

**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, 2004			
Present legal name of respondent:			
Aquila, Inc., d/b/a Aquila Networks - MGU			
Present DBA name in Michigan if different from legal name:			
Address of principal place of business:			
1815 Capitol Avenue, Omaha, NE 68102			
Utility representative to whom inquiries regarding this report may be directed:			
Name	Steven M. Jurek	Title	Vice President, Regulatory Services
Address 1815 Capitol Avenue			
City	Omaha	State	NE Zip Code 68102
Telephone:	(402) 221-2262	E-mail:	steve.jurek@aquila.com
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:			
<input checked="" type="checkbox"/> were forwarded to the Commission			
<input type="checkbox"/> will be forwarded to the Commission			
on or about _____, 20_____.			
Annual reports to stockholders:			
<input checked="" type="checkbox"/> are published			
<input type="checkbox"/> 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](mailto:blballi@michigan.gov)

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



**KPMG LLP**  
Suite 1000  
1000 Walnut Street  
Kansas City, MO 64106-2162

Telephone 816 802 5200  
Fax 816 802 5400  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

## **Independent Auditors' Report**

The Board of Directors,  
Management of Aquila, Inc.  
and the Management of Michigan Gas Utilities:

We have audited the accompanying balance sheets—regulatory basis of Michigan Gas Utilities (a division of Aquila, Inc.) (the Company) as of December 31, 2004 and 2003, and the related statements of income—regulatory basis and cash flows—regulatory basis for the years then ended included on pages 110 through 123 (excluding pages 115, 116, 117A, 117B, 118, and 119) 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 conformity with the accounting practices prescribed or permitted by 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 our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Michigan Gas Utilities as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in note 1.

This report is intended solely for the information and use of the board of directors and management of Aquila, Inc. and the Michigan Public Service Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

Kansas City, Missouri  
March 11, 2005

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 <sup>©</sup> 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 ½ x 11 inch size) to the page being supplemented. Provide the appropriate identification information, including the title(s) of the page and page number supplemented.
- X. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- XI. Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why the different figures were used.
- XII. Report all gas volumes on a pressure base of 14.65 psia and a temperature base 60° F.
- XIII. Respondents may submit computer printed schedules (reduced to 8 ½ x 11 inch size) instead of the preprinted schedules if they are in substantially the same format

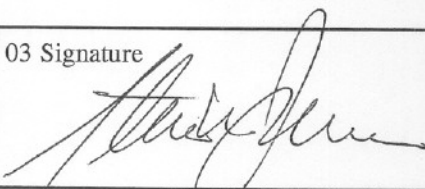
#### DEFINITIONS

- I. 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.<sup>2</sup>) 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.)



## MPSC FORM P-522

## ANNUAL REPORT OF NATURAL GAS UTILITIES (Major and Nonmajor)

IDENTIFICATION		
01 Exact Legal Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		02 Year of Report  2004
03 Previous Name and Date of Change (If name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code)  1815 Capitol Avenue, Omaha, NE 68102		
05 Name of Contact Person  Steven M. Jurek	06 Title of Contact Person  Vice President, Regulatory Services	
07 Address of Contact Person (Street, City, State, Zip Code)  1815 Capitol Avenue, Omaha, NE 68102		
08 Telephone of Contact Person, Including Area Code  (402) 221-2262	09 This Report is  (1) X An Original (2) A Resubmission	10 Date of Report (Mo, Da, Yr)  12/31/04
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 M. Jurek	03 Signature 	04 Date Signed (Mo, Day, Yr)  4/20/05
02 Title  Vice President, Regulatory Services		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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**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)
<b>GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS</b>		
General Information	101	
Control Over Respondent & Other Associated Companies	M 102	
Corporations Controlled by Respondent	103	None
Officers and Employees	M 104	
Directors	105	None
Security Holders and Voting Powers	M 106-107	None
Important Changes During the Year	108-109	
Comparative Balance Sheet	M 110-113	
Statement of Income for the Year	M 114-117	116-None
Statement of Retained Earnings for the Year	M 118-119	None
Statement of Cash Flows	120-121	
Notes to Financial Statements	122-123F	
<b>BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)</b>		
Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201	
Gas Plant in Service	M 204-212B	
Gas Plant Leased to Others	213	None
Gas Plant Held for Future Use	214	None
Production Properties Held for Future Use	215	None
Construction Work in Progress - Gas	216	
Construction Overheads - Gas	217	
General Description of Construction Overhead Procedure	M 218	
Accumulated Provision for Depreciation of Gas		
Utility Plant	M 219	
Gas Stored	220	
Nonutility Property	221	
Accumulated Provision for Depreciation and Amortization		
Nonutility Property	221	None
Investments	222-223	None
Investment in Subsidiary Companies	224-225	None
Gas Prepayments Under Purchase Agreements	226-227	
Advances for Gas Prior to Initial Deliveries or		
Commission Certification	229	None
Prepayments	230	
Extraordinary Property Losses	230	None
Unrecovered Plant and Regulatory Study Costs	230	None
Preliminary Survey and Investigation Charges	231	None
Other Regulatory Assets	232	
Miscellaneous Deferred Debits	233	
Accumulated Deferred Income Taxes (Account 190)	234-235	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
LIST OF SCHEDULES (Natural Gas Utility) (Continued)			
Title of Schedule (a)	Reference Page No. (b)	Remarks (c)	
<b>BALANCE SHEET SUPPORTING SCHEDULES</b> (Liabilities and Other Credits)			
Capital Stock	250-251	None	
Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252	None	
Other Paid-in Capital	253		
Discount on Capital Stock	254	None	
Capital Stock Expense	254	None	
Securities Issued or Assumed and Securities Refunded or Retired During the Year	255		
Long-Term Debt	256-257		
Unamortized Debt Expense, Premium and Discount on Long-Term Debt	258-259	None	
Unamortized Loss and Gain on Reacquired Debt	260	None	
Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	M 261		
Taxes Accrued, Prepaid and Charged During Year	262-263		
Investment Tax Credits Generated and Utilized	264-265	None	
Accumulated Deferred Investment Tax Credits	M 266-267		
Miscellaneous Current and Accrued Liabilities	M 268		
Other Deferred Credits	269		
Accumulated Deferred Income Taxes - Accelerated Amortization Property	272-273	None	
Accumulated Deferred Income Taxes - Other Property	274-275		
Accumulated Deferred Income Taxes - Other	M 276A-B		
Other Regulatory Liabilities	278	None	
<b>INCOME ACCOUNT SUPPORTING SCHEDULES</b>			
Gas Operating Revenues	300-301		
Rates and Sales Section	M 305A-C		
Off-System Sales - Natural Gas	M 310A-B	None	
Revenue from Transportation of Gas of Others-Natural Gas	312-313		
Sales of Products Extracted from Natural Gas	315	None	
Revenues from Natural Gas Processed by Others	315	None	
Gas Operation and Maintenance Expenses	M 320-325		
Number of Gas Department Employees	325		
Exploration and Development Expenses	326	None	
Abandoned Leases	326	None	
Gas Purchases	M 327,327A-B		
Exchange Gas Transactions	328-330	None	
Gas Used in Utility Operations - Credit	331		
Transmission and Compression of Gas by Others	332-333	None	
Other Gas Supply Expenses	334	None	
Miscellaneous General Expenses - Gas	M 335		
Depreciation, Depletion and Amortization of Gas Plant	336-338		
Income from Utility Plant Leased to Others	339	None	
Particulars Concerning Certain Income Deduction and Interest Charges	340		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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**LIST OF SCHEDULES (Natural Gas Utility) (Continued)**

Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
<b>COMMON SECTION</b>		
Regulatory Commission Expenses	350-351	
Research, Development and Demonstration Activities	352-353	None
Distribution of Salaries and Wages	354-355	
Charges for Outside Professional and Other Consultative Services	357	
<b>GAS PLANT STATISTICAL DATA</b>		
Natural Gas Reserves and Land Acreage	500-501	None
Changes in Estimated Hydrocarbon Reserves and Costs, and Net Realizable Value	504-505	None
Compressor Stations	508-509	
Gas and Oil Wells	510	None
Gas Storage Projects	M 512-513	
Distribution and Transmission Lines	M 514-514A	
Liquefied Petroleum Gas Operations	516-517	None
Distribution System Peak Deliveries	M 518	
Auxiliary Peaking Facilities	519	
System Map	522-522A	
Footnote Data	551	
Stockholder's Report	---	Aquila Report Available
<b>MPSC SCHEDULES</b>		
Reconciliation of Deferred Income Tax Expense	117A-B	
Operating Loss Carryforward	117C	None
Notes & Accounts Receivable Summary for Balance Sheet	228A	
Accumulated Provision for Uncollectible Accounts - Credit	228A	
Receivables From Associated Companies	228B	None
Materials and Supplies	228C	
Notes Payable	260A	None
Payables to Associated Companies	260B	
Customer Advances for Construction	268	
Accumulated Deferred Income Taxes - Temporary	277	None
Gas Operation and Maintenance Expenses (Nonmajor)	320N-324N	None
Lease Rentals Charged	333A-333D	333C-D None
Depreciation, Depletion and Amortization of Gas Plant (Nonmajor)	336N	None
Particulars Concerning Certain Other Income Accounts	341	
Gain or Loss on Disposition of Property	342A-B	
Expenditures for Certain Civic, Political and Related Activities	343	
Common Utility Plant and Expenses	356	None
Summary of Costs Billed to Affiliates	358-359	None
Summary of Costs Billed from Affiliates	360-361	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec 31, 2004	Year of Report Dec 31, 2004
<b>GENERAL INFORMATION</b>			
<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>Rick J. Dobson, Chief Financial Officer Aquila, Inc. 20 West Ninth Street Kansas City, MO 64105</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 the date organized.</p> <p>Delaware, September 9, 1986</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>N/A</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>Retail sale and transportation of natural gas and administrative services.</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) Yes...Enter the date when such independent accountant was initially engaged: _____</p> <p>(2) <input checked="" type="checkbox"/> No</p>			

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### CONTROL OVER RESPONDENT

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. If other companies are controlled by the organization which holds control over the respondent, list the names of such companies and the kind of business each is engaged in.

2. 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.

The 2004 Annual Report and Form 10-K of Aquila, Inc. are included.

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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### OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy-making functions.

2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change incumbency was made.

3. Utilities which are required to file the same data with the Securities and Exchange Commission, may substitute a copy of item 4 of Regulation S-K (identified as this page). The substituted page(s) should be the same size as this page.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Aquila Networks - MGU is a Division of Aquila, Inc. The following are officers of Aquila, Inc.:		
2			
3	Chairman, President and CEO	Richard C. Green, Jr.	\$ 1,028,077
4			
5	Sr Vice President and Chief Operating Officer	Keith G. Stamm	467,308
6			
7	Sr Vice President and Chief Financial Officer	Rick J. Dobson	309,616
8			
9	Former Senior VP, General Counsel and Corp Secretary	Leslie J. Parrette	358,269
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11	Sr Vice President and Chief Administrative Officer	Leo E. Morton	344,770
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29	Note: This information is presented in accordance with Item 4 of Regulation S-K.		
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### IMPORTANT CHANGES DURING THE YEAR

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

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.

2. Acquisition of ownership in other companies by re-organization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.

3. Purchase or sale of an operating unit or system: Give a brief description of the property and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, pur-

chase contract or otherwise, giving location, and approximate total gas volumes available, period of contract, and other parties to any such arrangements etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Give reference to Commission authorization if any was required.

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceeding culminated during the year.

10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106 voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11. Estimated increase or decrease in annual revenues due to important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.

12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instructions 1 to 11 above, such notes may be attached to this page.

1. Franchises Renwed:

<u>Utility</u>	<u>Town</u>	<u>Term</u>	<u>Action</u>	<u>Consideration</u>
Gas	Grand Haven Township	10 Years	Renewal	None
Gas	City of Plainwell	10 Years + 10	Renewal	None
Gas	City of Wayland	10 Years + 10	Renewal	None

2. None

3. None

4. None

5. None

6. None

7. None

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### IMPORTANT CHANGES DURING THE YEAR

8. USWA #12295, 14249, 14250, United Steel Workers of America, received an increase of 2% as of 01/16/2004. UWUA #417, Utility Workers Union of America, received an increase of 3.0% as of 02/16/2004. Non-union Exempt employees received an average merit increase of 3.15% and Non-exempt employees received an average merit increase of 2.9%.
9. The Division is involved in various legal proceedings which arise in the normal course of operations. The individual claims are not material to Aquila, Inc., as a whole, and reserves have been provided on the balance sheet as appropriate.
10. None
11. None
12. Not Applicable

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**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	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114, 118)	200-201	\$305,351,222	\$314,453,287
3	Construction Work in Progress (107)	200-201	2,703,947	1,468,940
4	TOTAL Utility Plant <i>(Enter Total of lines 2 and 3)</i>		308,055,169	315,922,227
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115, 119)	200-201	141,839,827	151,208,054
6	Net Utility Plant <i>(Enter Total of line 4 less 5)</i>	-	166,215,342	164,714,173
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 <i>(Enter Total of line 7 less 8)</i>	-	0	0
10	Net Utility Plant <i>(Enter Total of lines 6 and 9)</i>	-	\$166,215,342	\$164,714,173
11	Utility Plant Adjustment (116)	122-123	0	0
12	Gas Stored Underground-Noncurrent (117)	220	0	0
13	<b>OTHER PROPERTY AND INVESTMENTS</b>			
14	Nonutility Property (121)	221	\$18,246	\$18,246
15	(Less) Accum. Prov. for Depr. and Amort. (122)	221	0	0
16	Investments in Associated Companies (123)	222-223	0	0
17	Investment in Subsidiary Companies (123.1)	224-225	0	0
18	<i>(For Cost of Account 123.1, See Footnote Page 224, line 42)</i>			
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 <i>(Total of lines 14-21)</i>	-	\$18,246	\$18,246
23	<b>CURRENT AND ACCRUED ASSETS</b>			
24	Cash (131)	-	\$792,990	\$1,165,774
25	Special Deposits (132-134)	-	30,662	30,662
26	Working Funds (135)	-	4,000	5,950
27	Temporary Cash Investments (136)	222-223	0	0
28	Notes Receivable (141)	228A	0	0
29	Customer Accounts Receivable (142)	228A	15,246,435	17,422,237
30	Other Accounts Receivable (143, 147, 148, 149)	228A	2,146,823	2,176,994
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	228A	(305,340)	(476,499)
32	Notes Receivable from Associated Companies (145)	228B	0	0
33	Accounts Receivable from Assoc. Companies (146)	228B	0	0
34	Fuel Stock (151)	228C	0	0
35	Fuel Stock Expense Undistributed (152)	228C	0	25
36	Residuals (Elec) and Extracted Products (Gas) (153)	228C	0	0
37	Plant Material and Operating Supplies (154)	228C	269,672	306,992
38	Merchandise (155)	228C	0	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
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)	228C	158,858		228,615		
44	Gas Stored Underground-Current (164.1)	220	27,230,708		36,655,627		
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	220	0		0		
46	Prepayments (165)	226, 230	13,008,143		12,038,836		
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)	---	19,020,396		24,254,324		
51	Miscellaneous Current and Accrued Assets (174)	---	0		49,775		
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)		\$77,603,347		\$93,859,312		
53	DEFERRED DEBITS						
54	Unamortized Debt Expense (181)	---	\$0		\$0		
55	Extraordinary Property Losses (182.1)	230	0		0		
56	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0		0		
57	Other Regulatory Assets (182.3)	232	6,668,441		5,845,630		
58	Prelim. Survey and Invest. Charges (Electric) (183)	---	0		0		
59	Prelim. Survey and Invest. Charges (Gas) (183.1,183.2)	231	0		0		
60	Clearing Accounts (184)	---	(19,234)		414,163		
61	Temporary Facilities (185)	---	0		0		
62	Miscellaneous Deferred Debits (186)	233	279,543		248,475		
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)	---	0		0		
66	Accumulated Deferred Income Taxes (190)	234-235	15,705,175		12,728,259		
67	Unrecovered Purchased Gas Costs (191)	---	13,211,227		3,914,115		
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		\$35,845,152		\$23,150,642		
69	TOTAL Assets and other Debits (Enter Total of lines 10, 11, 12, 22, 52 and 68)		\$279,682,087		\$281,742,373		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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	\$0	\$0
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	0	0
7	Other Paid-In Capital (208-211)	253	85,260,049	86,340,637
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	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	0	0
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		\$85,260,049	\$86,340,637
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	\$0	\$0
17	(Less) Reacquired Bonds (222)	256-257	0	0
18	Advances from Associated Companies (223)	256-257	0	0
19	Other Long-Term Debt (224)	256-257	55,607,461	82,052,038
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)		\$55,607,461	\$82,052,038
23	OTHER NONCURRENT LIABILITIES			
24	Obligations Under Capital Leases - Noncurrent (227)	---	\$0	\$0
25	Accumulated Provision for Property Insurance (228.1)	---	0	0
26	Accumulated Provision for Injuries and Damages (228.2)	---	104,571	75,804
27	Accumulated Provision for Pensions and Benefits (228.3)	---	1,042,780	902,809
28	Accumulated Miscellaneous Operating Provisions (228.4)	---	0	0
29	Accumulated Provision for Rate Refunds (229)	---	0	0
30	Asset Retirement Obligations (230)	---	23,816	25,495
31	TOTAL Other Noncurrent Liabilities (Enter Total of lines 24 thru 30)		\$1,171,167	\$1,004,108
32	CURRENT AND ACCRUED LIABILITIES			
33	Notes Payable (231)	260A	\$0	\$0
34	Accounts Payable (232)	---	268,721	115,525
35	Notes Payable to Associated Companies (233)	260B	36,180,535	30,113,623
36	Accounts Payable to Associated Companies (234)	260B	14,732,924	21,566,161
37	Customer Deposits (235)	---	924,971	1,427,003
38	Taxes Accrued (236)	262-263	3,220,084	5,874,769
39	Interest Accrued (237)	---	111,598	111,598
40	Dividends Declared (238)	---	0	0
41	Matured Long-Term Debt (239)	---	31,037,039	4,592,462

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
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)		
42	Matured Interest (240)	---	0		0		
43	Tax Collections Payable (241)	---	481,693		417,536		
44	Misc. Current and Accrued Liabilities (242)	268	2,870,418		3,088,324		
45	Obligations Under Capital Leases-Current (243)	---	0		0		
46	Federal Income Taxes Accrued for Prior Years (244)	---	0		0		
47	Michigan Single Business Taxes Accrued for Prior Years (244.1)	---	0		0		
48	Fed. Inc. Taxes Accrued for Prior Years-Adj. (245)	---	0		0		
49	Michigan Single Business Taxes Accrued for Prior Years-Adj. (245.1)	---	0		0		
50	TOTAL Current and Accrued Liabilities (Enter Total of lines 33 thru 49)		89,827,983		67,307,001		
51	DEFERRED CREDITS						
52	Customer Advances for Construction (252)	---	\$0		\$0		
53	Accumulated Deferred Investment Tax Credits (255)	266-267	1,433,850		1,227,650		
54	Deferred Gains from Disposition of Utility Plant (256)	---	0		0		
55	Other Deferred Credits (253)	269	7,040,563		4,272,362		
56	Other Regulatory Liabilities (254)	278	0		0		
57	Unamortized Gain on Reacquired Debt (257)	260	0		0		
58	Accumulated Deferred Income Taxes (281-283)	272-277	39,341,014		39,538,577		
59	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		\$47,815,427		\$45,038,589		
60	TOTAL Liabilities and Other Credits (Enter Total of lines 14, 22, 30, 49 and 59)		\$279,682,087		\$281,742,373		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, *Revenues 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 01 thru 20 as appropriate. Include these amounts in columns (c) and (d) totals.

