

MICHIGAN PUBLIC SERVICE COMMISSION

ANNUAL REPORT OF NATURAL GAS UTILITIES (MAJOR AND NONMAJOR)
WITH ANNUAL SALES OF LESS THAN 200,000 MCF

This form is authorized by 1919 PA 419, as amended, 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: <u>December 31, 2005</u>
Present legal name of respondent: <u>Superior Energy Company, LLC</u>
Present DBA name in Michigan if different from legal name:
Address of principal place of business: <u>14428 Wuoksi Ave., Kaleva, MI 49645</u>
Utility representative to whom inquiries regarding this report may be directed: Name <u>Randy Stanford</u> Title <u>Controller</u> Address <u>2674 S Huron Rd</u> PO Box <u>158</u> City <u>Kawkawlin</u> State <u>MI</u> Zip Code <u>48631</u> Telephone: (<u>989</u>) <u>684-5121</u> E-mail: _____
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 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

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

10. PROPERTIES USED IN OPERATION: (For additional space use typewritten schedule)

Detailed statement of the real estate owned by the Company, which is used in its business in Michigan at close of year, where situated, and the cost thereof.

Line No.	Description and Location, Incl. County and City or Township	Date Purchased	Date Placed in Service	Original Cost
1	11428 Wuoksi Ave. Kaleva MI	11/18/98	11/18/98	\$ 15,000.00
2	Manistee Twp MI 49645			
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Total				\$ 15,000.00

Balance Sheet	Balance Beginning of Year	Balance End of Year
<u>Investments</u>		
1. <u>Total Utility Plant in Service</u>	1,728,968	1,778,889
2. <u>Construction Work in Progress</u>		
3. <u>Total Utility Plant (1 + 2)</u>	1,728,968	1,778,889
4. <u>Accum. Provision for Depreciation</u>	223,036	272,585
5. <u>Net Utility Plant (3 - 4)</u>	1,505,932	1,506,304
6. <u>Other Property</u>	27,531	27,107
7. <u>Other Investments</u>		
8. <u>Total Property & Investments (5 thru 7)</u>	1,533,463	1,533,411
9. <u>Current Assets</u>		
10. <u>Cash</u>	164,412	351,741
11. <u>Notes Receivable-Net</u>		
12. <u>Accounts Receivable-Net</u>	72,332	79,187
13. <u>Material & Supplies</u>		
14. <u>Prepayments</u>	2,331	2,345
15. <u>Other Current + Accrued Assets</u>	16,555	20,810
16. <u>Total Current + Accrued Assets (10 thru 15)</u>	255,630	454,083
17. <u>Deferred Debits</u>		
18. <u>Total Assets (8 + 16 + 17)</u>	1,789,093	1,987,494
19.		
20. <u>Liabilities and Stockholders Equity</u>		
21. <u>Stockholders Equity</u>		
22. Capital Stock <u>Contributed Capital</u>	182,200	182,200
23. Retained Earnings <u>Accumulated Profit</u>	2,849	241,449
24. <u>Total Stockholders Equity (22+23)</u>	185,049	423,649
25.		
26. <u>Long-Term Debt</u>	1,188,812	1,189,412
27.		
28. <u>Current + Accrued Liabilities</u>		
29. <u>Notes Payable</u>		
30. <u>Accounts Payable</u>	393,044	358,506
31. <u>Customer Deposits</u>		
32. <u>Other Current + Accrued Liabilities</u>	22,188	15,927
33. <u>Total Current + Accrued Liabilities (29 thru 32)</u>	415,232	374,433
34. <u>Deferred Credits</u>		
35. <u>Total Liabilities + Equity (24+26+33+34)</u>	1,789,093	1,987,494

Notes to Balance Sheet:

