

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: <u>December 31, 2005</u>
Present legal name of respondent: <u>Aquila, Inc., d/b/a Aquila Networks – MGU</u>
Present DBA name in Michigan if different from legal name: _____
Address of principal place of business: <u>1815 Capitol Avenue, Omaha, NE 68102</u>
Utility representative to whom inquiries regarding this report may be directed: Name <u>Steven M. Jurek</u> Title <u>Vice President, Regulatory Services</u> Address <u>1815 Capitol Avenue</u> City <u>Omaha</u> State <u>NE</u> Zip Code <u>68102</u> Telephone: <u>(402) 221-2262</u> E-mail: <u>steve.jurek@aquila.com</u>
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

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

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, 2005 and 2004, and the related statements of income—regulatory basis for the years then ended and cash flows—regulatory basis for the year ended December 31, 2005 included on pages 110 through 121 (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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 U.S. 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, 2005 and 2004, 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 3, 2006

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 [©] 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

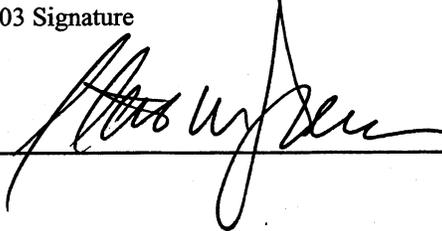
DEFINITIONS

- 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.²) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)

- II. Commission Authorization (Comm. Auth.) - The authorization of the Michigan Public Service Commission, or any other Commission. Name the Commission whose authorization was obtained and give the date of the authorization.
- III. Respondent - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

MPSC FORM P-522

ANNUAL REPORT OF NATURAL GAS UTILITIES (Major and Nonmajor)

IDENTIFICATION		
01 Exact Legal Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	02 Year of Report 2005	
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) 12/31/05
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) 4-26-06
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)	Year of Report Dec. 31, 2005
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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)
GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS		
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	122-123H	
BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)		
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	None
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) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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LIST OF SCHEDULES (Natural Gas Utility) (Continued)

Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
BALANCE SHEET SUPPORTING SCHEDULES (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
INCOME ACCOUNT SUPPORTING SCHEDULES		
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) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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LIST OF SCHEDULES (Natural Gas Utility) (Continued)

Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
COMMON SECTION		
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	
GAS PLANT STATISTICAL DATA		
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
MPSC SCHEDULES		
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	None
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	None
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 <i>(Mo, Da, Yr)</i>	Year of Report Dec 31, 2005
GENERAL INFORMATION			
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. Rick J. Dobson, Chief Financial Officer Aquila, Inc. 20 West Ninth Street Kansas City, MO 64105			
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. Delaware, September 9, 1986			
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. N/A			
4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated. Retail sale and transportation of natural gas and administrative services.			
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? (1) Yes...Enter the date when such independent accountant was initially engaged: _____ (2) <input checked="" type="checkbox"/> No			

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, 2005
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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 2005 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)	Year of Report Dec. 31, 2005
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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.	\$ 990,000
4			
5	Sr Vice President and Chief Operating Officer	Keith G. Stamm	450,000
6			
7	Sr Vice President and Chief Financial Officer	Rick J. Dobson	300,000
8			
9	Sr Vice President and Chief Administrative Officer	Leo E. Morton	332,001
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11	Sr Vice President, Regulated Operations	Jon R. Empson	300,000
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27	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, 2005
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IMPORTANT CHANGES DURING THE YEAR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Franchises Renwed:

<u>Utility</u>	<u>Town</u>	<u>Term</u>	<u>Action</u>	<u>Consideration</u>
Gas	City of South Haven	10 Years + 10	Renewal	None
Gas	City of Monroe	10 Years	Renewal	None

2. None

3. On September 21, 2005 Aquila, Inc. announced that it signed definitive agreements to sell the natural gas operations in Michigan, Minnesota, Missouri and South Dakota. Completion of each of these transactions is subject to certain closing conditions as set forth in each asset purchase agreement.

