associated companies* (describing association) fi followed by non-associated lessors.
7. In column (b) for each leasing arrangement, report in orde classified by distribution plant, storage plant, transmission li distribution system, or other operating unit or system, followe by any other leasing arrangements not covered under the preceding classifications:

A. LEASE RENTALS CHARGED TO GAS OPERATING EXPENSES

Name of Lessor (a)	Basic Details of Lease (b)	Termination Date of Lease, Primary (P) or Renewal (R) (c)
Wheels Inc.	Cars, trucks, vans, and accessories for the vehicles. Partial distribution system and partial other operating system continuous lease.	
SEMCO Energy Ventures	Furniture & equipment, including computer equipment, and other operating system.	
Key Equipment Finance	Software System 2 lease	

** See Gas Plant Instruction 6 & Operating Expense Instruction 3 of the Uniform System of Accounts.

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LEASE RENTALS CHARGED (Continued)

Description of the property, whether lease is a sale and leaseback, whether lessee has option to purchase and conditions of purchase, whether lease is cancelable by either party and the cancellation conditions, the tax treatment of the lease payments (levelized charges to expense or other treatment), the basis of any charges apportioned between the lessor and lessee, and the responsibility of the respondent for operation and maintenance expenses and replacement property. The above information is to be reported with initiation of the lease and thereafter when changed or every five years, whichever occurs first.

8. Report in column (d), as of the date of the current lease term, the original cost of the property leased, estimated if not known, or the fair market value of the property if greater than original cost and indicate as shown. If leased property is part of a large unit, such as part of a building, indicate without associating any cost or value with it.

9. Report in column (k) below the estimated remaining annual charges under the current term of the lease. Do not apply a present value to the estimate. Assume that cancelable leases will not be cancelled when estimating the remaining charges.

* See definition on page 226 (B)

A. LEASE RENTALS CHARGED TO GAS OPERATING EXPENSES

Original Cost (O) or Fair Market Value (F) of Property (d)	Expenses to be Paid by Lessee Itemize (e)	AMOUNT OF RENT - CURRENT TERM: Current Year: Lessor (f)	Current Year: Other (g)	Accumulated to Date: Lessor (h)	Accumulated to Date: Other (i)	Account Charged (j)	Remaining Annual Charges Under Lease Est. if Not Known (k)
		903,237				VAR	
		103,628				VAR	
		36,189				VAR	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

A. LEASE RENTALS CHARGED TO GAS OPERATING EXPENSES (Continued)

Name of Lessor (a)	Basic Details of Lease (b)	Termination Date of Lease, Primary (P) or Renewal (R) (c)
Not Applicable		

B. OTHER LEASE RENTALS CHARGED (Such as to Deferred Debits, etc.)

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

A. LEASE RENTALS CHARGED TO GAS OPERATING EXPENSES (Continued)

Original Cost (O) or Fair Market Value (F) of Property	Expenses to be Paid by Lessee Itemize	AMOUNT OF RENT - CURRENT TERM: Current Year		AMOUNT OF RENT - CURRENT TERM: Accumulated to Date		Account Charged	Remaining Annual Charges Under Lease Est. if Not Known
		Lessor	Other	Lessor	Other		
(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Not Applicable							

B. OTHER LEASE RENTALS CHARGED (Such as to Deferred Debits, etc.)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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OTHER GAS SUPPLY EXPENSES (Account 813)

Report other gas supply expenses by descriptive titles which clearly indicate the nature of such expenses. Show maintenance expenses separately. Indicate the functional classification and purpose of property to which any expenses relate.

Line No.	Description (a)	Amount (in dollars) (b)
1		
2	NONE	
3		
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5		
6		
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49		
50	TOTAL	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

1	Industry association dues	
2	Experimental and general research expenses	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent.	
4	Other expenses (List items of $5,000 or more in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Group amounts of less than $5,000 by classes if the number of items so grouped is shown.)	1,199
5		
6	Discounts taken on vendor payments	(5,761)
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49	TOTAL	-4,562

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accts 403, 404.1, 404.2, 404.3, 405)
(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report all available information called for in Section B for the report year 1971, 1974 and every fifth year thereafter. Report only annual changes in the intervals between the report years (1971, 1974 and every fifth year thereafter).

Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate at the bottom of Section B the manner in which

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (c)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (d)
1	Intangible plant			
2	Production plant, manufactured gas			
3	Production and gathering plant, natural gas			
4	Products extraction plant			
5	Underground gas storage plant			
6	Other storage plant			
7	Base load LNG terminating and processing plant			
8	Transmission plant			
9	Distribution plant			
10	General plant (See Note)			
11	Common plant - gas			
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24				
25	TOTAL			

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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (NONMAJOR)

(Accounts 403.1, 404, 405)

(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report all available information called for in Section B for the report year 1971, 1974 and every fifth year thereafter. Report only annual charges in the intervals between the report years (1971, 1974 and every fifth year thereafter).

Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other that those preprinted in column (a). Indicate at the bottom of Section B the manner in which column (b) balances are obtained. If average balances, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show at the bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation and Depletion Expense (Account 403.1) (b)	Amortization of Limited-Term Gas Plant (Account 404) (c)	Amortization of Other Gas Plant (Account 405) (d)	TOTAL (b+c+d) (e)
1	Intangible plant (See Note)		76,958		76,958
2	Production plant, manufactured gas	6,639			6,639
3	Production & gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant	413,236			413,236
6	Other storage plant				
7	Base load LNG terminating & processing plant				
8	Transmission plant	669,667			669,667
9	Distribution plant	9,311,900			9,311,900
10	General plant (See Note)	2,897,017			2,897,017
11	Common plant - gas				
12					
13	Note: Line 1 includes $61,518 of amortization expense taken on Penninsula Gas Intangible Assets that was not run through the				
14	reserve for accumulated depreciation.				
15					
16	Note: Line 10 includes $632,597 of indirect allocation of depreciation expense from our Parent company that was not run				
17	through the reserve for accumulated depreciation.				
18					
19					
20	TOTAL	13,298,459	76,958		13,375,417

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (Continued)

column (b) balances are obtained. If average balances, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show at the bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Amortization of Other Limited-term Gas Plant (Account 404.3) (e)	Amortization of Other Gas Plant (Account 405) (f)	Total (b to f) (g)	Functional Classification (a)	Line No.
			Intangible plant	1
			Production plant, manufactures ga	2
			Production and gathering plant, natural gas	3
			Production extraction plant	4
			Underground gas storage plant	5
			Other storage plant	6
			Base load LNG terminating and processing plant	7
			Transmission plant	8
			Distribution plant	9
			General plant	10
			Common plant - gas	11
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			TOTAL	25

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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Continued)

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Depreciation Plant Base (Thousands) (b)	Applied Depr. Rate(s) (Percent) (c)
1	Production and Gathering Plant		
2	Offshore		
3	Onshore	371	1.79
4	Underground Gas Storage Plant	13,378	3.09
5	Transmission Plant		
6	Offshore		
7	Onshore	24,709	2.71
8	General Plant	24,913	9.08
9	Distribution Plant	356,785	2.61
10	Amortized Plant	464	3.33

Notes to Depreciation, Depletion, and Amortization of Gas Plant

Column b includes all depreciable or amortized mean plant balances to which a rate is applied.

