

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	UTILITY PLANT			
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	OTHER PROPERTY AND INVESTMENTS			
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	CURRENT AND ACCRUED ASSETS			
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

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)							
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)		Balance at End of Year (d)		
41	Allowances (158.1 and 158.2)	---	0		0		
42	(Less) Noncurrent Portion of Allowances	---	0		0		
43	Stores Expense Undistributed (163)	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		

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)				
Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	\$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

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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		

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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

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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 Recquired Debt (428.1)		-	-
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259	-	-
60	(Less) Amortization of Gain on Recquired 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

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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.

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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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:

Dollars in Millions	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
Changes in accumulated post-retirement benefit obligation:		
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>
Changes in plan assets:		
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>
Reconciliation of funded status:		
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>
Reconciliation of net amount recognized:		
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%

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 (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