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

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

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

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

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

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	205,872,696	199,992,070
3	Operating Expenses			
4	Operation Expenses (401)	320-325	174,648,576	161,867,253
5	Maintenance Expenses (402)	320-325	2,199,782	2,084,620
6	Depreciation Expense (403)	336-338	8,580,548	8,694,061
7	Amort. & Depl. of Utility Plant (404-405)	336-338	149,061	159,977
8	Amort. of Utility Plant Acq. Adj. (406)	336-338	0	0
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs		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	3,935,571	4,577,625
14	Income Taxes - Federal (409.1)	262-263	2,991,581	4,038,486
15	- Other (409.1)	262-263	0	0
16	Provision for Deferred Inc. Taxes (410.1)	234,272-276B	337,104	2,650,219
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234,272-276B	166,872	(1,238,957)
18	Investment Tax Credit Adj. - Net (411.4)	234,272-276B	(206,200)	(206,200)
19	(Less) Gains from Disp. of Utility Plant (411.6)	266	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)		192,802,895	182,627,084
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25)		13,069,801	17,364,986

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**STATEMENT OF INCOME FOR THE YEAR (Continued)**

resulting from settlement of any rate proceedings 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 (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
		205,872,696	199,992,070			2
						3
		174,648,576	161,867,253			4
		2,199,782	2,084,620			5
		8,580,548	8,694,061			6
		149,061	159,977			7
		0	0			8
		0	0			9
		0	0			10
		0	0			11
		0	0			12
		3,935,571	4,577,625			13
		2,991,581	4,038,486			14
		0	0			15
		337,104	2,650,219			16
		166,872	(1,238,957)			17
		(206,200)	(206,200)			18
		0	0			19
		0	0			20
		0	0			21
		0	0			22
0	0	192,802,895	182,627,084	0	0	23
0	0	13,069,801	17,364,986	0	0	24

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**STATEMENT OF INCOME FOR THE YEAR (Continued)**

Line No.	Account (a)	(Ref.) Page No. (b)	Current Year (c)	Previous Year (d)
25	Net Utility Operating Income <i>(Carried forward from page 114)</i>	-	13,069,801	17,364,986
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		4	419
30	(Less) Costs & Exp of Merchandising, Job & Contract Work (416)		-	-
31	Revenues From Nonutility Operations (417)		164,494	167,796
32	(Less) Expenses of Nonutility Operations (417.1)		(147,972)	(156,813)
33	Nonoperating Rental Income (418)		-	-
34	Equity in Earnings of Subsidiary Companies (418.1)	119	-	-
35	Interest and Dividend Income (419)		113,412	88,105
36	Allowance for Other Funds Used During Construction (419.1)		-	-
37	Miscellaneous Nonoperating Income (421)		(1,847)	(10,395)
38	Gain on Disposition of Property (421.1)		-	543
39	TOTAL Other Income <i>(Enter Total of lines 29 thru 38)</i>		128,091	89,655
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		3,737	66,526
42	Miscellaneous Amortization (425)	340	1,151,537	1,151,537
43	Miscellaneous Income Deductions (426.1 426.5)	340	123,939	110,689
44	TOTAL Other Income Deductions <i>(Enter Total of lines 41 thru 43)</i>		1,279,213	1,328,752
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	5,201	666,343
47	Income Taxes-Federal (409.2)	262-263	(5,974)	(263,743)
48	Income Taxes-Other (409.2)	262-263	-	-
49	Provision for Deferred Inc. Taxes (410.2)	234,272-277	-	-
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234,272-277	-	-
51	Investment Tax Credit Adj. - Net (411.5)		-	-
52	(Less) Investment Tax Credits (420)		-	-
53	TOTAL Taxes on Other Inc. and Ded. <i>(Total of 46 thru 52)</i>		(773)	402,600
54	Net Other Income and Deductions <i>(Enter Total of lines 39, 44, 53)</i>		(1,150,349)	(1,641,697)
55	Interest Charges			
56	Interest on Long-Term Debt (427)		6,379,090	6,473,051
57	Amort. of Debt Disc. and Expense (428)	258-259	-	-
58	Amortization of Loss on Reacquired Debt (428.1)		-	-
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259	-	-
60	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		-	-
61	Interest on Debt to Assoc. Companies (430)	340	338,294	389,373
62	Other Interest Expense (431)	340	(26,296)	305,676
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		(43,216)	(36,932)
64	Net Interest Charges <i>(Enter Total of 56 thru 63)</i>		6,647,872	7,131,168
65	Income Before Extraordinary Items <i>(Enter Total of lines 25, 54, and 64)</i>		5,271,580	8,592,121
66	Extraordinary Items			
67	Extraordinary Income (434)		-	-
68	(Less) Extraordinary Deductions (435)		-	-
69	Net Extraordinary Items <i>(Enter Total of line 67 less line 68)</i>		-	-
70	Income Taxes-Federal and Other (409.3)	262-263	-	-
71	Extraordinary Items After Taxes <i>(Enter Total of line 69 less line 70)</i>		-	-
72	Net Income <i>(Enter Total of lines 65 and 71)</i>		5,271,580	8,592,121

NOTE: Net Interest Charges includes Non Reg Interest Expense of \$12,282. Income Taxes have been restated to reflect this.

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### 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 in 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		0
3	Account 281		0
4	Account 282		(102,408)
5	Account 283		439,512
6	Account 284		0
7	Reconciling Adjustments		0
8	TOTAL Account 410.1 (on pages 114-115 line 16)		337,104
9	TOTAL Account 410.2 (on page 117 line 49)		
10	Credits to Account 411 from:		
11	Account 190		264,916
12	Account 281		0
13	Account 282		(98,044)
14	Account 283		0
15	Account 284		0
16	Reconciling Adjustments		0
17	Total Account 411.1 (on pages 114-15 line 17)		166,872
18	Total Account 411.2(on page 117 line 50)		
19	Net ITC Adjustment:		
20	ITC Utilized for the Year DR		
21	ITC Amortized for the Year CR		(206,200)
22	ITC Adjustments:		
23	Adjust last year's estimate to actual per filed return		
24	Other (specify)		
25	Net Reconciling Adjustments Account 411.4*		(206,200)
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

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### RECONCILIATION OF DEFERRED INCOME TAX EXPENSE (Continued)

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

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

(c) Identify the company's regulatory authority to utilize a 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.
	0		0	1
	0		0	2
	(102,408)		(102,408)	3
	439,512		439,512	4
	0		0	5
	0		0	6
	337,104			7
				8
				9
	264,916		264,916	10
	0		0	11
	(98,044)		(98,044)	12
	0		0	13
	0		0	14
	0		0	15
	0		0	16
	166,872			17
				18
	(206,200)		(206,200)	19
				20
				21
				22
				23
				24
	(206,200)			25
				26
				27

Name of Respondent	This Report is:	Date of Report:	Year of Report
Aquila, Inc.	(1) X An Original	(Mo, Da, Yr)	
d/b/a Aquila Networks - MGU	(2) A Resubmission		Dec. 31, 2004

1. If the notes to the cash flow statement in the respondents annual stockholders report are applicable to this 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 to 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 ( <i>Line 72(c) on page 117</i> )	5,271,580
3	Prior Year Earnings Adjustment ( <i>line 8 page 253</i> )	-
4	Non-Cash Charges (Credits) to Income	
5	Depreciation and Depletion	8,580,548
6	Amortization of Acquisition Adjustment	1,151,537
7	Amortization of Utility Plant	149,061
8		
9	Deferred Income Taxes (Net)	503,976
10	Investment Tax Credit Adjustments (Net)	(206,200)
11	Net (Increase) Decrease in Receivables	(7,268,742)
12	Net (Increase) Decrease in Inventory	(9,532,021)
13	Net (Increase) Decrease in Allowances Inventory	-
14	Net Increase (Decrease) in Payables and Accrued Expenses	2,403,106
15	Net (Increase) Decrease in Other Regulatory Assets	-
16	Net Increase (Decrease) in Other Regulatory Liabilities	-
17	(Less) Allowance for Other Funds Used During Construction	-
18	(Less) Undistributed Earnings from Subsidiary Companies	-
19	Other:	
20	Net Increase (Decrease) in Other Current Assets & Liabilities	752,473
21	Net Increase (Decrease) in Other Deferred Assets & Liabilities	6,949,393
22	Net Cash Provided by (Used in) Operating Activities	
23	( <i>Total of lines 2 thru 20</i> )	8,754,711
24		
25	Cash Flows from Investment Activities:	
26	Construction and Acquisition of Plant (including land):	
27	Gross Additions to Utility Plant (less nuclear fuel)	(7,242,519)
28	Gross Additions to Nuclear Fuel	-
29	Gross Additions to Common Utility Plant	-
30	Gross Additions to Nonutility Plant	-
31	(Less) Allowance for Other Funds Used During Construction	(43,216)
32	Other:	(1,094,242)
33		
34	Cash Outflows for Plant ( <i>Total of lines 26 thru 33</i> )	(8,379,977)
35		
36	Acquisition of Other Noncurrent Assets (d)	-
37	Proceeds from Disposal of Noncurrent Assets (d)	-
38		-
39	Investments in and Advances from 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 Securities (a)	

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### STATEMENT OF CASH FLOWS (Continued)

#### 4. Investing Activities

Include in 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 Instruction No. 5 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	<i>(Total of lines 34 thru 55)</i>	<i>(8,379,977)</i>
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	31,037,039
62	Preferred Stock	-
63	Other: (Infusion/(Defusion) of Equity	-
64		
65		
66	Net Increase in Short-Term Debt (c)	-
67	Other:	-
68		
69		
70	Cash Provided by Outside Sources <i>(Total of lines 61 thru 69)</i>	31,037,039
71		
72	Payments for Retirement of:	
73	Long-term Debt (b)	<i>(31,037,039)</i>
74	Preferred Stock	-
75	Common Stock - Retirement	-
76	Other:	-
77		
78	Net Increase in Short-Term Debt (c)	-
79		
80	Dividends on Preferred Stock	-
81	Dividends on Common Stock	-
82	Net Cash Provided by (Used in) Financing Activities	
83	<i>(Total of lines 70 thru 81)</i>	-
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	<i>(Total of lines 22, 57 and 83)</i>	374,734
87		
88	Cash and Cash Equivalents at Beginning of Year	827,652
89		
90	Cash and Cash Equivalents at End of Year	1,202,386

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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## NOTES TO FINANCIAL STATEMENTS

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

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

3. For Account 116, *Utility Plant Adjustments*, explain the origin of such amount, debits and credits during the year,

and plan of disposition contemplated, giving references to Commission orders of other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, *Unamortized Loss on Reacquired Debt*, and 257, *Unamortized Gain on Reacquired Debt*, are not used, give an explanation, providing the rate treatment given these items. See general Instruction 17 of the Uniform System of Accounts.

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

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

### (1) Accounting Policies

Aquila Networks - MGU ("MGU"), formerly known as Michigan Gas Utilities, is a division of Aquila, Inc. ("ILA"). Aquila Networks - MGU consists of a public utility, engaged in the business of purchasing, storing, transporting, distributing and selling natural gas to the public in the southern and western portions of the lower peninsula of the state of Michigan. MGU is also engaged in the business of providing administrative services.

MGU presently serves approximately 159,503 customers located in over 50 cities and villages and in 93 townships located in the southern and western portions of the state of Michigan between Lake Erie on the east and Lake Michigan on the west. MGU is subject to accounting and rate regulation by the Michigan Public Service Commission ("MPSC"). The principal accounting policies of MGU are as follows:

#### Basis of Presentation

Because MGU is a division of ILA, division equity is recorded as other paid-in capital on the balance sheet. The accompanying financial statements include allocations from ILA.

The accompanying financial statements 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 Generally Accepted Accounting Principles (GAAP). The accompanying financial statements do not separately classify deferred tax assets and liabilities, or current and non current, and do not include all of the financial statement disclosures that would be required in accordance with GAAP. The preparation of financial statements requires management 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 from those estimates. MGU's accounting policies consider the impact of rate regulation.

The "Cost of Removal" regulatory liability is presented in the Comparative Balance Sheet presented on pages 110 through 113 in captions "(Less) Accum. Prov. For Depr., Amort., Depl. (108, 111, 115, 119)" and "Asset Retirement Obligations (230)." The estimated net provision for future removal costs included in depreciation expense for legal obligations is presented in "Asset Retirement Obligations (230)." The estimated net provision for future removal costs included in depreciation expense for non-legal obligations is presented in "(Less) Accum. For Depr., Amort., Depl. (108, 111, 115, 119)."

#### Federal Income Taxes

MGU is included in the income tax return of ILA. Taxes payable are computed on a stand alone basis.

Income taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are determined by applying current tax regulations existing at the end of a reporting period to the cumulative temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Investment tax credits have been deferred and are being amortized over the lives of the related properties.

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## NOTES TO FINANCIAL STATEMENTS (Continued)

### Natural Gas Sales Revenues

Sales related to the delivery of gas are generally recorded when service is rendered or energy is delivered to customers. However, the determination of sales is based on reading customers' meters, which occurs systematically throughout the month. At the end of each month, an estimate is made of the amount delivered to customers after the date of the last meter reading. The unbilled revenue is calculated each month based on estimated customer usage, weather factors, line losses and applicable customer rates, and is classified as Accrued Utility Revenues in our comparative balance sheet.

Certain customers are on an "even-pay" customer plan where they pay the same amount each month based on estimated yearly usage. As a result, at December 31, 2004 and 2003, \$1,281,969 and \$1,199,364 have been collected from customers for which service has not been provided. These balances are included as a reduction in Customer Accounts Receivable on page 110 of this report.

Natural gas costs are recovered from customers pursuant to a Gas Recovery Clause, as authorized by the provisions of the 1982 Public Act 304, in MGU's Rules, Regulations and Rate Schedules, Rule B10, which is implemented by filing, in September of each year, an application to the MPSC requesting approval of maximum rates to be charged customers during the subsequent year for natural gas costs expected to be incurred during that year. Until an order is received approving or rejecting the rates, the rates requested may be billed. An annual reconciliation is made of natural gas costs incurred during the preceding year with natural gas cost recovery revenues collected during that year with provisions for rolling overcollections and undercollections into the next year, together with interest on any such amounts.

### Natural Gas in Underground Storage

Natural gas purchased specifically for injection into MGU's storage fields is priced at the delivery price of such purchases. Otherwise natural gas injected into storage is priced at the average cost of natural gas purchased during the month of injection. Since 1987, MGU has followed the practice of purchasing all or a portion of the gas injected into storage specifically for that purpose. Withdrawals of natural gas from the storage fields are priced at the average cost of natural gas in storage.

Arrangements for storage of natural gas also exist with third parties. Such arrangements provide for spot and term purchases by MGU of up to 7.989 Million Mcf of natural gas each summer for storage with other utilities and on pipelines, as well as MGU owned storage facilities for delivery during the following heating season. Under the arrangements, the cost of such natural gas, together with related storage and transportation service charges, is charged to natural gas in underground storage as the natural gas is purchased. As the natural gas is withdrawn, it is priced at the average cost of natural gas in storage computed separately for each third party.

### Property, Plant and Equipment

MGU shows property, plant and equipment at cost. MGU expenses repairs and maintenance costs as incurred or as provided for by regulatory order. Depreciation is provided on a straight-line basis over the estimated lives of the assets. When regulated property is replaced, removed or abandoned, its cost, together with the costs of removal less salvage, is charged to accumulated depreciation.

MGU's annual provision for depreciation of gas utility plant is computed by applying rates prescribed by the MPSC to the original cost of depreciable property and approximated 3.2% of the related average depreciable plant for 2004 and 2003.

