

Report of Independent Auditors

To the Board of Directors, Shareholders and Management of
SEMCO Energy, Inc. and the Michigan Public Service Commission:

We have audited the accompanying balance sheets of SEMCO Energy Gas Co (MPSC Division) (a division of SEMCO Energy, Inc.) (the "Company") as of December 31, 2007 and 2006 and the related statements of income for the years then ended, and the statements of retained earnings and cash flows for the year ended December 31, 2007, included on pages 110 through 123 (including pages 123A through 123S) of the accompanying Michigan Public Service Commission Form P-522. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Michigan Public Service Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEMCO Energy Gas Co (MPSC Division) as of December 31, 2007 and 2006, and the results of its operations for the years then ended and its cash flows for the year ended December 31, 2007 in accordance with the accounting requirements of the Michigan Public Service Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the Board of Directors and management of SEMCO Energy, Inc. and for filing with the Michigan Public Service Commission and should not be used for any other purpose.

PricewaterhouseCoopers LLP

March 28, 2008

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, 2007

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

☐ will be forwarded to the Commission

on or about April 28, 2008

Annual reports to stockholders:

☐ are published.

☒ 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

**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. Box 30221
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. Box 30221
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).

<u>Schedules</u>	<u>Reference Page</u>
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. Box 30221
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 ⁶ 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. Box 30221
Lansing, MI 48909
- IX. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement (8 1/2 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 1/2 x 11 inch size) instead of the preprinted schedules if they are in substantially the same format

DEFINITIONS

- I. BTU per cubic foot - 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

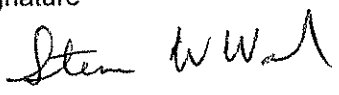
ANNUAL REPORT OF NATURAL GAS COMPANIES (MAJOR AND NONMAJOR)

IDENTIFICATION

01 Exact Legal Name of Respondent SEMCO ENERGY GAS CO. (MPSC DIVISION)		02 Year of Report December 31, 2007
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) 04/30/08

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 	04 Date Signed (Mo, Da, Yr) 4/30/2008
02 Title VICE PRES OF ACCOUNTING		

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) 04/30/08	Year of Report Dec. 31, 2007
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)	
<p style="text-align: center;">GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS</p> <p>General Information 101</p> <p>Control Over Respondent & Other Associated Companies M 102</p> <p>Corporations Controlled by Respondent 103</p> <p>Officers and Employees M 104</p> <p>Directors 105</p> <p>Security Holders and Voting Powers M 106-107</p> <p>Important Changes During the Year 108-109</p> <p>Comparative Balance Sheet M 110-113</p> <p>Statement of Income for the Year M 114-117</p> <p>Statement of Retained Earnings for the Year M 118-119</p> <p>Statement of Cash Flows 120-121</p> <p>Notes to Financial Statements 122-123Y</p> <p style="text-align: center;">BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)</p> <p>Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion 200-201</p> <p>Gas Plant in Service M 204-212B</p> <p>Gas Plant Leased to Others 213</p> <p>Gas Plant Held for Future Use 214</p> <p>Production Properties Held for Future Use 215</p> <p>Construction Work in Progress - Gas 216</p> <p>Construction Overheads - Gas 217</p> <p>General Description of Construction Overhead Procedure M 218</p> <p>Accumulated Provision for Depreciation of Gas Utility Plant M 219</p> <p>Gas Stored 220</p> <p>Nonutility Property 221</p> <p>Accumulated Provision for Depreciation and Amortization of Nonutility Property 221</p> <p>Investments 222-223</p> <p>Investment in Subsidiary Companies 224-225</p> <p>Gas Prepayments Under Purchase Agreements 226-227</p> <p>Advances for Gas Prior to Initial Deliveries or Commission Certification 229</p> <p>Prepayments 230</p> <p>Extraordinary Property Losses 230</p> <p>Unrecovered Plant and Regulatory Study Costs 230</p> <p>Preliminary Survey and Investigation Charges 231</p> <p>Other Regulatory Assets 232</p> <p>Miscellaneous Deferred Debits 233</p> <p>Accumulated Deferred Income Taxes (Account 190) 234-235</p>			

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	04/30/08	Dec. 31, 2007
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)	
BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
Capital Stock	250-251		
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Calculation of Federal Income Tax	M 261C-D		
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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) 04/30/08	Year of Report Dec. 31, 2007
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			
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Compressor Stations	508-509		
Gas and Oil Wells	510		
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Liquefied Petroleum Gas Operations	516-517		
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Particulars Concerning Certain Other Income Accounts	341		
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Expenditures for Certain Civic, Political and Related Activities	343		
Common Utility Plant and Expenses	356		
Summary of Costs Billed to Associated Companies	358-359		
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Name of Respondent SEMCO ENERGY Gas Co (MPSC Division)	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
GENERAL INFORMATION			
<p>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 where the general corporate books are kept.</p> <p style="text-align: center;">Steven W. Warsinske Vice President & Chief Accounting Officer 1411 Third Street, Suite A Port Huron, MI 48060</p>			
<p>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.</p> <p style="text-align: center;">Michigan - June 2, 1950</p>			
<p>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.</p> <p style="text-align: center;">Not Applicable</p>			
<p>4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.</p> <p style="text-align: center;">Michigan: Gas Utility Service</p>			
<p>5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?</p> <p>(1) <input type="checkbox"/> Yes. . . . enter date when such independent accountant was initially engaged: _____</p> <p>(2) <input checked="" type="checkbox"/> No</p>			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY Gas Co (MPSC Division)	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	04/30/08	Dec. 31, 2007

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.

On February 22, 2007, SEMCO Energy ("Company") entered into an Exchange Agreement by and among the Company, Cap Rock, and Semco Holding, under which Semco Holding would acquire all the outstanding Common Stock and Preferred Stock of the Company. On November 9, 2007, after receipt of all the necessary regulatory and other approvals, the Share Exchange was consummated and the Company became a wholly-owned subsidiary of Semco Holding. Pursuant to the terms of the Exchange Agreement, the holders of the Company's Common Stock transferred their shares to Semco Holding for the right to receive \$8.15 in cash per share, and the holders of the Company's Preferred Stock transferred their shares to Semco Holding for the right to receive \$213.07 in cash per share plus a make-whole premium of \$19.972 per share. Semco Holding funded an aggregate of \$292.6 million to purchase all the outstanding share of Common Stock and \$55.7 million to purchase all the outstanding shares of Preferred Stock.

Name of Respondent SEMCO ENERGY Gas Co (MPSC Division)	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
LIST OF SCHEDULES (Natural Gas Utility)			
<p>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.</p> <p>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.</p> <p>3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.</p> <p>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.</p>			
<u>DEFINITIONS</u>			
<p>1. See the Uniform System of Accounts for a definition of control.</p> <p>2. Direct control is that which is exercised without interposition of an intermediary.</p> <p>3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.</p> <p>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.</p>			
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		Dec. 31, 2007
	(2) A Resubmission	04/30/08	

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	\$564,231	\$687,551	\$1,251,782
2	Michael V Palmeri, Senior Vice President, Treasurer, and CFO	\$299,615	\$226,051	\$525,666
3	Eugene N. Dubay, Sen. Vice President Operations	\$289,615	\$218,549	\$508,164
4	Peter F. Clark, Senior Vice President and General Counsel	\$269,615	\$187,683	\$457,298
5	Lance Smotherman, Senior Vice President of Human Resources	\$243,538	\$141,029	\$384,567
	<u>(c) Other Compensation</u>			
	George A. Schreiber, Jr.			
	Bonus to pay taxes relating to life insurance premium.		\$6,712	
	Company match contribution to 401(K) plan		\$885	
	Short Term Bonus		\$278,179	
	Long Term Bouns		\$385,250	
	Tax Preparation Fees		\$2,125	
	Auto Allowance		\$14,400	
			<u>\$687,551</u>	
	Michael V Palmeri			
	Bonus to pay taxes relating to life insurance premium.		\$2,038	
	Company match contribution to 401(K) plan		\$9,000	
	Short Term Bonus		\$110,000	
	Long Term Bonus		\$96,313	
	Auto Allowance		\$8,700	
			<u>\$226,051</u>	
	Eugene N Dubay			
	Bonus to pay taxes relating to life insurance premium.		\$3,816	
	Company match contribution to 401(K) plan		\$9,000	
	Short Term Bonus		\$119,158	
	Long Term Bonus		\$77,050	
	Tax Preparation Fees		\$825	
	Auto Allowance		\$8,700	
			<u>\$218,549</u>	
	Peter F. Clark			
	Bonus to pay taxes relating to life insurance premium.		\$2,458	
	Tax Preparation Fees		\$475	
	Company match contribution to 401(K) plan		\$9,000	
	Short Term Bonus		\$90,000	
	Long Term Bonus		\$77,050	
	Auto Allowance		\$8,700	
			<u>\$187,683</u>	
	Lance Smotherman			
	Bonus to pay taxes relating to life insurance premiums		\$1,646	
	Company match contribution to 401(K) plan		\$9,000	
	Short Term Bonus		\$63,695	
	Long Term Bonus		\$57,788	
	Tax Preparation Fees		\$200	
	Auto Allowance		\$8,700	
			<u>\$141,029</u>	
*Excludes non-allocated one-time payments related to the acquisition.				

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) 04/30/08	Year of Report Dec. 31, 2007
DIRECTORS			
<p>1. Report below the information called for concerning the respondent. each director of the respondent who held office at any time during the year. Include in column (a), an asterisk and the Chairman of the Executive abbreviated titles of the directors who are officers of</p> <p>2. Designate members of the Executive Committee by Committee by a double asterisk.</p>			
Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
<p>Effective 01/01/00 the Company became a division of SEMCO Energy Inc., as such, there are no longer Corporate Directors required.</p>			

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) 04/30/08	Year of Report Dec. 31, 2007
SECURITY HOLDERS AND VOTING POWERS			
<p>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.</p> <p>(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.</p> <p>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.</p> <p>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.</p> <p>4. Furnish particulars (details) concerning any 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.</p>			
<p>1. Give date of the latest closing of the stock book prior to end of year, and state the purpose of such closing:</p> <p style="text-align: center;">NOT APPLICABLE</p>			
<p>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:</p>			
<p>3. Give the date and place of such meeting:</p>			

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) 04/30/08	Year of Report Dec. 31, 2007
SECURITY HOLDERS AND VOTING POWERS (Continued)					
Line No.	Name (and Title) and Address of Security Holder (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 security holders listed below	0			
7	Not Applicable				
8					
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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) 04/30/08	Year of Report Dec. 31, 2007
IMPORTANT CHANGES DURING THE YEAR			
<p>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.</p> <p>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.</p> <p>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.</p> <p>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 to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.</p> <p>8. State the estimated annual effect and nature of any important wage scale changes during the year.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>12. If the important changes during the year relating to</p>			
<p>1. Not applicable</p> <p>2. Not applicable</p> <p>3. Not applicable</p> <p>4. Not applicable</p> <p>5. Not applicable</p> <p>6. Not applicable</p> <p>7. Not applicable</p> <p>8. Local Union #16201, United Steelworkers of America, received an increase of 3.5% as of 11/22/07 Local Union #3135, United Steelworkers of America, received an increase of 3.5% as of 04/19/07 Local Union #473, Utility Workers Union of America, received an average increase of 5.0% as of 11/30/07 Non-union employees received an average merit increase of 3.95% effective 04/05/07</p> <p>9. Not applicable</p> <p>10. Not applicable</p>			

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	04/30/08	Dec. 31, 2007

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.

<u>Rate Class</u>	<u>Customers</u>	<u>Estimated Increase</u>
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		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	04/30/08	Dec. 31, 2007

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	445,677,910	502,384,812
3	Construction Work in Progress (107)	200-201	966,041	3,907,565
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		446,643,951	506,292,377
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115, 119)	200-201	(185,939,528)	(192,375,696)
6	Net Utility Plant (Enter Total of line 4 less 5)		260,704,423	313,916,681
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)		260,704,423	313,916,681
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	(38,293)	(41,370)
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)		77,410	74,333
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	---	0	0
25	Special Deposits (132-134)	---	3,436,571	3,579,889
26	Working Fund (135)	---	452	1,900
27	Temporary Cash Investments (136)	222-223	0	0
28	Notes Receivable (141)	228A	0	0
29	Customer Accounts Receivable (142)	228A	14,493,598	17,664,829
30	Other Accounts Receivable (143)	228A	1,265,088	2,921,563
31	(Less) Accum. Prov. for Uncoll. Acct.-Credit (144)	228A	(1,432,270)	(1,304,530)
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	1,545,019	1,579,426
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

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	04/30/08	Dec. 31, 2007

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	151,896	93,635
44	Gas Stored Underground-Current (164.1)	220	73,462,538	58,909,908
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	220	0	0
46	Prepayments (165)	226,230	5,149,600	4,032,222
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)	---	30,106,383	39,432,684
51	Miscellaneous Current and Accrued Assets (174)	---	1,874,191	65,520
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)		130,053,066	126,977,046
53	DEFERRED DEBITS			
54	Unamortized Debt Expenses (181)	---	168,918	0
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	0	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	25,109,181	22,464,086
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)	---	899,571	650,417
66	Accumulated Deferred Income Taxes (190)	234-235	5,265,524	12,734,366
67	Unrecovered Purchased Gas Costs (191)	---	0	0
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		31,443,195	35,848,869
69	TOTAL Assets and Other Debits (Enter Total of lines 10, 11, 12, 22, 52 and 68)		422,278,094	476,816,929

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	04/30/08	Dec. 31, 2007

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	191,360,777
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	86,798,951	5,567,883
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Recquired Capital Stock (217)	250-251	0	0
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		145,259,936	204,136,839
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	0	0
17	(Less) Recquired Bonds (222)	256-257	0	0
18	Advances from Associated Companies (223)	256-257	0	0
19	Other Long-Term Debt (224)	256-257	140,230,000	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)		140,230,000	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	720,000
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	720,000
31	CURRENT AND ACCRUED LIABILITIES			
32	Notes Payable (231)	260A	0	0
33	Accounts Payable (232)	---	35,128,050	33,118,914
34	Notes Payable to Associated Companies (233)	260A	52,891,927	33,931,101
35	Accounts Payable to Associated Companies (234)	260A	0	0
36	Customer Deposits (235)	---	1,228,759	1,943,525
37	Taxes Accrued (236)	262-263	1,222,049	3,791,714
38	Interest Accrued (237)	---	0	0
39	Dividends Declared (238)	---	0	0
40	Matured Long-Term Debt (239)	---	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 04/30/08	Dec. 31, 2007

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)	---	3,716	16,779
43	Misc. Current and Accrued Liabilities (242)	268	1,953,983	4,949,377
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)		92,514,957	77,837,883
50	DEFERRED CREDITS			
51	Customer Advances for Construction (252)	---	257,450	32,450
52	Accumulated Deferred Investment Tax Credits (255)	266-267	87,108	0
53	Deferred Gains from Disposition of Utility Plt. (256)	---	0	0
54	Other Deferred Credits (253)	269	14,966,643	11,169,002
55	Other Regulatory Liabilities (285-286)	278	230,904	0
56	Unamortized Gain on Reacquired Debt (257)	260	0	0
57	Accumulated Deferred Income Taxes (281-284)	272-277	28,511,096	42,690,755
58	TOTAL Deferred Credits (Enter Total of lines 51 thru 57)		44,053,201	53,892,207
59	TOTAL Liabilities and Other Credits (Enter total of lines 14, 22, 30, 49 and 58)		422,278,094	476,816,929

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 04/30/08	Year of Report Dec. 31, 2007	
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STATEMENT OF INCOME FOR THE YEAR				
<p>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.</p> <p>2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.</p> <p>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.</p> <p>4. Use page 122 for important notes regarding the statement of income or any account thereof.</p>		<p>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.</p> <p>6. Give concise explanations concerning significant amounts of any refunds made or received during the year.</p>		

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	375,035,770	360,547,344
3	Operating Expenses			
4	Operation Expenses (401)	320-325	319,441,167	317,042,989
5	Maintenance Expenses (402)	320-325	2,513,191	2,620,586
6	Depreciation Expense (403)	336-338	13,643,411	13,298,459
7	Amort. of Utility Plant (404-405)	336-338	65,685	76,958
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	7,021,030	6,235,162
14	Income Taxes - Federal (409.1)	262-263	607,278	2,030,406
15	- Other (409.1)	262-263	0	0
16	Provision for Deferred Income Taxes (410.1)	234,272-277	11,949,742	4,564,410
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234,272-277	(5,795,977)	(4,084,704)
18	Investment Tax Credit Adj. - Net (411.4)	266	(87,108)	(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)		349,358,419	341,519,355
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25)		25,677,351	19,027,989

NAME OF RESPONDENT SEMCO ENERGY GAS CO (MPSC Division)	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) A Resubmission	Date of Report MO/DA/YR 04/30/08	Year of Report Dec. 31, 2007
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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		Line No.
Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	
(a)	(b)	(c)	(d)	(e)	(f)	
						1
		375,035,770	360,547,344			2
						3
		319,441,167	317,042,989			4
		2,513,191	2,620,586			5
		13,643,411	13,298,459			6
		65,685	76,958			7
		0	0			8
						9
		0	0			
		0	0			10
		0	0			11
		0	0			12
		7,021,030	6,235,162			13
		607,278	2,030,406			14
		0	0			15
		11,949,742	4,564,410			16
		(5,795,977)	(4,084,704)			17
		(87,108)	(264,912)			18
		0	0			19
		0	0			20
		0	0			21
		0	0			22
						23
		349,358,419	341,519,355			
						24
		25,677,351	19,027,989			

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 04/30/08	Year of Report Dec. 31, 2007
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STATEMENT OF INCOME FOR THE YEAR (Continued)