Statement of Operations for the Period Jan 1, 2005 to Dec 31, 2005

Line No.	Year-to-Date		
	Last Year a	This Year b	
1.	Operating Revenues	1,047,442	1,316,123
2.	Natural Gas Production Expense		
3.	Cost of Purchased Gas	441,476	641,256
4.	Transmission Expense		
5.	Distribution Expense Operation	253,947	175,766
6.	Distribution Expense - Maintenance		
7.	Administrative & General Expense	170,884	119,143
8.	Other Expenses		
9.	Total Operation & Maintenance Expense (2 thru 8)	866,307	936,165
10.	Depreciation & Amortization Expense	48,973	53,973
11.	Tax Expense		
12.	Interest Expense	50,316	87,385
13.	Other Deductions		
14.	Total Cost of Gas Service (9 thru 13)	965,596	1,077,523
15.	Income From Operations (1 - 14)	81,846	238,600
16.	Miscellaneous Non-operating Income		
17.	Miscellaneous Non-operating Deductions		
18.	Total Non-operating Income(Loss) (15 - 16)		
19.	Net Income (15 + 18)	81,846	238,600

Notes to Statement of Operations:

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 625A, 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 17, Schedule 625A.

6. Columns (e) and (f).—For each rate schedule listed, enter the total number of Mct 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 625A. 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 625A.

7. When a rate schedule was not in effect during the entire year, indicate in a foot note 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)	Mct Sold (e)	Revenue (show to nearest dollar) (f)
1.	Residential			919	81,048	652,722
2.						
3.	Commercial			85	19,545	148,858
4.						
5.	Governmental			21	5,730	44,588
6.						
7.	Churches			22	7,728	62,294
8.						
9.	Industrial			2	5,759	49,289
10.						
11.	Schools			7	15,329	131,013
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Name of Respondent	This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 20__
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OFF-SYSTEM SALES - NATURAL GAS

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

Line No.	Name <i>(a)</i>	Point of Delivery (City or town and state) <i>(b)</i>	Account <i>(c)</i>	Mcf. of Gas Sold (Approx. B.T.U. per Cu. Ft.) <i>(d)</i>	Revenue for Year (See Instr. 5) <i>(e)</i>	Average Revenue Per Mcf (In cents) <i>(f)</i>	Peak Day Delivery to Customers		
							Date <i>(g)</i>	Mcf	
								Noncoincidental <i>(h)</i>	Coincidental <i>(i)</i>
1									
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3									
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Name of Respondent		This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Ds, Yr)	Year of Report		
REVENUE FROM TRANSPORTATION OF GAS OF OTHERS—NATURAL GAS (Account 489)							
<p>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.</p> <p>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.</p> <p>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.</p>		<p>4. Designate points of receipt and delivery so that they can be identified on map of the respondent's pipe line system.</p> <p>5. Enter Mcf at 14.73 psia at 60°F.</p> <p>6. Minor items (less than 1,000,000 Mcf) may be grouped.</p>					
Line No.	Name of Company and Description of Service Performed (Designate with an asterisk associated companies)	Distance Transported (in miles) (b)	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)
1							
2							
3							
4							
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26							
27							
28	TOTAL						

INSTRUCTIONS

- 1. This form for Annual Report should be filled out and typed in duplicate and one copy returned to the office of the Michigan Public Service Commission by March 31, following the year for which made. The remaining copy should be retained by the Utility Company in its permanent files in case correspondence with regard to this report becomes necessary.
- 2. Additional statements inserted for the purpose of further explanation of accounts or schedules should be made on durable paper the same size as this report and securely attached.
- 3. There should always appear some notation to indicate that the questions asked have not been overlooked. The word "None" may be used against any particular item or items where that word expresses the facts.
- 4. The Oath on this page must be administered by a Notary Public or other officer authorized to administer oaths.

OATH

State of...Michigan.....
 County of...Midland...acting.in.Bay } ss.

I, the undersigned, on oath do say that I am...Manager.....
 (State official position as owner or officer)

of the Utility Company for whom the foregoing annual report was prepared; that the same was prepared by myself or under my direction; that I have full and complete knowledge of the affairs of the said Utility Company that I have examined the foregoing annual report and declare the same to be a correct and complete statement of the business and affairs of said Utility Company in respect to each and every matter and thing therein set forth, to the best of my knowledge, information and belief.

Robert Lora

.....
 (Signature of person executing this report)

 2674 S Huron Rd Kawkawlin, MI 48631

 (Address)

SUBSCRIBED AND SWORN TO BEFORE ME

at...2674 .S.Huron.Rd.Kawkawlin...MI

this...12th...day of...June....., 2006

Robert A. Woods

 (Signature of officer administering oath)

ROBERT A. WOODS
 Notary Public, Midland County, MI
 My Commission Expires Dec. 24, 2007

.....
 (official title)

My commission expires....., 20...