In connection with the adoption of SFAS 143, "Accounting for Asset Retirement Obligations", which required MGU to record the fair value of an asset retirement obligation as a liability in the period in which a legal obligation associated with the retirement of tangible long lived assets is incurred, MGU recorded an asset retirement obligation of \$21,316 and increased property, plant, and equipment, net of accumulated depreciation by an immaterial amount. Because MGU is a regulated utility subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation," the \$21,316 cumulative effect of adoption of SFAS 143 was recorded as a regulatory asset and therefore had no impact on net income.

### Acquisition Adjustment

When ILA originally acquired MGU in 1989, the purchase price of MGU's assets exceeded the original book basis of the assets. Following the purchase method of accounting and the MPSC system of accounts, the individual assets were recorded at their original book basis, and the additional purchase price (or acquisition adjustment of \$34.5 million) was recorded by ILA. This acquisition adjustment has now been pushed down to the MGU financial statements and it is being amortized on a straight line basis over 30 years. The outstanding balance in the account was \$16.6 million at December 31, 2004 and \$17.7 million at December 31, 2003, while the amount recognized as additional amortization in 2004 was \$1.1 and 2003 was \$1.2 million.

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## NOTES TO FINANCIAL STATEMENTS (Continued)

### Cash, Special Deposits, and Working Funds

For purposes of the statement of cash flows, Cash, Special Deposits, and Working Funds are presented as cash and cash equivalents. Cash transactions incurred for payment of taxes and interest expense are conducted through the corporate allocation process, and thus, do not reflect actual cash transfers.

### (2) Contingencies

#### Manufactured Gas Sites

MGU currently owns, or previously operated, 11 facilities for producing and storing manufactured gas. As a result, various by-products and waste materials were produced and may have been disposed of at these sites. Under current laws and regulations relating to the protection of the environment, MGU may be required to undertake remedial action with respect to some of these materials, if found.

MGU has spent \$2.0 million to date on preliminary site investigations and remediation. MGU estimates probable cleanup costs to be \$4.3 million. This amount is our best estimate of the costs of investigating and remediating our identified sites, and is the amount we consider to be probable for future investigation and remediation of these sites. This estimate is based upon a comprehensive review of the potential costs associated with conducting investigative and remedial actions at our identified sites, as well as the likelihood of whether such actions will be necessary. There are also additional costs that we consider to be less likely but still "reasonably possible" to be incurred at these sites. Based upon the results of studies at these sites and our knowledge and review of potential remedial action options, it is reasonably possible these additional costs could exceed our best estimate by approximately \$5.8 million. This estimate could change materially when we have investigated further. It could also be affected by the actions of environmental agencies and the financial viability of other responsible parties. Ultimate liability also may be affected significantly if we are held responsible for parties unable to contribute financially to the cleanup effort. We are also pursuing recovery from insurance carriers and other potentially responsible parties.

The estimated environmental obligations and all costs incurred to date have been recorded as a regulatory asset since MGU believes it will be allowed to recover these costs through future rates. MGU received an order on March 30, 1994, from the Michigan Public Service Commission allowing the deferral and amortization of environmental assessment and remediation costs.

### (3) Short-term Financing

MGU meets all its short-term cash needs through borrowings from ILA. The rate of interest on borrowings from ILA is ILA's weighted average cost of short-term borrowing.

Following is a comparison of short-term borrowings:

	2004	2003
Outstanding at year-end . . . . .	\$30,113,623	\$36,180,535
Weighted average interest rate . . . . .	2.0%	2.3%

### (4) Transactions with Affiliates

MGU interest (income)/expense on advances (to)/from ILA included in Interest on Debt to Associated Companies was \$338,294 in 2004, and \$389,373 in 2003. Amounts charged to ILA for allocated administrative costs in 2004 and 2003 were \$6,817,956 and \$7,121,083 respectively. At year end 2004 and 2003, MGU had a net accounts payable outstanding to affiliated companies of \$21,566,161 and \$14,732,924 respectively. MGU accrued dividends of \$4,190,992 and \$4,904,000 to ILA in 2004 and 2003 respectively.

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**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(5) Employee Benefits**

MGU participates in ILA's pension plan and non-qualified Supplemental Executive Retirement Plan (SERP). ILA's policy is to fund, at a minimum, an amount sufficient to meet all ERISA funding requirements. The benefit formula is based on years of service multiplied by a percentage of salary.

The following table represents the funded status of the pension plan and the amount included in the ILA's Consolidated Balance Sheet and Statement of Income:

<u>Dollars in Millions</u>	Years Ended December 31	
	2004	2003
Benefit obligation at end of year	\$337.6	\$330.4
Fair value of plan assets at end of year	313.6	288.4
Funded Status	(24.0)	(42.0)
Unrecognized transition amount	(1.5)	(2.6)
Unrecognized net actuarial (gain) loss	90.9	119.4
Unrecognized prior service cost	12.0	13.1
Accumulated regulatory gain/loss adjustment	10.6	10.8
Net amount recognized before SFAS 71 regulatory liability	88.0	98.7
SFAS 71 regulatory liability	(6.6)	(2.3)
Net amount recognized	81.4	96.4
Components of Net Periodic Benefit Cost:		
Service Cost	7.8	8.0
Interest cost	19.4	19.2
Expected return on plan assets	(23.9)	(22.9)
Amortization of transition amount	(1.2)	(1.2)
Amortization of prior service cost	1.1	1.1
Recognized net actuarial (gain) loss	8.1	10.3
Curtailment (gain) loss	0.0	0.3
Regulatory gain/loss adjustment	0.2	(3.5)
SFAS 71 regulatory adjustment	4.3	2.3
Net Periodic Benefit Cost after curtailments and regulatory expense adjs	15.8	13.6
Weighted Average Assumptions as of September 30:		
Discount rate for expense	6.00%	6.75%
Discount rate for disclosure	6.00%	6.00%
Expected return on plan assets for expense	8.50%	9.50%
Expected return on plan assets for disclosure	8.50%	8.50%
Rate of compensation increase	4.40%	4.15%

The U.S. pension plan was amended effective December 1, 1999 to provide the same pension benefits for almost all participants. Total pension expense (credit) recorded by MGU for the plan was \$1,336,300 in 2004 and \$462,311 in 2003.

During 2004, MGU participated in ILA'S Profit Sharing Plan which replaced the Stock Contribution Plan. The Plan historically provided for a contribution of 3% of base wages for eligible full-time employees. Beginning in 2003, these contributions are made in cash and invested as directed by the employee. The expense recorded for this plan in 2004 and 2003 totaled \$385,068 and \$401,420 respectively.

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**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(6) Post Retirement Health Care and Life Insurance Benefits**

MGU provides post-retirement health care and life insurance benefits to certain employees. A majority of such retirees pay a portion of the health care costs, but do not contribute to life insurance. These plans have been amended to limit eligibility and reduce the subsidy provided.

Effective January 1, 1993, MGU adopted SFAS No. 106, "Employers' Accounting for Post-Retirement Benefits Other Than Pensions," which requires accrual of post-retirement benefits during the years employees provide services. Prior to 1993, these benefits were expensed as they were paid. MGU has elected to amortize the estimated unfunded accumulated obligation at January 1, 1992, of approximately \$8,501,000 over 20 years. Pursuant to regulatory order, MGU has deferred a portion of the costs associated with SFAS No. 106. Beginning in 1997, MGU is amortizing these costs over the remainder of the twenty year period. Total expense recorded by MGU for these benefits was \$1,681,137 in 2004 and \$1,115,224 in 2003.

The following table summarized the status of MGU's post-retirement plans for financial statements purposes and the related amount included in the Balance Sheet:

	Years Ended December 31	
	2004	2003
<b>Changes in accumulated post-retirement benefit obligation:</b>		
Benefit Obligation at start of year	17,260,401	13,311,175
Service Cost	36,808	102,014
Interest Cost	954,000	835,668
Plan participants' contribution	16,955	19,005
Amendments	1,371,556	0
Actuarial (gain)/loss	(2,946,596)	4,051,000
Benefits paid	(1,160,472)	(1,058,461)
Benefit Obligation at end of year	<u>15,532,652</u>	<u>17,260,401</u>
<b>Changes in plan assets:</b>		
Fair value of plan assets at start of year	4,569,127	4,226,251
Actual return on assets	(168,290)	211,194
Employer Contributions	1,550,739	1,171,138
Plan participants' contribution	16,955	19,005
Benefits paid	(1,160,472)	(1,058,461)
Fair value of plan assets at end of year	<u>4,808,059</u>	<u>4,569,127</u>
<b>Reconciliation of funded status:</b>		
Actuarial present value of post-retirement benefit obligations:		
Retirees	14,800,263	16,293,701
Other fully eligible participants	148,095	215,047
Other active participants	584,394	751,753
Total	<u>15,532,752</u>	<u>17,260,501</u>
Fair value of plan assets	(4,808,059)	(4,569,127)
Unrecognized transition obligation	(2,341,819)	(2,634,546)
Unrecognized prior service cost	(1,371,556)	0
Unrecognized net loss	(8,285,967)	(11,221,568)
Employer VEBA Contribution	0	0
Balance Sheet Liability	<u>(1,274,649)</u>	<u>(1,164,740)</u>
<b>Reconciliation of net amount recognized:</b>		
Prepaid post-retirement benefit cost	1,164,740	1,064,289
Net periodic post-retirement benefit cost before curtailments	(1,640,782)	(1,093,283)
Contributions	1,750,691	1,171,138
Curtailments and other adjustments	0	22,596
Net amount recognized at end of year	<u>1,274,649</u>	<u>1,164,740</u>

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# **NOTES TO FINANCIAL STATEMENTS (Continued)**

## **Weighted average assumptions as of September 30:**

	2004	2003
Discount rate for expense	6.00%	6.75%
Discount rate for disclosure	6.00%	6.00%
Expected return on plan assets for expense	7.00%	8.50%
Expected return on plan assets for disclosure	7.00%	8.50%

For measurement purposes, to calculate the annual rate of increase in the per capita cost of covered health benefits for each future fiscal year, we used a graded rate starting at 9% in 2005 and decreasing annually until the rate levels out at 5% for year 2009 and thereafter. The health care cost trend has a significant effect on the projected benefit obligation. Increasing the rate by 1% each year would have increased the present value of the accumulated projected benefit obligation by \$895,609 and \$1,743,546 for 2004 and 2003 respectively, and the aggregate of the service and interest cost components by \$66,061 and \$124,987 for 2004 and 2003 respectively.

## **Components of net periodic benefit cost:**

	2004	2003
Service Cost	36,808	102,014
Interest Cost	954,000	835,668
Expected Return on plan assets	(319,839)	(359,231)
Amortization of transition amount	292,727	292,727
Amortization of prior service cost	0	0
Recognized net actuarial (gain) loss	677,086	222,105
Net periodic post-retirement benefit cost	<u>1,640,782</u>	<u>1,093,283</u>

## **(7) Long Term Debt**

Long-term debt at December 31, 2004 and 2003 is represented by:

	2004	2003
Notes Issued by ILA and Partially Assigned to MGU		
7.00% Series due July 15, 2004	0	19,564,000
6.875% Series due October 1, 2004	0	11,473,039
9.03% Series due December 1, 2005	4,592,462	4,592,462
6.70% Series due October 15, 2006	8,590,000	8,590,000
7.625% Series due November 15, 2009	30,200,000	30,200,000
9.95% Series due February 1, 2011	1,926,961	1,926,961
14.875% Series due July 1, 2012	31,037,039	0
8.27% Series due November 15, 2021	2,191,038	2,191,038
8.00% Series due March 01, 2023	8,107,000	8,107,000
	<u>86,644,500</u>	<u>86,644,500</u>
Deduct portion due within one year	4,592,462	31,037,039
	<u>82,052,038</u>	<u>55,607,461</u>

The amount of Long Term Debt maturing through 2009 is as follows:

	Maturing Amounts
2005	4,592,462
2006	8,590,000
2007	0
2008	0
2009	30,200,000
Thereafter	43,262,038
Total	<u>86,644,500</u>

Statement of Financial Accounting Standards No. 107 (SFAS 107), "Disclosures about Fair Value of Financial Instruments," requires disclosure of the fair value of all financial instruments. The fair value of long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered for instruments of the same remaining maturities. At December 31, 2004, MGU had long-term debt in the amount of \$86,644,500. The fair value at December 31, 2004 was \$100,996,804.

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**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(8) Income Taxes**

MGU follows the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." SFAS 109 requires that deferred tax liabilities be established for income tax benefits associated with temporary differences (principally depreciation) previously passed through to ratepayers. As it is anticipated that such deferred tax liabilities will be collected in rates from customers, a regulatory asset was established in accordance with SFAS 71. Similarly, a regulatory liability was established for reductions in deferred tax liabilities which resulted from the adoption of SFAS 109. MGU's SFAS 109 regulatory assets were \$611,000 at both December 31, 2004 and December 31, 2003. Liabilities were \$772,084 and \$2,712,000 at December 31, 2004 and December 31, 2003 respectively.

Income tax expense consists of the following components:

<u>Dollars in Thousands</u>	2004	2003
Currently Payable	2,992	4,038
Deferred:		
Depreciation	(382)	350
Contributions in aid on construction	(485)	(1,085)
Regulatory expense	(46)	(45)
Pension expense	466	(289)
Post-Retirement Benefits	0	75
SBT Over/Under Accrual	159	
Removal Costs	(90)	
Other	881	2,406
Investment Tax Credit Amortization	(206)	(206)
Total Income Tax Expense	3,289	5,244
Tax effect of other income items	(6)	(264)
Total Income Tax Expense	3,283	4,980

The principle components of MGU's deferred tax asset and liability consist of the following:

<u>Dollars in Thousands</u>	2004	2003
Deferred Tax Asset		
Plant Differences	0	0
Other	12,728	15,705
Total	12,728	15,705
Deferred Tax Liability		
Plant Differences	30,667	29,224
Other	8,872	10,117
Total	39,539	39,341
Unamortized Investment Tax Credits	1,228	1,434

MGU's effective income tax rates differed from the statutory federal income tax primarily due to the following:

	2004	2003
Statutory Federal Income Tax Rate	35.0%	35.0%
Tax effect of:		
Investment tax credit amortization	(2.4)	(1.5)
Amortization of acquisition adjustment	4.7	3.0
Other	1.1	0.2
Effective Federal Income Tax Rate	38.4%	36.7%

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## NOTES TO FINANCIAL STATEMENTS (Continued)

### (9) Regulatory Assets

Federal, state, or local authorities regulate certain of MGU utility operations. The financial statements therefore include the economic effects of rate regulation in accordance with SFAS No. 71.

The following table lists our regulatory assets:

	2004	2003
Regulatory Assets:		
Deferred Environmental Costs	5,049,273	5,742,925
Income Taxes (SFAS 109)	611,000	611,000
Other	185,357	314,516
Total Regulatory Assets	5,845,630	6,668,441

Regulatory assets are either currently being collected in rates or are expected to be collected through rates in a future period, as described below:

- Environmental costs include certain site clean-up costs that are deferred and expected to be collected from customers in periods when authorized by regulatory authorities. A return is not earned on these items.
- Income taxes represent amounts of accelerated tax benefits previously flowed through to customers and expected to be collected from customers over the remaining life of the utility plant as accelerated tax benefits reverse. A return is not earned on these items.
- Other primarily consists of costs related to regulatory proceedings for recovery in future periods. A return is not earned on these items.

### (10) Quarterly Financial Information (Unaudited)

Quarterly results of operations are summarized as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
2004				
Operating Revenue . . . . .	90,402,222	30,265,808	18,335,082	66,869,584
Operating Income . . . . .	8,753,295	485,446	(225,998)	4,057,058
Net Income (Loss) . . . . .	6,785,412	(883,950)	(2,776,845)	2,146,963
2003				
Operating Revenue . . . . .	93,608,380	29,364,203	19,465,251	57,554,236
Operating Income . . . . .	11,039,111	850,181	154,190	5,321,504
Net Income (Loss) . . . . .	8,191,617	(946,510)	(1,631,373)	2,978,387

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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)	278,518,286		
4	Property Under Capital Leases	0		
5	Plant Purchased or Sold	0		
6	Completed Construction not Classified	1,388,886		
7	Experimental Plant Unclassified	0		
8	TOTAL (Enter Total of lines 3 thru 7)	279,907,172		
9	Leased to Others	0		
10	Held for Future Use	0		
11	Construction Work in Progress	1,468,940		
12	Acquisition Adjustments	34,546,115		
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	315,922,227		
14	Accum. Prov. for Depr., Amort., & Depl.	151,208,054		
15	Net Utility Plant (Enter Total of line 13 less 14)	164,714,173		
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
17	In Service:			
18	Depreciation	131,165,117		
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	2,098,150		
22	TOTAL In Service (Enter Total of lines 18 thru 21)	133,263,267		
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	0		
29	Amortization	0		
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)	0		
31	Abandonment of Leases (Natural Gas)	0		
32	Amort. of Plant Acquisition Adj.	17,944,787		
33	TOTAL Accumulated provisions (Should agree with line 14 above) (Enter Total of lines 22, 26, 30, 31, and 32)	151,208,054		

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION					
Gas <i>(d)</i>	Other (Specify) <i>(e)</i>	Other (Specify) <i>(f)</i>	Other (Specify) <i>(g)</i>	Common <i>(h)</i>	Line No.
					1
					2
278,518,286					3
0					4
0					5
1,388,886					6
0					7
279,907,172					8
0					9
0					10
1,468,940					11
34,546,115					12
315,922,227					13
151,208,054					14
164,714,173					15
					16
					17
131,165,117					18
0					19
0					20
2,098,150					21
133,263,267					22
					23
0					24
0					25
0					26
					27
0					28
0					29
0					30
0					31
17,944,787					32
151,208,054					33

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)**

- |   |   |
|---|---|
| <p>1. Report below the original cost of gas plant in service according to the prescribed accounts.</p> <p>2. In addition to Acct 101, Gas Plant in Service (Classified), this schedule includes Account 102, Gas Plant Purchased or Sold; Acct 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified - Gas.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such amounts.</p> <p>5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries</p> | <p>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.</p> <p>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 amounts.</p> |
|---|---|

Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1		1. Intangible Plant		
2	301	Organization	0	
3	302	Franchises and Consents	22,656	
4	303	Miscellaneous Intangible Plant	0	
5		TOTAL Intangible Plant	22,656	0
6		2. Production Plant		
7		Manufactured Gas Production Plant		
8	304.1	Land	0	
9	304.2	Land Rights	0	
10	305	Structures and Improvements	0	
11	306	Boiler Plant Equipment	0	
12	307	Other Power Equipment	0	
13	308	Coke Ovens	0	
14	309	Producer Gas Equipment	0	
15	310	Water Gas Generating Equipment	0	
16	311	Liquefied Petroleum Gas Equipment	0	
17	312	Oil Gas Generating Equipment	0	
18	313	Generating Equipment-Other Processes	0	
19	314	Coal, Coke and Ash Handling Equipment	0	
20	315	Catalytic Cracking Equipment	0	
21	316	Other Reforming Equipment	0	
22	317	Purification Equipment	0	
23	318	Residual Refining Equipment	0	
24	319	Gas Mixing Equipment	0	
25	320	Other Equipment	0	
26		TOTAL Manufactured Gas Production Plant	0	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report	Year of Report Dec. 31, 2004
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**GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)**

Careful observation 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 classification.