NONE

Line No.	OTHER UTILITY		OTHER UTILITY		OTHER UTILITY	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	(a)	(b)	(c)	(d)	(e)	(f)
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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	04/30/08	Dec. 31, 2007
STATEMENT OF INCOME FOR THE YEAR (Continued)				
Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		25,677,351	19,027,989
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues from Merchandising, Jobbing and Contract Work (415)		105,116	80,135
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)		(105,313)	(71,818)
31	Revenues from Nonutility Operations (417)		6,160	(13,929)
32	(Less) Expenses of Nonutility Operations (417.1)		0	2,700
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)		395,996	228,491
36	Allowance for Other Funds Used During Construction (419.1)		0	230,676
37	Miscellaneous Nonoperating Income (421)		7,000	0
38	Gain on Disposition of Property (421.1)		0	0
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		408,959	456,255
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	(250,348)	(273,153)
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		(250,348)	(273,153)
45	Taxes Applicable 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	(55,514)	(64,086)
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)		(55,514)	(64,086)
54	Net Other Income and Deductions (Enter Total of lines 39,44,53)		103,097	119,016
55	Interest Charges			
56	Interest on Long-Term Debt (427)		0	0
57	Amort. of Debt Disc. and Expense (428)	258-259	288,569	291,384
58	Amortization of Loss on Recquired Debt (428.1)		0	0
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259	0	0
60	(Less) Amortization of Gain on Recquired Debt-Credit (429.1)		0	0
61	Interest on Debt to Assoc. Companies (430)	340	12,124,533	13,016,079
62	Other Interest Expense (431)	340	343,367	364,533
63	(Less) Allowance for Borrowed Funds Used During Contribution-Cr. (432)		0	0
64	Net Interest Charges (Enter Total of lines 56 thru 63)		12,756,469	13,671,996
65	Income Before Extraordinary Items (Enter Total of lines 25,54 and 64)		13,023,979	5,475,009
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)		13,023,979	5,475,009

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SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original (2) A Resubmission	04/30/08	Dec. 31, 2007

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		4,196,750
3 Account 281		
4 Account 282		4,379,021
5 Account 283		3,373,971
6 Account 284		
7 Reconciling Adjustments		
8 TOTAL Account 410.1 (on pages 114-115 line 16)		11,949,742
9 TOTAL Account 410.2 (on page 117 line 49)		
10 Credits to Account 411 from:		
11 Account 190/191		(4,907,660)
12 Account 281		
13 Account 282		(370,482)
14 Account 283		(517,835)
15 Account 284		
16 Reconciling Adjustments		
17 TOTAL Account 411.1 (on pages 114-115 line 17)		(5,795,977)
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		(87,108)
22 ITC Adjustments:		
23 Adjust last year's estimate to actual per filed return		
24 Other (specify)		
25 Net Reconciling Adjustments Account 411.4*		(87,108)
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	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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
	4,196,750		4,196,750	2
				3
	4,379,021		4,379,021	4
	3,373,971		3,373,971	5
				6
				7
	11,949,742			8
		0		9
				10
	(4,907,660)		(4,907,660)	11
				12
	(370,482)		(370,482)	13
	(517,835)		(517,835)	14
				15
				16
	(5,795,977)			17
		0		18
				19
				20
	(87,108)		(87,108)	21
				22
				23
				24
	(87,108)			25
		0		26
		0		27

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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		Year (e)	Balance Remaining (f)
			Loss Carryforward (F) or Carryback (B) (c)	Amount (d)		
1		Not Applicable				
2						
3						
4						
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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		86,798,951
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: Purchase Accounting Adjustment		92,460,049
10	Debit:		
11	Debit:		
12	Debit:		
13	TOTAL Debits to Retained Earnings (Acct. 439)		92,460,049
14	Balance Transferred from Income (Account 433 Less Account 418.1)		13,023,979
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)		

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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)		(1,795,000)
30			
31			
32			
33			
34			
35	TOTAL Dividends Declared - Common Stock (Account 438)		(1,795,000)
36	Transfers from Account 216.1, Unappropriated Subsidiary Earnings		
37	Balance - End of Year (Enter Total of lines 1 thru 36)		5,567,883
38			
39			
40			
41			
42			
43	TOTAL Appropriated Retained Earnings (Account 215)		
44	TOTAL Appropriated Retained Earnings-Amortization 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)		

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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 pertaining 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)	13,023,979
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	13,041,263
5	Amortization of (Specify) Deferred Debt Expense	288,569
6		
7		
8	Deferred Income Taxes (Net)	19,772,003
9	Investment Tax Credit Adjustments (Net)	(87,108)
10	Net (Increase) Decrease in Receivables	(4,955,447)
11	Net (Increase) Decrease in Inventory	14,576,485
12	Net (Increase) Decrease in Allowances Inventory	
13	Net Increase (Decrease) in Payables and Accrued Expenses	1,275,295
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	(2,010,233)
19	Net (Increase) Decrease in Other Deferred Debits	(13,697,076)
20	Net (Increase) Decrease in Other Deferred Credits	(2,632,301)
21	Net Cash Provided by (Used in) Operating Activities	
22	(Total of lines 2 thru 20)	38,595,429
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(17,694,837)
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)	(17,694,837)
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) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report MO/DA/YR 04/30/08	Year of Report Dec. 31, 2007
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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 not 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)	(17,694,837)
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)	(18,960,826)
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	(18,960,826)
71		
72	Payments for Retirement of:	
73	Long-Term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	(1,795,000)
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	(20,755,826)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	144,766
87		
88	Cash and Cash Equivalents at Beginning of Year	3,437,023
89		
90	Cash and Cash Equivalents at End of Year	3,581,789

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 04/30/08	Year of Report Dec. 31, 2007
NOTES TO FINANCIAL STATEMENTS			
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.</p> <p>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.</p>			
<p>See Page 123 for Footnote data.</p>			

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NOTES TO FINANCIAL STATEMENTS			

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 one of two divisions of SEMCO Energy, Inc. regulated by the MPSC and is referred to as the "MPSC Division." The MPSC has jurisdiction over, among other things, rates, accounting procedures, and standards of service.

Sale of the Parent and Purchase Accounting. On February 22, 2007, the Parent entered into an Agreement and Plan of Share Exchange (the "Exchange Agreement") by and among the Parent, Cap Rock Holding Corporation ("Cap Rock") and Semco Holding Corporation, a direct wholly-owned subsidiary of Cap Rock ("Semco Holding"), under which Semco Holding would acquire all the outstanding Common Stock and 5% Series B Convertible Cumulative Preferred Stock ("Preferred Stock") of the Parent (the "Share Exchange"). On November 9, 2007, after receipt of all of the necessary regulatory and other approvals, the Share Exchange was consummated and Parent became a wholly-owned subsidiary of Semco Holding. For further information on the Share Exchange refer to Note 11.

The Share Exchange has been accounted for under the purchase method of accounting prescribed by Statement of Financial Accounting Standards ("SFAS") 141, "Business Combinations." The purchase accounting adjustments required under SFAS 141, including goodwill recognition, have been "pushed down" to Parent and its non-regulated subsidiaries, resulting in the assets and liabilities of Parent and its subsidiaries being recorded at their respective fair values as of November 9, 2007.

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. The accompanying financial statements do not include all of the financial statement disclosures that would be required in accordance with GAAP.

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, 2007, and 2006, the Company had \$3.6 million and \$3.4 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

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NOTES TO FINANCIAL STATEMENTS			

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 \$2.5 million and \$2.0 million for 2007 and 2006, respectively.

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, 2007, and 2006, 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. As previously discussed under the section captioned "Sale of the Parent and Purchase Accounting," the reported amounts for property, plant and equipment of the Parent and its non-regulated subsidiaries were adjusted to reflect their fair values as of the date of the Share Exchange. However, due to rate-setting and recovery provisions currently in place for the Company's regulated utility operations, the fair value of property, plant and equipment of the Company's regulated utility operations were considered to approximate their original costs, less accumulated depreciation as of the date of the Share Exchange. Accumulated depreciation was not reset to zero as of the Share Exchange date for the regulated utility property, plant and equipment due primarily to regulatory reporting and rate-setting implications. Property, plant and equipment that are not regulated utility property were recorded at their respective fair values and accumulated depreciation for such property, plant and equipment was reset to zero as of the Share Exchange date.

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	15 - 34

The Company's ratio of depreciation to the average gross balance of property was approximately 3.1% for both years 2007 and 2006.

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

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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, 2007, and December 31, 2006, the Company estimated that the cost of retiring these assets at the date of removal would be \$13.3 million and \$10.6 million, respectively. The present value of these obligations at December 31, 2007, and December 31, 2006, was \$1.8 million and \$1.1 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 as a reporting unit, as that term is defined in SFAS 142. 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 2007 and 2006 were performed for the Company and indicated that there was no impairment of goodwill.

On November 9, 2007, in connection with the Share Exchange, the Company eliminated its goodwill balance of \$5.4 million as of November 8, 2007, and established a new goodwill balance of \$53.1 million based on a revaluation of the Company's assets and liabilities. This newly established balance was recognized in accordance with the provisions of SFAS 141. The following table summarizes changes in the carrying amount of goodwill for the past two years:

	Goodwill (in thousands)
Balance as of December 31, 2005, and 2006	\$ 5,379
Previous goodwill eliminated as a result of the Share Exchange	(5,379)
Goodwill resulting from the Share Exchange	53,073
Balance as of December 31, 2007	\$ 53,073

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.

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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 not exceed the maximum GCR rate established in the GCR gas purchase plan for the 12-month GCR period in question. On a monthly basis, the GCR rates may be adjusted upward or downward but may not exceed such maximum GCR rates without MPSC approval. On a quarterly basis, the maximum GCR rates may be adjusted upward if actual natural gas prices paid by the Company for a specific period of time are significantly different than the prices set in the MPSC-approved GCR plans.

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 typically 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, 2007, the Company had \$2.9 million recorded in current liabilities for Amounts Payable to Customers and \$0.0 million recorded in current assets for Gas Charges Recoverable from Customers, under the GCR pricing mechanism.

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 an 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 compensation, 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 restated.

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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 was effective for fiscal years beginning after December 15, 2006, however, on January 23, 2008, the FASB deferred the effective date for certain non-public companies to fiscal years beginning after December 15, 2008. The Company's Parent became a privately-held company effective November 9, 2007, and meets the conditions for this effective date deferral. As a result, the Company does not expect to adopt FIN 48 until January 1, 2008. The Company does not expect that adoption of this interpretation will have a material impact on its financial position, cash flows or 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 to any new circumstances. This statement was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, on February 6, 2008, the FASB issued a final staff position ("FSP") that delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The FSP also removed certain leasing transactions from the scope of SFAS 157. This FSP partially deferred the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for 2008, the Company will adopt SFAS 157 except as it applies to those non-financial assets and non-financial liabilities noted in the FSP. The partial adoption of SFAS 157 will not have a material impact on the Company's financial position, cash flows or results of operations.

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 an entity 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 effects of choosing to elect the fair value option for any of its financial instruments or other items, and has not yet determined the impact of this decision on its financial statements.

In December 2007, the FASB issued SFAS 141R, "Business Combinations." SFAS 141R requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS 141R also requires additional disclosure of information surrounding a business combination, such that users of the entity's financial statements can fully understand the nature and financial impact of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 141R before that date. The Company does not anticipate any impact from the adoption of SFAS 141R on its financial statements.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51." SFAS 160 establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. This statement also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently assessing the effects of this statement and has not yet determined its impact on its financial statements.

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, 2007, cash paid for interest and income taxes was \$12.5 million and \$0.3 million, respectively. During the year ended December 31, 2007, cash paid for interest and income taxes was \$13.4 million and \$6.5 million, respectively.

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Note 2. Regulatory Matters

On May 25, 2006, the Company filed a request with the MPSC seeking authority to increase its base rates for service to customers in the MPSC Division by approximately \$18.9 million. 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 new base rates were expected to produce an additional \$12.65 million in annual revenue based on adjusted 2005 test year data. As a condition of the settlement, agreed not to file a general rate case earlier than January 1, 2008.

On January 29, 2008, the MPSC issued an order approving the Company's annual GCR reconciliation case for the MPSC Division for the period ended March 31, 2006, as filed. In cases such as this one, the MPSC evaluates the Company's gas procurement practices for gas purchased for sale to customers in the Company's Michigan service area regulated by the MPSC. Interveners in the case had proposed \$5.6 million in gas cost disallowances. The MPSC rejected the disallowances proposed by the interveners.

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 rate-setting 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-setting 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. On June 26, 2007, the MPSC issued an order that, in part, found that there should be changes to the way it establishes cost of removal depreciation rates. The MPSC directed certain utilities to file new depreciation cases using the previous year's cost of removal expense as a basis, and to calculate cost of removal depreciation under three different methods described in the order. The Company is required to file a depreciation study on or before February 2, 2009, using 2007 data. The MPSC will make a final decision on possible changes in accounting for depreciation once it evaluates this filing.

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 removed 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 could 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.

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The following table summarizes the regulatory assets and liabilities recorded in the Balance Sheets as of December 31, 2007, and 2006:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Regulatory assets		
Current		
Gas charges recoverable from customers	\$ 0	\$ 1,467
Noncurrent		
Unamortized costs related to postretirement benefit plans	\$ 11,307	\$ 15,555
Deferred postretirement benefit expense	3,715	4,458
Deferred loss on reacquired debt	650	900
Deferred environmental costs	3,149	2,488
Other	476	579
	<u>\$ 19,297</u>	<u>\$ 23,980</u>
Regulatory liabilities		
Current		
Amounts payable to customers (gas cost overrecovery)	\$ 2,920	\$ 129
Noncurrent		
Deferred tax benefits	\$ (87)	\$ 231
Deferred investment tax credits	0	87
	<u>\$ (87)</u>	<u>\$ 318</u>

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.

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Federal income tax expense (benefit):		
Current	\$ 663	\$ 2,094
Deferred to future periods	6,153	480
Amortization of deferred investment tax credits ("ITC")	(87)	(265)
Total income tax expense	<u>\$ 6,729</u>	<u>\$ 2,309</u>

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.

	<u>Years Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(In thousands)	
Net Income	\$ 13,024	\$ 5,475
Add back income tax expense	6,729	2,309
Pre-tax income	<u>\$ 19,753</u>	<u>\$ 7,784</u>
Computed federal income tax expense	\$ 6,914	\$ 2,724
Amortization of deferred ITC	(87)	(265)
Other	(98)	(150)
Total income tax expense	<u>\$ 6,729</u>	<u>\$ 2,309</u>

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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, deferred tax assets and liabilities are reflected in the Company's accompanying Balance Sheet in current assets, current liabilities, deferred debits and 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,	
	2007	2006
	(In thousands)	
Property, plant and equipment	\$ (27,987)	\$ (23,357)
Retiree medical benefit liability	(104)	(337)
Retiree medical benefit regulatory assets	(1,300)	(1,560)
Deferred ITC	0	123
Unamortized debt expense	0	(315)
Reserve for uncollectible accounts	457	501
Accrued vacation	334	315
Property taxes	(1,069)	(1,148)
Pensions	(1,773)	(1,579)
Gas in underground storage	(1,306)	2,497
Gas charge over-recovery	1,022	(468)
Other	1,770	2,082
Total deferred taxes	\$ (29,956)	\$ (23,246)
Gross deferred tax liabilities	\$ (42,690)	\$ (28,511)
Gross deferred tax assets	12,734	5,265
Total deferred taxes	\$ (29,956)	\$ (23,246)

Net Operating Losses. The Parent has an estimated net operating loss ("NOL") carryforward for federal tax purposes of \$124.1 million at December 31, 2007, of which \$0.3 million expires in 2021, \$27.7 million expires in 2022, \$48.6 million expires in 2023, \$15.6 million expires in 2024, \$0.2 million expires in 2025, \$1.6 million expires in 2026 and \$30.1 million expires in 2027. 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 substantially all of its underlying notes related to \$124.2 million of the debt assigned to the Company, but the \$124.2 million assigned to the Company remains outstanding. The following table shows the Company's long-term debt at December 31, 2007, and 2006:

	December 31,	
	2007	2006
	(In thousands)	
7.46% Series Due 2008	16,000	16,000
7.125% Series Due 2008	35,115	35,115
8.10% Series Due 2010	54,000	54,000
7.75% Series Due 2013	35,115	35,115
Total long-term debt	\$ 140,230	\$ 140,230

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At December 31, 2007, 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):

2008.....	\$51
2009.....	\$—
2010.....	\$54
2011.....	\$—
2012.....	\$—

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,	
	2007	2006
	(In thousands)	
Outstanding borrowings at year end.....	\$ 33,931	\$ 52,892
Weighted average interest rate	6.8%	6.7%

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, 2007, and 2006:

	December 31,	
	2007	2006
	(In thousands)	
Long-term debt, including current maturities		
Carrying amount.....	\$ 140,230	\$ 140,230
Fair value.....	139,428	142,417

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 \$12.1 million and \$13.0 million in 2007 and 2006, 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 2007 and 2006 were \$9.1 million and \$9.3 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 2007 and 2006, the Company also made dividend distributions to the Parent in the amounts of \$1.8 million and \$3.5 million, respectively. An affiliate of the Company provides information technology ("IT") services to the Company. During 2007, the Company paid \$4.2 million to this affiliate for IT services, \$0.6 million of which was capitalized as property and \$3.6 million of which was recorded as operations and maintenance expense. 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. The Company provides certain operations and maintenance services to an Affiliate and revenues received by the Company for those services in 2007 and 2006 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

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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 of 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 or 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 other postretirement plans. The Company determined that a major portion of this amount was recoverable in future periods in 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) were transferred 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."

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 2007 and 2006, the Company and its Affiliates expensed pension costs of \$5.4 million and \$6.1 million, respectively. The Company's direct share of pension costs for 2007 and 2006 was \$1.9 million and \$2.2 million, respectively. The Company and its Affiliates contributed \$5.5 million to fund the Pension Plans during 2007. The Company's direct share of these contributions was \$2.4 million. The Company and its Affiliates estimate they will contribute \$4.2 million to fund the Pension Plans in 2008.

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. Benefits are based on a combination of the retiree's age and years of service at retirement. The Company and its Affiliates account for retiree medical

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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 2007 and 2006, the Company and its Affiliates expensed retiree medical costs of \$1.6 million and \$1.3 million, respectively. The Company's direct share of retiree medical costs for 2007 and 2006 was \$0.9 million and \$0.8 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. The Company and its Affiliates estimate they will make contributions of \$1.5 million in 2008 to fund its Postretirement Plans or to cover retiree medical costs.