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, 2005
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IMPORTANT CHANGES DURING THE YEAR

- 8. USWA #12295, 14249, 14250, United Steel Workers of America, received an increase of 3% as of 01/16/2005.
UWUA #417, Utility Workers Union of America, received an increase of 2.0% as of 02/16/2005.
Aquila, Inc.'s average merit increase for non-union exempt and non-exempt employees was 3.01% effective 02/19/2005.
- 9. The Division is involved in various legal proceedings which arise in the normal course of operations. The individual claims are not material to Aquila, Inc., as a whole, and reserves have been provided on the balance sheet as appropriate.
- 10. None
- 11. None
- 12. Not Applicable

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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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	\$314,453,287	\$323,261,017
3	Construction Work in Progress (107)	200-201	1,468,940	255,359
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		315,922,227	323,516,376
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115, 119)	200-201	151,208,054	159,855,415
6	Net Utility Plant (Enter Total of line 4 less 5)	-	164,714,173	163,660,961
7	Nuclear Fuel (120.1-120.4, 120.6)	-	0	0
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	-	0	0
9	Net Nuclear Fuel (Enter Total of line 7 less 8)	-	0	0
10	Net Utility Plant (Enter Total of lines 6 and 9)	-	\$164,714,173	\$163,660,961
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	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
19	Noncurrent Portion of Allowances	-	0	0
20	Other Investments (124)	222-223,229	0	0
21	Special Funds (125-128)	-	0	0
22	TOTAL Other Property and Investments (Total of lines 14-21)	-	\$18,246	\$18,246
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	-	\$1,165,774	\$1,434,326
25	Special Deposits (132-134)	-	30,662	30,662
26	Working Funds (135)	-	5,950	5,850
27	Temporary Cash Investments (136)	222-223	0	0
28	Notes Receivable (141)	228A	0	0
29	Customer Accounts Receivable (142)	228A	17,422,237	25,398,398
30	Other Accounts Receivable (143, 147, 148, 149)	228A	2,176,994	2,036,502
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	228A	(476,499)	(364,042)
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	25	0
36	Residuals (Elec) and Extracted Products (Gas) (153)	228C	0	0
37	Plant Material and Operating Supplies (154)	228C	306,992	424,846
38	Merchandise (155)	228C	0	0
39	Other Material and Supplies (156)	228C	0	0
40	Nuclear Materials Held for Sale (157)	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	228,615	256,462
44	Gas Stored Underground-Current (164.1)	220	36,655,627	44,228,264
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	220	0	0
46	Prepayments (165)	226, 230	12,038,836	11,354,204
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)	---	24,254,324	27,538,276
51	Miscellaneous Current and Accrued Assets (174)	---	49,775	198,460
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)		\$93,859,312	\$112,542,208
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	5,845,630	6,432,820
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)	---	414,163	180,869
61	Temporary Facilities (185)	---	0	0
62	Miscellaneous Deferred Debits (186)	233	248,475	401,164
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	12,728,259	14,003,336
67	Unrecovered Purchased Gas Costs (191)	---	3,914,115	0
68	TOTAL Deferred Debits (Enter Total of lines 54 thru 67)		\$23,150,642	\$21,018,189
69	TOTAL Assets and other Debits (Enter Total of lines 10, 11, 12, 22, 52 and 68)		\$281,742,373	\$297,239,604

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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	86,340,637	88,387,694
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) Recquired Capital Stock (217)	250-251	0	0
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		\$86,340,637	\$88,387,694
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	\$0	\$0
17	(Less) Recquired Bonds (222)	256-257	0	0
18	Advances from Associated Companies (223)	256-257	0	0
19	Other Long-Term Debt (224)	256-257	82,052,038	78,054,500
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)		\$82,052,038	\$78,054,500
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)	---	75,804	117,034
27	Accumulated Provision for Pensions and Benefits (228.3)	---	902,809	781,565
28	Accumulated Miscellaneous Operating Provisions (228.4)	---	0	0
29	Accumulated Provision for Rate Refunds (229)	---	0	0
30	Asset Retirement Obligations (230)	---	25,495	162,019
31	TOTAL Other Noncurrent Liabilities (Enter Total of lines 24 thru 30)		\$1,004,108	\$1,060,618
32	CURRENT AND ACCRUED LIABILITIES			
33	Notes Payable (231)	260A	\$0	\$0
34	Accounts Payable (232)	---	115,525	24,618
35	Notes Payable to Associated Companies (233)	260B	30,113,623	65,846,160
36	Accounts Payable to Associated Companies (234)	260B	21,566,161	(754,643)
37	Customer Deposits (235)	---	1,427,003	1,914,815
38	Taxes Accrued (236)	262-263	5,874,769	1,833,150
39	Interest Accrued (237)	---	111,598	111,598
40	Dividends Declared (238)	---	0	0
41	Matured Long-Term Debt (239)	---	4,592,462	8,590,000

