

**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

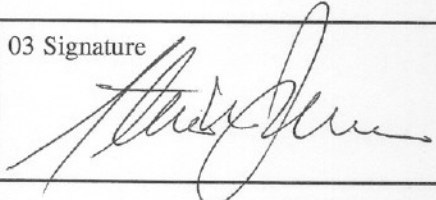
- I. BTU per cubic foot - The total heating value, expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60°F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury 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)	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
-----------------------------------------------------------------	------------------------------------------------------------	--------------------------------	---------------------------------

### 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