The Parent uses a measurement date of December 31 for all of its plans. The following tables provide various information regarding the Company and its Affiliates Pension Plans and Postretirement Plans:

	Pension Benefits Years Ended December 31,		Other Postretirement Benefits Years Ended December 31,	
	2007	2006	2007	2006
	(In thousands)			
Components of net periodic benefit cost				
Service cost	\$ 3,880	\$ 3,919	\$ 687	\$ 583
Interest cost	5,762	5,161	2,268	1,951
Expected return on plan assets	(6,475)	(5,981)	(2,455)	(2,307)
Amortization of transition obligation	—	—	—	69
Amortization of prior service cost (credit)	117	136	(369)	(286)
Amortization of net loss	2,043	2,901	488	399
Amortization of regulatory asset	157	—	938	899
Net periodic benefit cost	\$ 5,484	\$ 6,136	\$ 1,557	\$ 1,308
	Pension Benefits December 31,		Other Postretirement Benefits December 31,	
	2007	2006	2007	2006
	(In thousands)			
Projected benefit obligation (PBO) / Accumulated Postretirement benefit obligation (APBO) at current measurement date	\$ 96,732	\$ 97,323	\$ 37,922	\$ 39,329
Less: Fair value of assets at current measurement date	\$ 84,973	\$ 81,115	\$ 32,634	\$ 30,216
Funded status	\$ (11,759)	\$ (16,208)	\$ (5,288)	\$ (9,113)
Accumulated benefit obligation for pension benefit plans	\$ 84,560	\$ 85,750	N/A	N/A
Contributions and benefits paid				
Company contributions	\$ 5,517	\$ 6,675	\$ 1,754	\$ 1,292
Benefits paid	\$ (3,627)	\$ (3,536)	\$ (1,254)	\$ (1,292)
Items not yet recognized as a component of net periodic benefit costs				
Net transition obligation	\$ —	\$ —	\$ —	\$ —
Net prior service cost (credit)	—	789	—	(3,286)
Net loss	(2,607)	24,832	(3,086)	8,365
	\$ (2,607)	\$ 25,621	\$ (3,086)	\$ 5,079
The above amounts are reflected in the consolidated statements of financial position as follows:				
Regulatory assets	\$ (2,467)	\$ 24,484	\$ (3,086)	\$ 5,079(a)
Accumulated comprehensive income	(140)	1,137	—	—
	\$ (2,607)	\$ 25,621	\$ (3,086)	\$ 5,079
The above amounts are expected to be recognized as components of net periodic benefit costs in 2007 as follows:				
Net prior service cost (credit)	\$ —	N/A	\$ —	N/A
Net loss	—	N/A	—	N/A
	\$ —	N/A	\$ —	N/A

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(a) The unrecognized gains at December 31, 2007, represent asset gains since November 9, 2007, the date of the consummation of the Share Exchange. The unrecognized losses at the date of the Share Exchange were eliminated pursuant to the accounting rules governing business combinations. Although these pre-Share Exchange losses will not be recognized in net periodic benefit costs under SFAS 87 and 107, the Company has recorded these unrecognized losses as regulatory assets in anticipation of rate recovery in future periods.

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

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,	
	2007	2006	2007	2006
	(In thousands)			
The above amounts are reflected in the balance sheets as follows:				
Regulatory assets	\$ (1,515)	\$ 14,524	\$ (3,868)	\$ 1,031(a)
Accumulated comprehensive income	\$ (1,515)	\$ 14,524	\$ (3,868)	\$ 1,031

(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 2007 and 2006:

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
	(In thousands, except for percentages)			
Assumptions and dates used at disclosure				
Discount rate (1).....	6.50%	5.90%	6.50%	5.90%
Compensation increase rate.....	4.00%	4.00%	N/A	N/A
Current year trend — medical	N/A	N/A	10.00%	10.00%
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	2015	2013
Measurement date	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Census date.....	1/01/2007	1/01/2006	1/01/2007	1/01/2006
Assumptions used to determine expense				
Discount rate	5.90%	5.50%	5.90%	5.50%
Long-term rate of return on assets.....	8.00%	8.50%	8.00%	8.50%
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

(1) For 2007, discount rate for the SERP was 6.10%. All other plans assumed a 6.50% rate.

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.

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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, 2007, and 2006 are presented in the following table:

December 31,	Percentage Allocation			
	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Asset Category Equity securities.....	71.1%	68.0%	63.1%	64.1%
Debt securities.....	28.7%	26.4%	36.9%	35.9%
Other.....	0.2%	5.6%	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. 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:

	Pension Benefits	Other Postretirement Benefits		
		Gross Benefits	Less Medicare Part D Subsidy	Net Benefits
		(In thousands)		
2008.....	\$ 3,717	\$ 1,697	\$ 166	\$ 1,531
2009.....	4,164	1,831	188	1,643
2010.....	4,492	1,981	211	1,770
2011.....	4,827	2,147	235	1,912
2012.....	5,188	2,276	263	2,013
Years 2013 – 2017	32,707	13,181	1,702	11,479

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 2007 and 2006.

Note 9. Share-Based Compensation

The Parent's 2004 Stock Award and Incentive Plan ("2004 Plan"), provided for the issuance, in various forms, of up to 1,500,000 shares of Common Stock, plus any shares that became 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 were 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 made under the 2004 Plan were 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 had a deferred compensation plan for its Board and an employee stock gift program. The deferred compensation plan allowed for the deferral of Director compensation, at the Director's election, and deferred amounts could be invested in a hypothetical fund that tracked the price changes of the Parent's Common Stock. Any deferral of Director compensation was expensed in the Parent's Consolidated Statement of Operations when earned by the Director. The employee stock gift program provided one

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free share of Parent Common Stock to an employee the first time he or she enrolled in the Parent's Direct Stock Purchase and Dividend Reinvestment Plan, ("DRIP"), via employee payroll deductions. The employee stock gift program was discontinued upon termination of the DRIP in anticipation of the Share Exchange.

The Parent recognized expense related to its share-based compensation arrangements of \$4.3 million and \$1.8 million during 2007 and 2006, respectively. The tax benefit recognized in income in relation to this compensation expense was \$1.6 million and \$0.7 million, during 2007 and 2006, respectively. The Parent did not capitalize any expense related to its share-based arrangements during 2007 and 2006.

The Company's allocated share of share-based compensation was \$2.0 million and \$0.9 million during 2007 and 2006, respectively. The tax benefit recognized in Company's income in relation to this compensation expense was \$0.7 million and \$0.3 million during 2007 and 2006, respectively. The Company did not capitalize any expense related to its share-based arrangements.

The consummation of the Share Exchange was a change in control of the Parent, as defined in the Parent's severance agreements with its executives and the 2004 Plan, and, accordingly, all unvested share-based awards vested. In accordance with the terms of the Exchange Agreement, on November 9, 2007, the date the Share Exchange was consummated, the Parent committed to repurchasing all outstanding restricted stock units, performance share units and in-the-money stock options from holders, and the Board terminated the 2004 Plan. The manner of vesting and repurchase of each type of share award is discussed in more detail in the remainder of this note. Of the \$4.3 million in share-based compensation expense recognized during 2007, \$2.4 million was due to the vesting of share awards upon the change in control of the Parent, which under normal vesting criteria, would have been expensed at a later date. The Company's allocated share of the \$2.4 million of share-based compensation expense resulting from the vesting of share-based awards upon the change in control of the Parent was \$1.1 million. For additional information on the completion of the Share Exchange refer to Note 11.

Restricted Stock Units for Executives. During 2004 and 2005, the Parent issued 114,728 restricted stock units ("RSUs") to certain Parent executives under the 2004 Plan. Each RSU was equivalent to one share of Parent Common Stock. 10,000 of the RSUs issued in 2004 were forfeited because the executive to whom the RSUs were issued left employment with the Parent prior to vesting. Of the RSUs issued in 2005, 14,728 were to vest in full on the three-year anniversary of issuance as long as the executive who received the RSUs remained employed on the vesting date. The remaining 90,000 outstanding RSUs vested 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. The remainder of these 90,000 RSUs vested in equal amounts in 2006 and 2007, with the fulfillment of the requirements that the executives who received the RSUs remained employed on the vesting date and that certain performance goals be attained. Notwithstanding these vesting conditions, the RSUs were to 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. Settlement of the vested RSUs was to be made in shares of the Parent's Common Stock.

In April 2007, the Board completed its certification that service and performance goals associated with the 90,000 RSUs were attained as of March 31, 2007. As a result, in June 2007, 63,856 shares of Common Stock were delivered to certain executives and the remaining 26,144 shares were withheld to cover income tax withholding requirements. In addition, the consummation of the Share Exchange on November 9, 2007, was a change in control of the Parent and consequently the remaining 14,728 RSUs held by an executive vested in their entirety, and in accordance with the terms of the Exchange Agreement, the Parent repurchased these RSUs from the holder at a price of \$8.15 per RSU (or \$0.1 million in aggregate) in lieu of settling these RSUs for shares of Common Stock.

A summary of information about the Parent's non-vested RSUs as of November 8, 2007, and changes during the period January 1, 2007, through November 8, 2007, is presented below:

	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2007	40,978	\$ 6.18
Granted	—	—
Earned and vested	(26,250)	5.42
Vested due to change in control	(14,728)	6.79
Forfeited	—	—
Non-vested at November 8, 2007	—	\$ —

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The grant date fair value of an RSU was 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 and 2007. In 2005, 10,000 RSUs were forfeited. In addition to the RSUs that vested upon the change in control of the Parent as discussed previously, during 2005, 2006 and the period January 1, 2007, through November 8, 2007, 35,000 RSUs with a total fair value of \$0.2 million, 28,750 RSUs with a total fair value of \$0.2 million and 26,250 RSUs with a total fair value of \$0.2 million, respectively, were earned and vested under normal vesting criteria but, under the terms of the RSUs, were not paid out in shares of Common Stock until 2007.

Employee Performance Share Units. The Parent also granted performance share units ("PSUs") to certain employees of the Company and its Affiliates under the 2004 Plan. The Parent granted a specific number of PSUs, which is referred to as the "Target Grant." During the period January 1, 2007, through November 8, 2007, and the years ended December 31, 2006, and 2005, the Parent granted 234,610, 225,705 and 168,667 PSUs, respectively. Each PSU was equivalent to one share of Parent Common Stock. Under the terms of the PSUs, the grantee could vest in PSUs equivalent to 25% to 150% of the Target Grant, if actual performance results were within 25% to 150% of the target performance goals. Following a three-year performance period (or a two-year performance period for 25,000 of the PSUs issued in 2005), a percentage of PSUs would vest if the individuals who received the PSUs were actively employed with the Company or its Affiliates on the last day of the performance period and if the threshold level of performance was met or exceeded with respect to at least one of the established performance goals. Notwithstanding these vesting conditions, upon the consummation of a change in control of the Parent, the performance goals contained in the PSUs would be deemed met at 100% of the Target Grant. Settlement of vested PSUs was to be made in shares of the Parent's Common Stock.

A summary of information about the Parent's non-vested PSUs as of November 8, 2007, and changes during the period January 1, 2007, through November 8, 2007, is presented below:

	Number of PSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2007	382,797	\$ 5.71
Granted	234,610	7.53
Earned and vested	(25,000)	6.15
Vested due to change in control	(592,407)	6.41
Non-vested at November 8, 2007	—	\$ —

The grant date fair value of a PSU was 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 \$7.53 per unit during 2007, \$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. In addition to the PSUs that vested upon the change in control of the Parent as discussed previously, during the period January 1, 2007, through November 8, 2007, 25,000 PSUs with a total fair value of \$0.2 million vested under normal vesting criteria and were settled in shares of Common Stock.

Restricted Stock for Directors. The Parent granted 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 vested over a three-year period as long as the individuals who received the restricted Common Stock continued to serve on the Board on the vesting dates. Notwithstanding these vesting conditions, the restricted Common Stock for Directors vested in its entirety upon consummation of a change in control of the Parent, as defined in the 2004 Plan, and in certain other circumstances. The consummation of the Share Exchange on November 9, 2007, was a change in control of the Parent and consequently the 64,500 shares of then outstanding restricted Common Stock vested, and all restrictions were removed. The value of the shares that vested upon the change in control of the Parent was \$0.5 million.

A summary of information about the Parent's non-vested restricted Common Stock as November 8, 2007, and changes during the period January 1, 2007, through November 8, 2007, is presented below:

	Number of Restricted Stock Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2007	99,000	\$ 5.83
Granted	22,500	7.77
Vested	(57,000)	6.10
Forfeited	(64,500)	6.27
Non-vested at November 8, 2007	—	\$ —

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The grant date fair value of a share of restricted Common Stock was equal to the price of a share of the Parent's Common Stock on the grant date. During the period January 1, 2007, through November 8, 2007, and the years ended 2006 and 2005, 22,500, 9,750 and 168,750 shares, respectively, of restricted Common Stock were granted with a weighted average grant date fair value of \$7.77, \$5.45 and \$5.83 per share, respectively. In addition to the shares of restricted Common Stock that vested upon the change in control of the Parent as discussed previously, during the period January 1, 2007, through November 8, 2007, and the years ended 2006 and 2005, 57,000, 65,250 and 7,250 shares, respectively, of restricted Common Stock vested under normal vesting criteria. The total value of the shares that vested under normal vesting conditions during the period January 1, 2007, through November 8, 2007, and the years ended 2006 and 2005, were \$0.4 million, \$0.4 million and less than \$0.1 million, respectively.

Options to Purchase Common Stock. The exercise price of all stock options granted under the 2004 Plan was equal to the average of the high and low market price of the Parent's Common Stock on the option grant date. The options were to 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 were to vest in their entirety upon consummation of a change in control of the Parent, as defined in the Company's severance agreements with its executives and the 2004 Plan. Both the number of options granted and the exercise price were to be adjusted for any stock dividends and stock splits occurring during the life of the options.

The consummation of the Share Exchange on November 9, 2007, was a change in control of the Parent and consequently all non-vested stock options immediately vested, and in accordance with the terms of the Exchange Agreement, the Parent repurchased all stock options with exercise prices below \$8.15 from the holders at a price per stock option equal to \$8.15 minus the exercise price of the option (or \$1.9 million in aggregate) in lieu of holders exercising these stock options.

There were no stock options granted in 2007. The fair values of the options granted in 2006 and 2005 were estimated at the grant date using a Black-Scholes option pricing model and the weighted average assumptions shown in the table below:

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
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 was based on the historical volatility of the Parent's Common Stock. The Company used historical data and other factors to estimate option exercise and employee termination within the model. The expected term of options granted was derived from historical data and other factors and represented the period of time that options granted were expected to be outstanding. The risk free rate for periods within the contractual life of an option was 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 November 8, 2007, and changes during the period January 1, 2007, through November 8, 2007, is presented below:

	<u>Number of Stock Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at January 1, 2007	1,321,646	\$ 7.94		
Granted	—	—		
Exercised	(264,168)	6.60		
Forfeited or expired	(202,725)	14.33		
Outstanding at November 8, 2007	<u>854,753</u>	\$ 6.83	6.40	\$1,898
Exercisable at November 8, 2007	<u>684,348</u>	\$ 7.14	5.97	\$1,459

The weighted-average grant date fair value of options granted during 2006 and 2005 was \$2.11 and \$2.59, respectively. There were no options granted during 2007. 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. During January 1, 2007, through November 8, 2007, the total intrinsic value of options exercised was approximately \$0.3 million, the total cash received was approximately \$1.7 million and the tax benefits realized from the exercise of options was less than \$0.1 million.

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The amount of goodwill resulting from the Share Exchange reflects the significant strategic and financial benefits associated with the Company, including:

- the cash flow generating capabilities of the Company's assets;
- long-term customer growth that is expected to be above the industry average;
- natural gas continuing to be the fuel of choice among consumers for heating purposes;
- major utility operations in Alaska which include significant additional gas transmission lines; and
- a stable customer base with limited potential for fuel switching.

At the time these consolidated financial statements were issued, information concerning the current and deferred income tax impact of certain costs and other matters associated with the Share Exchange was not available. As a result, the amount of goodwill resulting from the Share Exchange may be adjusted in 2008 as this information becomes available and is properly analyzed. The Parent does not expect that any such adjustments would have a material impact on the it's consolidated financial statements.

The purchase price to acquire the Parent and its subsidiaries included approximately \$9.1 million of costs incurred by Cap Rock to consummate the Share Exchange. These costs were considered part of the purchase price in accordance with SFAS 141 and include fees paid to third parties for various legal and advisory services. Approximately \$4 million of these fees were paid to an affiliate of the company that manages the group of investment funds that together are the indirect majority owner of the Parent.

Note 12. Subsequent Event

In January 2008, the Parent entered into two interest rate swap agreements with a financial institution in order to hedge the variable component of the interest payments on a portion of the Parent's \$345 million Royal Bank of Canada ("RBC") Term Loan. The first interest rate swap agreement hedges the variable component of the interest payments on \$100 million of the RBC Term Loan for the period February 15, 2008, through February 15, 2010. The second interest rate swap agreement hedges the variable component of the interest payments on an additional \$100 million of the RBC Term Loan for the period February 15, 2008, through August 15, 2010. The swap agreements effectively convert the variable or floating interest rate on the note to a fixed interest rate and are being accounted for as cash flow hedges. On a quarterly basis, for each swap, the Parent pays the counterparty a fixed interest rate (2.98% on the first interest rate swap and 3.09% on the second interest rate swap) and receives payments based on a floating interest rate based on LIBOR.

In March 2008, the Parent retired \$5 million principal of its 7.03% Senior Notes due 2013. The source of funds used to finance this retirement was from operating cash flows generated during the first quarter of 2008.

On March 14, 2008, each of the Parent's executive officers agreed to terminate their severance agreements with the Parent. The consummation of the Share Exchange was a change in control as defined in those severance agreements. As a result, the executives would have been entitled to severance and other payment, if the Parent had terminated their employment without cause or the executives had terminated their employment for good reason within the two years following consummation of the Share Exchange. Following the consummation of the Share Exchange, the Parent's ultimate owner, Continental Energy Systems LLC ("Continental"), sought to retain these executives, and, in 2008, negotiated new severance agreements between Continental and these executives to replace the severance agreements between the executives and the Parent. In conjunction with the completion of the 2008 severance contracts, in exchange for terminating their previously existing severance agreements, the executives' 2008 compensation arrangements included the payment of bonuses (including a necessary "gross-up" for certain taxes due). These executives additionally accepted employment in positions at Continental, and agreed that their SERP entitlements would be fixed at current levels.

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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 Company's service area regulated by the MPSC are projected to be approximately \$19.2 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 \$14.4 million consisting of (in millions):

2008.....	\$ 2.4
2009.....	\$ 2.2
2010.....	\$ 2.2
2011.....	\$ 1.8
2012.....	\$ 1.5
Thereafter	\$ 4.3

The Parent's total lease payments were approximately \$3.4 million and \$3.1 million in 2007 and 2006, respectively. The annual future minimum lease payments are less than the lease payments incurred in 2007 and 2006, because most of the vehicle leases at December 31, 2007, 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 2008 to 2015, are used to assure an adequate supply of natural gas to meet the needs of customers of the Company and its Affiliates. The Parent's gas purchase contractual obligations as of December 31, 2007, total \$275.8 million, consisting of (in millions):

2008.....	\$ 133.8
2009.....	\$ 77.2
2010.....	\$ 17.2
2011.....	\$ 15.5
2012.....	\$ 15.1
Thereafter	\$ 17.0

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, 2007, the outstanding letters of credit amounted to \$0.2 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, 2007, the scheduled expiration date for these letters of credits is on November 9, 2008.