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INCOME FROM UTILITY PLANT LEASED TO OTHERS (Account 412 and 413)

1. Report below the following information with respect to utility property leased to others constituting an operating unit or system.
2. For each lease show: (1) name of lessee and description and location of the leased property; (2) revenues; (3) operating expenses classified as to operation, maintenance, depreciation, rents, amortization; and (4) net income from lease for year. Arrange amounts so that deductions appear as a subtraction from revenues, and income as the remainder.
3. Provide a subheading and total for each utility department in addition to a total for all utility departments.
4. Furnish particulars (details) of the method of determining the annual rental for the property.
5. Designate with an asterisk associated companies.

Line No.	
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3	NONE
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts. Provide a subheading for each account and a total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less then $10, 000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430) - For each associated company to which interest on debt was incurred during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report particulars (details) including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	Account 426 - Miscellaneous Income Deductions	
2		
3	Donations	102,083
4	Economic Development Allicance	15,000
5	Other Governmental Affairs	156,043
6	Penalties	27
7		
8		
9		
10		
11		273,153
12		
13	Account 430	
14	Interest on LT Note to Parent (430.00)	10,790,956
15	Interest on ST Note to Parent (430.10)	2,225,123
16	Total Account 430	13,016,079
17		
18		
19		
20	Account 431	
21	Other Interest Expense	364,533
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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PARTICULARS CONCERNING CERTAIN INCOME ACCOUNTS

1. Report in this schedule the information specified in the instructions below for the respective other income accounts. Provide a conspicuous subheading for each account and show a total for the account. Additional columns may be added for any account if deemed necessary.

2. Merchandising, Jobbing and Contract Work (Accounts 415 and 416) - Describe the general nature of merchandising, jobbing and contract activities. Show revenues by class of activity, operating expenses classified as to operation, maintenance, depreciation, rents and net income before taxes. Give the bases of any allocations of expenses between utility and merchandising, jobbing and contract work activities.

3. Nonutility Operations (Accounts 417 and 417.1) - Describe each nonutility operation and show revenues, operating expenses classified as to operation, maintenance, depreciation, rents, amortization, and net income before taxes, from operation. Give the bases of any allocation between utility and nonutility operations. The book cost of property classified as nonutility operations should be included in Account 121.

4. Nonoperating Rental Income (Account 418) - For each major item of miscellaneous property included in Account 121, Nonutility Property, which is not used in operations for which income is included in Account 417, but which is leased or rented to others, give name of lessee, brief description of property, effective date and expiration date of lease, amount of rent revenues, operating expenses classified as to operation, maintenance, depreciation, rents, amortization, and net income before taxes, from the rentals. If the property is leased on a basis other than that of a fixed annual rental, state the method of determining the rental. Minor items may be grouped by classes, but the number of items so grouped should be shown. Designate any leases which are associated companies.

5. Equity in earnings of subsidiary companies (Account 418 1) - Report the utility's equity in the earnings or losses of each subsidiary company for the year.

6. Interest and Dividend Income (Account 419) - Report interest and dividend income, before taxes, identified as to the asset account or group of accounts in which are included the assets from which the interest or dividend income was derived. Income derived from investments, Accounts 123, 124 and 136 may be shown in total. Income from sinking and other funds should be identified with the related special funds. Show also expenses included in Account 419 as required by the Uniform System of Accounts.

7. Miscellaneous Nonoperating Income (Account 421) - Give the nature and source of each miscellaneous nonoperating income, and expense the amount for the year. Minor items may be grouped by classes.

Line No.	Item (a)	Amount (b)
1	MERCHANDISING, JOBBING & CONTRACT WORK	
2	Appliance Sales & Installations	80,135
3	Cost of Appliances Sold & Installation Cost	-71,818
4	Miscellaneous Merchandising Expense	0
5	TOTAL Merchandising, Jobbing & Contract Work	8,317
6		
7	NON-UTILITY OPERATION	
8	Non Utility Oper Revenue	-13,929
9	Non Utility Oper Expense	2,700
10		
11		
12		
13		
14	TOTAL Non-Utility Operation	-11,229
15		
16	INTEREST INCOME	459,167
17		
18		
19		
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21		
22		
23	Total	456,255

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2)

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less then $100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2					
3					
4	NONE				
5					
6					
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17	Total Gain			0	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19					
20	**NONE**				
21					
22					
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33					
34	Total Loss				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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EXPENDITURES FOR CERTAIN CIVIC, POLITICAL AND RELATED ACTIVITIES (Account 426.4)

1. Report below all expenditures incurred by the respondent during the year for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances); approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials which are accounted for as Other Income Deductions, Expenditures for Certain Civic, Political and Relate Activities, Account 426.4.

2. Advertising expenditures in the Account shall be classified according to subheadings, as follows: (a) radio, television, and motion picture advertising; (b) newspaper, magazine, and pamphlet advertising; (c) letters or inserts in customer's bills; (d) inserts in reports to stockholders; (e) newspaper and magazine editorial services; and (f) other advertising.

3. Expenditures within the definition of paragraph (1), other than advertising shall be reported according to captions or descriptions clearly indicating the nature and purpose of the activity.

4. If the respondent has not incurred any expenditures contemplated by the instructions of Account 426.4, so state.

5. For reporting years which begin during the calendar year 1963 only, minor amounts may be grouped by classes if the number of items so grouped is shown.

NOTE: The classification of expenses as nonoperating and their inclusion in this amount is for accounting purposes. It does not preclude Commission consideration of proof to the contrary for ratemaking or other purposes.

Line No.	Item (a)	Amount (b)
1	Governmental Affairs Activity	156,043
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to formal cases before a regulatory body or cases in which such a body was a party.
2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 186 at Beginning of Year (e)
1	Michigan Department of Commerce -				
2	Public Utility Assessment	493,213		493,213	
3	Rate Case Amortization	109,181		109,181	
4					
5	Legal Fees, Consulting Services		114,476	114,476	
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46	TOTAL	602,394	114,476	716,870	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. The totals of columns (e), (i), (k), and (l) must agree with the totals shown at the bottom of page 233 for Account 186.
5. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
6. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CHARGED CURRENTLY TO							
Department (f)	Account No. (g)	Amount (h)	Deferred to Account 186 (i)	Contra Account (j)	Amount (k)	Deferred in Account 186, End of Year (l)	Line No.
							1
Admin.	928	493,213					2
Admin.	928	109,181					3
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Admin.	928	114,476					5
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		716,870					46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) projects initiated continued, or concluded during the year. Report also support given to others during the year for jointly-sponsored projects. (Identify recipient regardless of affiliation.) For any R, D & D work carried on by the respondent in which there is a sharing of costs with others, show separately the respondent's cost for the year and cost chargeable to others. (See definition of research, development, and demonstration in Uniform System of Accounts.)