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
			0	301	2
			22,656	302	3
			0	303	4
0	0	0	22,656		5
					6
					7
			0	304.1	8
			0	304.2	9
			0	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	0		26

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 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	0	
29	325.2	Producing Leaseholds	0	
30	325.3	Gas Rights	0	
31	325.4	Rights-of-Way	0	
32	325.5	Other Land	35,093	
33	325.6	Other Land Rights	0	
34	326	Gas Well Structures	0	
35	327	Field Compressor Station Structures	0	
36	328	Field Measuring and Regulating Station Structures	0	
37	329	Other Structures	51,679	
38	330	Producing Gas Wells-Well Construction	0	
39	331	Producing Gas Wells-Well Equipment	5,149	
40	332	Field Lines	41,943	
41	333	Field Compressor Station Equipment	115,824	
42	334	Field Measuring and Regulating Station Equipment	2,051	
43	335	Drilling and Cleaning Equipment	0	
44	336	Purification Equipment	22,055	
45	337	Other Equipment	9,961	
46	338	Unsuccessful Exploration & Development Costs	0	
47		TOTAL Production and Gathering Plant	283,755	0
48		Products Extraction Plant		
49	340.1	Land	0	
50	340.2	Land Rights	0	
51	341	Structures and Improvements	0	
52	342	Extraction and Refining Equipment	0	
53	343	Pipe Lines	0	
54	344	Extracted Products Storage Equipment	0	
55	345	Compressor Equipment	0	
56	346	Gas Measuring and Regulating Equipment	0	
57	347	Other Equipment	0	
58		TOTAL Products Extraction Plant	0	0
59		TOTAL Natural Gas Production Plant	283,755	0
60		SNG Production Plant (Submit Supplemental Statement)	0	
61		TOTAL Production Plant	283,755	0
62		3. Natural Gas Storage and Processing Plant		
63		Underground Storage Plant		
64	350.1	Land	8,312	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 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		
			35,093	325.5	32		
			0	325.6	33		
			0	326	34		
			0	327	35		
			0	328	36		
			51,679	329	37		
			0	330	38		
			5,149	331	39		
			41,943	332	40		
			115,824	333	41		
			2,051	334	42		
			0	335	43		
			22,055	336	44		
			9,961	337	45		
			0	338	46		
0	0	0	283,755		47		
					48		
			0	340.1	49		
			0	340.2	50		
			0	341	51		
			0	342	52		
			0	343	53		
			0	344	54		
			0	345	55		
			0	346	56		
			0	347	57		
0	0	0	0		58		
0	0	0	283,755		59		
			0		60		
0	0	0	283,755		61		
					62		
					63		
			8,312	350.1	64		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
65	350.2	Rights-of-Way	2,455	
66	351	Structures and Improvements	276,491	
67	352	Wells	2,470,587	
68	352.1	Storage Leaseholds and Rights	1,666,933	
69	352.2	Reservoirs	95,267	
70	352.3	Non-recoverable Natural Gas	4,840,502	
71	353	Lines	897,299	
72	354	Compressor Station Equipment	1,589,750	74,952
73	355	Measuring and Regulating Equipment	673,287	
74	356	Purification Equipment	575,216	3,354
75	357	Other Equipment	18,594	
76	358	Gas in Underground Storage-Noncurrent	0	
77		TOTAL Underground Storage-Noncurrent	13,114,693	78,306
78		Other Storage Plant		
79	360.1	Land	0	
80	360.2	Land Rights	0	
81	361	Structures and Improvements	0	
82	362	Gas Holders	0	
83	363	Purification Equipment	0	
84	363.1	Liquefaction Equipment	0	
85	363.2	Vaporizing Equipment	0	
86	363.3	Compressor Equipment	0	
87	363.4	Measuring and Regulating Equipment	0	
88	363.5	Other Equipment	0	
89		TOTAL Other Storage Plant	0	0
90		Base Load Liquefied NG Terminating and Processing Plant		
91	364.1	Land	0	
92	364.1a	Land Rights	0	
93	364.2	Structures and Improvements	0	
94	364.3	LNG Processing Terminal Equipment	0	
95	364.4	LNG Transportation Equipment	0	
96	364.5	Measuring and Regulating Equipment	0	
97	364.6	Compressor Station Equipment	0	
98	364.7	Communication Equipment	0	
99	364.8	Other Equipment	0	
100		TOTAL Base Load LNG Terminating and Processing Plant	0	0
101				
102		TOTAL Natural Gas Storage and Processing Plant	13,114,693	78,306

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
			2,455	350.2	65
			276,491	351	66
			2,470,587	352	67
			1,666,933	352.1	68
			95,267	352.2	69
			4,840,502	352.3	70
			897,299	353	71
22,248			1,642,454	354	72
			673,287	355	73
			578,570	356	74
			18,594	357	75
			0	358	76
22,248	0	0	13,170,751		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
22,248	0	0	13,170,751		102

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
103		4. Transmission Plant		
104	365.1	Land	50,782	
105	365.2	Land Rights	726,824	
106	365.3	Rights-of-Way	0	
107	366	Structures and Improvements	78,258	
108	367	Mains	28,549,804	10,427
109	368	Compressor Station Equipment	0	
110	369	Measuring and Regulating Station Equipment	4,724,319	7,778
111	370	Communication Equipment	0	
112	371	Other Equipment	0	
113		TOTAL Transmission Plant	34,129,987	18,205
114		5. Distribution Plant		
115	374.1	Land	72,127	
116	374.2	Land Rights	16,716	
117	375	Structures and Improvements	305,659	9,234
118	376	Mains	91,582,902	3,096,825
119	377	Compressor Station Equipment	763	9,234
120	378	Measuring and Regulating Station Equip.-General	5,102,138	319,205
121	379	Measuring and Regulating Station Equip.-City Gate	7,247	
122	380	Services	46,170,117	2,126,670
123	381	Meters	13,264,305	515,019
124	382	Meter Installations	8,000,209	(42)
125	383	House Regulators	11,463,761	981,816
126	384	House Regulator Installations	0	
127	385	Industrial Measuring and Regulating Station Equip.	5,956,752	225,679
128	386	Other Property on Customer's Premises	0	
129	387	Other Equipment	2,962	130,872
130		TOTAL Distribution Plant	181,945,658	7,414,512
131		6. General Plant		
132	389.1	Land	1,268,106	(234)
133	389.2	Land Rights	0	
134	390	Structures and Improvements	14,914,217	1,079
135	391	Office Furniture and Equipment	18,623,311	294,801
136	391.1	Computers and Computer Related Equipment	0	
137	392	Transportation Equipment	1,781	
138	393	Stores Equipment	20,419	
139	394	Tools, Shop and Garage Equipment	2,119,132	17,232
140	395	Laboratory Equipment	88,264	17,128

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
					103
			50,782	365.1	104
			726,824	365.2	105
			0	365.3	106
			78,258	366	107
175			28,560,056	367	108
			0	368	109
			4,732,097	369	110
			0	370	111
			0	371	112
175	0	0	34,148,017		113
					114
5,000			67,127	374.1	115
			16,716	374.2	116
			314,893	375	117
94,097	157,077		94,742,707	376	118
			9,997	377	119
16,410	7,589		5,412,522	378	120
			7,247	379	121
75,769	91,462		48,312,480	380	122
152,698	24,182		13,650,808	381	123
			8,000,167	382	124
67,707	50,141		12,428,011	383	125
			0	384	126
	8,285		6,190,716	385	127
			0	386	128
			133,834	387	129
411,681	338,736	0	189,287,225		130
					131
	5,596		1,273,468	389.1	132
			0	389.2	133
	594,372		15,509,668	390	134
	769,854		19,687,966	391	135
			0	391.1	136
	(1,781)		0	392	137
			20,419	393	138
	4,287		2,140,651	394	139
	517		105,909	395	140

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
141	396	Power Operated Equipment	1,183,411	
142	397	Communication Equipment	3,048,126	12,530
143	398	Miscellaneous Equipment	41,591	
144		SUBTOTAL (Lines 132 thru 143)	41,308,358	342,536
145	399	Other Tangible Property	0	
146		TOTAL General Plant	41,308,358	342,536
147		TOTAL (Accounts 101 and 106)	270,805,107	7,853,559
148	101.1	Property Under Capital Leases	0	
149	102	Gas Plant Purchased (See Instruction 8)	0	
150	(Less) 102	Gas Plant Sold (See Instruction 8)	0	
151	103	Experimental Gas Plant Unclassified	0	
152		TOTAL GAS PLANT IN SERVICE	270,805,107	7,853,559

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
55,552			1,127,859	396	141
	21,227		3,081,883	397	142
	5,354		46,945	398	143
55,552	1,399,426	0	42,994,768		144
			0	399	145
55,552	1,399,426	0	42,994,768		146
489,656	1,738,162	0	279,907,172		147
			0	101.1	148
			0	102	149
			0	(Less) 102	150
			0	103	151
489,656	1,738,162	0	279,907,172		152

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo. Da, Yr)	Year of Report Dec. 31, 2004
CONSTRUCTION WORK IN PROGRESS -- GAS (Account 107)				
<p>1. Report below descriptions and balances at end of year of projects in process of construction (107).      Development, and Demonstration (See Account 107 of the Uniform System of Accounts).</p> <p>2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,      3. Minor projects (less than \$500,000) may be grouped.</p>				
Line No.	Description of Project (a)	Construction Work in Progress - Gas (Account 107) (b)	Additional Cost of Project (c)	
1				
2	Replace computer hardware and software	609,300		
3				
4	Minor projects	859,640		
5				
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43	TOTAL	1,468,940	0	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.

2. On page 218 furnish information concerning construction overheads.

3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page

218 the accounting procedures employed and the amounts of engineering, supervision and administrative costs, etc., which are directly charged to construction.

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 prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Administrative and General Expense	161,439	
2	Allowance for Funds Used During Construction	43,217	
3	Employee Pension and Benefits Capitalized	586,055	
4	Construction Overhead Clearing - Field Engineering	1,278,028	
5			
6			
7	Total Cost of Construction (exclusive of overhead charges)		4,815,000
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46	TOTAL	2,068,739	4,815,000

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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### GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE

1. For each construction overhead explain: (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, in accordance with the provisions of Gas Plant Instructions 3 (17) of the U.S. of A.

3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

#### Administrative and General Transferred Credit

1. (a) Overheads capitalized consists of administrative, engineering, and clerical salaries and related expenses charged to Accounts 920 an 921, Administrative and General Expenses, property taxes and an applicable portion of the injuries and damages insurance, which are incurred in connection with construction matters.
- (b) The amount charged to construction work in progress is based on a study made to determine the portion of such expenses properly charged to construction.
- (c) Overheads are charged directly to individual work orders. A monthly overhead distribution is made to each individual work order on the basis of current charges to the total of all individual work order current charges.
- (d) Generally, there is no difference made in percentages for different types of construction.
- (e) Overheads are indirectly assigned.

#### Employees' Pensions and Benefits Capitalized

- (f) Employees' Pensions and Benefits Capitalized is based on direct charges to construction payroll. Such amount is distributed monthly to construction work orders on the basis of total direct construction payroll charges during the month. The total charges incurred for pensions and benefits are distributed over total company payroll.

#### Construction Overhead - Personnel

- (g) Total charges to this account represent payroll, personal expenses, and transportation expenses incurred by personnel, other than regular construction crews in connection with construction activities, which for practical reasons are not chargeable direct to a specific construction work order. The total charges for each month are distributed to construction work orders on the basis of total direct company payroll charges and contract labor charges during the month.

Name of Respondent Aquila, Inc. d/b/a Michigan Gas Utilities		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004	
ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (Account 108 & 110)					
<p>1. Explain in a footnote any important adjustments during year.</p> <p>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 204-209, column (d), excluding retirements of non-depreciable property.</p> <p>3. The provisions of Account 108 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.</p> <p>4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.</p>					
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	123,023,216	123,023,216		
2	Depreciation Prov. for Year, Charged to				
3	(403) Depreciation Expense	8,580,548	8,580,548		
4	(403.1) Deprec. and Depletion Exp.	0			
5	(413) Exp. of Gas Plt Leased to Others	0			
6	Transportation Expenses - Clearing	68,453	68,453		
7	Other Clearing Accounts	0			
8	Other Accounts (Specify):				
9		0			
10	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 9)	8,649,001	8,649,001		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	484,656	484,656		
13	Cost of Removal	299,370	299,370		
14	Salvage (Credit)	(12,876)	(12,876)		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Enter Total of lines 12 thru 14)	771,150	771,150		
16	Other Debit or Credit Items (Describe):				
17	Transfers/adjustments/allocation changes	264,050	264,050		
18		0			
19	Balance End of Year (Enter Totals of lines 1, 10, 15 & 16)	131,165,117	131,165,117		
Section B. Balances at End of Year According to Functional Classifications					
20	Production- Manufactured Gas	0			
21	Production and Gathering - Natural Gas	165,830	165,830		
22	Products Extraction - Natural Gas	0			
23	Underground Gas Storage	3,731,387	3,731,387		
24	Other Storage Plant	0			
25	Base Load LNG Terminating & Proc. Plant	0			
26	Transmission	20,175,944	20,175,944		
27	Distribution	92,617,493	92,617,493		
28	General	14,474,463	14,474,463		
29	TOTAL (Enter Total of lines 20 thru 28)	131,165,117	131,165,117		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004			
<b>GAS STORED (ACCOUNT 117, 164.1, 164.2 AND 164.3)</b>						
<p>1. If during the year adjustment was made to the stored gas inventory (such as to correct cumulative inaccuracies of gas measurements), furnish in a footnote an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment, and account charged or credited.</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 of withdrawals upon "base stock", or restoration of previous encroachment, including brief particulars of any such accounting 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 (a)	Noncurrent (Account 117) (b)	Current (Account 164.1) (c)	LNG (Account 164.2) (d)	LNG (Account 164.3) (e)	Total (f)
1	Balance at Beginning of Year		27,230,708			27,230,708
2	Gas Delivered to Storage (contra Account)		39,990,518			39,990,518
3	Gas Withdrawn from Storage (contra Account)		30,884,060			30,884,060
4	Other Debits or Credits (Net)		318,461			318,461
5	Balance at End of Year		36,655,627			36,655,627
6	Mcf		6,147,498			6,147,498
7	Amount Per Mcf		5.96			5.96
8	State basis of segregation of inventory between current and noncurrent portions:					

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### 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 dis-

tinct 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 & 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	Land costs of a 40 acre parcel of land in Calhoun County,	15,480	0	15,480
2	Michigan associated with Campbell storage field. Pursuant			
3	to the Order issued in rate case U-9781, by the Michigan			
4	Public Service Commission on April 30, 1991, MGU			
5	transferred the cost of the land to account 121 "Non-Utility			
6	Property".			
7				
8	Office Furniture	2,766	0	2,766
9				
10				
11	Allocated Common Corporate Shared Assets	0	0	0
12				
13				
14				
15				
16				
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25	TOTAL	18,246	0	18,246

### 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	0
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts ( <i>Specify</i> ): Account 417	
6	Account 416	
7	TOTAL Accruals for Year ( <i>Enter Total of lines 3 thru 6</i> )	0
8	Net Charges for Plant Retired	
9	Book Cost of Plant Retired	0
10	Cost of Removal	
11	Salvage (Credit)	0
12	TOTAL Net Charges ( <i>Enter Total of lines 9 thru 11</i> )	0
13	Other Debit or Credit items ( <i>Describe</i> ):	
14	Misc Transfers from UCU and common shared corporate assets allocations	0
15	Balance, End of Year ( <i>Enter Total of lines 1, 7, 12, and 14</i> )	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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### 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 cancelled, 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 payment amount. Give a concise explanation of circumstances causing forfeiture or other disposition of the prepayment.