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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 \$1.9 million at December 31, 2007, for estimated environmental investigation and remediation costs that it believes are probable at these three sites. Approximately \$1.1 million of the \$1.9 million is reflected in the Company's accompanying Balance Sheet at December 31, 2007. 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 \$1.9 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 \$17.2 million of environmental investigation and remediation costs for these three sites, in addition to the \$1.9 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.

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 \$2.0 million and

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\$1.9 million for the years ended December 31, 2007 and 2006, respectively. Estimated claims incurred but not reported were \$0.4 million as of December 31, 2007, and 2006, and are included in other current liabilities in the Company's Balance Sheets.

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. Sale of the Company

On February 22, 2007, as discussed in Note 1, the Parent entered into the Exchange Agreement by and among the Parent, Cap Rock, and Semco Holding, under which Semco Holding would acquire all the outstanding Common Stock and Preferred Stock of the Parent. On November 9, 2007, after receipt of all of the necessary regulatory and other approvals, the Share Exchange was consummated and the Parent became a wholly-owned subsidiary of Semco Holding. Pursuant to the terms of the Exchange Agreement, the holders of the Parent's Common Stock transferred their shares to Semco Holding for the right to receive \$8.15 in cash per share, and the holders of the Parent's Preferred Stock transferred their shares to Semco Holding for the right to receive \$213.07 in cash per share plus a make-whole premium of \$19.972 per share. Semco Holding funded an aggregate of \$292.6 million to purchase all the outstanding shares of Common Stock and \$55.7 million to purchase all the outstanding shares of Preferred Stock.

The following table summarizes the differences between the fair values and the carrying values of the Parent and its subsidiaries consolidated assets and liabilities at the date of the Share Exchange (in thousands):

Purchase Price			
Total purchase price			\$ 364,344
Less net book value of the Parent and its subsidiaries' assets and liabilities (excluding previously recognized goodwill) at acquisition			<u>119,951</u>
Excess purchase price			\$ 244,393
Adjustments of assets acquired to fair value [Increase (Decrease)]			
Gas in underground storage	\$	254	
Current deferred income taxes		(101)	
Property plant & equipment		12,231	
Investment in unconsolidated affiliate		16,044	
Unamortized debt expense		(4,778)	
Intangible assets		670	
Adjustments of liabilities acquired to fair value [(Increase) Decrease]			
Deferred income taxes		1,240	
Long-term debt		(20,375)	
Deferred credit - other		<u>(332)</u>	<u>4,853</u>
Goodwill resulting from the Share Exchange			\$ 239,540

As discussed in Note 1, purchase accounting adjustments required under SFAS 141 as a result of the Share Exchange, including the goodwill of \$239.5 million, have been "pushed down" to the Parent and its subsidiaries, resulting in the consolidated assets and liabilities of the Parent and its subsidiaries being recorded at their respective fair values as of November 9, 2007. The Company's allocated share of goodwill resulting from the Share Exchange is \$53.1 million.

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**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)	448,616,657	
4	Property Under Capital Leases	0	
5	Plant Purchased or Sold	0	
6	Completed Construction not Classified - ARO	695,597	
7	Experimental Plant Unclassified	0	
8	TOTAL (Enter Total of lines 3 thru 7)	449,312,254	
9	Leased to Others	0	
10	Held for Future Use	0	
11	Construction Work in Progress	3,907,565	
12	Acquisition Adjustments	53,072,558	
13	TOTAL Utility Plant (Enter Total of line 8 thru 12)	506,292,377	
14	Accum. Prov. for Depr., Amort., & Depl.	(192,375,696)	
15	Net Utility Plant (Enter Total of line 13 less 14)	313,916,681	
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZAITON AND DEPLETION		
17	In Service:		
18	Depreciation	(191,860,576)	
19	Amort. and Depl. of Producing Natural Gas Land and Land Rights	0	
20	Amort. of Underground Storage Land and Land Rights	0	
21	Amort. of Other Utility Plant	(282,480)	
22	TOTAL In Service (Enter Total of lines 18 thru 21)	(192,143,056)	
23	Leased to Others		
24	Depreciation	0	
25	Amortization and Depletion	0	
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)	0	
27	Held for Future Use		
28	Depreciation - ARO	(232,640)	
29	Amortization	0	
30	TOTAL held for Future Use (Enter Total of lines 28 and 29)	(232,640)	
31	Abandonment of Leases (Natural Gas)	0	
32	Amort. of Plant Acquisition Adj.	0	
33	TOTAL Accumulated Provisions (Should agree with line 14 above) (Enter Total of lines 22, 26, 30, 31, and 32	(192,375,696)	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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**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
448,616,657					3
0					4
0					5
695,597					6
0					7
449,312,254					8
0					9
0					10
3,907,565					11
53,072,558					12
506,292,377					13
(192,375,696)					14
313,916,681					15
					16
					17
(191,860,576)					18
0					19
0					20
(282,480)					21
(192,143,056)					22
					23
0					24
0					25
0					26
					27
(232,640)					28
0					29
(232,640)					30
0					31
0					32
(192,375,696)					33

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
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GAS PLANT IN SERVICE (Accounts 101, 102, 103, 106)

- Report below the original cost of gas plant in service according to the prescribed accounts.
- 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.
- Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
- Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such amounts.
- 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	464,800	15,675
4	303	Miscellaneous Intangible Plant		
5		TOTAL Intangible Plant	548,534	15,675
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

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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
			480,475	302	3
			0	303	4
0	0	0	564,209		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

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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		
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	55,772	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	55,772	0
60		SNG Production Plant (Submit Supplemental Statement)		
61		TOTAL Production Plant	370,919	0
62		3. Natural Gas Storage and Processing Plant		
63		Underground Storage Plant		
64	350.1	Land	603,938	

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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.
					27
			0	325.1	28
			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
0	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
0	0	0	55,772		59
					60
0	0	0	55,772		61
					62
					63
0			603,938	350.1	64

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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	6,333,858	
77		TOTAL Underground Storage Plant	20,315,713	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	20,315,713	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
	-54,222		6,279,636	358	76
0	-54,222	0	20,261,491		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	-54,222	0	20,261,491		102

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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	2,209,712	2,068	
108	367	Mains	15,726,734		
109	368	Compressor Station Equipment			
110	369	Measuring and Regulating Station Equipment	7,210,750		
111	370	Communication Equipment	5,115		
112	371	Other Equipment			
113		TOTAL Transmission Plant	25,324,408	2,068	
114		5. Distribution Plant			
115	374.1	Land	126,519		
116	374.2	Land Rights	2,667,457	85,048	
117	375	Structures and Improvements	1,358,279		
118	376	Mains	158,374,631	4,606,186	
119	377	Compressor Station Equipment			
120	378	Measuring and Regulating Station Equip.-Genral	7,641,185	76,297	
121	379	Measuring and Regulating Station Equip.-City Gate	5,114,149	200,229	
122	380	Services	114,085,953	4,845,956	
123	381	Meters	39,163,660	1,447,089	
124	382	Meter Installations	24,129,640	1,715,168	
125	383	House Regulators	7,246,349	389,883	
126	384	House Regulator Installations			
127	385	Industrial Measuring and Regulating Station Equip.	2,573,670	27,532	
128	386	Other Property on Customer's Premises	3,398		
129	387	Other Equipment			
130		TOTAL Distribution Plant	362,484,891	13,393,387	
131		6. General Plant			
132	389.1	Land	300,083		
133	389.2	Land Rights			
134	390	Structures and Improvements	2,848,114	32,809	
135	391	Office Furniture and Equipment	1,686,844	18,807	
136	391.1	Computers and Computer Related Equipment	14,423,595	1,081,318	
137	392	Transportation Equipment	90,128		
138	393	Stores Equipment	123,984		
139	394	Tools, Shop and Garage Equipment	3,429,763	165,317	
140	395	Laboratory Equipment	0		

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original	(Mo, Da, Yr)	Dec. 31, 2007
	(2) A Resubmission	04/30/08	

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

Retirements	Adjustments	Transfers	Balance at End of Year	Acct. No.	Line No.
(d)	(e)	(f)	(g)		
					103
			77,076	365.1	104
			95,021	365.2	105
				365.3	106
	45,591		2,257,372	366	107
			15,726,734	367	108
				368	109
	-45,591		7,165,159	369	110
			5,115	370	111
				371	112
0	0	0	25,326,476		113
					114
			126,519	374.1	115
			2,752,505	374.2	116
4,382	7,013		1,360,910	375	117
407,135	-191,487		162,382,195	376	118
				377	119
15,811			7,701,672	378	120
44,871	-227,684		5,041,823	379	121
648,426	-32,521		118,250,963	380	122
436,213	-90,725		40,083,811	381	123
	90,725		25,935,534	382	124
			7,636,232	383	125
				384	126
1,509			2,599,692	385	127
			3,398	386	128
				387	129
1,558,347	-444,679	0	373,875,252		130
					131
			300,083	389.1	132
				389.2	133
94,704	-18,628		2,767,591	390	134
	-552		1,705,099	391	135
151,080	136,803		15,490,636	391.1	136
			90,128	392	137
			123,984	393	138
251	-1,687		3,593,141	394	139
				395	140

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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	321,715	
142	397	Communication Equipment	3,385,399	43,935
143	398	Miscellaneous Equipment	205,752	
144		SUBTOTAL (Lines 132 thru 143)	26,815,377	1,342,186
145	399	Other Tangible Property		
146		TOTAL General Plant	26,815,377	1,342,186
147		TOTAL (Accounts 101 and 106)	435,859,842	14,753,316
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	435,859,842	14,753,316

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) 04/30/08	Year of Report Dec. 31, 2007
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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.
			321,715	396	141
	190,848		3,620,182	397	142
			205,752	398	143
246,035	306,784		28,218,311		144
				399	145
246,035	306,784	0	28,218,311		146
1,804,382	-192,117	0	448,616,659		147
				101.1	148
				102	149
				(102)	150
				103	151
1,804,382	-192,117	0	448,616,659		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) 04/30/08	Year of Report Dec. 31, 2007	
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 Lessee (Designate associated companies with an asterisk) (a)	Description of Property Leased (b)	Commission Authorization (c)	Expiration Date of Lease (d)	Balance at End of Year
1	NONE				
2					
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46					
47	TOTAL				

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
GAS PLANT HELD FOR FUTURE USE (Account 105)				
<p>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.</p> <p>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.</p>				
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	NONE			
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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) 04/30/08	Year of Report Dec. 31, 2007
PRODUCTION PROPERTIES HELD FOR FUTURE USE (Account 105.1)				
<p>1. Report separately each property held for future use at use, give in column (a), in addition to other required end of the year having an original cost of \$250,000 or more. Group information, the date that utility use of such property was other items of property held for future use. discontinued, and the date the original cost was transferred to</p> <p>2. For property having an original cost of \$250,000 or more Account 105.1. previously used in utility operations, now held for future</p>				
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	NONE			
3				
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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) 04/30/08	Year of Report Dec. 31, 2007
CONSTRUCTION WORK IN PROGRESS - GAS (Account 107)			
1. Report below descriptions and balances at end of year of projects in process of construction (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	1,755,165	1,013,399
3	M & R Stn Equipment	159,626	117,807
4	Structures & Improvements	0	13,721
5	Unallocated Accrued Payroll	515,966	0
6			
7			
8	General:		
9	Computer Equipment	639,051	608,428
10			
11			
12	Underground Storage:		
13	Structures & Improvements	48,943	376,831
14	Compressor Stn Equipment	763,682	835,009
15			
16			
17	Transmission:		
18	Structures & Improvements	25,132	2,000
19			
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43	TOTAL	3,907,565	2,967,194

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
CONSTRUCTION OVERHEADS - GAS				
<p>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 capitalized should be shown as separate items.</p> <p>2. On page 218 furnish information concerning construction overheads.</p> <p>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 on the amounts of engineering, supervision and administrative costs, etc., which are directly charged to construction.</p> <p>4. Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc., which are first assigned to a blanket work order and then pro-rated to construction jobs.</p>				
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	3,672,000	11,803,907	
3				
4	Supervision & Engineering Expense Allocation	2,489,391	9,688,644	
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46	TOTAL	6,161,391		

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	04/30/08	Dec. 31, 2007

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	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	04/30/08	Dec. 31, 2007

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)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	(185,939,528)	(185,939,528)		
2	Depreciation Prov. for Year, Charged to				
3	(403) Depreciation Expense	(13,022,447)	(13,022,447)		
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)	(15,739)	(15,739)		
9					
10	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 9)	(13,038,186)	(13,038,186)		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	1,804,385	1,804,385		
13	Cost of Removal	783,877	783,877		
14	Salvage (Credit)	(552)	(552)		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	2,587,710	2,587,710		
16	Other Debit or Credit Items: ARO CY Adlmt	(120,967)	(120,967)		
17	Net RWIP carryover between '07 and '08	10,543	10,543		
18	CY Acquisition Adjmt	4,124,732	4,124,732		
19	Balance End of Year (Enter Total of lines 1, 10, 15, & 16)	(192,375,696)	(192,375,696)		

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

20	Production - Manufactured Gas (PG)	(227,236)	(227,236)		
21	Production and Gathering - Natural Gas (SE)	2,220	2,220		
22	Transportation				
23	Underground Gas Storage	(10,242,898)	(10,242,898)		
24	Franchise / Leaseholds	(282,480)	(282,480)		
25	Base Load LNG Terminating & Proc. Plt.				
26	Transmission	(10,370,217)	(10,370,217)		
27	Distribution	(159,413,498)	(159,413,498)		
28	General	(11,841,587)	(11,841,587)		
29	TOTAL (Enter total of lines 20 thru 28)	(192,375,696)	(192,375,696)		

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) 04/30/08	Year of Report Dec. 31, 2007	
GAS STORED (ACCOUNT 117, 164.1, 164.2 AND 164.3)						
<p>1. If during the year adjustment was made to the stored gas of withdrawals upon "base stock," or restoration of previous inventory (such as to correct cumulative inaccuracies of gas encroachment, including brief particulars of any such account-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.</p> <p>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.</p> <p>3. If the company uses a "base stock" in connection with its inventory accounting, 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</p> <p>ing during the year.</p> <p>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.</p> <p>5. Report pressure base of gas volumes as 14.73 psia at 60 F.</p>						
Line No.	Description	Noncurrent (Account 117)	Current Account 164.1)	LNG (Account 164.2)	LNG (Account 164.3)	Total
	(a)	(b)	(c)	(d)	(e)	(f)
1	Balance at Beginning of Year	6,333,858	73,462,538			79,796,396
2	Gas Delivered to Storage (contra Account)	0	75,471,894			75,471,894
3	Gas Withdrawn from Storage (contra Account)	54,222	90,024,523			90,078,745
4	Other Debits or Credits (Net)					
5	Balance at End of Year	6,279,636	58,909,909			80,962,779
6	Mcf	2,591,816	8,755,280			11,347,096
7	Amount Per Mcf	2.4229	6.7285			7.1351
8	<p>State basis of segregation of inventory between current and noncurrent portions:</p> <p>(1) Dollars and quantity are accounted for in account 358.000; reference pages 208/209.</p>					

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	04/30/08	Dec. 31, 2007

NONUTILITY PROPERTY (Account 121)

1. Give a brief description and state the location of non-utility 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	(38,293)
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	(3,077)
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify): 421	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	(3,077)
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)	(41,370)

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) 04/30/08	Year of Report Dec. 31, 2007
INVESTMENTS (Account 123, 124, 136)				
<p>1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(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.</p> <p>(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.</p>				
Line No.	Description of Investment	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.)	Purchases or Additions During Year	
	(a)	(b)	(c)	
1	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) 04/30/08	Year of Report Dec. 31, 2007
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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.
		NONE			1
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Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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	NONE			
2				
3				
4				
5				
6				
7				
8				
9				
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42	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	04/30/08	Dec. 31, 2007

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.
	NONE	0		1
		0		2
		0		3
		0		4
		0		5
		0		6
		0		7
		0		8
		0		9
		0		10
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		0		30
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		0		36
		0		37
		0		38
		0		39
		0		40
		0		41
	0	0		42

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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)	Amount (d)
1				
2				
3				
4	*Trunkline Pipeline		N/A	170,000
5				
6	*Panhandle Eastern Pipeline		N/A	450,000
7				
8	Tenaska Marketing Ventures		0	700
9				
10	Peoples Energy (Integrus)		90,000	880,700
11				
12	*Note: Amount represents required deposits on pipeline transportation and storage accounts.			
13				
14				
15				
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42	TOTAL		90,000	1,501,400

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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			Make-up Period expiration date (j)	Line No.
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)		
	0					1
						2
						3
N/A	170,000	N/A	N/A	N/A	N/A	4
						5
N/A	450,000	N/A	N/A	N/A	N/A	6
						7
0	0	N/A	N/A	N/A	N/A	8
						9
0	0	N/A	N/A	N/A	N/A	10
						11
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0	620,000		0			42

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
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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)	14,493,598	17,664,829
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	1,265,088	2,921,563
4	TOTAL	15,758,686	20,586,392
5	Less: Accumulated Provision for Uncollectible Accounts-Cr. (Account 144)	-1,432,270	-1,304,530
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	14,326,416	19,281,862
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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	1,515,662	(83,392)			1,432,270
2	Prov. for uncollectibles for current year	2,437,000				2,437,000
3	Accounts written off	(3,331,423)	(11,461)			(3,342,884)
4	Coll. of accounts written off	770,195	7,950			778,145
5	Adjustments (explain): _____					
6	Balance end of year	1,391,434	(86,904)			1,304,530
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10						
11						

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)

- | | |
|---|---|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>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.</p> <p>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.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on account and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|---|

* 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		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	Under current software system receivables and payables are netted against one another and appear on page 112.					
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25	TOTAL	0	0	0	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	04/30/08	Dec. 31, 2007

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 154)	1,545,019	1,579,426	
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 through 10)	1,545,019	1,579,426	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)	151,896	93,635	
16				
17				
18				
19				
20	TOTAL Materials & Supplies (Per Balance Sheet)	1,696,915	1,673,061	

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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	Account Number (124, 166 or 167)	Balance at Beginning of Year	Advances During Year	Repayments or Other Credits During Year	Accounts Charged	Balance at End of Year
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	NONE						
2							
3							
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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	04/30/08	Dec. 31, 2007

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	228,106
2	Prepaid-Workers Comp	27,392
3	Prepaid Rents	
4	Prepaid Taxes (pages 262-263)	3,053,650
5	Prepaid Interest	
6	Gas Prepayments (pages 226-227)	620,000
7	Miscellaneous Prepayments	103,074
8	TOTAL	4,032,222