2. Indicate in column (a) the applicable classification, as shown below. Classifications:

A. Gas R, D & D Performed Internally
- (1) Pipeline
  - a. Design
  - b. Efficiency
- (2) Compressor Station
  - a. Design
  - b. Efficiency
- (3) System Planning, Engineering, and Operation
- (4) Transmission Control and Dispatching
- (5) LNG Storage and Transportation
- (6) Underground Storage
- (7) Other Storage
- (8) New Appliances and New Uses
- (9) Gas Exploration, Drilling, Production, and Recovery
- (10) Coal Gasification
- (11) Synthetic Gas
- (12) Environmental Research
- (13) Other (Classify and Include Items in Excess of $5,000.)
- (14) Total Cost Incurred

Line No.	Classification (a)	Description (b)
1		
2		
3	**NONE**	
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

B. Gas, R, D & D Performed Externally
   (1) Research Support to American Gas Association
   (2) Research Support to Others (Classify)
   (3) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside th company costing $5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under $5,000 by classifications and indicate the number of items grouped. Under Other, (A.(1. and B.(2)) classify items by type of R, D & D activity.

4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107 (Construction Work in Progress) first. Show in column (f) the amounts related to the account charged in column (e).

5. Show in column (g) the total unamortized accumulation of costs of projects. This total must equal the balance in Account 188 Research, Development, and Demonstration Expenditures outstanding at the end of the year.

6. If costs have not been segregated for R, D & D activities or projects, submit estimates for columns (c), (d) and (f) with such amounts identified by "Est."

7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	AMOUNTS CHARGED IN CURRENT YEAR Amount (f)	Unamortized Accumulation (g)	Line No.
					1
					2
NONE					3
					4
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SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission			
5	Distribution			
6	Customer Accounts			
7	Customer Service and Informational			
8	Sales			
9	Administrative and General			
10	TOTAL Operation (Total of lines 3 thru 9)	0		
11	Maintenance			
12	Production			
13	Transmission			
14	Distribution			
15	Administrative and General			
16	TOTAL Maint. (Total of lines 12 thru 15)	0		
17	Total Operation and Maintenance			
18	Production (Total of lines 3 and 12)	0		
19	Transmission (Total of lines 4 and 13)	0		
20	Distribution (Total of lines 5 and 14)	0		
21	Customer Accounts (Line 6)	0		
22	Customer Service and Informational (Line 7)	0		
23	Sales (Line 8)	0		
24	Administrative and General (Total of lines 9 and 1	0		
25	TOTAL Oper. and Maint. (Total of lines 18 thru	0		
26	Gas			
27	Operation			
28	Production - Manufactured Gas			
29	Production - Nat. Gas (Including Expl. and Dev.)	383		
30	Other Gas Supply	614		
31	Storage, LNG Terminating and Processing	35,938		
32	Transmission	14,144		
33	Distribution	3,597,611		
34	Customer Accounts	2,457,068		
35	Customer Service and Informational	80,000		
36	Sales	0		
37	Administrative and General	2,857,744		
38	TOTAL Operation (Total of lines 28 thru 37)	9,043,502		
39	Maintenance			
40	Production - Manufactured Gas			
41	Production - Natural Gas	1,587		
42	Other Gas Supply			
43	Storage, LNG Terminating and Processing	42,724		
44	Transmission	20,920		
45	Distribution	905,418		
46	Administrative and General	38,826		
47	TOTAL Maint. (Total of lines 40 thru 46)	1,009,475		

Name of Respondent	This Report Is:	Date of Report	Year of Report
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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
	Gas (Continued)			
48	Total Operation and Maintenance			
49	Production - Manufactured Gas (Lines 28 and 40)	0		
50	Production - Natural Gas (Including Expl. and Dev.) (Lines 29 and 41)	1,970		
51	Other Gas Supply (Lines 30 and 42)	614		
52	Storage, LNG Terminating and Processing (Lines 31 and 43)	78,662		
53	Transmission (Lines 32 and 44)	35,064		
54	Distribution (Lines 33 and 45)	4,503,029		
55	Customer Accounts (Line 34)	2,457,068		
56	Customer Service and Informational (Line 35)	80,000		
57	Sales (Line 36)	0		
58	Administrative and General (Lines 37 and 46)	2,896,570		
59	TOTAL Oper. and Maint. (Total of lines 49 thru	10,052,977	1,336,041	11,389,018
60	Other Utility Departments			
61	Operation and Maintenance			0
62	TOTAL All Utility Dept. (Total of lines 25, 59, an	10,052,977	1,336,041	11,389,018
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant			
66	Gas Plant	3,023,359	401,805	3,425,164
67	Other			
68	TOTAL Construction (Total of lines 65 thru 67)	3,023,359	401,805	3,425,164
69	Plant Removal (By Utility Departments)			
70	Electric Plant			
71	Gas Plant	309,001	41,066	350,067
72	Other			
73	TOTAL Plant Removal (Total of lines 70 thru 72	309,001	41,066	350,067
74	Other Accounts (Specify):			
75				
76	Merchandise			
77	Jobbing			
78	Other			
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	0	0	0
96	TOTAL SALARIES AND WAGES	13,385,337	1,778,912	15,164,249

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

COMMON UTILITY PLANT AND EXPENSES

1. Furnish a schedule describing the property carried in the utility's accounts as common utility plant and showing the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 14, Common Utility Plant, of the Uniform System of Accounts. Such schedule also shall show the allocation of such plant costs to the respective departments using the common utility plant, explain the basis of allocation used, and give the allocation factors.

2. Furnish a schedule of the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the common utility plant to which such accumulated provisions relate including explanation of basis of allocation and factors used.

3. Furnish a schedule showing for the year the expenses of operation, maintenance, rents, depreciation and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Such schedule also shall show the allocation of such expenses to the departments using the common utility plant to which such expenses related, explain the basis of allocation used, and give the factors of allocation.

4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

Line No.	
1	
2	
3	NONE
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made durii the year included in any account (including plant accounts) for outsic consultative and other professional services. (These services includ rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization, of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than $25, 000, including payments for legislative services, except those whict should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name and address of person or organization rendering services.

(b) description of services received during the year and project or case to which services relate,

(c) basis of charges,

(d) total charges for the year, detailing utility department an account charged.

2. For any services which are of a continuing nature, give th date and term of contract and date of Commission authorizatio if contract received Commission approval.

3. Designate with an asterisk associated companies.

Line No.	PAYEE	DESCRIPTION OF SERVICE	AMOUNT	ACCT CHARGED
1				
2	SEMCO ENERGY, INC.	Management, Financial,	8,193,238	923.00
3	405 Water Street	Legal and Accounting		
4	Port Huron, MI 48060			
5				
6	SEMCO INFORMATION TECHNOLOGY INC	Information Technology/	2,174,410	923.10
7	975 Michigan	Communications		
8	Marysville, MI 48040			
9				
10	LUCE HENDERSON & LANE	Legal	48,826	923.10
11	PO Box 612354			
12	Port Huron, MI 48061-2354			
13				
14	MILLER CANFIELD PADDOCK AND STONE	Legal	214,370	923.10
15	PO Drawer 640348			
16	Detroit, MI 48264-0348			
17				
18	HONIGMAN, MILLER, SCWARTZ	Legal	52,788	923.10
19	2290 First National Building			
20	660 Woodward Ave			
21	Detroit, MI 48226-3583			
22				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company.
2. In column (b) describe the affiliation (percentage ownership, etc.).
3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).
4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	SEMCO ENERGY, INC.	Parent Company			
2			Admin & General	926,921	443,522
3			Payroll	VAR	782,353
4					
5					
6	SEMCO ENERGY GAS CO.	Division of the	Payroll	VAR	404,475
7	(BATTLE CREEK DIVISION)	Parent Company	Admin & General	VAR	122,202
8			Operational	VAR	26,004
9					
10					
11					
12					
13					
14					
15					
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31					
TOTAL					1,778,556

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.).