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	Various		(2,030)	(3,168)
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42	TOTAL		(2,030)	(3,168)

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**GAS PREPAYMENTS UNDER PURCHASE AGREEMENTS (Continued)**

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

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

BALANCE END OF YEAR		PREPAYMENTS IN CURRENT YEAR			Make-up Period expiration date	Line No.
Mcf (14.73 psia at 60 F) (e)	Amount (f)	Cents per Mcf (g)	Mcf (14.73 psia at 60 F) (h)	Percent of Year's required take (i)		
-	-	0.00	-			1
						2
						3
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-	-		-			42

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>NOTES AND ACCOUNTS RECEIVABLE SUMMARY FOR BALANCE SHEET</b>			
Show separately by footnote the total amount of notes and accounts receivable from directors, officers, and employees		included in Notes Receivable (Account 141) 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)	15,246,435	17,422,237
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	2,146,823	2,176,994
4	<b>TOTAL</b>	<b>17,393,258</b>	<b>19,599,231</b>
5	Less: Accumulated Provision for Uncollectible Accounts - Cr. (Account 144)	(305,340)	(476,499)
6	<b>TOTAL, Less Accumulated Provision for Uncollectible Accounts</b>	<b>17,087,918</b>	<b>19,122,732</b>
7			
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<b>ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS - CR. (Account 144)</b>						
1. Report below the information called for concerning this accumulated provision. 2. Explain any important adjustments of 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	284,548	20,792	-	-	305,340
2	Prov. for uncollectibles for current year	2,141,419	5,001	-	-	2,146,420
3	Accounts written off	(1,952,556)	(22,705)	-	-	(1,975,261)
4	Coll. of accounts written off	-	-	-	-	-
5	Adjustments (explain):	-	-	-	-	-
6	Balance end of Year	473,411	3,088	-	-	476,499
7						
8						
9						
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11						

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### MATERIALS 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 expense, 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)	Department or Departments Which Use Material (d)
1	Fuel Stock (Account 151)	-	-	
2	Fuel Stock Expenses Undistributed (Account 152)	-	25	
3	Residuals and Extracted Products (Account 153)	-	-	
4	Plant Materials and Operating Supplies (Account 154)	-	-	
5	Assigned to - Construction (Estimated)	245,220	285,902	Gas Operations
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	32	27	Gas Operations
8	Transmission Plant (Estimated)	3,857	3,219	Gas Operations
9	Distribution Plant (Estimated)	20,563	17,844	Gas Operations
10	Assigned to - Other	-	-	Miscellaneous
11	TOTAL Account 154 <i>(Enter Total of lines 5 thru 10)</i>	269,672	306,992	
12	Merchandise (Account 155)	-	-	Gas Operations
13	Other Materials and Supplies (Account 156)	-	-	Gas Operations
14	Nuclear Materials Held for Sale (Account 157)			
	<i>(Not applicable to Gas Utilities)</i>			
15	Stores Expense Undistributed (Account 163)			
16	Electric	-	-	
17	Gas	158,858	228,615	Gas Operations
18	Other	-	-	
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	428,530	535,632	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
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					185,701	
2	Prepaid Rents					-	
3	Prepaid Taxes					-	
4	Prepaid Pension					11,841,913	
5	Gas Prepayments					-	
6	Miscellaneous Prepayments:					11,222	
7	TOTAL					12,038,836	
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	
				Account Charged (d)	Amount (e)	(f)	
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9	TOTAL					0	
UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)							
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)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year	
				Account Charged (d)	Amount (e)	(f)	
10	NONE						
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30	TOTAL					0	

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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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**OTHER REGULATORY ASSETS (Account 182.3)**

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

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS		Balance at End of Year (e)
			Account Charged (c)	Amount (d)	
1	Michigan Rate Case				
2	(03/03 - 02/06 amort period)		928	131,232	\$ 164,041
3					
4	Deferred Environmental Costs	727,869	various	1,421,521	\$ 5,049,273
5					
6	FAS 109				\$ 611,000
7					
8	Asset Retirement Obligations-FAS 143	2,073	904		\$ 21,316
9					
10					
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44	TOTAL	\$ 729,942		\$ 1,552,753	\$ 5,845,630

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU		This Report is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
OTHER 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 (a)	Balance at Beginning of Year (b)	Debits ©	CREDITS		Balance at End of Year (f)	
				Account Charged (d)	Amount (e)		
1	Transition Obligation - FAS 106	\$ 279,543		926	\$ 31,068	\$ 248,475	
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46							
47	Misc Work in Progress					\$0	
48	DEFERRED REGULATORY COMM. EXPENSES (SEE PAGES 350-351)						
49	TOTAL	\$ 279,543	\$ -		\$ 31,068	\$ 248,475	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**ACCUMULATED DEFERRED INCOME TAXES (Account 190)**

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.      2. For 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				
6				
7	Other			
8	TOTAL Electric <i>(Enter Total of lines 2 thru 7)</i>			
9	Gas			
10	Accumulated Deferred Income Taxes	15,705,175	0	310,022
11				
12				
13				
14				
15	Other			
16	TOTAL Gas <i>(Enter Total of lines 10 thru 15)</i>	15,705,175	0	310,022
17	Other (Specify)			
18	TOTAL(Account 190 <i>(Enter Total of lines 8, 16 &amp; 17)</i> )	15,705,175	0	310,022
19	Classification of Total:			
20	Federal Income Tax	15,705,175	0	310,022
21	State Income Tax	0	0	0
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 Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)							
3. If more space is needed, use separate pages as required.				and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.			
4. In the space provided below, identify by amount							
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
							5
							6
							7
							8
							9
0	0		0	411/253/282	3,286,938	12,728,259	10
							11
							12
							13
							14
							15
0	0		0	411/253/282	3,286,938	12,728,259	16
							17
0	0		0	411/253/282	3,286,938	12,728,259	18
							19
0	0		0	411/253/282	3,286,938	12,728,259	20
0	0		0		0	0	21
							22
NOTES (Continued)							

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**OTHER PAID-IN CAPITAL (Accounts 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 of stock to which related.

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

Line No.	Item (a)	Amount (b)
1		
2	<u>Account 211 - Division Equity</u>	
3		
4	Balance Beginning of Year	\$ 85,260,049
5		
6	Net Income	5,271,580
7		
8		
9		
10		
11	Dividends Accrued:	
12	March 31, 2004	1,047,748
13	June 30, 2004	1,047,748
14	September 30, 2004	1,047,748
15	December 31, 2004	1,047,748
16	Total Dividends Accrued	4,190,992
17		
18		
19		
20	Parent Company Infusion of Division Equity	0
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40	TOTAL	\$ 86,340,637

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**SECURITIES ISSUED OR ASSUMED AND  
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

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

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

3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate,

nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give reference to the Commission authorization for the different accounting and state the accounting method.

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

Securities Assumed During the Year

UtiliCorp Assumed Long Term Debt

11.875% Series Due 2012

\$ 31,037,039

-

-

-

Total Increase to Long Term Debt

\$ 31,037,039

Securities Retired During the Year

UtiliCorp Assigned Long Term Debt

6.875% Note Due 2004

\$ 11,473,039

7% Note Due 2004

19,564,000

Total Retirements on Assigned Long Term Debt

\$ 31,037,039

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
LONG-TERM DEBT (Accounts 221, 222, 223, AND 224)					
<p>1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, <i>Bonds</i>, 222, <i>Reacquired Bonds</i>, 223, <i>Advances from Associated Companies</i>, and 224, <i>Other Long-Term Debt</i>. If information to meet the stock exchange reporting requirement outlined in column (a) is available from 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. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.</p> <p>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.</p> <p>4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p>		
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					
2	7.0% Note Due 2004 - Aquila Assigned	07/15/99	07/15/04	-	
3					
4	6.875% Note Due 2004 - Aquila Assigned	10/07/97	10/01/04	-	
5					
6	9.03% Note Due 2005 - Aquila Assigned	03/31/99	12/01/05	4,592,462	
7					
8	6.7% Note Due 2006 - Aquila Assigned	10/15/96	10/15/06	8,590,000	
9					
10	7.625% Note Due 2009 - Aquila Assigned	11/15/99	11/15/09	30,200,000	
11					
12	7.95% (downgrade 9.95%) Note Due 2011 - Aquila Assigned	02/01/01	02/01/11	1,926,961	
13					
14	8.27% Note Due 2021 - Aquila Assigned	03/31/99	11/15/21	2,191,038	
15					
16	8.0% Note due 2023 - Aquila Assigned	03/01/93	03/01/23	8,107,000	
17					
18	11.875% (downgrade 14.875%) Note Due 2012 - Aquila Assigned	07/03/02	07/01/12	11,473,039	
19					
20	11.875% (downgrade 14.875%) Note Due 2012 - Aquila Assigned	07/03/02	07/01/12	19,564,000	
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31	Sub Total			86,644,500	
32					
33	Less: Current Maturities			(4,592,462)	
34					
35					
36					
37					
38	TOTAL			82,052,038	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
LONG-TERM DEBT (Accounts 221, 222, 223, AND 224)(Continued)					
<p>5. In a supplemental statement, give explanatory particulars (details) for Accounts 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 have been nominally issued and are nominally</p>			<p>outstanding at end of year, describe such securities in a footnote.</p> <p>8. If interest expense was incurred during the year on any obligations 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, <i>Interest on Long-Term Debt</i> and Account 430, <i>Interest on Debt to Associated Companies</i>.</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 (i)	Line No.
Rate (in %)  (e)	Amount  (f)	Reacquired Bonds (Acct. 222)  (g)	Sinking and Other Funds  (h)		
7.039%	690,797				1
6.929%	596,223				2
					3
9.312%	427,644				4
					5
6.745%	579,396				6
					7
7.742%	2,338,080				8
					9
8.010%	154,344				10
					11
8.502%	186,276				12
					13
8.129%	659,016				14
					15
5.35%	153,453				16
					17
6.05%	593,861				18
					19
					20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33
					34
					35
					36
					37
	6,379,090				38

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**PAYABLES TO ASSOCIATED COMPANIES\* (Accounts 233, 234)**

- |   |  |
|---|--|
| <p>1. Report particulars of notes and accounts payable to associated companies at end of year.</p> <p>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.</p> <p>3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.</p> | <p>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.</p> <p>5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.</p> <p align="center">* See definition on page 226B</p> |
|---|--|

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	<u>A/C 233</u>					
2	Aquila, Inc.	36,180,535	326,766,282	320,699,370	30,113,623	338,294
3						
4						
5	<u>A/C 234</u>					
6	Gas Supply Services	19,684,518	317,424,446	315,358,463	17,618,535	-
7						
8	Peoples Natural Gas	(5,791)	258,018	241,938	(21,871)	-
9						
10	UtiliCorp Energy Delivery	(7,434,996)	12,298,152	20,132,389	399,241	-
11						
12	Missouri Public Service	(265)	13,759	13,064	(960)	-
13						
14	Aquila, Inc.	2,487,412	49,203,366	50,286,616	3,570,662	-
15						
16	West Plains	2,046	10,484	8,992	554	-
17						
18	SJG - St Joe	-	1,628	1,628	-	-
19						
20		-	-	-	-	-
21						
22		-	-	-	-	-
23						
24		-	-	-	-	-
25						
26						
27						
28	TOTAL A/C 234	14,732,924	379,209,853	386,043,090	21,566,161	-
29						
30						
31						
32	TOTAL	50,913,459	705,976,135	706,742,460	51,679,784	338,294

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES</b>				
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 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 which 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, assignment, or sharing of the consolidated tax among the group members.		
Line No.	Particulars (Details) (a)		Amount (b)	
1	Net Income for the Year (Page 117)		\$5,271,580	
2	Reconciling items for the Year:			
3				
4	Provisions for Deferred Taxes (Total) & Current Federal Income Tax		3,489,583	
5	Investment Tax Credit		(206,200)	
6				
7	Deductions Recorded on Books Not Deducted for Return:			
8	Contributions in Aid of Construction		1,384,712	
9	Amortization of Acquisition Premium		1,151,537	
10	Nondeductible Club Dues		59,646	
11	Removal Costs		256,808	
12	Book Depreciation Over Tax Depreciation		1,092,349	
13	Gain on Disposition of Assets & Gain on Sale of Storage Fields		17,778	
14	50% Meals & Entertainment		31,358	
15	Deferred Rate Case Expenses		131,232	
16	Other Miscellaneous		5,347	
17				
18				
19				
20				
21				
22				
23	Deductions on Return Not Charged Against Book Income			
24	Pension Expense		(1,331,336)	
25	Employee Incentive Expenses		(42,935)	
26	SBT Over/Under Accrual		(456,000)	
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
38				
39				
40	Federal Tax Net Income		\$10,855,459	
41	Show Computation of Tax:			
42	Federal Tax @ 35 %		3,799,411	
43	Current Federal - Return to Accrual		(813,803)	
44	Other Federal Adjustments		(1)	
45				
46			2,985,607	
48	Federal Tax Provision:			
49	Page 114, Line 14, Account 409.1		2,991,581	
50	Page 117, Line 47, Account 409.2		(5,974)	
51			2,985,607	
			\$2,985,607	

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**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 the 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

Line. No.	Kind of Tax (See Instruction 5)  (a)	BALANCE AT BEGINNING OF YEAR	
		Taxes Accrued (Account 236)  (b)	Prepaid Taxes (Incl. in Account 165)  (c)
1	INCOME TAXES:		
2	Federal Income	(\$539,835)	
3			
4		0	
5			
6			
7	OTHER TAXES:		
8	Payroll Taxes	0	
9	Single Business Tax	664,306	
10	Sales/Use and City/County	808,031	
11	Ad Valorem	2,287,582	
12	Other	0	
13			
14			
15			
16			
17			
18	<b>TOTAL</b>	<b>\$3,220,084</b>	<b>\$0</b>

**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				
2		2,991,581		(5,974)
3				
4				
5				
6				
7				
8		734,482		5,201
9		253,836		0
10		56,135		0
11		2,891,118		0
12		0		0
13				
14				
15				
16				
17				
18	<b>TOTAL</b>	<b>\$6,927,152</b>		<b>(\$773)</b>

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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**TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)**

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

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

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

7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll

deductions or otherwise pending transmittal of such taxes to the taxing authority.

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

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

Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	BALANCE AT END OF YEAR		Line No.
			Taxes Accrued (Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	
\$2,985,607	\$501,806		1,943,966		1
					2
			0		3
					4
					5
					6
					7
739,683	739,683	0	0		8
253,836	79,466	0	838,676		9
56,135	(21,204)	698	886,068		10
2,891,118	2,904,307	(68,334)	2,206,059		11
0	0	0	0		12
					13
					14
					15
					16
					17
\$6,926,379	\$4,204,058	(\$67,636)	\$5,874,769	\$0	18

**DISTRIBUTION OF TAXES CHARGE (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
			\$0	18

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)**

1. Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in

column (h). Include in column (j) the average period over which the tax credits are amortized.

2. Fill in columns for all line items as appropriate.

Line No.	Account Subdivisions (a)	Subaccount Number (b)	Balance at Beginning of Year (c)	Deferred for Year	
				Account Number (d)	Amount (e)
1	Gas Utility				
2	3%		0		
3	4%		11,750		
4	7%		81,049		
5	8%		392,965		
6	10%		948,086		
7					
8					
9					
10					
11					
12					
13					
14					
15	JDITC				
16					
17					
18					
19					
20	TOTAL		1,433,850		0
21	Other				
22	3%				
23	4%				
24	7%				
25	8%				
26	10%				
27					
28					
29					
30					
31					
32	JDITC				
33					
34					
35	TOTAL				0

NOTES

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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)				
411400	-		-		1
411400	7,673		4,077		2
411400	12,163		68,886		3
411400	38,031		354,934		4
411400	148,333		799,753		5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
	206,200	0	1,227,650		20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33
					34
	0	0	0		35
NOTES (Continued)					

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Date of Report Dec. 31, 2004
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**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 End of Year (b)
1	Accrued Benefits Comp Absences	49,733
2	Accrued Gas Imbalance	2,649,205
3	Accrued Incentive	221,874
4	Accrued Payroll	157,576
5	Miscellaneous	9,936
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	TOTAL	3,088,324

**CUSTOMER ADVANCES FOR CONSTRUCTION (Account 252)**

Line No.	List advances by departments (a)	Balance End of Year (b)
21	Gas	-
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39	TOTAL	-

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**OTHER DEFERRED CREDITS (Account 253)**

1. Report below the particulars (details) called for concerning other deferred credits.

2. For any deferred credit being amortized, show the period of amortization.

3. Minor items (less than \$10,000) may be grouped by classes.

4. For any undelivered gas obligations to customers under take-or-pay clauses of sale agreements, show the total amount on this page and report particulars (details) called for by page 267. Show also on this page, but as a separate item, any advance billings or receipts for gas sales or service classified in Account 253 but not related to take-or-pay arrangements.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Environmental Liability	\$ 4,899,254	182.3 & 186	\$ 574,254	\$ -	\$ 4,325,000
2	FAS 106	(1,164,740)	Various	2,658,600	2,548,692	(1,274,648)
3	FAS 109	2,712,000	196 & 282	1,939,916	-	772,084
4	Over/Unrecovered Gas Cost	584,956	400	7,363,828	7,167,730	388,858
5	Other	9,093	Various	1,031,063	1,083,038	61,068
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						
41						
42						
43						
44						
45						
46						
47	TOTAL	\$7,040,563		\$ 13,567,661	\$ 10,799,460	\$ 4,272,362

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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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 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	Account 282			
2	Electric			
3	Gas	29,224,468	(472,205)	6,222
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	29,224,468	(472,205)	6,222
6	Other (Specify)			
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	29,224,468	(472,205)	6,222
10	Classification of TOTAL			
11	Federal Income Tax	29,224,468	(472,205)	6,222
12	State Income Tax	0	0	0
13	Local Income Tax			