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		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	NONE					
2						
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		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
10	NONE					
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30	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) 04/30/08		Year of Report Dec. 31, 2007	
PRELIMINARY SURVEY AND INVESTIGATION CHARGES (Account 183)							
<p>1. Report below particulars (details) concerning the cost of included in Account 183.1, Preliminary Natural Gas Survey and plans, surveys, and investigations made for the purpose of Investigation Charges, and Account 183.2, Other Preliminary Survey determining the feasibility of projects under contemplation. and Investigation Charges.</p> <p>2. For gas companies, report separately amounts 3. Minor items (less than \$250,000) may be grouped by classes.</p>							
Line No.	Description and Purpose of Project (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS		Balance at End of Year (f)	
				Account Charged (d)	Amount (e)		
1	NONE						
2							
3							
4							
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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) 04/30/08	Year of Report Dec. 31, 2007
OTHER REGULATORY ASSETS					
<p>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).</p> <p>2. For regulatory assets being amortized, show period of amortization in column (a).</p> <p>3. Minor items (amounts less than \$50,000) may be grouped by classes.</p> <p>4. Give the number and name of the account(s) where each amount is recorded.</p>					
Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS		Balance at End of Year (e)
			Account Charged (c)	Amount (d)	
1	NOT APPLICABLE				
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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		04/30/08	Dec. 31, 2007	
MISCELLANEOUS DEFERRED DEBITS (Account 186)						
1. Report below the particulars (details) called for concerning miscellaneous deferred debits. of amortization in column (a). 2. For any deferred debit being amortized, show period 3. Minor items (less than \$50,000) may be grouped by classes.						
Line No.	Description of Miscellaneous Deferred Debits	Balance at Beginning of Year	Debits	CREDITS		Balance at End of Year
				Account Charged	Amount	
	(a)	(b)	(c)	(d)	(e)	(f)
1	Manuf Gas Plant Clean Up 1997	1,104		713	1,104	0
2	Manuf Gas Plant Clean UP 1998	4,008		713	2,004	2,004
3	Manuf Gas Plt Clean Up 1999	8,064		713	2,688	5,376
4	Manuf Gas Plt Clean Up 2000	29,184		713	7,296	21,888
5	Man Gas Plt Clean Up 2001	19,980		713	3,996	15,984
6	Manuf Gas Plt Clean Up 2002	10,944		713	1,824	9,120
7	Manuf Gas Plt Clean Up 2003	116,340		713	16,620	99,720
8	Manuf Gas Plt Clean Up 2004	171,504		713	21,444	150,060
9	Manuf Gas Plt Clean Up 2005	340,183		713	37,801	302,382
10	Manuf Gas Plt Clean Up 2006	812,904		713	81,288	731,616
11	Manuf Gas Plt Clean Up 2007	0	715,501	713	97	715,404
12	Rate Case 2005	72,550			56,954	15,596
13	Rate Case 2006	507,138	182,115		230,032	459,222
14	Reg Asset - Benefit Plans	0	16,811,153	VAR	121,414	16,689,739
15	Reg Asset - ARO	866,916	1,445,671	VAR	935,230	1,377,357
16	FAS 106 Costs	4,458,452		926	743,064	3,715,388
17	Reg Asset - FAS 158	15,554,595	3,610,326	VAR	24,547,265	-5,382,344
18	Environmental Clean Up	974,000	1,095,000		974,000	1,095,000
19	FAS 109 Deferred Asset	0	86,797		0	86,797
20	Def Db FAS 158 Benefits	790,373	2,462,906		1,208,041	2,045,238
21						
22	Regulatory Assets	24,738,239	26,409,471		28,992,162	22,155,548
23						
24						
25	Def Cashier Over/Short	0	47,637	Var	47,637	0
26	Def Inventory Adjustment	0	91,787	Var	91,787	0
27	Deposits	50,000	0		0	50,000
28	Notes Receivable - Other	194,424	0	Var	12,457	181,967
29	Intangible Assets - Pen Gas	126,517	1,111	404	51,057	76,571
30						
31	Misc Deferred Debits	370,941	140,535		202,938	308,538
32						
33						
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48	Misc. Work in Progress					
49	DEFERRED REGULATORY COMM. EXPENSES (SEE PAGES 350-351)					
50	TOTAL	25,109,181				22,464,086

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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	260A-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	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	04/30/08	Dec. 31, 2007

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)	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	5,265,524	(4,196,750)	4,908,039
9	Deferred State Taxes - Michigan Business			
10				
11				
12				
13				
14				
15	Other			
16	TOTAL Gas (Enter Total of lines 10 thru 15)	5,265,524	(4,196,750)	4,908,039
17				
18	TOTAL (Account 190) (Enter Total of lines 8, 16 & 17)	5,265,524	(4,196,750)	4,908,039
19	Classification of Total:			
20	Federal Income Tax	5,265,524	(4,196,750)	4,908,039
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	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original	(Mo, Da, Yr)	
	(2) A Resubmission	04/30/08	Dec. 31, 2007

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

3. If more space is needed, use separate pages and classification, significant items for which deferred taxes are being provided. Indicate as required.

4. In the space provided below, identify by insignificant amounts listed other Other.

Changes During Year		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
							3
							4
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							7
				286	1,490,243	4,486,570	8
				282	8,247,796	8,247,796	9
							10
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							13
							14
							15
				0	1,490,243	12,734,366	16
							17
				0	1,490,243	12,734,366	18
							19
				0	1,490,243	4,486,570	20
					8,247,796	8,247,796	21
							22

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) 04/30/08	Year of Report Dec. 31, 2007
CAPITAL STOCK (Account 201 and 204)				
<p>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.</p> <p>2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.</p>				
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) 04/30/08		Year of Report Dec. 31, 2007	
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 SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
<p align="center">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)</p>				
<p>1. Show for each of the above accounts the amounts applying to each class and series of capital stock.</p> <p>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.</p> <p>3. Describe in a footnote the agreement and transactions</p> <p>under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of the year.</p> <p>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.</p>				
Line No.	Name of Account and Description of Item (a)	Number of Shares (b)	Amount (c)	
1	Account 207.10 :			
2	Balance	-	191,360,777	
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46	TOTAL		191,360,777	

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	04/30/08	Dec. 31, 2007

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	NONE	
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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) 04/30/08	Year of Report Dec. 31, 2007
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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. giving particulars (details) of the change. State the reason for any charge-off during the year and specify the amount charged.

2. If any changes occurred during the year in the balance with respect to any class or series of stock, attach a statement

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	NONE	
2		
3		
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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
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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	04/30/08	Dec. 31, 2007

<p align="center">SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR</p>	
<p>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.</p> <p>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.</p> <p>3. Include in the identification of each class and series</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p align="center">NONE</p>	

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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
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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) 04/30/08	Year of Report Dec. 31, 2007
LONG-TERM DEBT (Accounts 221, 222, 223, and 224) (Continued)					
<p>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.</p> <p>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.</p> <p>7. If the respondent has any long-term securities which</p>			<p>have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.</p> <p>8. If interest expense 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.</p> <p>9. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.</p>		
INTEREST FOR YEAR		HELD BY RESPONDENT		Redemption Price Per \$100 at End of Year	Line No.
Rate (in %)	Amount	Reacquired Bonds (Acct. 222)	Sinking and Other Funds		
(d)	(e)	(f)	(g)	(h)	
8.1%	4,374,000				1
7.46%	1,193,600				2
7.125%	2,501,944				3
7.750%	2,721,412				4
					5
					6
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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) 04/30/08	Year of Report Dec. 31, 2007
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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)	Date To (e)
1	Long-Term Debt - Parent	54,000,000		6/30/94	8/31/10
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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) 04/30/08	Year of Report Dec. 31, 2007	
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.
168,916	4,863	173,779	0	1
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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) 04/30/08	Year of Report Dec. 31, 2007	
UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)						
<p>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.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>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.</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>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.</p>						
Line No.	Designation of Long-Term Debt (a)	Date Reacquired (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		899,571	650,417
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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) 04/30/08	Year of Report Dec. 31, 2007
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NOTES PAYABLE (Accounts 231)

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

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	NONE				%	\$
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	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) 04/30/08	Year of Report Dec. 31, 2007	
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		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	Notes Payable:					
2	SEMCO ENERGY, Inc.	81,340,979	454,615,512	428,659,004	55,384,471	
3						
4	SEMCO Energy Gas Co	-26,466,632	30,845,976	32,148,609	-25,163,999	
5	(Battle Creek Division)					
6						
7	ENSTAR	46,464	810,824	15,610	-748,751	
8						
9	SEMCO CONSTRUCTION PARENT	0	0	22,500	22,500	
10						
11	SEMCO ENERGY VENTURES	-25,706	6,400	32,898	792	
12						
13	SEMCO PIPELINE	-7,073,483	267,362	7,233,770	-107,074	
14						
15	HOTFLAME GAS COMPANY	605	1,093	0	-488	
16						
17	SEMCO INFORMATION TECH	5,069,700	5,601,504	5,075,454	4,543,649	
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	TOTAL	52,891,927	492,148,671	473,187,846	33,931,101	1,333,577

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	04/30/08	Dec. 31, 2007

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)	13,023,979
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Contribution in Aid of Construction	1,062,507
6	GCR Cost Recovery	4,257,472
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	Federal Income Tax Expense	6,729,449
11	Meals & Entertainment, Penalties, Other Perm. Diff.	61,504
12	Retiree Medical	354,065
13	Amort. of Rate Case	104,871
14	Amort. of Acq Debt	249,155
15	Property Taxes, Unclaimed Deposits	228,350
16	Capitalized Interest	46,653
17	Vacation, Bonus, Benefits	110,891
18	Reserve for Injuries	500,000
19	Income Recorded on Books Not Included in Return	
20	Non-Taxable Medicare Subsidy for Retiree Medical	658,784
21	Gas in Storage (FIFO adj)	9,433,236
22		
23		
24	Deductions on Return Not Charged Against Book Income	
25	Tax Depreciation, Gains & Losses, Removal Costs	8,485,218
26	Manufacture Gas Plant Clean Up	539,340
27	Pension	552,989
28	263A Adjustment	212,568
29	Goodwill Amortization	6,069
30	Bad Debts	127,740
31	Amort. of Non-compete & Other Intangibles	12,613
32		
33		
34	Federal Tax Net Income	6,700,339
35		
36		
37	Show Computation of Tax:	
38		
39	Tax on Line 34 @ 35%	2,345,118
40		
41		

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

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
		4
		5
		6
		7
		8
		9
		10
SUBSTITUTED FERC FORM NO. 2, PAGE 261		11
		12
		13
		14
		15
		16
		17
		18
		19
		20
		21
		22
		23
		24
		25
		26

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)	6,700,339
2		
3	Show computation of estimated gross Federal income tax applicable to line 1:	
4	Tax on Line 1 @ 35%	2,345,118
5		
6		
7		
8	TOTAL	2,345,118
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	289,126
16	Last year's estimated gross Federal income tax expense	2,333,528
17	Increased (decreased) gross Federal income tax expense	(2,044,402)
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	Prior period adjustment	362,076
25		
26		
27	Total Current Federal Income Tax	662,792
28	Expense:	
29	409.1 (page 114, line 14)	607,278
30	409.2 (page 117, line 47)	55,514

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
		2
		3
		4
		5
		6
		7
		8
		9
		10
		11
		12
		13
		14
289,126		15
2,333,528		16
(2,044,402)		17
		18
		19
		20
		21
		22
362,076		23
		24
		25
		26
662,792		27
		28
607,278		29
	55,514	30

Name of Respondent	This Report Is:	Date of Report	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(1) X An Original	(Mo, Da, Yr)	
	(2) A Resubmission	04/30/08	Dec. 31, 2007

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)	BALANCE AT BEGINNING OF YEAR	
		Taxes Accrued (Account 236)	Prepaid Taxes (Incl. in Account 165)
	(a)	(b)	(c)
1	Federal Income Tax	2,333,528	
2	FICA	0	
3	Federal Unemployment Tax (FUTA)	181	
4	General Tax Allocated to/from Parent	0	
5	Payroll Taxes Allocated to Affiliates	0	
6	State Sales, Use & Excise Tax	(1,666,245)	
7	State Unemployment Tax (SUTA)	1,097	
8	Michigan Single Business Tax (MSBT)	552,706	
9	Property Tax	0	3,278,701
10	City Income Tax	782	
11			
12			
13			
14			
15			
16			
17			
18	TOTAL	1,222,049	3,278,701

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

Line No.	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		607,278		55,514
2		1,243,351		
3		18,814		
4		541,385		
5		(126,647)		
6		(57,484)		
7		130,690		
8		941,373		
9		4,329,548		
10		0		
11				
12				
13				
14				
15				
16				
17				
18	TOTAL	7,628,308		55,514

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) 04/30/08	Year of Report Dec. 31, 2007
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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)					
<p>the total tax for each State and subdivision can readily be ascertained.</p> <p>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).</p> <p>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.</p> <p>7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll</p>			<p>or otherwise pending transmittal of such taxes to the taxing authority.</p> <p>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.</p> <p>9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.</p>		

Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	BALANCE AT END OF YEAR		Line No.
			Taxes Accrued (Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	
662,792	289,126	(361,689)	2,345,505		1
1,243,351	1,243,351		0		2
18,814	18,684		310		3
541,385	541,385		0		4
(126,647)	(126,647)		0		5
13,334,756	11,159,488		509,023		6
130,690	129,771		2,015		7
941,373	560,000		934,079		8
4,329,548	4,104,498		0	3,053,650	9
0	0		782		10
					11
					12
					13
					14
					15
					16
					17
21,076,062	17,919,656	(361,689)	3,791,714	3,053,650	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
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
				16
				17
				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) 04/30/08	Year of Report Dec. 31, 2007
ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)					
<p>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</p> <p>adjustments to the account balances shown in column (h). Include in column (i) the average period over which the tax credits are amortized.</p> <p>2. Fill in columns for all line items as appropriate.</p>					
Line No.	Account Subdivisions	Subaccount Number	Balance at Beginning of Year	Deferred for Year	
				Account Number	Amount
	(a)	(b)	(c)	(d)	(e)
1	Gas Utility				
2	3%				
3	4%				
4	7%				
5	8%				
6	10%	255	87,108		
7					
8					
9					
10					
11					
12					
13					
14					
15	JDITC				
16					
17					
18					
19					
20	TOTAL		87,108		
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 SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (Continued)					
Allocations to Current Year's Income		Adjustments (h)	Balance at End of Year (i)	Average Period of Allocation to Income (j)	Line No.
Account Number (f)	Amount (g)				
					1
411	(87,108)		0	28.5 years	2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
	(87,108)		0	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	04/30/08	Dec. 31, 2007

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	-8,718
4	Accrued Gas Gift Cert	14,635
5	Employee Vacations	1,059,614
6	Accrue CWIP Vacations	372,571
7	Accrue Benefits - IBNR	368,000
8	Accrue CWIP PR Acct	143,395
9	Gas Charges	2,919,728
10	Accrue Gas Stored Other	80,152
11		
12		
13		
14		
15		
16		
17		
18		
19	TOTAL	4,949,377

CUSTOMER ADVANCES FOR CONSTRUCTION (Account 252)

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

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) 04/30/08		Year of Report Dec. 31, 2007	
OTHER DEFERRED CREDITS (Accounts 253)							
1. Report below the particulars (details) called for concerning other deferred credits.				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.			
2. For any deferred credit being amortized, show the period of amortization.							
3. Minor items (less than \$10,000) may be grouped by classes.							
Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)	
			Contra Account (c)	Amount (d)			
1	Accrued Pension	-4,511,398	Var	2,569,302	15,244,237	8,163,536	
2	Uncashed Checks	58,492	Var	22,743	26,040	61,789	
3	Retiree Medical	-962,359	926/186	4,007,041	6,610,953	1,641,553	
4	Asset Retirement Obligation	1,069,412	404	1,132,507	1,903,410	1,840,314	
5	FAS 159 Unfnd Benefits	18,305,500	186	22,073,306	2,067,463	-1,700,343	
6	Environmental Clean Up	974,000	186	974,000	1,095,000	1,095,000	
7	GCC Deposits	32,996	131	32,000	66,156	67,152	
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
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37							
38							
39							
40							
41							
42							
43							
44							
45							
46							
47	TOTAL	14,966,643		30,810,899	27,013,258	11,169,002	

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
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)	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				
<p style="text-align: center;">NOTES</p> <p style="text-align: center;">Not Applicable</p>					

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) 04/30/08	Year of Report Dec. 31, 2007
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ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY (Acct. 281) (Continued)

income and deductions

3. Use separate pages as required.

Changes During Year		ADJUSTMENTS				Balance at End of Year	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)		
						(k)	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 SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
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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)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	22,502,038	4,379,021	(370,482)
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	22,502,038	4,379,021	(370,482)
6	Other (Specify)			
7	Deferred State Taxes - Michigan Business			
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	22,502,038	4,379,021	(370,482)
10	Classification of TOTAL			
11	Federal Income Tax	22,502,038	4,379,021	(370,482)
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) 04/30/08	Year of Report Dec. 31, 2007
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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 (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)		
							1
							2
				283	970,549	27,481,126	3
							4
					970,549	27,481,126	5
							6
				190	8,247,794	8,247,794	7
							8
					9,218,343	35,728,920	9
							10
					970,549	27,481,126	11
					8,247,794	8,247,794	12
							13

NOTES (Continued)

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) 04/30/08	Dec. 31, 2007

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)	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	6,009,058	3,373,971	(517,835)
14	TOTAL Gas (Enter Total of lines 9 thru 13)	6,009,058	3,373,971	(517,835)
15	Other (Specify)			
16	TOTAL (Account 283) (Enter Total of lines 7, 14, 15)	6,009,058	3,373,971	(517,835)
17	Classification of TOTAL			
18	Federal Income Tax	6,009,058	3,373,971	(517,835)
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	04/30/08	Dec. 31, 2007

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 relating 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				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. Credited (g)	Amount (h)	Acct. Debited (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
		181, 282	1,906,097	181	2,738	6,961,835	13
			1,906,097		2,738	6,961,835	14
							15
					2,738	6,961,835	16
							17
					2,738	6,961,835	18
							19
							20

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	04/30/08	Dec. 31, 2007

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 SEMCO ENERGY GAS CO (MPSC Division)		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
OTHER REGULATORY LIABILITIES					
<p>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).</p> <p>2. For regulatory assets being amortized, show period of amortization in column (a).</p> <p>3. Minor items (amounts less than \$50,000) may be grouped by classes.</p> <p>4. Give the number and name of the account(s) where each amount is recorded.</p>					
Line No.	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS		Credits (d)	Balance at End of Year (e)
		Account Credited (b)	Amount (c)		
1					
2	FAS 109 Deferred Tax Liability	186	230,904		0
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		230,904		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	04/30/08	Dec. 31, 2007

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	241,151,840	228,021,712
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	103,741,972	108,168,672
5	Large (or Ind.) (See Instr. 6)	14,919,687	9,841,189
6	482 Other Sales to Public Authorities		
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Customers	359,813,499	346,031,573
9	483 Sales for Resale		
10	TOTAL Nat. Gas Service Revenues	359,813,499	346,031,573
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	359,813,499	346,031,573
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	1,904,656	1,516,590
16	488 Misc. Service Revenues	2,419,969	2,509,807
17	489 Rev. from Trans. of Gas of Others	8,127,339	7,629,128
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	-1,527	20,258
22	494 Interdepartmental Rents		
23	495 Other Gas Revenues	2,771,834	2,839,988
24	TOTAL Other Operating Revenues	15,222,271	14,515,771
25	TOTAL Gas Operating Revenues	375,035,770	360,547,344
26	(Less) 485 Provision for Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	375,035,770	
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	344,893,812	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	14,919,687	
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))	359,813,499	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

figures, explain any inconsistencies in a footnote. per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification (Small or in a footnote.)