**FINANCIAL STATEMENTS
SUPERIOR ENERGY COMPANY, L.L.C.
DECEMBER 31, 2005**

SUPERIOR ENERGY COMPANY, L.L.C.
TABLE OF CONTENTS

	<u>PAGE</u>
Accountants' Compilation Report	1
Balance Sheet	2
Statement of Operations and Accumulated Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8



PAUL A. WEBSTER
ROBERT J. LOOBY
MICHAEL P. BAUMGARTEN

**WEBSTER
LOOBY &
BAUMGARTEN, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

G-3497 RICHFIELD ROAD
FLINT, MICHIGAN 48506
(810) 736-2350 • FAX (810) 736-9608

5525 COLONY DRIVE NORTH
SAGINAW, MICHIGAN 48638
(989) 799-0000 • FAX (989) 799-2562

April 26, 2006

Superior Energy Company, L.L.C.
Kaleva, Michigan 49645

We have compiled the accompanying balance sheet of Superior Energy Company, L.L.C., as of December 31, 2005, and the related statements of operations and accumulated equity, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Webster, Looby & Baumgarten, P.C.
Webster, Looby & Baumgarten P.C.
Certified Public Accountants
Saginaw, Michigan 48638

STATEMENT 1

SUPERIOR ENERGY COMPANY, L.L.C.
BALANCE SHEET
SEE ACCOUNTANTS' COMPILATION REPORT
DECEMBER 31, 2005

ASSETSCURRENT ASSETS

Cash and Cash Equivalents	\$ 351,740
Accounts Receivable	79,187
Inventory	20,810
Prepaid Expenses	<u>2,345</u>

TOTAL CURRENT ASSETS \$ 454,082

NET PROPERTY AND EQUIPMENT 1,533,411

TOTAL ASSETS \$ 1,987,493

LIABILITIES AND MEMBERS' EQUITYCURRENT LIABILITIES

Accounts Payable	\$ 14,165
Accounts Payable – Related Parties	344,341
Accrued Expenses	15,926
Current Portion of Long Term Debt	<u>40,008</u>

TOTAL CURRENT LIABILITIES \$ 414,440

Long Term Debt – Net of Current Portion 1,149,404

TOTAL LIABILITIES \$ 1,563,844

MEMBERS' EQUITY

Contributed Capital	\$ 176,746
Member Distributions	(5,000)
Accumulated Equity	<u>251,903</u>

TOTAL MEMBERS' EQUITY 423,649

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 1,987,493

See Accompanying Notes which are an integral part of the Financial Statements

STATEMENT 2

SUPERIOR ENERGY COMPANY, L.L.C.
STATEMENT OF OPERATIONS AND ACCUMULATED EQUITY
SEE ACCOUNTANTS' COMPILATION REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating Revenues	\$ 1,317,025
Operating Expenses	<u>837,669</u>
<u>TOTAL OPERATING INCOME</u>	\$ 479,356
General and Administrative Expenses	<u>240,756</u>
<u>NET INCOME</u>	\$ 238,600
<u>ACCUMULATED EQUITY</u> – January 1, 2005	<u>13,303</u>
<u>ACCUMULATED EQUITY</u> – December 31, 2005	<u>\$ 251,903</u>

See Accompanying Notes which are an integral part of the Financial Statements

SUPERIOR ENERGY COMPANY, L.L.C.
STATEMENT OF CASH FLOWS
SEE ACCOUNTANTS' COMPILATION REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FROM OPERATING ACTIVITIES

Net Income	\$ 238,600
Adjusted to Reconcile Net Loss to Net Cash Provided by Operating Activities	
Depreciation	53,973
Changes in Operating Assets and Liabilities which used Cash	
Accounts Receivable	(6,855)
Inventory	(4,256)
Prepaid Expenses	(14)
Accounts Payable	5,883
Accounts Payable – Related Parties	(40,420)
Accrued Expenses	<u>(6,263)</u>
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 \$ 240,648

CASH USED IN INVESTING ACTIVITIES

Purchases of Property and Equipment	<u>(53,921)</u>
 <u>NET CASH USED BY INVESTING ACTIVITIES</u>	 (53,921)