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
						1
				443,522	Cost	2
				782,353	Cost	3
					Cost	4
						5
		VAR	100,119	504,594	Cost	6
				122,202	Cost	7
				26,004	Cost	8
						9
						10
						11
						12
						13
						14
						15
						16
						17
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			100,119	1,878,675		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company.
2. In column (b) describe the affiliation (percentage ownership, etc.).
3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).
4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	SEMCO ENERGY, INC.	Parent Company			
2			Admin & General	408-431 &	10,211,267
3			Operational	VAR	53,991
4					
5					
6	SEMCO ENERGY GAS CO	Division of the	Inventory		
7	(Battle Creek Division)	Parent Company	Payroll		
8			Operational	VAR	60,643
9					
10					
11	SEMCO INFORMATION TEC	Subsidiary of the	Operational	VAR	5,021,039
12		Parent Company			
13					
14					
15					
16					
17					
18					
19					
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22					
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31					
TOTAL					15,346,940

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.).

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
						1
				10,211,267	Cost	2
				53,991	Cost	3
						4
						5
		155	55,684	55,684	Cost	6
		VAR	335,896	335,896	Cost	7
				60,643	Cost	8
						9
						10
				5,021,039	Contract	11
						12
						13
						14
						15
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			391,580	15,738,520		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

NATURAL GAS RESERVES AND LAND ACREAGE

1. Report below particulars (details) concerning the remaining recoverable saleable gas reserves and natural gas land acreage at end of year. Designate gas reserves on acreage acquired before October 8, 1969, and reserves on acreage acquired after October 7, 1969.
2. Classify the gas reserves and related land and land rights and costs under the sub-headings: (A) Producing Gas Lands, and (B) Non-producing Gas Lands. Provide a total for each classification.
3. For producing gas lands, report the required information alphabetically by State, County, or offshore area, and field. If the field name is not assigned, report as "unnamed." Identify offshore fields according to their location in State or Federal domains by using the letter "S" for State domain, and "F" for Federal domain in column (a). For column (b), enter the zone number if applicable. The land, leasehold, and gas rights costs so reported should agree with the amounts carried under Account 101, Gas Plant in Service, and as reported for Accounts 325.1, 325.2, and 325.3 on pages 204-205. In column (e) show for each field the year and remaining recoverable saleable gas reserves available to respondent from owned lands, leaseholds, and gas rights.

Line No.	OFFSHORE AREA		Name of Field or Block (c)	Name of State / County / Offshore Area (d)	Recoverable Gas Reserves (Thousands Mcf) (e)	OWNED LANDS
	Domain (a)	Zone (b)				Acres (f)
1			A. PRODUCING GAS LANDS			
2						
3			NONE			
4						
5						
6						
7						
8						
9						
10						
11						
12						
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14						
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18						
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36						
37						
38						
39						
40	TOTAL					

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

NATURAL GAS RESERVES AND LAND ACREAGE (Continued)

4. For non-producing gas lands, report the required information alphabetically by State, County, or offshore area by blocks. Report offshore lands in the same manner as producing gas lands. The lanc leaseholds, and gas rights costs reported should agree with the amounts carried under Account 105, Gas Plant Held for Future Use, and 105.1, Production Properties Held for Future Use, and reported ii total on pages 214 and 215. Do not report estimates of gas reserves (column (e)) for unproven fields; however, if the company made estimates for such lands and normally includes such estimates in stating its reserve position in connection with proposed financing ar for managerial and other purposes, include such estimates on this page.

5. Report the cost of lands, leaseholds, and gas rights in accordance with provisions of the Uniform System of Accounts for Natural Gas Companies.

6. For columns (j) and (k), do not duplicate acreage reported for owned lands and leaseholds. Designate with an asterisk royalty interests separately owned.

7. Indicate by footnote whether acres reported are gross acres or net acres based on proportion of ownership in jointly owned tracts.

8. Do not include oil mineral interests in the cost of acreage reported.

9. Report volumes on a pressure base of 14.73 psia at 60 F.

OWNED LANDS (Cont.)	LEASEHOLDS		OWNED GAS RIGHTS		TOTAL		Line No.
Cost (g)	Acres (h)	Cost (i)	Acres (j)	Cost (k)	Acres (l)	Cost (m)	
							1
							2
	NONE						3
							4
							5
							6
							7
							8
							9
							10
							11
							12
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	0						40

Next Page is 504

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

CHANGES IN ESTIMATED HYDROCARBON RESERVES AND COSTS, AND NET REALIZABLE VALUE

1. Report changes during the year in recoverable saleable reserves of the respondent located on acreage acquired after October 7, 1969. Have the reported reserves attested to every three years by an independent appraiser. File the attestation with the Commission along with this report. If the reserves, at the time the reserve determination is made, significantly differ from those reported on this page, file a reconciliation and explanation of such differences along with the attestation.

2. For any important changes in the estimated reserves due to purchases, sales, or exchanges of lands, leaseholds, or rights, furnish on page 505 a brief explanation of the transactions and reserves involved. Also, explain the criteria used to estimate the net realizable value of reserves.

3. For column (d), report the reserves and changes associated with lands, leaseholds, and rights included in Account 105.1, Production Properties Held for Future Use. (See Gas Plant Accounts Instruction 7G of the U.S. of A.).

4. Report pressure base of gas volumes at 14.73 psia at 60 F.

5. For line 16 base the net realizable value of hydrocarbon reserves on the current selling price of the hydrocarbon reserves less estimated costs of extraction, completion, and disposal.

Line No.	Items (a)	Total Reserves Gas (Thousands Mcf) (b)	Lands, Leaseholds, and Rights: In Service Gas (Thousands Mcf) (c)	Lands, Leaseholds, and Rights: Held for Future Use Gas (Thousands Mcf) (d)	Total Reserves Oil and Liquids (Barrels) (e)	Investment (Net Book Value) (f)
1	Estimated Recoverable Reserves at Beginning of Year					
2	ADDITIONS					
3	Purchases and Exchanges of Lands, Leaseholds, and Rights					
4	Transfers from Reserves Held for Future Use					
5	Upward Revision of Basic Reserve Estimates (Explain in a footnote)					
6	Other Increases (Explain in a footnote)					
7	TOTAL Additions (Line 3 thru 6)	0	0	0	0	
8	DEDUCTIONS					
9	Production During Year					
10	Sales and Exchanges of Lands, Leaseholds, and Rights					
11	Transfers of Reserves Held for Future Use to Reserves in Service					
12	Downward Revision of Estimates of Recoverable Reserves (Explain in a footnote)					
13	Other Decreases (Explain in a footnote)					
14	TOTAL Deductions (Lines 9 thru 13)	0	0	0	0	
15	Estimate Recoverable Reserves at End of Year (Enter total of lines 1, 7, and 14	0	0	0	0	
16	Net Realizable Value at End of Reporting Year (Explain on page 505): $					

NOTES

NONE

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

HYDROCARBON RESERVES AND COSTS, AND NET REALIZABLE VALUE (Continued)

Explain below items for which explanations are required on page 504, Changes in Estimated Hydrocarbon Reserves and Costs, and Net Realizable Value. For line 16 on page 504, explain the criteria used to estimate such value and provide an explanation of

Not Applicable

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COMPRESSOR STATIONS

1. Report below particulars (details) concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.

2. For column (a), indicate the production areas where such stations are used. Relatively small field compressor stations may be grouped by production areas. Show the number of stations grouped. Designate any station held under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature of respondent's title, and percent of ownership, if

Line No.	Name of Station and Location (a)	Number of Employees (b)	Plant Cost (c)
1			
2	UNDERGROUND STORAGE		
3			
4	Morton Well, Marysville, MI	n/a	1,384,327
5	Collin Field, Cottrellville, MI	n/a	1,341,340
6			
7			2,725,667
8			
9			
10			
11			
12			
13			
14			
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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

COMPRESSOR STATIONS (Continued)

jointly owned. Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station has been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor stations installed and put into operation during the year and show in a footnote the size of each such unit, and the date each such unit was placed in operation.