6. Commercial and Industrial Sales, Account 481, may be Uniform System of Accounts. Explain basis of classification (Small or in a footnote.)

Commercial, and Large or Industrial) regularly used by the 7. See pages 108-109, Important changes During Year, for respondent if such basis of classification is not generally greater important new territory added and important rate increases than 200,000 Mcf per year or approximately 800 Mcf or decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
				1
22,216,572	20,173,434	225,101	225,270	2
				3
10,587,606	10,556,540	22,245	22,773	4
1,599,298	963,301	620	479	5
				6
				7
34,403,476	31,693,275	247,966	248,522	8
				9
34,403,476	31,693,275	247,966	248,522	10
NOTES				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
<u>Demand Contracts</u>				21
				22
<u>Name</u> <u>Revenue</u>				23
				24
DTE #1 \$360,000.00				25
				26
DTE #2 \$264,616.00				27
				28
Mirant \$1,495,000.00				29
				30
32,804,178				31
1,599,298				32
				33
34,403,476				

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) 04/30/08	Year of Report Dec. 31, 2007
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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	489 Residential Sales	63,635	3,843
3	489 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	422,240	29,288
5	Large (or Ind.) (See Instr. 6)		
6	TOTAL Sales to Ultimate Customers	485,875	33,131
7			
8	OTHER OPERATING REVENUES		
9			
10	489 Other Choice Revenues		
11	TOTAL Other Operating Revenues	485,875	33,131
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	485,875	
25	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	0	
26	Year End Reconciliation		
27	Other Choice Revenue	0	
28			
29	TOTAL (Same as Line 10, Columns (b) and (d))	485,875	

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CUSTOMER CHOICE GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

figures, explain any inconsistencies in a footnote. per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or in a footnote.) Commercial, and Large or Industrial) regularly used by the 7. See pages 108-109, Important changes During Year, for respondent if such basis of classification is not generally greater important new territory added and important rate increases than 200,000 Mcf per year or approximately 800 Mcf or decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
				1
				2
22,655	2,999	222	27	3
				4
234,019	18,129	340	26	5
				6
256,674	21,128	562	53	7
				8
256,674	21,128	562	53	9
NOTES				10
				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
256,674				25
0				26
				27
				28
256,674				29

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) 04/30/08	Year of Report Dec. 31, 2007
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RATE AND SALES SECTION DEFINITIONS OF CLASSES OF SERVICE AND INSTRUCTIONS PERTAINING TO STATEMENTS ON SALES DATA <p>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.</p> <p>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.</p> <p><u>Average Number of Customers.</u> 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.</p> <p><u>Thousands of Cubic Feet or Therms Sold.</u> (indicate which one by crossing out the one that does not apply). Give net figures, exclusive of respondent's own use and losses.</p> <p><u>Revenues.</u> 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.</p> <p>AB. <u>Residential Service.</u> This class includes all sales of gas for residential uses such as cooking, refrigeration, water heating, space heating and other domestic uses.</p> <p>A. Residential Service This class includes all sales of gas for residential use except space heating.</p> <p>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.</p> <p>CD. <u>Commercial Service.</u> 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.</p> <p>C. Commercial Service. This class includes all sales of gas for commercial use except space heating.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>H. Interdepartmental 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.</p> <p>I. Other Sales. This class includes all service to ultimate consumers not included in the foregoing described classifications.</p> <p>* A - I. Total Sales to Ultimate Customers. This is the total of the foregoing described classifications.</p> <p>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.</p> <p>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.</p> <p>* A - K. Total Gas Operating Revenues. The total of all the foregoing accounts.</p> <p><u>Separate Schedules for Each State.</u> Separate schedules in this section should be filed for each state in which the respondents operates.</p> <p><u>Estimates.</u> 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.</p>

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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)	Revenue per Customer (f)	Revenue per Mcf* (g)
1	AB. Residential Service			\$		\$	\$
2	A. Residential Service	2,057	157,171	137,130	76.41	66.67	0.87
3	B. Residential Space Heating Service	223,044	22,059,401	241,014,710	98.90	1,080.57	10.93
4	CD. Commercial Service						
5	C. Commercial Service, except space heating	818	327,273	3,171,520	400.09	3,877.16	9.69
6	D. Commercial Space Heating	21,427	10,260,333	100,570,452	478.85	4,693.63	9.80
7	E. Industrial Service	620	1,599,298	14,919,687	2,579.51	24,064.01	9.33
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	247,966	34,403,476	359,813,499	138.74	1,451.06	10.46
13	J. Sales to Other Gas Utilities for Resale						
14	A - J. TOTAL SALES OF GAS	247,966	34,403,476	359,813,499	138.74	1,451.06	10.46
15	K. Other Gas Revenues						
16	A - K. TOTAL GAS OPERATING REVENUE	247,966	34,403,476	359,813,499	138.74	1,451.06	10.46

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

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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	2,057	157,171	137,130
3		Heat	B	223,044	22,059,401	241,014,710
4						
5	Commercial and Industrial Service Rate					
6		Comm & Ind Non-Heat	C	818	327,273	3,171,520
7		Comm & Ind Heat	DTE	22,047	11,859,631	115,490,139
8		Other	K	0	0	0
9						
10						
11						
12						
13						
14						
15						
16						
17						
18	TOTALS			247,966	34,403,476	359,813,499

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
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625-B. CUSTOMER CHOICE SALES DATA BY RATE SCHEDULES FOR THE YEAR

- Report below the distribution of customers, sales and revenues for the year by individual rate schedules. (See definition on first page of this section).
- 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.
- Column (b) - Give the type of service to which the rate schedule is applicable, i.e. cooking, space heating, commercial heating, commercial cooking, etc.
- 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.
- 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.
- 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.
- 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	222	22,655	63,635
3			C			
4	General Gas Rate	Commercial - Heat	D	340	234,019	422,240
5			E			
6			E			
7			D			
8			H			
9			K			
10						
11						
12						
13						
14						
15						
16						
17						
18	TOTALS			562	256,674	485,875

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) 04/30/08	Year of Report Dec. 31, 2007
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	NONE				
2					
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) 04/30/08	Year of Report Dec. 31, 2007			
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			Line No.	
		Date (g)	Mcf			
			Noncoin- cidental (h)	Coin- cidental (i)		
NONE					1	
					2	
					3	
					4	
					5	
					6	
					7	
					8	
					9	
					10	
					11	
					12	
					13	
					14	
					15	
					16	
					17	
					18	
					19	
					20	

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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 SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007		
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.
	12,099,942	7,641,464	0.6315		1
	256,674	485,875	1.8930		2
					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
	12,356,616	8,127,339	0.6577		

Name of Respondent SEMCO ENERGY GAS CO (MPSC Division)	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/08	Year of Report Dec. 31, 2007
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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	NONE				
2					
3					
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 right 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	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) 04/30/08	Year of Report Dec. 31, 2007
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)	176,064	94,212
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	8,546	82
10	753 Field Lines Expenses	1,559	451
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses	2,490	382
14	757 Purification Expenses	977	
15	758 Gas Well Royalties		
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	13,572	915
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		81
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines	870	343
24	765 Maintenance of Field Compressor Station Equipment	3,179	5,500
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment	34,610	3,276
26	767 Maintenance of Purification Equipment	178	
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 18 thru 28)	38,837	9,200
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 thru 29)	52,409	10,115
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

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) 04/30/08	Year of Report Dec. 31, 2007
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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
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	918,415	772,443
69	802	Natural Gas Gasoline Plant Outlet Purchases		
70	803	Natural Gas Transmission Line Purchases	266,959,702	280,065,161
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)		267,878,117	280,837,604
78	806	Exchange Gas		
79	Purchased Gas Expenses			
80	807.1	Well Expenses - Purchased Gas		
81	807.2	Operation of Purchased Gas Measuring Stations	109,440	117,301
82	807.3	Maintenance of Purchased Gas Measuring Stations	2,014	844
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)		111,454	118,145
86	808.1	Gas Withdrawn from Storage - Debit	89,998,694	53,711,695
87	(Less) 808.2	Gas Delivered to Storage - Credit	-75,446,064	-52,464,070
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	-101,739	-171,642
92	811	Gas Used for Products Extraction - Credit		
93	812	Gas Used for Other Utility Operation - Credit	-692,146	-618,183
94	TOTAL Gas Used in Utility Operations - Credit (Total of lines 91 thru 93)		-793,885	-789,825
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)		281,748,315	281,413,549
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)		281,976,788	281,517,876

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) 04/30/08	Year of Report Dec. 31, 2007
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	135,760	40,139	
104	817 Lines Expenses	2,332	863	
105	818 Compressor Station Expenses	75,885	112,294	
106	819 Compressor Station Fuel and Power	107,612	181,951	
107	820 Measuring and Regulating Station Equipment	17,621	9,511	
108	821 Purification Expenses			
109	822 Exploration and Development			
110	823 Gas Losses		30,485	
111	824 Other Expenses	496		
112	825 Storage Well Royalties			
113	826 Rents			
114	TOTAL Operation (Enter Total of lines 101 thru 113)	339,706	375,243	
115	Maintenance			
116	830 Maintenance Supervision and Engineering			
117	831 Maintenance of Structures and Improvements	201	3,751	
118	832 Maintenance of Reservoirs and Wells	9,815	4,986	
119	833 Maintenance of Lines	2,737		
120	834 Maintenance of Compressor Station Equipment	151,862	166,122	
121	835 Maintenance of Measuring and Regulating Station Equipment	3,003	2,321	
122	836 Maintenance of Purification Equipment			
123	837 Maintenance of Other Equipment			
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	167,618	177,180	
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	507,324	552,423	
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 145)	0	0	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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 176)	507,324	552,423
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	406	
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expenses	3,420	6,644
187	857 Measuring and Regulating Station Expenses	149,635	144,473
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	22,959	36,563
190	860 Rents	1,862	1,773
191	TOTAL Operation (Enter Total of lines 180 thru 190)	178,282	189,453

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account		Amount for Current Year (b)	Amount for Previous Year (c)
	(a)			
3. TRANSMISSION EXPENSES (Continued)				
192	Maintenance			
193	861	Maintenance Supervision and Engineering		
194	862	Maintenance of Structures and Improvements	302	89
195	863	Maintenance of Mains	12,178	6,546
196	864	Maintenance of Compressor Station Equipment	0	0
197	865	Maintenance of Measuring and Reg. Station Equipment	19,884	39,272
198	866	Maintenance of Communication Equipment		480
199	867	Maintenance of Other Equipment		
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)		32,364	46,387
201	TOTAL Transmission Expenses (Total of lines 191 and 200)		210,646	235,840
202	4. DISTRIBUTION EXPENSES			
203	Operation			
204	870	Operation Supervision and Engineering	369,341	368,698
205	871	Distribution Load Dispatching	660,698	687,098
206	872	Compressor Station Labor and Expenses	117	549
207	873	Compressor Station Fuel and Power		
208	874	Mains and Services Expenses	2,007,899	2,085,237
209	875	Measuring and Regulating Station Expenses - General	354,814	294,383
210	876	Measuring and Regulating Station Expenses - Industrial	50,793	20,667
211	877	Measuring and Regulating Station Expenses - City Gate Check Station	515,372	497,915
212	878	Meter and House Regulator Expenses	451,967	365,253
213	879	Customer Installations Expenses	696,063	720,591
214	880	Other Expenses	1,935,226	1,802,953
215	881	Rents	47,889	61,643
216	TOTAL Operation (Enter Total of lines 204 thru 215)		7,090,179	6,904,987
217	Maintenance			
218	885	Maintenance Supervision and Engineering	38,193	39,336
219	886	Maintenance of Structures and Improvements	10,532	16,274
220	887	Maintenance of Mains	744,316	850,469
221	888	Maintenance of Compressor Station Equipment	0	0
222	889	Maintenance of Meas. and Reg. Sta. Equip. - General	111,877	105,019
223	890	Maintenance of Meas. and Reg. Sta. Equip. - Industrial	12,623	15,658
224	891	Maintenance of Meas. and Reg. Sta. Equip. - City Gate Check Station	76,739	113,098
225	892	Maintenance of Services	725,384	669,523
226	893	Maintenance of Meters and House Regulators	417,637	499,163
227	894	Maintenance of Other Equipment	151	64
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)		2,137,452	2,308,604
229	TOTAL Distribution Expenses (Total of lines 216 and 228)		9,227,631	9,213,591
230	5. CUSTOMER ACCOUNTS EXPENSE			
231	Operation			
232	901	Supervision	175,423	196,986
233	902	Meter Reading Expenses	467,438	507,510
234	903	Customer Records and Collection Expenses	3,355,303	3,286,604
235	904	Uncollectible Accounts	2,454,174	2,039,187
236	905	Miscellaneous Customer Accounts Expenses		
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)		6,452,338	6,030,287

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) 04/30/08	Year of Report Dec. 31, 2007
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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	55,386	78,918	
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)	55,386	78,918	
245	7. SALES EXPENSES			
246	Operation			
247	911 Supervision			
248	912 Demonstrating and Selling Expenses			
249	913 Advertising Expenses			
250	916 Miscellaneous Sales Expenses			
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	0	0	
252	8. ADMINISTRATIVE AND GENERAL EXPENSES			
253	Operation			
254	920 Administrative and General Supervision	3,481,716	3,017,698	
255	921 Office Supplies and Expenses	3,781,416	3,206,978	
256	(Less) (922) Administrative Expenses Transferred - Cr.	-3,672,000	-3,492,000	
257	923 Outside Services Employed	10,653,402	10,979,910	
258	924 Property Insurance	1,389,830	1,102,845	
259	925 Injuries and Damages	603,010	302,562	
260	926 Employee Pensions and Benefits	5,331,096	5,488,793	
261	927 Franchise Requirements			
262	928 Regulatory Commission Expenses	923,752	716,870	
263	(Less) (929) Duplicate Charges - Cr.			
264	930.1 General Advertising Expenses	187,633	199,337	
265	930.2 Miscellaneous General Expenses	137,578	-4,562	
266	931 Rents	569,894	436,995	
267	TOTAL Operations (Enter Total of lines 254 thru 266)	23,387,327	21,955,426	
268	Maintenance			
269	935 Maintenance of General Plant	136,920	79,215	
270	TOTAL Administrative and General Exp. (Total of lines 267 and 269)	23,524,247	22,034,641	
271	TOTAL Gas O. and M. Exp (Lines 97, 177, 201, 229, 237, 244, 251, and 270)	321,954,358	319,663,574	

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.	employees in a footnote.
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	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)	12/14/07
2 Total Regular Full-Time Employees	293
3 Total Part-Time and Temporary Employees	
4 Total Employees	293

[illegible]

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) 04/30/08	Year of Report Dec. 31, 2007
GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805)			
<p>1. Report particulars of gas purchases during the year in the manner proscribed below.</p> <p>2. Provide subheadings and totals for prescribed accounts as follow:</p> <p style="padding-left: 40px;">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 Liquefied Natural Gas Purchases. 805 Other Gas Purchases.</p> <p>Purchases are to be reported in account number sequence, e.g. all purchases charged to Account 800, followed by charges to Account 801, etc. Under each account number, purchases 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.</p> <p>In some cases, two or more lines will be required to report a purchase, as when it is charged to more than one account.</p> <p>3. Purchases 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 two 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.</p> <p>4. Purchases of less than 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 details when necessary. Grouped non-jurisdictional purchases should be shown on a separate line.</p>		<p>5. Column instructions are as follows:</p> <p><u>Column (b)</u> - Report the names of all sellers. Abbreviations may be used where necessary.</p> <p><u>Column (c)</u> - Give the name of the producing field only for purchases 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.</p> <p><u>Columns (d) and (e)</u> - Designate the state and country where the gas is received. Where gas is received in more than one county, use the name of the county having the largest volume and by footnote list the other counties involved.</p> <p><u>Column (f)</u> - 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 than 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.</p> <p>If the purchase was permanently discontinued during the reporting year, so indicate by an asterisk (*) in Column (f).</p> <p><u>Column (g)</u> - Show for each purchase the approximate Btu per cubic foot.</p> <p><u>Column (h)</u> - 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.</p> <p><u>Column (i)</u> - State the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in Column (h).</p> <p><u>Column (j)</u> - State the average cost per Mcf to the nearest hundredth of a cent. [Column (i) divided by Column (h) multiplied by 100].</p>	

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) 04/30/08	Year of Report Dec. 31, 2007
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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		Please see Monthly MPSC Filing.		
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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) 04/30/08	Year of Report Dec. 31, 2007	
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.
Please see Monthly MPSC filing.						1
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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) 04/30/08	Year of Report Dec. 31, 2007
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 concerning each natural 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	Not Applicable				
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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) 04/30/08	Year of Report Dec. 31, 2007
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 Mcf Received or Delivered (h)	Debit (Credit) Account 806) (i)	Line No.
Point of Delivery (City, State, etc.) (e)	Mcf (f)	Debit (Credit) Account 174 (g)			
Not Applicable					1
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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) 04/30/08		Year of Report Dec. 31, 2007	
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) (a)	Charges Paid or Payable by Respondent		Revenues Received or Receivable by Respondent		FERC Tariff Rate Schedule Identification (n)	
		Amount (j)	Account (k)	Amount (l)	Account (m)		
1	Not Applicable						
2							
3							
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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) 04/30/08		Year of Report Dec. 31, 2007	
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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.				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).			
2. Natural Gas means either natural gas unmixed, or any mixture of natural and manufactured gas.				5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 F.			
3. If the reported Mcf for any use is an estimated quantity, state such fact in a footnote.							