NOTES

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
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. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
		411/190	863,906	410/283/233	2,784,409	30,666,544	3
							4
		411/190	863,906	410/283/233	2,784,409	30,666,544	5
							6
							7
							8
		411/190	863,906	410/283/233	2,784,409	30,666,544	9
							10
		411/190	863,906	410/283/233	2,784,409	30,666,544	11
		411/190	0	410/283/233	0	0	12
							13
NOTES (Continued)							

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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 (Total of lines 2 thru 6)	0	0	0
8	Gas			
9		10,116,546	420,037	0
10				
11				
12				
13	Other			
14	TOTAL Gas (Total of lines 9 thru 13)	10,116,546	420,037	0
15	Other (Specify)			
16	TOTAL (Account 283) (Enter total of lines 7, 14 and 15)	10,116,546	420,037	0
17	Classification of TOTAL			
18	Federal Income Tax	10,116,546	420,037	0
19	State Income Tax	0	0	0
20	Local Income Tax	0	0	0
NOTES				

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)							
3. Provide in the space below, the order authorizing the use of the account for each line 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. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
0	0		0		0	0	7
							8
0	0	282	1,684,025	410	19,475	8,872,033	9
							10
							11
							12
							13
0	0	282	1,684,025	410	19,475	8,872,033	14
							15
0	0	282	1,684,025	410	19,475	8,872,033	16
							17
0	0	282	1,684,025	410	19,475	8,872,033	18
0	0		0		0	0	19
0	0		0		0	0	23
NOTES (Continued)							

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>GAS OPERATING REVENUES (Account 400)</b>				
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 where 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 F. If billings are on a 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		
Line No.	Title of Account (a)	OPERATING REVENUES		
		Amount for Year (b)	Amount for Previous Year (c)	
1	<b>GAS SERVICE REVENUES</b>			
2	480 Residential Sales	136,409,064	132,153,184	
3	481 Commercial & Industrial Sales			
4	Small (or Comm.) (See Instr. 6)	52,768,662	51,754,610	
5	Large (or Ind.) (See Instr. 6)	6,638,091	6,270,645	
6	482 Other Sales to Public Authorities	282,501	551,704	
7	484 Interdepartmental Sales	0	0	
8	TOTAL Sales to Ultimate Consumers	196,098,318	190,730,143	
9	483 Sales for Resale	0	0	
10	TOTAL Nat. Gas Service Revenues	196,098,318	190,730,143	
11	Revenues from Manufactured Gas	0	0	
12	TOTAL Gas Service Revenues	196,098,318	190,730,143	
13	<b>OTHER OPERATING REVENUES</b>			
14	486 Intracompany Transfers	0	0	
15	487 Forfeited Discounts	920,361	761,947	
16	488 Misc. Service Revenues	563,264	(677,485)	
17	489 Rev. from Nat. Gas Proc. by Others	8,260,099	8,864,158	
18	490 Sales of Prod. Ext. from Nat. Gas	0	0	
19	491 Rev. from Nat. Gas Proc. by Others	0	0	
20	492 Incidental Gasoline & Oil Sales	0	0	
21	493 Rent from Gas Property	0	0	
22	494 Interdepartmental Rents	0	0	
23	495 Other Gas Revenues	30,654	58,663	
24	TOTAL Other Operating Revenues	9,774,378	9,007,283	
25	TOTAL Gas Operating Revenues	205,872,696	199,737,426	
26	(Less) 496 Provision for Rate Refunds	0	254,644	
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	205,872,696		
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Cust.)	189,177,726		
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	6,638,091		
30	Sales for Resale	0		
31	Other Sales to Pub. Auth. (Local Dist. Only)	282,501		
32	Interdepartmental Sales	0		
33	TOTAL (Same as Line 10, Columns (b) and (d))	196,098,318		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**GAS OPERATING REVENUES (Account 400) (Continued)**

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf

per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

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

MCF OF NATURAL GAS SOLD		AVG. NO OF NAT. GAS CUSTRS. PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
				1
14,926,501	15,696,359	146,146	144,486	2
				3
6,269,975	6,765,930	13,102	13,082	4
852,846	821,964	63	69	5
33,084	93,670	3	3	6
0	0	0	0	7
22,082,406	23,377,923	159,314	157,640	8
0	0	0	0	9
22,082,406	23,377,923	159,314	157,640	10
<b>NOTES</b>				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
21,196,476				28
852,846				29
0				30
33,084				31
0				32
22,082,406				33

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### RATE AND SALES SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**K. Other Gas Revenues.** 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, commissions on sales or distribution of others' gas (sold under rates filed by such others), management or supervision fees, sale of steam (except where the respondent furnishes steam-heating service) and rentals from leased property on customers' premises.

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

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

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

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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)	A V E R A G E S		
					Mcf* per Customer (e)	Revenue Per Customer (f)	Revenue per Mcf (g)
1	AB. Residential service	146,142	14,926,120	136,405,934	102.13	933.38	9.14
2	A. Residential service	3,916	297,085	2,811,706	75.86	718.00	9.46
3	B. Residential space heating service	142,226	14,629,035	133,594,228	102.86	939.31	9.13
4	CD. Commercial service	12,854	5,771,742	48,737,210	449.02	3,791.60	8.44
5	C. Commercial service, except space heating						
6	D. Commercial space heating	12,854	5,771,742	48,737,210	449.02	3,791.60	8.44
7	E. Industrial service	297	1,347,712	10,606,158	4,537.75	35,710.97	7.87
8	F. Public street & highway lighting	18	3,748	66,515	208.22	3,695.28	17.75
9	G. Other Sales to public authorities	3	33,084	282,501	11,028.00	94,167.00	8.54
10	H. Interdepartmental sales						
11	I. Other Sales						
12	A-I. Total sales to ultimate customers	159,314	22,082,406	196,098,318	138.61	1,230.89	8.88
13	J. Sales to other gas utilities for resale						
14	A-J. TOTAL SALES OF GAS	159,314	22,082,406	196,098,318	138.61	1,230.89	8.88
15	K. Other gas revenues			9,774,378			
16	A-K. TOTAL GAS OPERATING REVENUE	159,314	22,082,406	205,872,696	138.61	1,292.24	N/A**
<p>* Report Mcf on a pressure base of 14.65 psia dry and a temperature base of 60 F. Give two decimals.</p> <p>** Not calculated because Transportation Revenue included in other gas revenue will distort the results.</p>							

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### 625-B. SALES DATA BY RATE SCHEDULES FOR THE YEAR

1. Report below the distribution of customers, sales and revenue for the year by individual rate schedules. (See definitions 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	General & Heating	A & B	146,146	14,926,501	136,409,064
2	General	Heating & Cooling	C, D, E	13,102	6,269,975	52,768,662
3	Optional	Industrial	E	66	885,930	6,920,592
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18	Total Company			159,314	22,082,406	196,098,318

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Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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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	Menasha - Transportation of Gas	Various
3	Point of Receipt - Otsego	
4	Point of Delivery - Otsego	
5	Gas Received from ANR, Delivered to Menasha	
6	IMCO - Transportation of Gas	Various
7	Point of Receipt - Coldwater	
8	Point of Delivery - Coldwater	
9	Gas Received from ANR, Delivered to IMCO	
10	Mac Steel - Transportation of Gas	Various
11	Point of Receipt - Monroe	
12	Point of Delivery - Monroe	
13	Gas Received from ANR, Delivered to Mac Steel	
14	Other - Transportation of Gas, individually less than 1,000,000 Mcf	Various
15	Various point of receipt and delivery	
16	Various companies from which gas was received and to which delivered	
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
<b>TOTAL</b>		

\*(B) Distance transported (in miles) from origin is not available because we buy it delivered and from different suppliers.

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REVENUE FROM TRANSPORTATION OF GAS OF OTHERS--NATURAL GAS (Account 489)(Continued)					
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 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), 284.223(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.
2,634,278	2,634,278	561,296	21		1
					2
					3
					4
					5
1,217,201	1,217,201	466,013	38		6
					7
					8
					9
1,090,549	1,090,549	367,293	34		10
					11
					12
					13
8,836,240	8,836,240	6,865,497	78		14
					15
					16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
13,778,268	13,778,268	8,260,099	60		

\*(C & D) Reported in Sales Base Pressure

Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>GAS OPERATION AND MAINTENANCE EXPENSES</b>				
If the amount for previous year is not derived from previously reported figures, explain in footnote.				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
1	<b>1. PRODUCTION EXPENSES</b>			
2	<b>A. Manufactured Gas Production</b>			
3	Manufactured Gas Production (Submit Supplemental Statement)	19,234	19,841	
4	<b>B. Natural Gas Production</b>			
5	<b>B1. Natural Gas Production and Gathering</b>			
6	Operation			
7	750 Operation Supervision and Engineering		6,952	
8	751 Production Maps and Records			
9	752 Gas Wells Expenses		25,566	
10	753 Field Lines Expenses		4,905	
11	754 Field Compressor Station Expenses	515,037	408,266	
12	755 Field Compressor Station Fuel and Power			
13	756 Field Measuring and Regulating Station Expenses	149,310	94,564	
14	757 Purification Expenses		1,368	
15	758 Gas Well Royalties			
16	759 Other Expenses			
17	760 Rents	0	71	
18	<b>TOTAL Operation (Enter Total of lines 7 thru 17)</b>	664,347	541,692	
19	Maintenance			
20	761 Maintenance Supervision and Engineering		4,478	
21	762 Maintenance of Structures and Improvements			
22	763 Maintenance of Producing Gas Wells		2,218	
23	764 Maintenance of Field Lines		516	
24	765 Maintenance of Field Compressor Station Equipment		4,686	
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment		436	
26	767 Maintenance of Purification Equipment	(573)	784	
27	768 Maintenance of Drilling and Cleaning Equipment			
28	769 Maintenance of Other Equipment		2,502	
29	<b>TOTAL Maintenance (Enter Total of lines 20 thru 28)</b>	(573)	15,620	
30	<b>TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)</b>	663,774	557,312	
31	<b>B2. Products Extraction</b>			
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 Others			
41	778 Royalties on Products Extracted			
42	779 Marketing Expenses			
43	780 Products Purchases for Resale			
44	781 Variation in Products Inventory			
45	(Less) 782 Extracted Products Used by the Utility-Credit			
46	783 Rents			
47	<b>TOTAL Operation (Enter Total of lines 33 thru 46)</b>	0	0	

Supplemental Statement to page 320

Aquila Inc.  
d/b/a Aquila Networks - MGU

		Amount for Current Year (b)	Amount for Previous Year (c)
A. Manufactured Gas Production			
Operation			
717	Liquified Petroleum Gas Expense	356	0
728	Liquified Petroleum Gas	0	0
735	Mfg Gas Plant Clean-up & Eval	18,878	19,503
Total Operation		19,234	19,503
Maintenance			
742	Maintenance of Production Equipment	0	338
Total Maintenance		0	338
TOTAL Manufactured Gas Production		19,234	19,841

Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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 line 47 and 57)	0	0	
59	C. Exploration and Development			
60	Operation			
61	795 Delay Rentals			
62	796 Nonproductive Well Drilling			
63	797 Abandoned Leases			
64	798 Other Exploration			
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	0	0	
	D. Other Gas Supply Expenses			
66	Operation			
67	800 Natural Gas Well Head Purchases	953,756	1,027,406	
68	801 Natural Gas Field Line Purchases			
69	802 Natural Gas Gasoline Plant Outlet Purchases			
70	803 Natural Gas Transmission Line Purchases			
71	803.1 Off-System Gas Purchases			
72	804 Natural Gas City Gate Purchases	157,715,862	149,178,840	
73	804.1 Liquefied Natural Gas Purchases			
74	805 Other Gas Purchases	3,135	(37,070)	
75	(Less) 805.1 Purchased Gas Cost Adjustments			
76	(Less) 805.2 Incremental Gas Cost Adjustments			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 76)	158,672,753	150,169,176	
78	806 Exchange Gas			
79	Purchased Gas Expenses			
80	807.1 Well Expenses - Purchased Gas			
81	807.2 Operation of Purchased Gas Measuring Stations			
82	807.3 Maintenance of Purchased Gas Measuring Stations			
83	807.4 Purchased Gas Calculations Expenses			
84	807.5 Other Purchased Gas Expenses			
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	0	0	
86	808.1 Gas Withdrawn from Storage - Debit	30,884,061	23,095,166	
87	(Less) 808.2 Gas Delivered to Storage - Credit	(40,308,979)	(35,080,604)	
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit			
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit			
90	Gas Used in Utility Operations - Credit			
91	810 Gas Used for Compressor Station Fuel - Credit	(515,037)	(403,304)	
92	811 Gas Used for Products Extraction - Credit			
93	812 Gas Used for Other Utility Operations - Credit	(262,879)	(189,155)	
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	(777,916)	(592,459)	
95	813 Other Gas Supply Expenses	0	0	
96	TOTAL Other Gas Supply Expenses (Total of line 77, 78, 85, 86 thru 89, 94, 95)	148,469,919	137,591,279	
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)	149,152,927	138,168,432	

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES			
99	A. Underground Storage Expenses			
100	Operation			
101	814 Operation Supervision and Engineering	29,241	19,049	
102	815 Maps and Records	10,723	7,936	
103	816 Wells Expenses	24,595	17,313	
104	817 Lines Expense	31,313	14,086	
105	818 Compressor Station Expenses	19,610	11,860	
106	819 Compressor Station Fuel and Power			
107	820 Measuring and Regulating Station Expenses	2,429	1,805	
108	821 Purification Expenses	5,264	2,483	
109	822 Exploration and Development			
110	823 Gas Losses			
111	824 Other Expenses	22,007	34,769	
112	825 Storage Well Royalties			
113	826 Rents			
114	TOTAL Operation (Enter Total of lines 101 thru 113)	145,182	109,301	
115	Maintenance			
116	830 Maintenance Supervision and Engineering	23,996	11,449	
117	831 Maintenance of Structures and Improvements	8,173	9	
118	832 Maintenance of Reservoirs and Wells	12,028	20,252	
119	833 Maintenance of Lines	1,088	2,471	
120	834 Maintenance of Compressor Station Equipment	28,209	18,528	
121	835 Maintenance of Measuring and Regulating Station Equipment	5,767	3,472	
122	836 Maintenance of Purification Equipment	6,117	7,481	
123	837 Maintenance of Other Equipment	9,418	2,697	
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	94,796	66,359	
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	239,978	175,660	
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	

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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 Expenses			
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 Natural Gas Terminaling and Processing Expenses (Lines 165 & 175)	0	0	
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146, and 176)	239,978	175,660	
178	3. TRANSMISSION EXPENSES			
179	Operation			
180	850 Operation Supervision and Engineering	6,684	7,154	
181	851 System Control and Load Dispatching	(13,924)	38,837	
182	852 Communication System Expenses			
183	853 Compressor Station Labor and Expenses			
184	854 Gas for Compressor Station Fuel			
185	855 Other Fuel and Power for Compressor Stations			
186	856 Mains Expenses	7,685	6,403	
187	857 Measuring and Regulating Station Expenses	38,398	16,373	
188	858 Transmission and Compression of Gas by Others			
189	859 Other Expenses	29,297	23,488	
190	860 Rents			
191	TOTAL Operation (Enter Total of lines 180 thru 190)	68,140	92,255	

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
3. TRANSMISSION EXPENSES (Continued)				
192	Maintenance			
193	861 Maintenance Supervision and Engineering	13	304	
194	862 Maintenance of Structures and Improvements			
195	863 Maintenance of Mains	1,455	4,385	
196	864 Maintenance of Compressor Station Equipment	(5)	38	
197	865 Maintenance of Measuring and Reg. Station Equip.	27,648	6,805	
198	866 Maintenance of Communication Equipment			
199	867 Maintenance of Other Equipment	787	763	
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	29,898	12,295	
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	98,038	104,550	
202	4. DISTRIBUTION EXPENSES			
203	Operation			
204	870 Operation Supervision and Engineering	699,317	911,926	
205	871 Distribution Load Dispatching	141,000	166,326	
206	872 Compressor Station Labor and Expenses	9	0	
207	873 Compressor Station Fuel and Power	0	0	
208	874 Mains and Services Expenses	1,128,963	1,043,240	
209	875 Measuring and Regulating Station Expenses - General	134,706	98,429	
210	876 Measuring and Regulating Station Expenses - Industrial	1,170	4,282	
211	877 Measuring and Regulating Station Expenses - City Gate Check Station	45,996	70,271	
212	878 Meter and House Regulator Expenses	791,861	732,232	
213	879 Customer Installations Expenses	499,172	490,303	
214	880 Other Expenses	861,321	926,138	
215	881 Rents	0	7,981	
216	TOTAL Operation (Enter Total of lines 204 thru 215)	4,303,515	4,451,128	
217	Maintenance			
218	885 Maintenance Supervision and Engineering	47,572	44,957	
219	886 Maintenance of Structures and Improvements	1,316	78,901	
220	887 Maintenance of Mains	575,283	476,687	
221	888 Maintenance of Compressor Station Equipment	0	303	
222	889 Maintenance of Meas. and Reg. Sta. Equip.-General	145,230	113,522	
223	890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial	65	4,356	
224	891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station	92,980	79,100	
225	892 Maintenance of Services	241,091	242,246	
226	893 Maintenance of Meters and House Regulators	389,714	450,120	
227	894 Maintenance of Other Equipment	89,991	96,675	
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	1,583,242	1,586,867	
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	5,886,757	6,037,995	
230	5. CUSTOMER ACCOUNTS EXPENSES			
231	Operation			
232	901 Supervision	166,251	115,099	
233	902 Meter Reading Expenses	1,543,205	1,244,894	
234	903 Customer Records and Collection Expenses	2,977,063	2,797,872	
235	904 Uncollectible Accounts	2,141,329	785,428	
236	905 Miscellaneous Customer Accounts Expenses	75,781	100,331	
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	6,903,629	5,043,624	