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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)	---	417,536	647,436
44	Misc. Current and Accrued Liabilities (242)	268	3,088,324	2,942,329
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)		67,307,001	81,155,463
51	DEFERRED CREDITS			
52	Customer Advances for Construction (252)	---	\$0	\$0
53	Accumulated Deferred Investment Tax Credits (255)	266-267	1,227,650	1,032,650
54	Deferred Gains from Disposition of Utility Plant (256)	---	0	0
55	Other Deferred Credits (253)	269	4,272,362	8,495,738
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	39,538,577	39,052,941
59	TOTAL Deferred Credits (Enter Total of lines 47 thru 53)		\$45,038,589	\$48,581,329
60	TOTAL Liabilities and Other Credits (Enter Total of lines 14, 22, 30, 49 and 59)		\$281,742,373	\$297,239,604

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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 <i>(a)</i>	(Ref.) Page No. <i>(b)</i>	TOTAL	
			Current Year <i>(c)</i>	Previous Year <i>(d)</i>
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	231,993,827	205,872,696
3	Operating Expenses			
4	Operation Expenses (401)	320-325	201,571,362	174,648,576
5	Maintenance Expenses (402)	320-325	2,254,465	2,199,782
6	Depreciation Expense (403)	336-338	8,851,914	8,580,548
7	Amort. & Depl. of Utility Plant (404-405)	336-338	148,246	149,061
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	2,023,070	3,935,571
14	Income Taxes - Federal (409.1)	262-263	5,372,062	2,991,581
15	- Other (409.1)	262-263	0	0
16	Provision for Deferred Inc. Taxes (410.1)	234,272-276B	(568,742)	337,104
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234,272-276B	(1,401,748)	166,872
18	Investment Tax Credit Adj. - Net (411.4)	234,272-276B	(195,000)	(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 <i>(Enter Total of lines 4 thru 22)</i>		218,055,629	192,802,895
24	Net Utility Operating Income <i>(Enter Total of line 2 less 23) (Carry forward to page 117, line 25)</i>		13,938,198	13,069,801

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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
		231,993,827	205,872,696			2
						3
		201,571,362	174,648,576			4
		2,254,465	2,199,782			5
		8,851,914	8,580,548			6
		148,246	149,061			7
		0	0			8
		0	0			9
		0	0			10
		0	0			11
		0	0			12
		2,023,070	3,935,571			13
		5,372,062	2,991,581			14
		0	0			15
		(568,742)	337,104			16
		(1,401,748)	166,872			17
		(195,000)	(206,200)			18
		0	0			19
		0	0			20
		0	0			21
		0	0			22
0	0	218,055,629	192,802,895	0	0	23
0	0	13,938,198	13,069,801	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>	-	13,938,198	13,069,801
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		-	4
30	(Less) Costs & Exp of Merchandising, Job & Contract Work (416)		-	-
31	Revenues From Nonutility Operations (417)		141,817	164,494
32	(Less) Expenses of Nonutility Operations (417.1)		(195,342)	(147,972)
33	Nonoperating Rental Income (418)		-	-
34	Equity in Earnings of Subsidiary Companies (418.1)	119	-	-
35	Interest and Dividend Income (419)		278,524	113,412
36	Allowance for Other Funds Used During Construction (419.1)		-	-
37	Miscellaneous Nonoperating Income (421)		563	(1,847)
38	Gain on Disposition of Property (421.1)		-	-
39	TOTAL Other Income <i>(Enter Total of lines 29 thru 38)</i>		225,562	128,091
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		-	3,737
42	Miscellaneous Amortization (425)	340	1,151,537	1,151,537
43	Miscellaneous Income Deductions (426.1 426.5)	340	154,481	123,939
44	TOTAL Other Income Deductions <i>(Enter Total of lines 41 thru 43)</i>		1,306,018	1,279,213
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	(760,319)	5,201
47	Income Taxes-Federal (409.2)	262-263	286,821	(5,974)
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>		(473,498)	(773)
54	Net Other Income and Deductions <i>(Enter Total of lines 39,44,53)</i>		(606,958)	(1,150,349)
55	Interest Charges			
56	Interest on Long-Term Debt (427)		6,137,207	6,379,090
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	783,759	338,294
62	Other Interest Expense (431)	340	315,541	(26,296)
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		(67,532)	(43,216)
64	Net Interest Charges <i>(Enter Total of 56 thru 63)</i>		7,168,975	6,647,872
65	Income Before Extraordinary Items <i>(Enter Total of lines 25,54, and 64)</i>		6,162,265	5,271,580
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>		6,162,265	5,271,580