3. For column (d), include the type of fuel or power, if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power.

Expenses (Except depreciation and taxes)			Operation Data			
Fuel or Power (d)	Other (e)	Gas for Compressor Fuel Mcf (14.73 psia at 60 F) (f)	Total Compressor Hours of Operation During Year (g)	No. of Compressors Operated at Time of Station Peak (h)	Date of Station Peak (i)	Line No.
						1
						2
						3
162,570		18,223	3,070	2	10/2/2006	4
9,072		1,027	1,870	1	10/18/2006	5
						6
						7
						8
						9
						10
						11
						12
						13
Operation (1)	112,294					14
Maintenance (1)	166,122					15
						16
						17
(1) Underground storage compressor station expenses are not separated between Morton and Collin.						18
						19
						20
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/07	Dec. 31, 2006

GAS AND OIL WELLS

1. Report below the particulars (details) concerning gas and oil wells of the respondent which are either producing or capable of production.
2. Report the required information alphabetically by states. List wells located offshore separately.
3. For column (a), under separate headings, list gas wells first, oil wells second, and combination wells third. Combination wells are wells producing or capable of production from one or more oil reservoirs and also from one or more gas reserves. Enter totals for each of the headings (gas wells, oil wells, combination wells). Designate any wells not operated during the past year, and in a footnote state whether the book cost of such wells, or any portion thereof, has been retired in the books of account, or what disposition of the wells and their book cost is contemplated.
4. In column (f), report wells reclassified during the year as oil wells, gas wells, or combination wells. Show additions in black and deductions enclosed in parentheses. The total additions equal the total deductions.

Line No.	Location of Wells (a)	Number of Wells Beginning of Year (b)	ADDITIONS DURING YEAR: Successful Wells Drilled (c)	Wells Purchased (d)	Total (c + d) (e)	Wells Reclassified (f)	DEDUCTIONS DURING YEAR: Wells Abandoned (g)	Wells Sold (h)	Total (g + h) (i)	Number of Wells at End of Year (j)
1										
2	NONE									
3										
4										
5										
6										
7										
8										
9										
10										
11										
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Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	(Mo, Da, Yr) 04/30/07	Dec. 31, 2006

GAS STORAGE PROJECTS

1. Report particulars (details) for total gas storage projects.
2. Total storage plant (column b) should agree with amounts reported by the respondent in Accounts 350.1 to 364.8 inclusive (pages 204 - 205).
3. Give particulars (details) of any gas stored for the benefit of another company under a gas exchange arrangement or on basis of purchase and resale to other company. Designate with an asterisk if other company is an associated company.

Line No.	Item (a)	Total Amount (b)
1	Natural Gas Storage Plant	
2	Land and Land Rights	1,697,800
3	Structures and Improvements	725,069
4	Storage Wells and Holders	6,322,207
5	Storage Lines	472,961
6	Other Storage Equipment	11,097,677
7	TOTAL (Enter Total of Lines 2 thru 6)	20,315,714
8	Storage Expenses	
9	Operation	375,243
10	Maintenance	177,181
11	Rents	
12	TOTAL (Enter Total of Lines 9 thru 11)	552,424
13	Storage Operations (In Mcf)	
14	Gas Delivered to Storage	
15	January	180,014
16	February	111,023
17	March	127,924
18	April	1,480,532
19	May	979,837
20	June	903,403
21	July	991,140
22	August	691,342
23	September	887,594
24	October	561,555
25	November	665,656
26	December	146,713
27	TOTAL (Enter Total of Lines 15 thru 26)	7,726,733
28	Gas Withdrawn from Storage	
29	January	981,816
30	February	1,888,609
31	March	1,313,097
32	April	396,404
33	May	77,066
34	June	22,372
35	July	15,179
36	August	15,204
37	September	42,423
38	October	232,581
39	November	412,270
40	December	1,514,218
41	TOTAL (Enter Total of Lines 29 thru 40)	6,911,239

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

GAS STORAGE PROJECTS (Continued)

Line No.	Item (a)	Total Amount (b)
	Storage Operations (In Mcf)	
42	Top or Working Gas End of Year	10,235,257
43	Cushion Gas (Including Native Gas)	2,632,530
44	Total Gas in Reservoir (Enter Total of Line 42 and 43)	12,867,787
45	Certified Storage Capacity	6,256,044
46	Number of Injection - Withdrawal Wells	8
47	Number of Observation Wells	5
48	Maximum Day's Withdrawal from Storage	48,739
49	Date of Maximum Day's Withdrawal	02/17/06
50	LNG Terminal Companies	
51	Number of Tanks	
52	Capacity of Tanks	
53	LNG Volumes	
54	a) Received at "Ship Rail"	
55	b) Transferred to Tanks	
56	c) Withdrawn from Tanks	
57	d) "Boil Off" Vaporization Loss	
58	e) Converted to Mcf at Tailgate of Terminal	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

DISTRIBUTION AND TRANSMISSION LINES

1. Report below by States the total miles of pipe lines operated by respondent at end of year.
2. Report separately any lines held under title other than full ownership. Designate such lines with an asterisk and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.
3. Report separately any line that was not operated during the past year. Enter in a footnote the particulars (details) and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book cost are contemplated.
4. Report the number of miles of pipe to one decimal point.

Line No.	Designation (Identification) of Line or Group of Lines (a)	Total Miles of Pipe (to 0.1) (b)
1	Michigan Transmission Lines:	
2	Macomb Township - Marysville	29.7
3	Interconnecting Minor Wells	0.8
4	Casco to East China Township 12" to 6"	9.8
5	Mich-Con Tie-in 12" Casco Township	0.8
6	8" Akron Township to Cass City	20.4
7	12" Gratiot Avenue to Morton Well	0.6
8	12" to 6" - St. Clair	9.0
9	Casco Township to Kenockee Township	16.8
10	6" to 8" Consumers Power Co. to 8" Elmwood Rd. - Akron Township	1.1
11	8" Bethuy Road to North Road	0.4
12	6" Hill Road Wells - Wales Township	2.8
13	8" Starville Road	7.8
14	Great Lakes - Southeastern Michigan Gas Interchange	0.3
15	16" Stl Belle River Lateral	1.6
16	16" Stl Southern Energy Lateral	7.4
17	12" Stl New Haven Bus Garage	0.1
18	TOTAL Transmission Lines	109.4
19	TOTAL Distribution Lines	4,906.6
20	TOTAL	5,016.0

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Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/07	Year of Report Dec. 31, 2006

LIQUEFIED PETROLEUM GAS OPERATION

1. Report the information called for below concerning plants which produce gas from liquefied petroleum gas (LPG).
2. For column (a), give city and State or such other designation necessary to locate plant on a map of the respondent's system.
3. For columns (b) and (c), the plant cost and operation and maintenance expenses of any liquefied petroleum gas installation which is only an adjunct of a manufactured gas plant, may include or exclude (as appropriate) the plant cost and expenses of any plant used jointly with the manufactured gas facilities on the basis of predominant use. Indicate in a footnote how the plant cost and expenses for the liquefied petroleum plant described above are reported.