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<b>GAS OPERATION AND MAINTENANCE EXPENSES (Continued)</b>				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
238	<b>6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>			
239	Operation			
240	907 Supervision	468,434	508,961	
241	908 Customer Assistance Expenses			
242	909 Informational and Instructional Expenses	100,120	96,420	
243	910 Miscellaneous Customer Service and Information Expenses	154,733	134,032	
244	TOTAL Customer Service and Information Expenses (Lines 240 thru 243)	723,287	739,413	
245	<b>7. SALES EXPENSES</b>			
246	Operation			
247	911 Supervision	0	20,971	
248	912 Demonstrating and Selling Expenses	312,115	316,677	
249	913 Advertising Expenses	0	306	
250	916 Miscellaneous Sales Expenses	32,609	25,467	
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	344,724	363,421	
252	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
253	Operation			
254	920 Administrative and General Salaries	3,582,376	3,991,738	
255	921 Office Supplies and Expenses	1,888,382	2,114,861	
256	(Less) 922 Administrative Expenses Transferred-Credit	(251,562)	(384,851)	
257	923 Outside Services Employed	1,696,365	1,504,431	
258	924 Property Insurance	33,858	38,024	
259	925 Injuries and Damages	909,992	907,488	
260	926 Employee Pensions and Benefits	3,843,787	3,642,996	
261	927 Franchise Requirements			
262	928 Regulatory Commission Expenses	342,955	372,239	
263	(Less) 929 Duplicate Charges - Credit			
264	930.1 General Advertising Expenses	1,377	(1,537)	
265	930.2 Miscellaneous General Expenses	287,758	366,994	
266	931 Rents	671,311	369,658	
267	TOTAL Operation (Enter Total of lines 254 thru 266)	13,006,599	12,922,041	
268	Maintenance			
269	935 Maintenance of General Plant	492,419	396,737	
270	TOTAL Administrative and General Exp (Total of lines 267 and 269)	13,499,018	13,318,778	
271	TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244, 251, and 270)	176,848,358	163,951,873	
<b>NUMBER OF GAS DEPARTMENT EMPLOYEES</b>				
1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.		construction 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		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)		12-31-04		
2 Total Regular Full-Time Employees		173		
3 Total Part-Time and Temporary Employees		4		
4 Total Employees		177		

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<b>GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805)</b>			
<p>1. Report particulars of gas purchases during the year in the manner prescribed 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 account, 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 county 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 for 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>	

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805) (Continued)					
Line No.	Account Number (a)	Name of Seller* (Designate Associated Companies) (b)	Name of Producing Field or Gasoline Plant (c)	State (d)	
1	800				
2	804				
3	805				
4	For additional information, please refer to the Gas Cost Reconciliation Report, Case No. U-13990-R, Exhibit A-6, to be filed in June 2005.				
5	*Natural gas suppliers to Michigan Gas Utilities:				
6	Anadarko				
7	BP Canada				
8	Christian Oil Company				
9	Cinergy				
10	Co Energy				
11	Conoco Phillips				
12	Eagle Energy				
13	Marathon				
14	Matrix Exploration				
15	Miller Exploration				
16	NG Energy				
17	Nexen				
18	Nicor				
19	Northern Indiana Trading Co.				
20	Oxy				
21	Tenaska				
22	United Energy				
23	West Hopkins Petroleum Co.				
24	Williams Power Co				
25					

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 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.	
			158,081	953,756	603.33	1	
			22,455,800	157,715,862	702.34	2	
			3,500	3,135	89.57	3	
						4	
						5	
						6	
						7	
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						9	
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						19	
						20	
						21	
						22	
** Volumes are reported in MMBtu						23	
						24	
						25	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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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.

2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.

3. If the reported Mcf for any use is an estimated quantity, state such fact in a footnote.

4. If any natural gas was used by the respondent for which a charge was not made to the appropriate operating expense or other account, list separately in column (c) the Mcf of gas used, omitting entries in columns (d) and (e).

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

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas			Manufactured Gas	
			Mcf of Gas Used (c)	Amount of Credit (d)	Amount of Mcf (In Cents) (e)	Mcf of Gas Used (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Cr	754	71,342	515,037	721.93		
2	811 Gas used for Products Extraction - Cr						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respdnt'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	Operation of Buildings	Various	37,584	262,879	699.44		
8							
9							
10							
11							
12							
13							
14							
15							
16							
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23							
24							
25	TOTAL		108,926	777,916	714.17		

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Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### LEASED 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 is 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 to purchase the property.

6. In column (a) report the name of the lessor. List lessors which are associated companies\* (describing association) first, followed by non-associated lessors.

7. In column (b) for each leasing arrangement, report in order, classified by production 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 RENTAL CHARGED TO GAS OPERATING EXPENSES

Name of Lessor  (a)	Basic Details of Lease  (b)	Terminal Dates of Lease, Primary (P) or Renewal (R)  (c)
BLC Corporation	Vehicle Fleet	

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



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Name of Respondent Aquila Inc d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)				
1	Industry association dues		\$	59,876
2	Experimental and general research expenses			0
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			90,709
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.			
5				
6	MGD - Michigan Gas Utilities			1,091
7				
8	Intercompany Cost Allocations			101,563
9				
10	Miscellaneous Amortization of Computer Software			34,522
11				
12				
13				
14				
15				
16				
17				
18				
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48				
49	TOTAL		\$	287,761

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3 405) (Except Amortization of Acquisition Adjustments)				
<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 changes 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 pre-printed in column (a). Indicate at the bottom of Section B the</p>				
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 Right (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,	24,210		
4	Products extraction plant			
5	Underground gas storage plant	258,742		105
6	Other storage plant			
7	Base load LNG terminating and processing plant			
8	Transmission plant	789,022		
9	Distribution plant	4,689,169		
10	General plant	2,819,405	77	
11	Common plant-gas			
12				
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24				
25	TOTAL	8,580,548	77	105

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3 405) (Except Amortization of Acquisition Adjustments) (Continued)			
manner in which column (b) balances are obtained. If average balances, state the method 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		depreciable 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.
	906	906	Intangible plant 1
		0	Production plant, manufactured gas 2
		24,210	Production and gathering plant, 3
		0	Products extraction plant 4
60,176	0	319,023	Underground gas storage plant 5
		0	Other storage plant 6
		0	Base load LNG terminating and processing plant 7
13,374	0	802,396	Transmission plant 8
229	0	4,689,398	Distribution plant 9
74,194	0	2,893,676	General plant 10
		0	Common plant-gas 11
			12
			13
			14
			15
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			24
147,973	906	8,729,609	TOTAL 25

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Continued)

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classifications (a)	Depreciable Plant Base (Thousands) (b)	Applied Depr. Rate(s) (Percent) (c)
1	Production and Gathering Plant		
2	Offshore		
3	Onshore		
4	Underground Gas Storage Plant	13,157	2.39
5	Transmission Plant		
6	Offshore		
7	Onshore		
8	General Plant	19,351	5.07
9			
10			

Notes to Depreciation, Depletion and Amortization of Gas Plant

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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS**

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

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

(b) *Miscellaneous Income Deductions* --- Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, *Donations*; 426.2, *Life Insurance*; 426.3, *Penalties*; 426.4, *Expenditures for Certain Civic, Political and Related Activities*; and 426.5, *Other*

*Deductions, of the Uniform System of Accounts*. Amounts of less than \$10,000 may be grouped by classes within the above accounts.

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

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

Line No.	Item (a)	Amount (b)
1	Account 425 - Miscellaneous Amortization - Utility Plant Acquisition	1,151,537
2		
3	Account 426.1 - Donations	
4	Charitable Contributions	98,234
5	Social & Community Gifts	10,079
6	Other	47
7	Total Donations	108,360
8		
9	Account 426.3 - Penalties	3,776
10		
11	Account 426.4 - Civic & Political Activities	
12	Legal Fees	-
13	Other	5,530
14	Total Civic & Political Activities	5,530
15		
16	Account 426.5 - Other Deductions	
17	Misc	6,273
18	Total Other Deductions	6,273
19		
20	Total Other Income Deductions 426	123,939
21		
22	Account 430 - Interest on Debt to Associated Companies	338,294
23		
24	Account 431 - Other Interest Expense	
25	Interest on Customer Deposits	97,255
26	Interest on Customer Refunds	0
27	GCR Interest Adjustment	(123,551)
28	Total Other Interest Expense	(26,296)
29		
30		
31		
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**PARTICULARS CONCERNING CERTAIN OTHER INCOME ACCOUNTS**

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

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

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

4. Nonoperating Rental Income (Account 418) - For each major item of miscellaneous property included in Account 121, Nonutility Property, which is not used in operations for which income is included in Account 417, but which is leased or rented to others, give name of lessee, brief

description of property, effective date and expiration date of lease, amount of rent revenues, operating expenses classified as to operation, maintenance, depreciation, rents, amortization, and net income, before taxes, from the rentals. If the property is leased on a basis other than that of a fixed annual rental, state the method of determining the rental. Minor items may be grouped by classes, but the number of items so grouped should be shown. Designate any lessees which are associated companies.

5. Equity in earnings of subsidiary companies (Account 418.1) - Report the utility's equity in the earnings or losses of each subsidiary company for the year.

6. Interest and Dividend Income (Account 419) - Report interest and dividend income, before taxes, identified as to the asset account or group of accounts in which are included the assets from which the interest or dividend income was derived. Income derived from investments, Accounts 123, 124 and 136 may be shown in total.

Income from sinking and other funds should be identified with the related special funds. Show also expenses included in Account 419 as required by the Uniform System of Accounts.

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

Line No.		Appliance Service Options (a)	Administrative Services (b)	Other (c)	Amount (d)
1	<u>Account 415</u> - Revenue on Merchandise Contracts				4
2	<u>Account 416</u> - Operating Exp on Merch Contracts				
3	Cost of Sales				-
4	Operating Expenses				-
5	EBIT				4
6					
7	<u>Account 417</u> - Operations				
8	Revenue	1,502	162,992		164,494
9	Cost of Sales	-	101,921		101,921
10	Operating Expenses	4,999	41,052		46,051
11	Maintenance Expense	-	-		-
12	Depreciation Expense	-	-		-
13	Amortization Expense	-	-		-
14	EBIT	(3,497)	20,019	-	16,522
15					
16	<u>Account 419</u> - Interest & Dividend Income				113,412
17					
18	<u>Account 421</u> - Misc. Nonoperating Income				5,584
19					
20					
21					
22					

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**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	NONE				
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain	0		0	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2)(Continued)**

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					
21	Loss on sale of land to TLR Investments at				
22	E. Elm and Detroit Avenue in Monroe, MI	5,000			3,737
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss	5,000			3,737

Name of Respondent Aquila United Inc. d/b/a Aquila Nwtworks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**EXPENDITURES FOR CERTAIN CIVIC, POLITICAL AND RELATED ACTIVITIES**

(Account 426.4)

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

2. Advertising expenditures in this 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 customers' bills, (d) inserts in reports to stockholders;

(e) newspaper and magazine editorial services; and (f) other advertising.

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

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

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

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

Line No.	Item (a)	Amount (b)
1		
2	Cost to Influence Public Opinion	\$ 20,505
3		
4		
5		
6		
7		
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9		
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004	
REGULATORY COMMISSION EXPENSES					
1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous year, if being amortized) relating to formal cases before a regulatory body, or cases in which			such a body was a party. 2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.		
Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Michigan Public Utility Commission				
2	(03/03-02/06 amort period)				295,273
3					
4	Michigan Public Utility Commission	210,438		210,438	
5					
6	Other		1,284	1,284	
7					
8					
9					
10					
11					
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14					
15					
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46	TOTAL	\$ 210,438		\$ 211,722	\$ 295,273

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU			This Report Is: (1) X An Original (2) A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
REGULATORY COMMISSION EXPENSES (Continued)								
3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.				Account 182.3.				
4. The totals of columns (e), (i), (k), and (l) must agree with the totals shown on page 232 for				5. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.				
				6. Minor items (less than \$25,000) may be grouped.				
EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR				
CHARGED CURRENTLY TO			Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 at End of Year (l)	Line No.	
Department (f)	Account No. (g)	Amount (h)						
Gas	928	-	-	928	131,232	164,041	1	
Gas	928	210,438					2	
Gas	928	1,284					3	
							4	
							5	
							6	
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							44	
		\$ 211,722	\$ -		\$ 131,232	\$ 164,041	45	
							46	

Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>DISTRIBUTION OF SALARIES AND WAGES</b>				
Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to <i>Utility Departments, Construction, Plant Removals, and Other Accounts</i> , 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 <i>(Total of lines 3 thru 9)</i>			
11	Maintenance			
12	Production			
13	Transmission			
14	Distribution			
15	Administrative and General			
16	TOTAL Maint. <i>(Total of lines 12 thru 15)</i>			
17	Total Operation and Maintenance			
18	Production <i>(Total of lines 3 and 12)</i>			
19	Transmission <i>(Total of lines 4 and 13)</i>			
20	Distribution <i>(Total of lines 5 and 14)</i>			
21	Customer Accounts <i>(Line 6)</i>			
22	Customer Service and Informational <i>(Line 7)</i>			
23	Sales <i>(Line 8)</i>			
24	Administrative and General <i>(Total of lines 9 and 15)</i>			
25	TOTAL Oper. & Maint. <i>(Total of lines 18 thru 24)</i>			
26	Gas			
27	Operation			
28	Production-Manufactured Gas	16,035		
29	Production-Natural Gas (Including Expl. and Dev.)	16,063		
30	Other Gas Supply	0		
31	Storage, LNG Terminating and Processing	63,317		
32	Transmission	19,895		
33	Distribution	2,600,159		
34	Customer Accounts	2,664,203		
35	Customer Service and Informational	290,173		
36	Sales	265,821		
37	Administrative and General	3,027,321		
38	TOTAL Operation <i>(Total of lines 28 thru 37)</i>	8,962,987		
39	Maintenance			
40	Production-Manufactured Gas	0		
41	Production-Natural Gas	0		
42	Other Gas Supply	0		
43	Storage, LNG Terminating and Processing	43,972		
44	Transmission	20,364		
45	Distribution	1,030,016		
46	Administrative and General	165,551		
47	TOTAL Maintenance <i>(Total of lines 40 thru 46)</i>	1,259,903		

Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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)	16,035		
50	Production-Natural Gas (Including Expl. and Dev.) (Lines 29 and 41)	16,063		
51	Other Gas Supply (Lines 30 and 42)	0		
52	Storage, LNG Terminaling and Processing (Lines 31 and 43)	107,289		
53	Transmission (Lines 32 and 44)	40,259		
54	Distribution (Lines 33 and 45)	3,630,175		
55	Customer Accounts (Line 34)	2,664,203		
56	Customer Service and Informational (Line 35)	290,173		
57	Sales (Line 36)	265,821		
58	Administrative and General (Lines 37 and 46)	3,192,872		
59	TOTAL Oper. and Maint. (Total of lines 49 thru 58)	10,222,890	1,678,318	11,901,208
60	Other Utility Departments			
61	Operation and Maintenance			0
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	10,222,890	1,678,318	11,901,208
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant			
66	Gas Plant	1,044,066	1,450,399	2,494,465
67	Other			
68	TOTAL Construction (Total of lines 65 thru 67)	1,044,066	1,450,399	2,494,465
69	Plant Removal (By Utility Departments)			
70	Electric Plant			
71	Gas Plant	101,933	15,317	117,250
72	Other			
73	TOTAL Plant Removal (Total of lines 70 thru 72)	101,933	15,317	117,250
74	Other Accounts (Specify):			
75				
76	Nonutility Operation Expense	64,192	12,826	77,018
77	Stores Expense	191,659	33,008	224,667
78	Fleet Expense	764,766	(1,133,679)	(368,913)
79	Compensated Absences/Non-Productive Time	2,056,189	(2,056,189)	0
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	3,076,806	(3,144,034)	(67,228)
96	TOTAL SALARIES AND WAGES	14,445,695	0	14,445,695

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004	
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 reported in Account</p>		<p>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 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>			
1	Adams Electric	Construction	\$	50,764	107
2	P O Box 495				
3	Plainwell, MI 49080				
4					
5	Burns & McDonnell Engineering Co Inc	Engineering	\$	48,593	182
6	9400 Ward Pkwy	Services			
7	Kansas City, MO 64114				
8					
9	Corrpro Companies, Inc.	Construction	\$	275,356	107
10	1055 West Smith Road				
11	Medina, OH 44256				
12					
13	Kent Power, Inc.	Construction	\$	1,795,080	107
14	90 Spring Street			40,642	108
15	Kent City, MI 49330			930	874
16				346	879
17				16,830	887
18				186	889
19				388	891
20			\$	1,854,402	
21					
22	Mactec Engineering & Consulting, Inc.	Environmental	\$	276,305	182
23	7477 Collection Center Drive	Investigations			
24	Chicago, IL 60693				
25					
26	Muchmore Harrington Smalley & Assoc	Consulting	\$	27,000	923
27	124 West Allegan Street, Suite 500				
28	Lansing, MI 48933				
29					
30	Pescador	Environmental	\$	340,951	182
31	36 Highview	Consulting		860	816
32	Traverse City, MI 49686		\$	341,811	
33					
34	R L Coolsaet Construction	Construction	\$	901,651	107
35	P O Box 279				
36	Taylor, MI 48180				
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47	TOTAL		\$	3,775,882	