NOTE: Net Interest Charges includes Non Reg Interest Expense of \$11,913. 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		709,470
5	Account 283		(1,278,212)
6	Account 284		0
7	Reconciling Adjustments		0
8	TOTAL Account 410.1 (on pages 114-115 line 16)		(568,742)
9	TOTAL Account 410.2 (on page 117 line 49)		
10	Credits to Account 411 from:		
11	Account 190		(1,275,077)
12	Account 281		0
13	Account 282		(126,671)
14	Account 283		0
15	Account 284		0
16	Reconciling Adjustments		0
17	Total Account 411.1 (on pages 114-15 line 17)		(1,401,748)
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		(195,000)
22	ITC Adjustments:		
23	Adjust last year's estimate to actual per filed return		
24	Other (specify)		
25	Net Reconciling Adjustments Account 411.4*		(195,000)
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.
				1
	0		0	2
	0		0	3
	709,470		709,470	4
	(1,278,212)		(1,278,212)	5
	0		0	6
	0		0	7
	(568,742)			8
				9
				10
	(1,275,077)		(1,275,077)	11
	0		0	12
	(126,671)		(126,671)	13
	0		0	14
	0		0	15
	0		0	16
	(1,401,748)			17
				18
				19
				20
	(195,000)		(195,000)	21
				22
				23
				24
	(195,000)			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 (Line 72(c) on page 117)	6,162,265
3	Prior Year Earnings Adjustment (line 8 page 253)	-
4	Non-Cash Charges (Credits) to Income	
5	Depreciation and Depletion	8,851,914
6	Amortization of Acquisition Adjustment	1,151,537
7	Amortization of Utility Plant	148,246
8		
9	Deferred Income Taxes (Net)	(1,970,490)
10	Investment Tax Credit Adjustments (Net)	(195,000)
11	Net (Increase) Decrease in Receivables	(11,232,078)
12	Net (Increase) Decrease in Inventory	(7,718,313)
13	Net (Increase) Decrease in Allowances Inventory	-
14	Net Increase (Decrease) in Payables and Accrued Expenses	5,945,493
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	592,457
21	Net Increase (Decrease) in Other Deferred Assets & Liabilities	7,630,906
22	Net Cash Provided by (Used in) Operating Activities	
23	(Total of lines 2 thru 20)	9,366,937
24		
25	Cash Flows from Investment Activities:	
26	Construction and Acquisition of Plant (including land):	
27	Gross Additions to Utility Plant (less nuclear fuel)	(8,632,222)
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	(67,532)
32	Other:	(398,731)
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(9,098,485)
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>	(9,098,485)
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	-
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>	-
71		
72	Payments for Retirement of:	
73	Long-term Debt (b)	-
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>	268,452
87		
88	Cash and Cash Equivalents at Beginning of Year	1,202,386
89		
90	Cash and Cash Equivalents at End of Year	1,470,838

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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 161,298 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)."

Deferred Taxes (281-283) related to the Plant Acquisition Adjustment (114) are not recorded in accordance with GAAP. Instead the tax impact related to Plant Acquisition Amortization is flowed-through tax expense in the current period, consistent with the treatment for rate making. Accordingly, current year tax expense (409.1) is higher than would be reported under GAAP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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, 2005 and 2004, \$2,253,214 and \$1,281,969 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 December of each year, an application to the MPSC requesting approval of maximum rates to be charged customers during the subsequent GCR period (April 1 through March 31) for natural gas costs expected to be incurred during that period. 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 GCR period with natural gas cost recovery revenues collected during that period with provisions for rolling overcollections and undercollections into the next GCR period, 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 5.342 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 2005 and 2004.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (continued)

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 fair value of MGU's Utility Plant 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 \$15.4 million at December 31, 2005 and \$16.6 million at December 31, 2004, while the amount recognized as additional amortization in 2005 was \$1.2 and 2004 was \$1.1 million.