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas			Manufactured Gas	
			Mcf of Gas Used (c)	Amount of Credit (d)	Amount per Mcf (in cents) (e)	Mcf of Gas Used (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Cr.	819	9,206	101,739	1,105.14		
2	811 Gas used for Products Extraction - Cr.						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respd't'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	62,499	504,342	806.96		
9	Heat/General Use	VAR	23,273	187,804	806.96		
10							
11							
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24							
25	TOTAL		94,978	793,885	835.86		

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) 04/30/08	Year of Report Dec. 31, 2007
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	NONE			
2				
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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	04/30/08	Dec. 31, 2007

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.
NONE				1
				2
				3
				4
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Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
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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 or 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 expenses 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) followed by non-associated lessors.

7. In column (b) for each leasing arrangement, report in order classified by distribution plant, storage plant, transmission line distribution system, or other operating unit or system, followed 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				Account Charged (j)	Remaining Annual Charges Under Lease Est. if Not Known (k)
		Current Year		Accumulated to Date			
		Lessor	Other	Lessor	Other		
		(f)	(g)	(h)	(i)	(j)	
		882,175				VAR	
		113,545				VAR	
		37,010				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) 04/30/08	Year of Report Dec. 31, 2007
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) 04/30/08	Year of Report Dec. 31, 2007
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A. LEASE RENTALS CHARGED TO GAS OPERATING EXPENSES (Continued)

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

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

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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) 04/30/08	Year of Report Dec. 31, 2007
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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	NONE	
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50	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	04/30/08	Dec. 31, 2007
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.)			13,481
5				
6				(3,472)
7				127,569
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49	TOTAL			137,578

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) 04/30/08	Year of Report Dec. 31, 2007
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			
12				
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24				
25	TOTAL			
SEE PAGE 336N				

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) 04/30/08	Year of Report Dec. 31, 2007		
<p align="center">DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (NONMAJOR) (Accounts 403.1, 404, 405) (Except Amortization of Acquisition Adjustments)</p>					
<p>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.</p> <p>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).</p> <p>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 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.</p> <p>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.</p>					
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)		65,686		65,686
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	687,352			687,352
9	Distribution plant	9,580,184			9,580,184
10	General plant (See Note)	2,956,000			2,956,000
11	Common plant - gas				
12					
13	Note: Line 1 includes \$49,947 of amortization expense taken on Peninsula Gas Intangible Assets that was not run through the				
14	reserve for accumulated depreciation.				
15					
16	Note: Line 10 includes \$617,887 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	13,643,411	65,686		13,709,097

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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**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 gas	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	25,243	2.72
8	General Plant	27,217	8.58
9	Distribution Plant	368,050	2.60
10	Amortized Plant	473	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.

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) 04/30/08	Year of Report Dec. 31, 2007
INCOME FROM UTILITY PLANT LEASED TO OTHERS (Account 412 and 413)			
<p>1. Report below the following information with respect to utility property leased to others constituting an operating unit or system.</p> <p>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</p> <p>from revenues, and income as the remainder.</p> <p>3. Provide a subheading and total for each utility department in addition to a total for all utility departments.</p> <p>4. Furnish particulars (details) of the method of determining the annual rental for the property.</p> <p>5. Designate with an asterisk associated companies.</p>			
Line No.			
1	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) 04/30/08	Year of Report Dec. 31, 2007
PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS			
<p>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.</p> <p>(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.</p> <p>(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</p>		<p>the Uniform System of Accounts. Amounts of less than \$10,000 may be grouped by classes within the above accounts.</p> <p>(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.</p> <p>(d) Other Interest Expense (Account 431) - Report particulars (details) including the amount and interest rate for other interest charges incurred during the year.</p>	
Line No.	Item (a)	Amount (b)	
1	Account 426 - Miscellaneous Income Deductions		
2			
3	Donations	104,963	
4	Other Governmental Affairs	142,570	
5	Penalties	2,815	
6			
7			
8			
9			
10			
11		250,348	
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)	1,333,577	
16	Total Account 430	12,124,533	
17			
18			
19			
20	Account 431		
21	Other Interest Expense	343,367	
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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) 04/30/08	Year of Report Dec. 31, 2007
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PARTICULARS CONCERNING CERTAIN INCOME ACCOUNTS		
<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

Line No.	Item (a)	Amount (b)
1	MERCHANDISING, JOBBING & CONTRACT WORK	
2	Appliance Sales & Installations	105,116
3	Cost of Appliances Sold & Installation Cost	-105,313
4	TOTAL Merchandising, Jobbing & Contract Work	-197
5		
6	NON-UTILITY OPERATION	
7	Non Utility Oper Revenue	6,160
8	Non Utility Oper Expense	
9		
10	Misc Non Operating Income	7,000
11		
12		
13	TOTAL Non-Utility Operation	13,160
14		
15	INTEREST INCOME	395,996
16		
17		
18		
19		
20		
21		
22		
23	Total	408,959

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	04/30/08	Dec. 31, 2007

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 than \$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					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain			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	04/30/08	Dec. 31, 2007

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					
23					
24					
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32					
33					
34	Total Loss				

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) 04/30/08	Year of Report Dec. 31, 2007
EXPENDITURES FOR CERTAIN CIVIC, POLITICAL AND RELATED ACTIVITIES (Account 426.4)			
<p>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 Related Activities, Account 426.4.</p> <p>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</p>		<p>magazine editorial services; and (f) other advertising.</p> <p>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.</p> <p>4. If the respondent has not incurred any expenditures contemplated by the instructions of Account 426.4, so state.</p> <p>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.</p> <p>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.</p>	
Line No.	Item (a)	Amount (b)	
1	Governmental Affairs Activity	142,570	
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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	04/30/08	Dec. 31, 2007

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expense: was a party.
incurred during the current year (or incurred in previous years, if
being amortized) relating to formal cases before a regulatory body assessed by a regulatory body or were otherwise incurred by the
or cases in which such a body 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	483,314		483,314	
3	Rate Case Amortization	281,918		281,918	
4					
5	Legal Fees, Consulting Services		158,520	158,520	
6					
7					
8					
9					
10					
11					
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46	TOTAL	765,232	158,520	923,752	

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	04/30/08	Dec. 31, 2007

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	NONE	
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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	04/30/08	Dec. 31, 2007

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 the 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		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
NONE					1
					2
					3
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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	04/30/08	Dec. 31, 2007
	(2) A Resubmission		

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 10)	0		
25	TOTAL Oper. and Maint. (Total of lines 18 thru 24)	0		
26	Gas			
27	Operation			
28	Production - Manufactured Gas			
29	Production - Nat. Gas (Including Expl. and Dev.)	7,388		
30	Other Gas Supply	1,141		
31	Storage, LNG Terminating and Processing	21,719		
32	Transmission	9,644		
33	Distribution	3,685,470		
34	Customer Accounts	2,450,294		
35	Customer Service and Informational	55,386		
36	Sales	0		
37	Administrative and General	3,233,481		
38	TOTAL Operation (Total of lines 28 thru 37)	9,464,523		
39	Maintenance			
40	Production - Manufactured Gas			
41	Production - Natural Gas	3,652		
42	Other Gas Supply			
43	Storage, LNG Terminating and Processing	36,151		
44	Transmission	10,691		
45	Distribution	828,121		
46	Administrative and General	68,340		
47	TOTAL Maint. (Total of lines 40 thru 46)	946,955		

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) 04/30/08	Year of Report Dec. 31, 2007
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)	11,040		
51	Other Gas Supply (Lines 30 and 42)	1,141		
52	Storage, LNG Terminating and Processing (Lines 31 and 43)	57,870		
53	Transmission (Lines 32 and 44)	20,335		
54	Distribution (Lines 33 and 45)	4,513,591		
55	Customer Accounts (Line 34)	2,450,294		
56	Customer Service and Informational (Line 35)	55,386		
57	Sales (Line 36)	0		
58	Administrative and General (Lines 37 and 46)	3,301,821		
59	TOTAL Oper. and Maint. (Total of lines 49 thru 58)	10,411,478	1,333,136	11,744,614
60	Other Utility Departments			
61	Operation and Maintenance			0
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	10,411,478	1,333,136	11,744,614
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant			
66	Gas Plant	3,345,343	428,354	3,773,697
67	Other			
68	TOTAL Construction (Total of lines 65 thru 67)	3,345,343	428,354	3,773,697
69	Plant Removal (By Utility Departments)			
70	Electric Plant			
71	Gas Plant	326,347	41,787	368,134
72	Other			
73	TOTAL Plant Removal (Total of lines 70 thru 72)	326,347	41,787	368,134
74	Other Accounts (Specify):			
75				
76	Merchandise			
77	Jobbing			
78	Other	22,080		22,080
79				
80				
81				
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89				
90				
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92				
93				
94				
95	TOTAL Other Accounts	22,080	0	22,080
96	TOTAL SALARIES AND WAGES	14,105,248	1,803,277	15,908,525

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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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.	
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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) 04/30/08	Year of Report Dec. 31, 2007	
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES				
<p>1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include 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 which should be</p> <p>reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.</p> <p>(a) Name and address of person or organization rendering services.</p> <p>(b) description of services received during the year and project or case to which services relate,</p> <p>(c) basis of charges,</p> <p>(d) total charges for the year, detailing utility department and account charged.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization if contract received Commission approval.</p> <p>3. Designate with an asterisk associated companies.</p>				
Line No.	PAYEE	DESCRIPTION OF SERVICE	AMOUNT	ACCT CHARGED
1				
2	SEMCO ENERGY, INC.	Management, Financial,	7,729,632	923.00
3	405 Water Street	Legal and Accounting		
4	Port Huron, MI 48060			
5				
6	SEMCO INFORMATION TECHNOLOGY INC	Information Technology/	2,068,464	923.10
7	975 Michigan	Communications		
8	Marysville, MI 48040			
9				
10	LUCE HENDERSON & LANE	Legal	115,936	923.10
11	PO Box 612354			
12	Port Huron, MI 48061-2354			
13				
14	MILLER CANFIELD PADDOCK AND STONE	Legal	232,827	923.10
15	PO Drawer 640348			
16	Detroit, MI 48264-0348			
17				
18	HONIGMAN, MILLER, SCWARTZ	Legal	27,651	923.10
19	2290 First National Building			
20	660 Woodward Ave			
21	Detroit, MI 48226-3583			
22				
23	JOHNSON FINANCIAL GROUP INC	Tax	34,494	923.10
24	PO Box 805			
25	Royal Oak, MI 48068-0805			
26				
27	SYSTEMS & SOFTWARE	Software (Enquesta)	53,675	923.10
28	401 Water Tower Circle			
29	Colchester, VT 05446-1928			
30				
31	LITTLER MENDELSON	Legal	124,364	923.10
32	PO Box 45547			
33	San Francisco, CA 94145-0547			
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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	(Mo, Da, Yr)	Dec. 31, 2007
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SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company. services provided (administrative and general expenses, dividends declared, etc.).
2. In column (b) describe the affiliation (percentage ownership, etc.).
3. In column (c) describe the nature of the goods and 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	478,723
3			Payroll	VAR	2,731,440
4					
5					
6	SEMCO ENERGY GAS CO.	Division of the	Payroll	VAR	420,016
7	(BATTLE CREEK DIVISION)	Parent Company	Admin & General	VAR	88,987
8			Operational	VAR	5,982
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TOTAL					3,725,148

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
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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
				478,723	Cost	2
				2,731,440	Cost	3
					Cost	4
						5
		VAR	105,004	525,020	Cost	6
				88,987	Cost	7
				5,982	Cost	8
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			105,004	3,830,152		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company. services provided (administrative and general expenses, dividends declared, etc.).
2. In column (b) describe the affiliation (percentage ownership, etc.).
3. In column (c) describe the nature of the goods and 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 &	10,137,737
3			Operational	VAR	63,745
4					
5					
6	SEMCO ENERGY GAS CO	Division of the	Inventory		
7	(Battle Creek Division)	Parent Company	Payroll		
8			Operational	VAR	56,076
9					
10					
11	SEMCO INFORMATION TEC	Subsidiary of the	Operational	VAR	4,402,565
12		Parent Company			
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TOTAL					14,660,123

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

5. In columns (f) and (g) report the amount classified reported.
to non-operating income and the account(s) in which reported.

6. In columns (h) and (i) report the amount classified per contract terms, etc.).
to the balance sheet and the account(s) in which

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
				10,137,737	Cost	2
				63,745	Cost	3
						4
						5
		155	31,151	31,151	Cost	6
		VAR	299,591	299,591	Cost	7
				56,076	Cost	8
						9
						10
				4,402,565	Contract	11
						12
						13
						14
						15
						16
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			330,742	14,990,865		

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	04/30/08	Dec. 31, 2007

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						
4						
5						
6						
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37						
38						
39						
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	04/30/08	Dec. 31, 2007

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 land 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 in 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 or 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)	
	NONE						1
							2
							3
							4
							5
							6
							7
							8
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							39
	0						40

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) 04/30/08	Year of Report Dec. 31, 2007	
CHANGES IN ESTIMATED HYDROCARBON RESERVES AND COSTS, AND NET REALIZABLE VALUE						
<p>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.</p> <p>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.</p> <p>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.).</p> <p>4. Report pressure base of gas volumes at 14.73 psia at 60 F.</p> <p>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.</p>						
Line No.	Items (a)	Total Reserves Gas (Thousands Mcf) (b)	Lands, Leaseholds, and Rights In Service Gas (Thousands Mcf) (c) 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): \$					
<p style="text-align: center;">NOTES</p> <p style="text-align: center;">NONE</p>						

Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

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

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) 04/30/08	Year of Report Dec. 31, 2007
COMPRESSOR STATIONS				
<p>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.</p> <p>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</p>				
Line No.	Name of Station and Location (a)	Number of Employees (b)	Plant Cost (c)	
1	UNDERGROUND STORAGE Morton Well, Marysville, MI Collin Field, Cottrellville, MI	n/a n/a	1,384,327	
2			1,341,340	
3				
4				
5			2,725,667	
6				
7				
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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	04/30/08	Dec. 31, 2007

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			Line No.
Fuel or Power	Other	Gas for Compressor Fuel Mcf (14.73 psia at 60 F)	Total Compressor Hours of Operation During Year	No. of Compressors Operated at Time of Station Peak	Date of Station Peak	
(d)	(e)	(f)	(g)	(h)	(i)	
						1
						2
						3
74,688		7,683	4,392	2	5/19/2007	4
15,489		1,523	2,544	1	4/22/2007	5
						6
						7
						8
						9
						10
						11
						12
						13
Operation (1)	75,885					14
Maintenance (1)	151,862					15
						16
						17
(1) Underground storage compressor station expenses are not separated between Morton and Collin.						18
						19
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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) 04/30/08	Year of Report Dec. 31, 2007
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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			Wells Reclassified (f)	EDUCTIONS DURING YEAR			Number of Wells at End of Year (j)
			Successful Wells Drilled (c)	Wells Purchased (d)	Total (c + d) (e)		Wells Abandoned (g)	Wells Sold (h)	Total (g + h) (i)	
1	NONE									
2										
3										
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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	04/30/08	Dec. 31, 2007

GAS STORAGE PROJECTS		
1. Report particulars (details) for total gas storage projects.		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.
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).		

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	11,043,454
7	TOTAL (Enter Total of Lines 2 thru 6)	20,261,491
8	Storage Expenses	
9	Operation	339,706
10	Maintenance	167,618
11	Rents	
12	TOTAL (Enter Total of Lines 9 thru 11)	507,324
13	Storage Operations (In Mcf)	
14	Gas Delivered to Storage	
15	January	90,641
16	February	-38,078
17	March	370,981
18	April	292,235
19	May	1,792,539
20	June	2,078,634
21	July	1,720,702
22	August	1,737,561
23	September	1,733,515
24	October	1,293,872
25	November	119,528
26	December	56,643
27	TOTAL (Enter Total of Lines 15 thru 26)	11,248,773
28	Gas Withdrawn from Storage	
29	January	3,048,905
30	February	3,882,170
31	March	1,406,814
32	April	895,809
33	May	29,655
34	June	33,294
35	July	3,485
36	August	18,949
37	September	4,816
38	October	240,306
39	November	877,485
40	December	2,287,062
41	TOTAL (Enter Total of Lines 29 thru 40)	12,728,750

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) 04/30/08	Year of Report Dec. 31, 2007
GAS STORAGE PROJECTS (Continued)				
Line No.	Item (a)	Total Amount (b)		
	Storage Operations (In Mcf)			
42	Top or Working Gas End of Year	8,755,280		
43	Cushion Gas (Including Native Gas)	2,591,816		
44	Total Gas in Reservoir (Enter Total of Line 42 and 43)	11,347,096		
45	Certified Storage Capacity	6,159,702		
46	Number of Injection - Withdrawal Wells	8		
47	Number of Observation Wells	5		
48	Maximum Day's Withdrawal from Storage	81,852		
49	Date of Maximum Day's Withdrawal	02/04/07		
50	LNG Terminal Companies	N/A		
51	Number of Tanks	N/A		
52	Capacity of Tanks	N/A		
53	LNG Volumes			
54	a) Received at "Ship Rail"	N/A		
55	b) Transferred to Tanks	N/A		
56	c) Withdrawn from Tanks	N/A		
57	d) "Boil Off" Vaporization Loss	N/A		
58	e) Converted to Mcf at Tailgate of Terminal	N/A		

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	04/30/08	Dec. 31, 2007

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	29.64
3	Interconnecting Minor Wells	0.83
4	Casco to East China Township 12" to 6"	9.76
5	Mich-Con Tie-in 12" Casco Township	0.81
6	8" Akron Township to Cass City	20.42
7	12" Gratiot Avenue to Morton Well	0.60
8	12" to 6" - St. Clair	8.99
9	Casco Township to Kenockee Township	16.77
10	6" to 8" Consumers Power Co. to 8" Elmwood Rd. - Akron Township	1.06
11	8" Bethuy Road to North Road	0.43
12	6" Hill Road Wells - Wales Township	2.84
13	8" Starville Road	7.81
14	Great Lakes - Southeastern Michigan Gas Interchange	0.31
15	16" Stl Belle River Lateral	1.60
16	16" Stl Southern Energy Lateral	7.39
17	12" Stl New Haven Bus Garage	0.09
18	TOTAL Transmission Lines	109.35
19	TOTAL Distribution Lines	4,923.80
20	TOTAL	5,033.15

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Name of Respondent	This Report Is: (1) X An Original	Date of Report (Mo, Da, Yr)	Year of Report
SEMCO ENERGY GAS CO (MPSC Division)	(2) A Resubmission	04/30/08	Dec. 31, 2007

LIQUEFIED PETROLEUM GAS OPERATION

1. Report the information called for below concerning plants which produce gas from liquefied petroleum gas (LPG). 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.
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

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)	Cost of LPG Used (d)
1	Not Applicable			
2				
3				
4				
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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) 04/30/08	Year of Report Dec. 31, 2007
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<p align="center">LIQUEFIED PETROLEUM GAS OPERATIONS (Continued)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>6. Report pressure base of gas at 14.73 psia at 60 F. Indicate the Btu content in a footnote.</p>					
--	--	--	--	--	--

Gallons of LPG Used (e)	Gas Produced		LPG Storage Cap. Gallons (h)	Function of Plant (Base load, peaking, etc.) (i)	Line No.
	Amount of Mcf (f)	Amount of Mcf Mixed with Natural Gas (g)			
Not Applicable					1
					2
					3
					4
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					7
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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	(2) A Resubmission	04/30/08	

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	2/4/2007		
2	Deliveries to Customers Subject to MPSC Rate Schedules		380,451	
3	Deliveries to Others		0	
4	TOTAL		380,451	
5	Date of Second Highest Day's Deliveries	2/5/2007		
6	Deliveries to Customers Subject to MPSC Rate Schedules		366,316	
7	Deliveries to Others		0	
8	TOTAL		366,316	
9	Date of Third Highest Day's Deliveries	2/3/2007		
10	Deliveries to Customers Subject to MPSC Rate Schedules		356,867	
11	Deliveries to Others		0	
12	TOTAL		356,867	
	Section B. Highest Consecutive 3-Day System Peak Deliveries (and Supplies)			
13	Dates of Three Consecutive Days Highest System Peak Deliveries	2/3/2007 2/4/2007 2/5/2007		
14	Deliveries to Customers Subject to MPSC Rate Schedules		1,103,634	
15	Deliveries to Others		0	
16	TOTAL		1,103,634	
17	Supplies from Line Pack		0	
18	Supplies from Underground Storage		231,991	
19	Supplies from Other Peaking Facilities		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		7,864,554	
22	Deliveries to Others			
23	TOTAL		7,864,554	

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) 04/30/08		Year of Report Dec. 31, 2007	
AUXILIARY PEAKING FACILITIES							
<p>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.</p> <p>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</p>				<p>For other facilities, report the rated maximum daily delivery capacities.</p> <p>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.</p>			
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 Marysville, MI	Underground Storage Cavern	60,000	10,675,361	X		
2							
3	Collin Field Cottrellville, MI	Underground Storage Cavern	21,000	9,586,130	X		
4							
5				20,261,491			
6							
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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		Dec. 31, 2007
	(2) A Resubmission	04/30/08	

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.