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Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
2. In column (b) describe the affiliation (percentage ownership, etc.)  
3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.)  
4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Aquila Inc (ESF)	(1)	Corporate Costs	403, 404.9, 408.1, 430, 431,	\$ 6,817,956
2			Allocated	432, 735, 880, 901, 903, 905,	
3				909, 910, 920 to 926,	
4				930.1, 930.2, 931, 935	
5					
6					
7	Aquila Gas Supply Services	(1)	Gas Costs, Distribution,	408.1, 431, 487, 804, 902, 920	158,487,540
8			Administrative & General	921, 922, 923, 925, 926, 930.2	
9			Expenses Allocated		
10					
11					
12	Aquila Networks - PNG	(1)	Distribution, and	408.1, 874, 880, 887, 921	2,708
13			Administrative & General	922, 926, 930.2	
14			Expenses Allocated		
15					
16	Aquila US Networks (IBU)	(1)	Transmission, Distribu-	404.1, 408.1, 427, 431, 760,	10,370,978
17			tion, and Administrative	812, 818, 864, 870, 875, 877,	
18			and General Expenses	875, 877, 879, 880, 893, 894	
19			Allocated	901 to 905, 907, 909 to 912,	
20				916, 920 to 923, 925, 926,	
21				928, 930.1, 930.2, 931, 935	
22					
23	(1) Aquila Inc., through its United States Networks, operates regulated electric and gas utilities in seven				
24	states through eight operating divisions. The operating division of Aquila Inc., are Aquila Networks -				
25	MPS, Aquila Networks - L&P in Missouri, Aquila Networks - WPK, Aquila Networks -KGO in Kansas,				
26	Aquila Networks - WPC in Colorado, Aquila Networks - PNG, Aquila Networks -NMU in Minnesota,				
27	Aquila Networks - MGU in Michigan. Aquila Gas Supply Services is a unit of Aquila Inc., which is				
28	responsible for the procurement of gas supply for all divisions. Aquila US Networks is a unit of				
29	Aquila Inc., which is responsible for managing the electric and gas utilities in the United States.				
30					
<b>TOTAL</b>					<b>\$ 175,679,182</b>

Name of Respondent	This Report Is:	Date of Report:	Year of Report
Aquila Inc.	(1) X An Original	(Mo, Da, Yr)	
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**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES (Continued)**

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.
408.2, 417.1, 419, 421, 426.1, 426.3, 426.4 426.5	\$ 65,846			\$ 6,883,802	Cost	1
						2
						3
						4
						5
						6
408.2, 417.1, 419, 426.1	(52,858)			158,434,682	Cost	7
						8
						9
						10
						11
	0			2,708	Cost	12
						13
						14
						15
408.2, 417.1, 421, 426.1, 426.4, 426.5	106,052			10,477,030	Cost	16
						17
						18
						19
						20
						21
						22
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						30
	\$ 119,040			\$ 175,798,222		

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU		This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>COMPRESSOR STATIONS</b>				
<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,</p>		
Line No.	Name of Station and Location (a)	Number of Employees (b)	Plant Cost (c)	
1	Underground Storage Compressor Stations, 4 Total	3	1,639,141	
2				
3	Gathering System Compressor Stations, 2 Total	0	115,824	
4				
5				
6				
7				
8				
9				
10				
11				
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)		Year of Report Dec. 31, 2004	
COMPRESSOR STATIONS (Continued)							
<p>if 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</p>				<p>of each such unit, and the date each such unit was placed in operation.</p> <p>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.</p>			
Expenses (Except depreciation and taxes)		Gas for Compressor Fuel Mcf (14.73 psia at 60 F)	Operation Data			Line No.	
Fuel or Power  (d)	Other  (e)		Total Compressor Hours of Operation During Year (g)	No. of Comprs. Operated at Time of Station Peak (h)	Date of Station Peak (i)		
515,037	47,819	71,342	9,739			1	
0	0	0	0			2	
						3	
						4	
						5	
						6	
						7	
						8	
						9	
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
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#### GAS STORAGE PROJECTS

1. Report particulars (details) for total gas storage projects.  
2. Total storage plant (column b) should agree with amounts reported by the respondent in Acct's 350.1 to 364.8 inclusive (pages 206-207).

3. Give particulars (details) of any gas stored for the benefit of another company under a gas exchange arrangement or on basis of purchase and resale to other company. Designate with an asterisk if other company is an associated company.

Line No.	Item (a)	Total Amount (b)
1	Natural Gas Storage Plant	
2	Land and Land Rights	10,767
3	Structures and Improvements	276,491
4	Storage Wells and Holders	4,232,787
5	Storage Lines	897,299
6	Other Storage equipment	7,753,407
7	TOTAL (Enter Total of Lines 2 Thru 6)	13,170,751
8	Storage Expenses	
9	Operation	145,182
10	Maintenance	94,796
11	Rents	-
12	TOTAL (Enter Total of Lines 9 Thru 11)	239,978
13	Storage Operations (In Mcf)	
14	Gas Delivered to Storage	
15	January	949
16	February	-
17	March	-
18	April	610,548
19	May	1,610,913
20	June	1,060,235
21	July	1,096,090
22	August	973,899
23	September	1,166,374
24	October	298,731
25	November	27,531
26	December	20,653
27	TOTAL (Enter Total of Lines 15 Thru 26)	6,865,923
28	Gas Withdrawn from Storage	
29	January	1,934,967
30	February	1,078,051
31	March	395,035
32	April	(31,235)
33	May	(381)
34	June	1,634
35	July	3,708
36	August	1,487
37	September	(1,760)
38	October	360,575
39	November	479,086
40	December	1,499,672
41	TOTAL (Enter Total of Lines 29 Thru 40)	5,720,839

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
GAS STORAGE PROJECTS (Continued)				
Line No.	Item (a)	Total Amount (b)		
	Storage Operations ( <i>In Mcf</i> )			
42	Top or Working Gas End of Year (1)	6,152,230		
43	Cushion Gas (Including Native Gas) (2)	5,188,091		
44	Total Gas in Reservoir ( <i>Enter Total of Line 42 and Line 43</i> ) (1)	11,340,321		
45	Certificated Storage Capacity (2)	10,080,325		
46	Number of Injection - Withdrawal Wells (2)	14		
47	Number of Observation Wells (2)	6		
48	Maximum Day's Withdrawal from Storage (2)	33,626		
49	Date of Maximum Days' Withdrawal (2)	01/09/04		
50	LNG Terminal Companies ( <i>In Mcf</i> )			
51	Number of Tanks			
52	Capacity of Tanks			
53	LNG Volumes			
54	a) Received at "Ship Rail"			
55	b) Transferred to Tanks			
56	c) Withdrawn from Tanks			
57	d) "Boil Off" Vaporization Loss			
58	e) Converted to Mcf at Tailgate of Terminal			

(1) Includes both MGU owned storage fields and gas stored for MGU by Michigan Consolidated Gas Company, Consumer's Power Company and ANR Pipeline Company, all under storage contract.

(2) Includes only MGU owned storage fields.

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>DISTRIBUTION AND TRANSMISSION LINES</b>			
1. Report below by States the total miles of pipelines operated by respondent at end of year. 2. Report separately any lines held under a 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 O.1) (b)	
1	<b>Distribution</b>		
2	Benton Harbor < = 1 "	4.4	
3	2 "	548.3	
4	3 "	11.5	
5	4 "	286.3	
6	6 "	25.5	
7	8 "	5.2	
8	10 "	0.7	
9	12 "	0.1	
10	Grand Haven < = 1 "	7.7	
11	2 "	268.5	
12	3 "	12.5	
13	4 "	122.3	
14	6 "	5.8	
15	8 "	0.1	
16	10 "	0.1	
17	Otsego < = 1 "	3.4	
18	2 "	213.4	
19	3 "	1.6	
20	4 "	155.2	
21	6 "	2.3	
22	8 "	0.1	
23	Coldwater < = 1 "	3.8	
24	2 "	356.9	
25	3 "	9.4	
26	4 "	204.6	
27	6 "	14.6	
28	8 "	8.6	
29	10 "	0.1	
30	Monroe < = 1 "	10.4	
31	2 "	451.1	
32	3 "	10.2	
33	4 "	351.4	
34	6 "	59.9	
35	8 "	13.0	
36	12 "	2.1	
37			
38	All lines are located in the state of Michigan.		
39			
40	TOTAL	3,171.1	

Name of Respondent	This Report Is:	Date of Report:	Year of Report
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**DISTRIBUTION AND TRANSMISSION LINES (Continued)**

- |  |   |
|--|---|
| <p>1. Report below by States the total miles of pipelines operated by respondent at end of year.</p> <p>2. Report separately any lines held under a 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.</p> | <p>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.</p> <p>4. Report the number of miles of pipe to one decimal point.</p> |
|--|---|

Line No.	Designation (Identification) of Line or Group of Lines (a)	Total Miles of Pipe (to O.1) (b)
1	<b>Transmission</b>	
2	Benton Harbor 4 "	32.4
3	6 "	27.0
4	8 "	22.1
5	12 "	4.7
6	Grand Haven 4 "	15.7
7	6 "	7.9
8	8 "	9.0
9	12 "	11.0
10	Otsego 2 "	0.2
11	4 "	42.7
12	6 "	30.8
13	8 "	20.1
14	Coldwater 2 "	0.4
15	4 "	39.9
16	6 "	37.8
17	8 "	59.0
18	10 "	24.4
19	Monroe 4 "	18.8
20	6 "	32.9
21	8 "	14.1
22	10 "	29.9
23	12 "	33.5
24	Hillsdale 4 "	10.1
25		
26		
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37		
38	All lines are located in the state of Michigan.	
39		
40	<b>TOTAL</b>	<b>524.4</b>

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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### DISTRIBUTION SYSTEM PEAK DELIVERIES

1. Report below the total distribution system deliveries of gas, excluding deliveries to storage, for 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)
<b>Section A. Three Highest Days of System Peak Deliveries</b>				
1	Date of Highest Day's Deliveries	Jan. 22, 2004		
2	Deliveries to Customers Subject to MPSC Rate Schedules		194,878	0
3	Deliveries to Others		59,681	0
4	TOTAL		254,559	0
5	Date of Second Highest Day's Deliveries	Jan. 6, 2004		
6	Deliveries to Customers Subject to MPSC Rate Schedules		195,021	0
7	Deliveries to Others		56,652	0
8	TOTAL		251,673	0
9	Date of Third Highest Day's Deliveries	Jan. 30, 2004		
10	Deliveries to Customers Subject to MPSC Rate Schedules		184,475	0
11	Deliveries to Others		58,360	0
12	TOTAL		242,835	0
<b>Section B. Highest Consecutive 3-Day System Peak Deliveries (and Supplies)</b>				
13	Dates of Three Consecutive Days Highest System Peak Deliveries	Jan. 28, 2004		
		Jan. 29, 2004		
		Jan. 30, 2004		
14	Deliveries to Customers Subject to MPSC Rate Schedules		532,235	0
15	Deliveries to Others		186,793	0
16	TOTAL		719,028	0
17	Supplies from Line Pack		0	0
18	Supplies from Underground Storage		90,924	0
19	Supplies from Other Peaking Facilities		0	0
<b>Section C. Highest Month's System Deliveries</b>				
20	Month of Highest Month's System Deliveries	January, 2004		
21	Deliveries to Customers Subject to MPSC Rate Schedules		4,690,770	0
22	Deliveries to Others		1,643,932	0
23	TOTAL		6,334,702	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
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#### AUXILIARY PEAKING FACILITIES

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.

2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is sub-

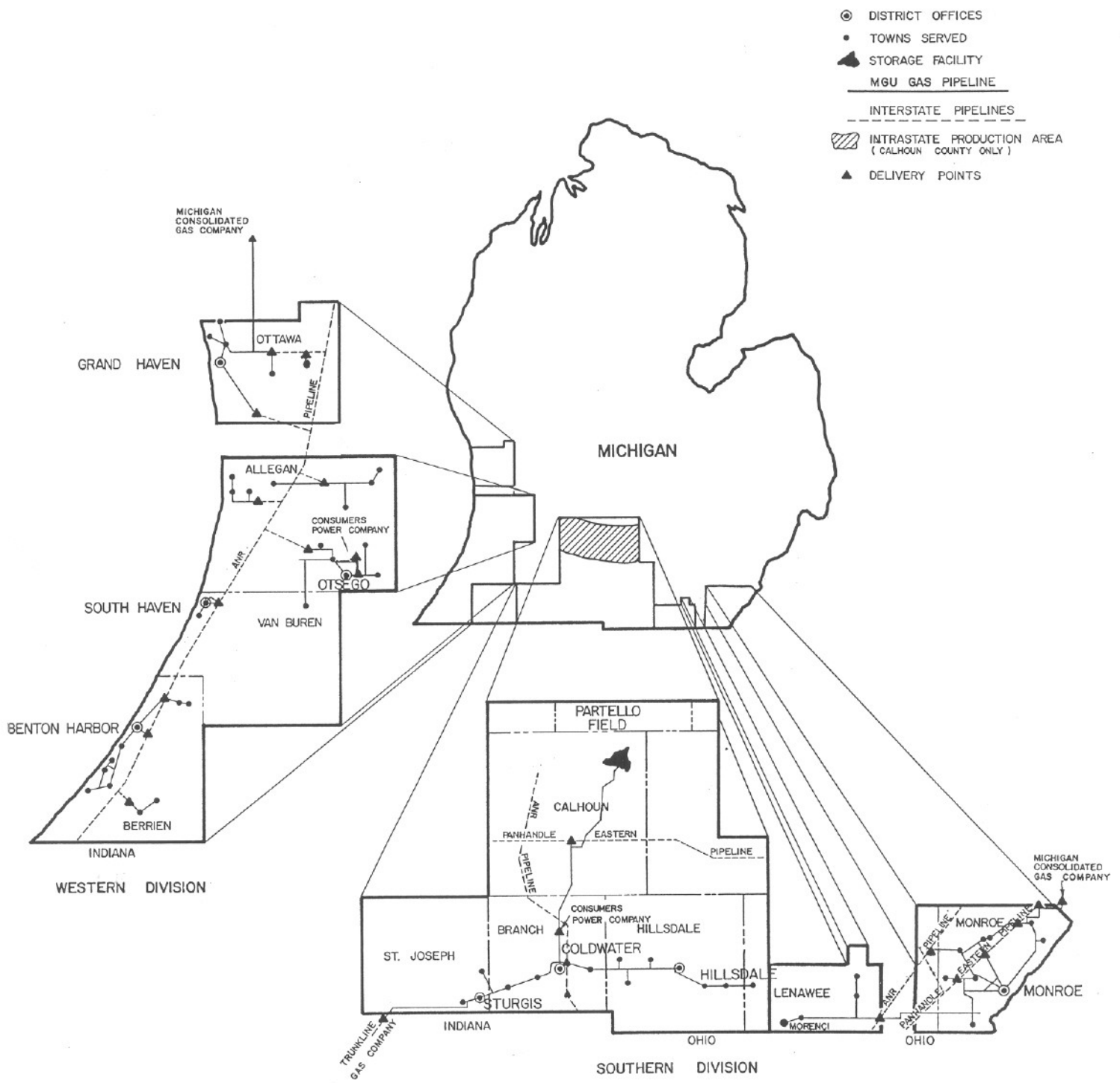
mitted. For other facilities, report the rated maximum daily delivery capacities.

3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility. Mcf at 14.73 psia at 60 F (c)	Cost of Facility (In dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?	
					Yes (e)	No (f)
1	Partello/Anderson/Mymachod -	Underground Storage	15,000 - 28,000	6,915,645	X	
2	Calhoun County, MI					
3	Cortright/Campbell	Underground Storage	12,000 - 20,000	1,061,052	X	
4	Calhoun County, MI					
5	Lee 3/3A	Underground Storage	17,500 - 30,000	5,345,592	X	
6	Calhoun County, MI					
7	Eaton County, MI					
8						
9						
10						
11	Note: The daily deliverability of MGU owned storage is less than the combined total of the three reservoirs due to					
12	pipeline constraints.					
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2004
<b>SYSTEM MAPS</b>			
<p>1. Furnish 5 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.</p> <p>2. Indicate the following information on the maps:</p> <ul style="list-style-type: none"> <li>(a) Transmission lines - colored in red, if they are not otherwise clearly indicated.</li> <li>(b) Principal pipeline arteries of gathering systems.</li> <li>(c) Sizes of pipe in principal pipelines shown on map.</li> <li>(d) Normal directions of gas flow - indicated by arrows.</li> <li>(e) Location of natural gas fields or pools in which the respondent produces or purchases natural gas.</li> </ul> <ul style="list-style-type: none"> <li>(f) Locations of compressor stations, products extraction plants, stabilization plants, important purification plants, underground storage areas, recycling areas, etc.</li> <li>(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.</li> <li>(h) Principal communities in which respondent renders local distribution service.</li> </ul> <p>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.</p> <p>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.</p>			
See page 522A.			

# MICHIGAN GAS UTILITIES SERVICE AREAS AND DELIVERY POINTS



Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report: (Mo, Da, Yr) Dec. 31, 2004	Year of Report Dec. 31, 2004
FOOTNOTE DATA					
Page No. (a)	Line No. (b)	Column No. (c)	Comments (d)		
264 & 265			<p>Method of Accounting</p> <p>Investment tax credits are deferred and amortized over the life of the related property.</p> <p>Option Exercised</p> <p>For 1971 and after, the rateable flow through option is utilized for rate purposes in accordance with Section 46(f) of the Internal Revenue Code.</p>		

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