Line No.	Location of Plant and Year Installed (City, state. etc.) (a)	Cost of Plant (Land struct. equip.) (b)	Expenses Oper. Maintenance, Rents, etc. (c)	Expenses Cost of LPG Used (d)
1				
2				
3	**Not Applicable**			
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40	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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LIQUEFIED PETROLEUM GAS OPERATIONS (Continued)

Designate any plant held under a title other than full ownership and in a footnote state name of owner or co-owner, nature of respondent's title, and percent ownership if jointly owned.

4. For column (g) report the Mcf that is mixed with natural gas or which is substituted for deliveries normally made from natural gas. Natural gas means either gas unmixed or any mixture of natural and manufactured gas or mixture of natural gas and gasified LPG.

5. If any plant was not operated during the past year, give particulars (details) in a footnote, and state whether the book cost of such plant, or any portion thereof, has been retired in the books of account, or what disposition of the plant and its book cost is contemplated.

6. Report pressure base of gas at 14.73 psia at 60 F. Indicate the Btu content in a footnote.

Gallons of LPG Used (e)	Gas Produced: Amount of Mcf (f)	Gas Produced: Amount of Mcf Mixed with Natural Gas (g)	LPG Storage Cap. Gallons (h)	Function of Plant (Base load, peaking, etc.) (i)	Line No.
					1
					2
Not	Applicable				3
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DISTRIBUTION SYSTEM PEAK DELIVERIES

1. Report below the total distribution system deliveries of gas, excluding deliveries to storage the periods of system peak deliveries indicated below during the calendar year.

2. Report Mcf on a pressure base of 14.73 psia at 60 F

Line No.	Item (a)	Day / Month (b)	Amount of Mcf (c)	Curtailments on Day/Month Indicated (d)
	Section A. Three Highest Days of System Peak Deliveries			
1	Date of Highest Day's Deliveries	2/18/2006		
2	Deliveries to Customers Subject to MPSC Rate Schedules		279,533	
3	Deliveries to Others		41,025	
4	TOTAL		320,558	
5	Date of Second Highest Day's Deliveries	2/17/2006		
6	Deliveries to Customers Subject to MPSC Rate Schedules		248,357	
7	Deliveries to Others		47,071	
8	TOTAL		295,428	
9	Date of Third Highest Day's Deliveries	2/19/2006		
10	Deliveries to Customers Subject to MPSC Rate Schedules		243,785	
11	Deliveries to Others		42,704	
12	TOTAL		286,489	
	Section B. Highest Consecutive 3-Day System Peak Deliveries (and Supplies)			
13	Dates of Three Consecutive Days Highest System Peak Deliveries	2/17/2006 2/18/2006 2/19/2006		
14	Deliveries to Customers Subject to MPSC Rate Schedules		842,276	771,676
15	Deliveries to Others		169,000	130,800
16	TOTAL		1,011,276	902,476
17	Supplies from Line Pack		0	0
18	Supplies from Underground Storage		102,706	116,540
19	Supplies from Other Peaking Facilities		0	0
	Section C. Highest Month's System Deliveries			
20	Month of Highest Month's System Deliveries	February		
21	Deliveries to Customers Subject to MPSC Rate Schedules		5,282,223	
22	Deliveries to Others		1,217,798	
23	TOTAL		6,500,021	

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AUXILIARY PEAKING FACILITIES

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominate use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility, Mcf at 14.73 psia at 60 F (c)	Cost of Facility (In dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery? Yes (e)	No (f)
1	Morton Field	Underground Storage	60,000	10,617,837	YES	
2	Marysville, MI					
3						
4	Collin Field	Underground Storage	21,000	9,697,876	YES	
5	Cottrellville, MI					
6				20,315,713		
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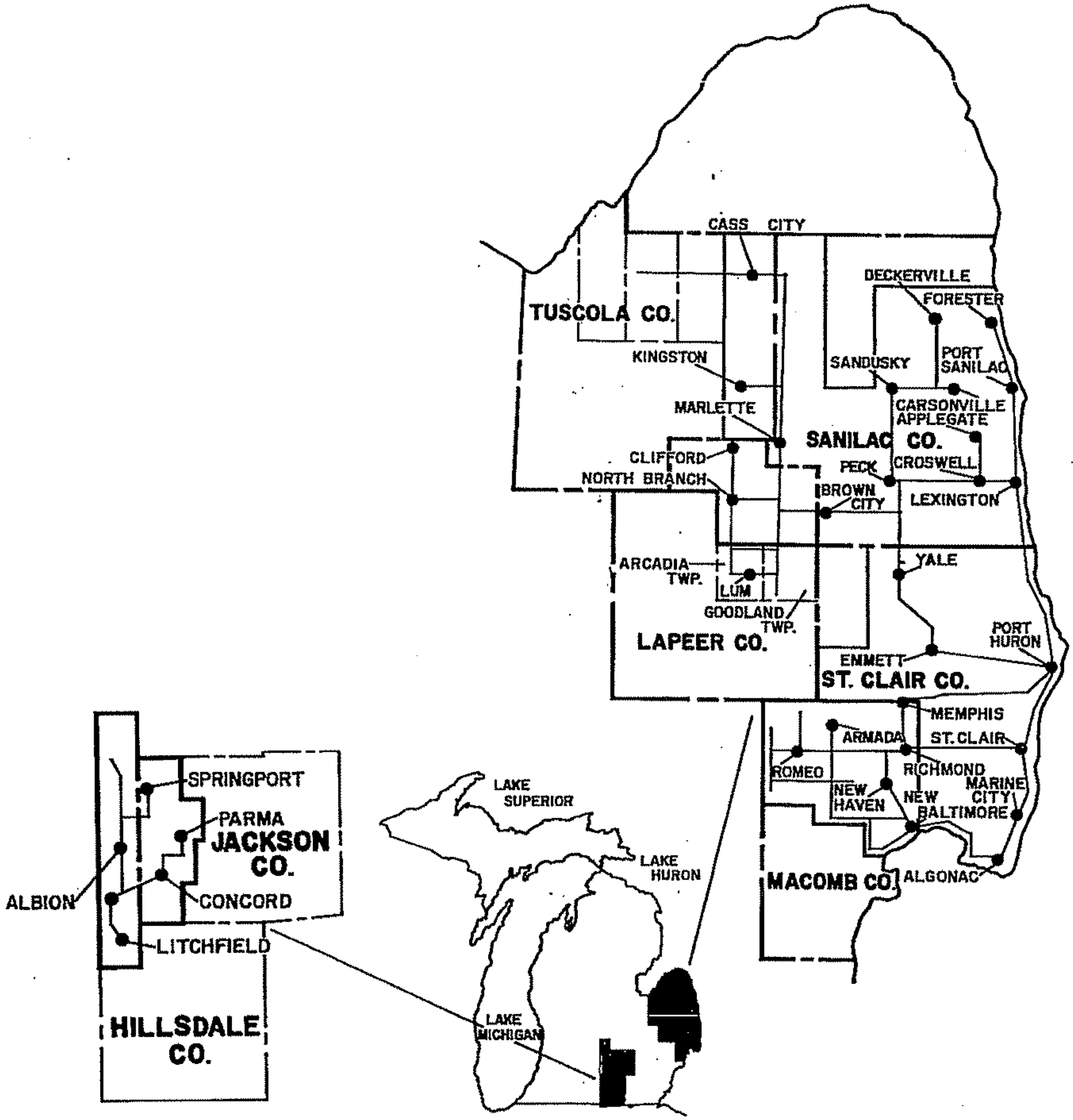
SYSTEM MAPS