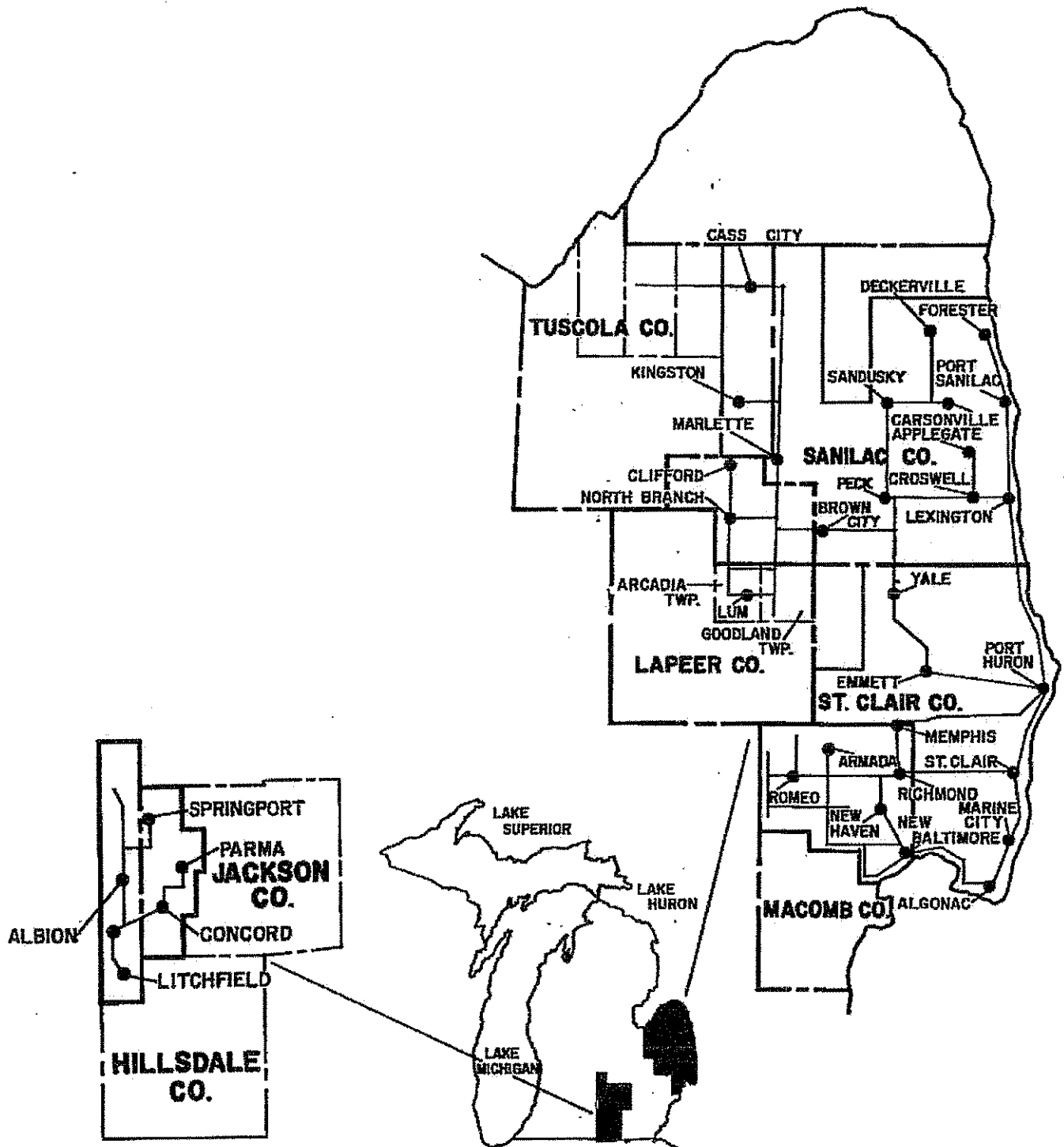
3. In addition, show on each map: graphic scale to which map is drawn; date as of which the map represents the facts it purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.

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



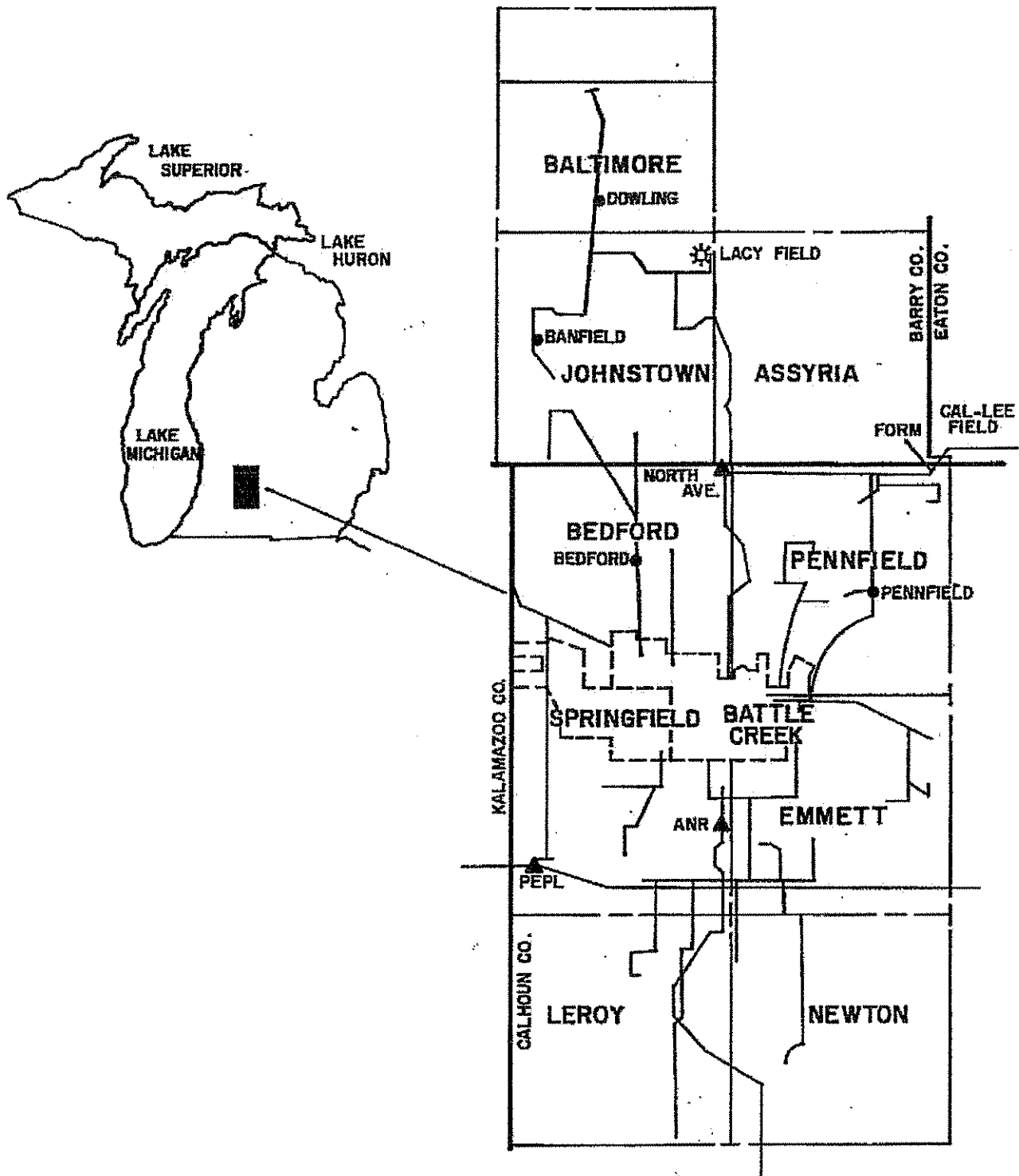
NATURAL GAS PURCHASE STATIONS

- ▲ INTERCONNECTED STATION
- AREA SERVED

SSB FEB.27.2008



SEMCO ENERGY



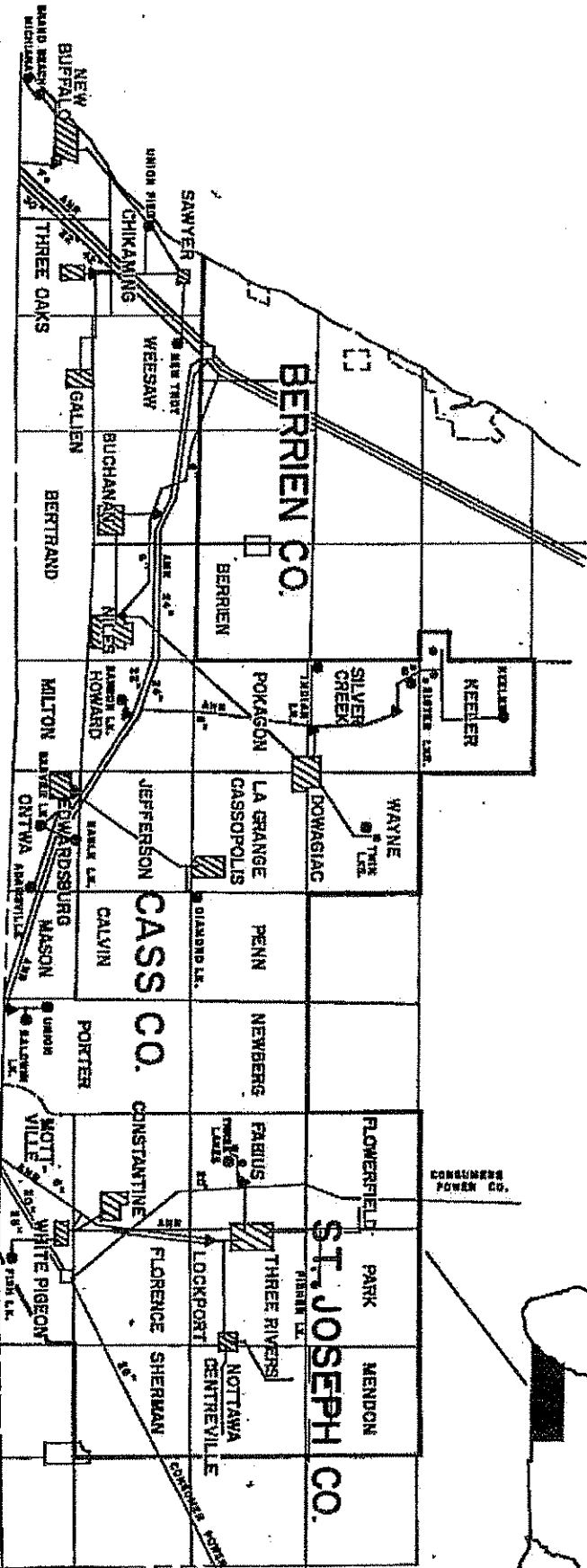
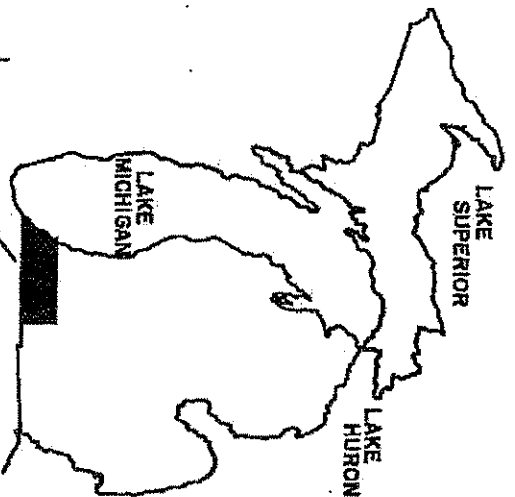
NATURAL GAS PURCHASE STATIONS

- ▲ INTERCONNECTED STATION
- AREA SERVED

SSB FEB.27.2008



SEMCO ENERGY



NATURAL GAS

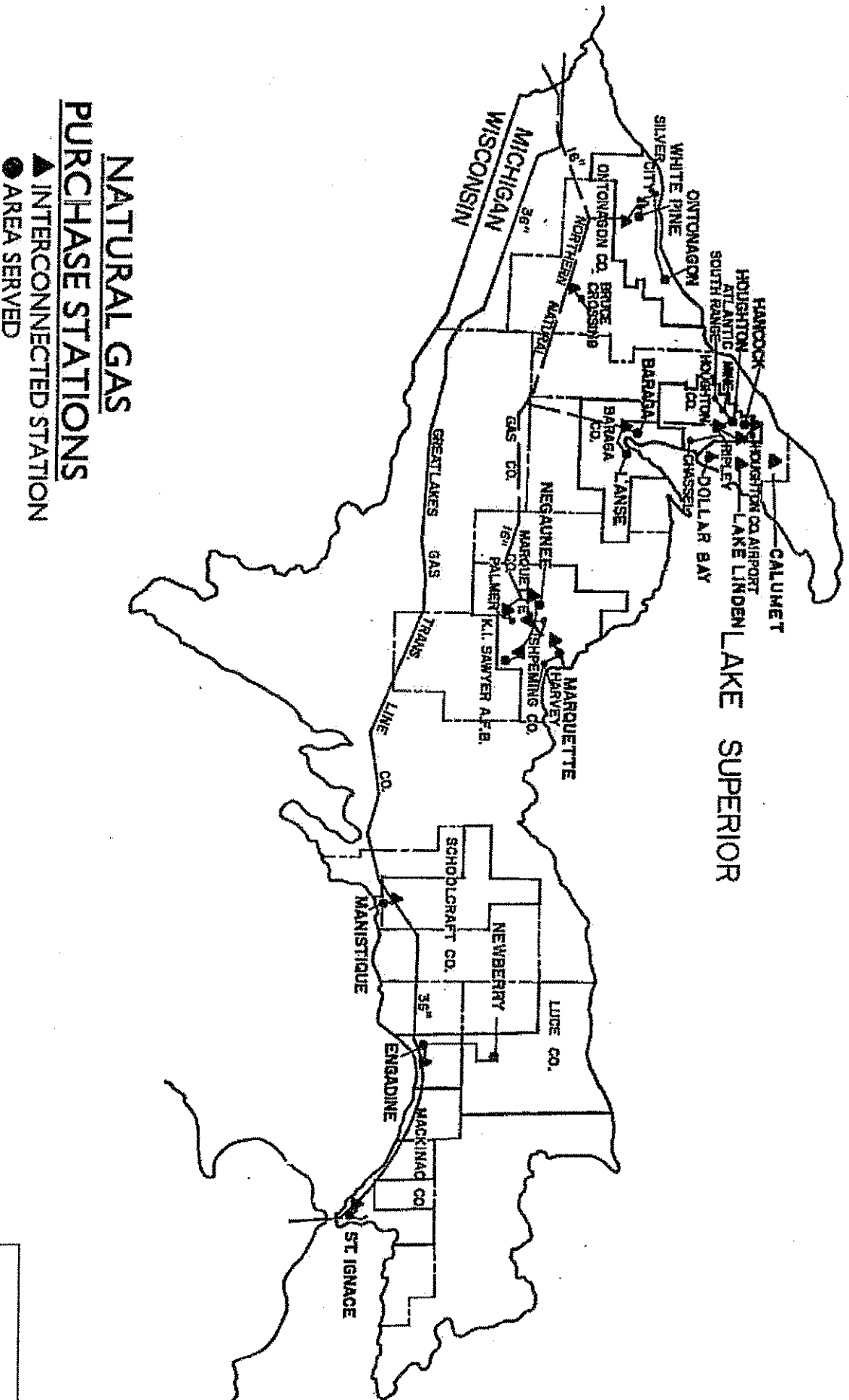
PURCHASE STATIONS

- ▲ INTERCONNECTED STATION
- AREA SERVED

SSB FEB. 27. 2008



SEMCO ENERGY



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	04/30/08	Dec. 31, 2007

FOOTNOTE DATA

Page No. (a)	Line No. (b)	Column No. (c)	Comments (d)
			Footnote data is included on Page 123.

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