CASH USED IN FINANCING ACTIVITIES

Advance on Line of Credit – Bank One	\$ 50,000
Repayments of Long – Term Debt	<u>(49,400)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 600

NET INCREASE IN CASH AND CASH EQUIVALENTS \$ 187,327

CASH AND CASH EQUIVALENTS – BEGINNING 164,413

CASH AND CASH EQUIVALENTS – ENDING \$ 351,740

Cash Paid for Interest during the period amounted to \$87,385

See Accompanying Notes which are an integral part of the Financial Statements

SUPERIOR ENERGY COMPANY, L.L.C.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Concentration Risks

Superior Energy Company, L.L.C. (“SEC, the Company”) is a limited liability company which was incorporated and began operations in March, 1998 and is a supplier of natural gas to commercial, industrial and residential property owners in Northwestern Michigan. The Company grants credit to customers in the normal course of business. Ongoing credit evaluations of customers’ financial condition are conducted and, generally, no collateral is required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash on hand.

Revenue Recognition

Revenues are generally recognized as service is delivered and billed to the customer.

Inventory

Inventory consists of plant materials and supplies and is stated at the lower of cost, principally determined by the first – in, first – out method or market.

Property and Equipment and Depreciation

Property and equipment are stated at cost, net of reimbursed costs by individual customers. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight – line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

SUPERIOR ENERGY COMPANY, L.L.C.
NOTE TO THE FINANCIAL STATEMENTS – CONT.
DECEMBER 31, 2005

Income Taxes

The company is not a tax paying entity for federal income tax purposes and, thus, no income tax expense has been recorded in the statements. Income from the company is taxed to the members on their individual returns.

Franchise Agreements

The company has sought and obtained non – exclusive franchise rights to install, maintain and operate gas mains, service pipes and other necessary equipment in various additional municipalities in Northern and Western Michigan, not currently being serviced by other gas utility companies.

NOTE 2 –

Property and Equipment

Property and equipment consists of the following classes of assets as of December 31, 2005:

Land	\$ 8,012
Distribution Plant	1,778,889
Building & Improvements	14,131
Non – Utility Equipment	6,153
Furniture & Fixtures	4,277
Computer Equipment	1,123
Vehicles	<u>17,992</u>
<u>Total</u>	\$ 1,830,577
Less: Accumulated Depreciation	<u>297,166</u>
<u>Net Property and Equipment</u>	\$ <u>1,533,411</u>

SUPERIOR ENERGY COMPANY, L.L.C.
NOTE TO THE FINANCIAL STATEMENTS – CONT.
DECEMBER 31, 2005

NOTE 3 –

Debt

Long – term debt consists of the following obligations at December 31, 2005:

Note Payable Bank One, interest only, charged at .25% above the bank's prime rate (effective rate of 7.25% at December 31, 2005). Beginning September 13, 2001, the note is due in monthly installments of \$3,334 principal plus interest.

636,728

Line of Credit Bank One, interest only, charged at .25% above the bank's prime rate (effective rate of 7.25% at December 31, 2005).

552,684

Total Long – Term Debt
Less: Current Portion

\$ 1,189,412
40,008

Long – Term Debt, Net of Current Portion

\$ 1,149,404

SUPERIOR ENERGY COMPANY, L.L.C.
NOTES TO THE FINANCIAL STATEMENTS – CONT.
DECEMBER 31, 2005

Scheduled principal maturities of long – term debt for each of the five years succeeding December 31, 2005 are as follows:

2006	\$ 40,008
2007	40,008
2008	40,008
2009	40,008
2010	40,008
Thereafter	<u>989,372</u>
Total Long – Term Debt	<u>\$ 1,189,412</u>

Interest expense was \$87,385 for the period.

NOTE 4 –

Related Party Transactions

The company contracts with Roese Pipeline, Inc. and R. Roese Contracting, Inc. to construct, install and maintain gas lines and service components to customers. Each of these companies is owned by one or more of the partners of SEC. During the period ended December 31, 2005, SEC purchased materials and services from Roese Pipeline, Inc. and R. Roese Contracting, Inc. totaling \$2,559 and \$99,191 respectively. These amounts are included with accounts payable – related parties in the accompanying financial statements.