1. Furnish 2 copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas. New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If, however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.
2. Indicate the following information on the maps:
   - (a) Transmission lines - colored in red, if they are not otherwise clearly indicated.
   - (b) Principal pipeline arteries of gathering systems.
   - (c) Sizes of pipe in principal pipelines shown on map.
   - (d) Normal directions of gas flow - indicated by arrows.
   - (e) Location of natural gas fields or pools in which the respondent produces or purchases natural gas.
   - (f) Locations of compressor stations, products extraction plants. stabilization plants, important purification plants, underground storage areas, recycling areas, etc.
   - (g) Important main line interconnections with other natural gas companies, indicating in each case whether gas is received or delivered and name of connecting company.
   - (h) Principal communities in which respondent renders local distribution service.
3. In addition, show on each map: graphic scale to which map is drawn; date as of which the map represents the facts it purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.
4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger than this report. Bind the maps to the report.

See Attached Map

SEMCO ENERGY

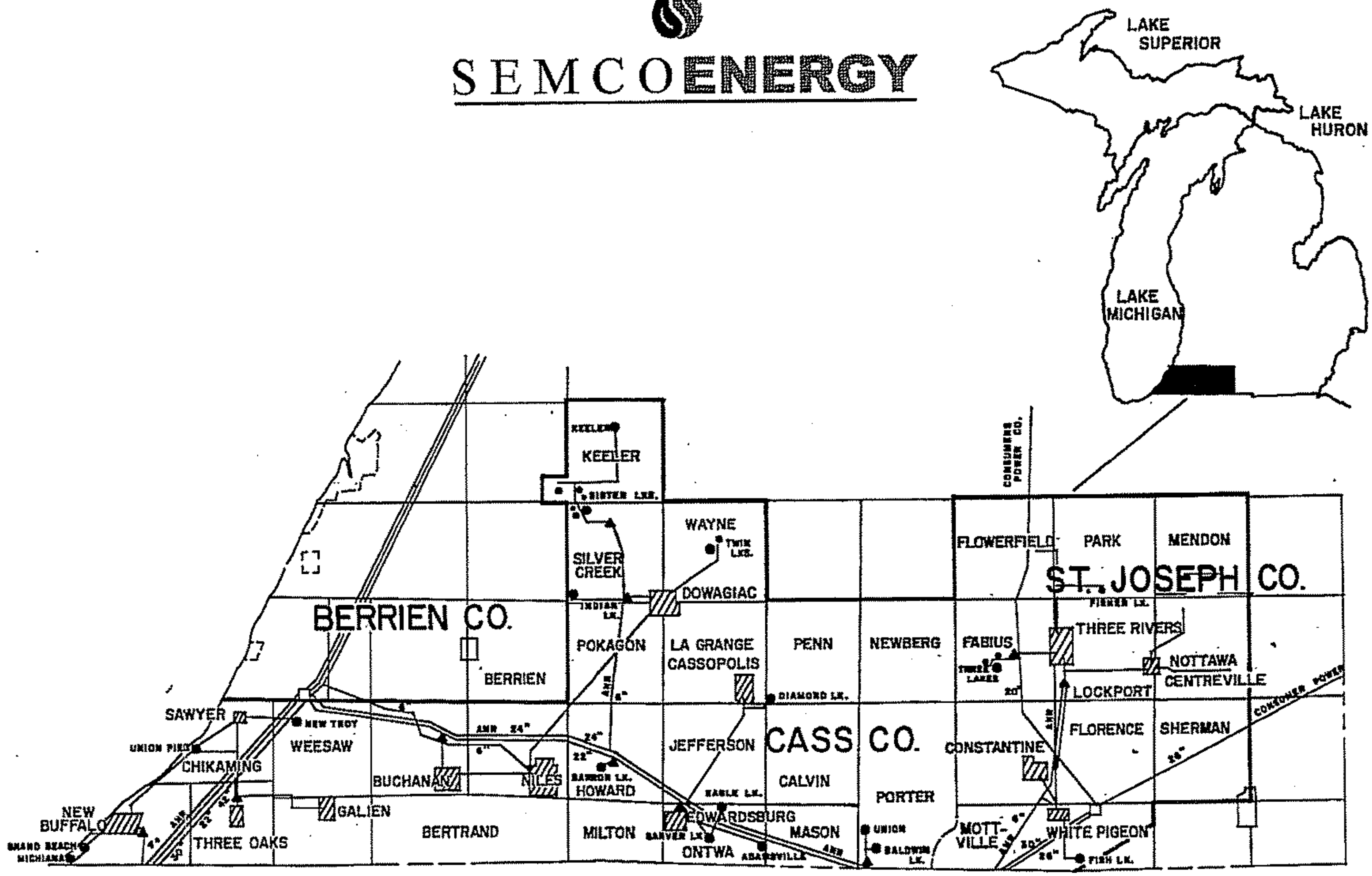


NATURAL GAS
PURCHASE STATIONS

▲ INTERCONNECTED STATION
● AREA SERVED

SSB 3.12.2007

SEMCO ENERGY



NATURAL GAS
PURCHASE STATIONS

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● AREA SERVED

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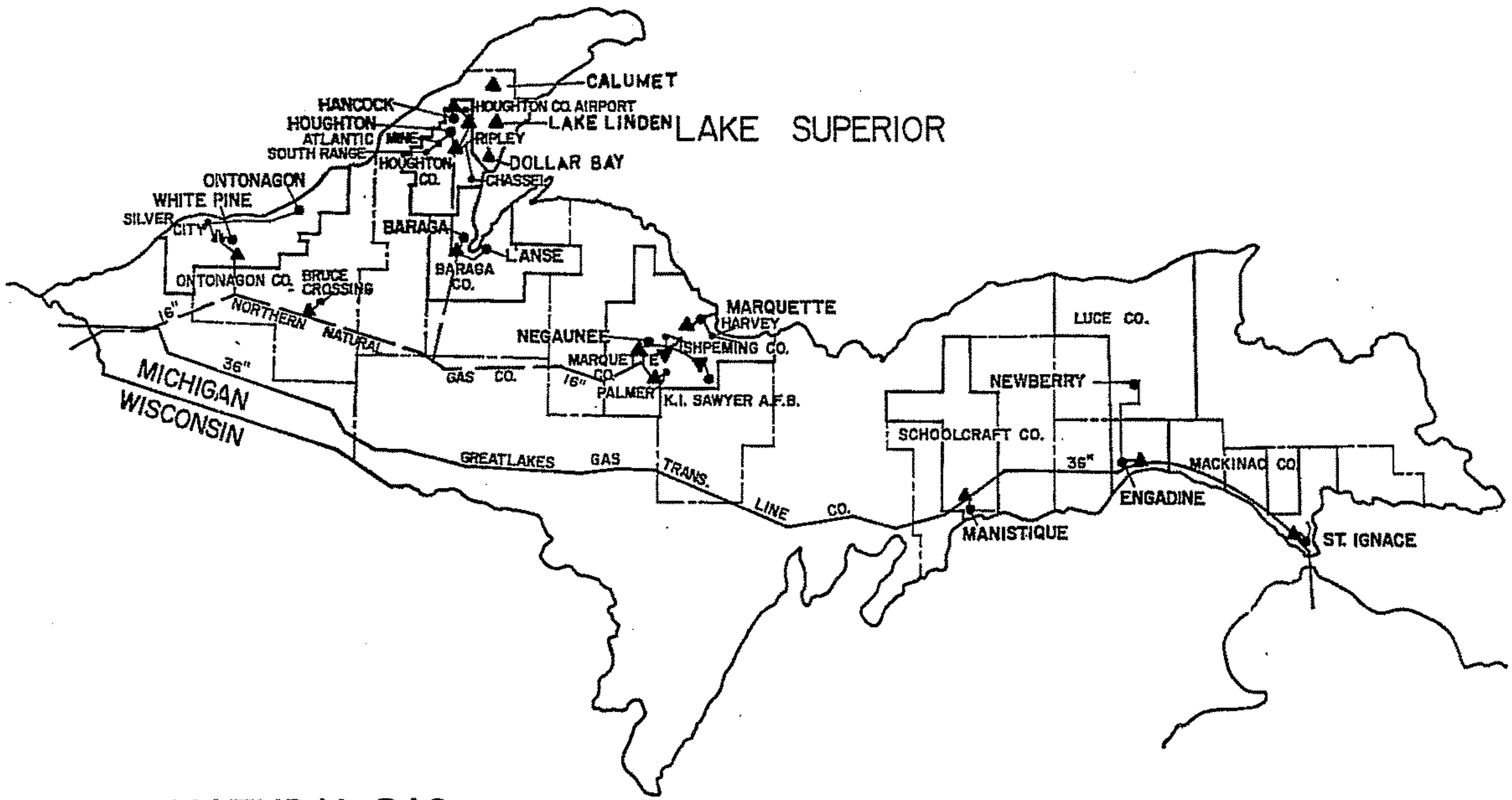
SEMCO ENERGY



NATURAL GAS PURCHASE STATIONS

▲ INTERCONNECTED STATION

● AREA SERVED

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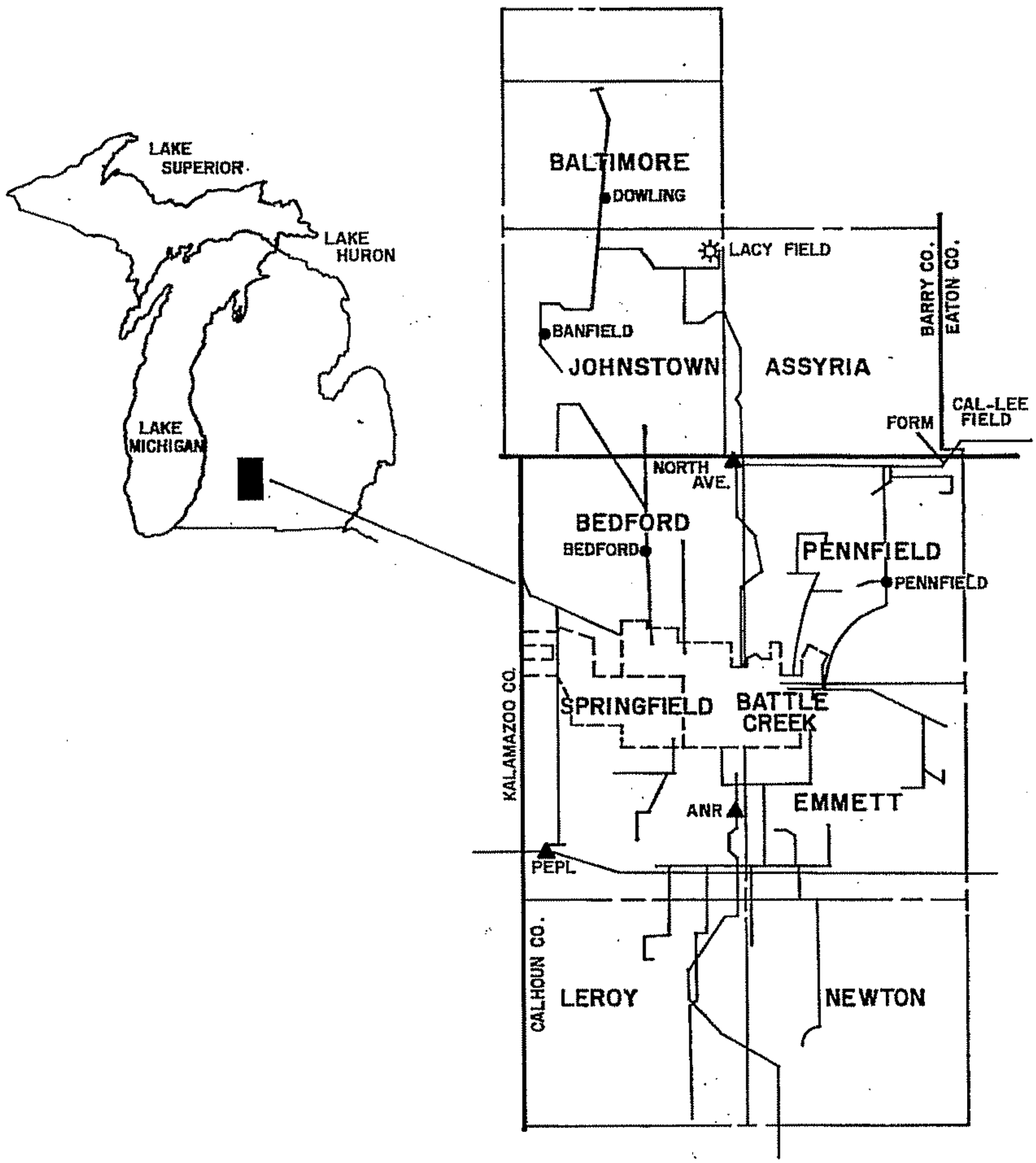

NATURAL GAS PURCHASE STATIONS

▲ INTERCONNECTED STATION
● AREA SERVED

SSB 3.12.2007

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FOOTNOTE DATA

Page No. (a)	Line No. (b)	Column No. (c)	Comments (d)
			Footnote data is included on Page 123.

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