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) 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:

	2005	2004
Outstanding at year-end	\$65,846,160	\$30,113,623
Weighted average interest rate	3.6%	2.0%

(3) Transactions with Affiliates

MGU interest (income)/expense on advances (to)/from ILA included in Interest on Debt to Associated Companies was \$783,759 in 2005, and \$338,294 in 2004. Amounts charged to ILA for allocated administrative costs in 2005 and 2004 were \$7,431,467 and \$6,817,956 respectively. At year end 2005 and 2004, MGU had a net accounts (receivable)/payable outstanding to affiliated companies of \$(754,643) and \$21,566,161 respectively. MGU accrued dividends of \$4,115,208 and \$4,190,992 to ILA in 2005 and 2004 respectively.

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NOTES TO FINANCIAL STATEMENTS (Continued)

(4) 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. Benefits under the plans reflect the employees' compensation, years of service and age at retirement.

In February 2005, ILA amended its pension and other post-retirement benefit plans to bring its benefits into line with its regulated utility peers. The effect of these amendments on its projected (pension) benefit obligation was an increase of \$40.9 million as of ILA's most recent measurement date, September 30, 2005. This unrecognized prior service cost is recognized prospectively as a component of net periodic benefit cost, amortized on a straight line basis over the average future service of active plan participants.

The following table shows the funded status of the pension plan and the amount included in the ILA's Consolidated Balance Sheet and Statement of Income. For measurement purposes, projected benefit obligations and the fair value of plan assets were determined as of September 30, 2005 and 2004:

Dollars in Millions	Years Ended December 31	
	2005	2004
Benefit obligation at end of year	\$408.9	\$337.6
Fair value of plan assets at end of year	353.4	313.6
Funded Status	(55.5)	(24.0)
4th quarter employer contributions	0.2	0.0
Unrecognized transition amount	(0.6)	(1.5)
Unrecognized net actuarial (gain) loss	82.7	90.9
Unrecognized prior service cost	48.7	12.0
Accumulated regulatory gain/loss adjustment	7.3	10.6
Net amount recognized before SFAS 71 regulatory liability	82.8	88.0
SFAS 71 regulatory liability	(10.5)	(6.6)
Net amount recognized	<u>72.3</u>	<u>81.4</u>
Components of Net Periodic Benefit Cost:		
Service Cost	8.9	7.8
Interest cost	22.0	19.4
Expected return on plan assets	(27.6)	(23.9)
Amortization of transition amount	(0.8)	(1.2)
Amortization of prior service cost	4.2	1.1
Recognized net actuarial (gain) loss	4.1	8.1
Curtailment (gain) loss	0.0	0.0
Regulatory gain/loss adjustment	3.4	0.2
SFAS 71 regulatory adjustment	3.9	4.3
Net Periodic Benefit Cost after curtailments and regulatory expense adjs	<u>18.1</u>	<u>15.8</u>
Weighted Average Assumptions as of September 30:		
Discount rate for expense	6.00%	6.00%
Discount rate for disclosure	5.80%	6.00%
Expected return on plan assets for expense	8.50%	8.50%
Expected return on plan assets for disclosure	8.50%	8.50%
Rate of compensation increase	4.40%	4.40%

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 \$1,488,627 in 2005 and \$1,336,300 in 2004.

During 2005, 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 2005 and 2004 totaled \$441,344 and \$385,068 respectively.

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NOTES TO FINANCIAL STATEMENTS (Continued)

(5) 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 \$1,360,313 in 2005 and \$1,681,137 in 2004.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) became effective. The Act expands Medicare, primarily by offering a prescription drug benefit to Medicare-eligible retirees starting in 2006, as well as a federal subsidy to sponsors of retiree healthcare plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our actuaries have determined that the benefits provided under our other post-retirement benefit plans are actuarially equivalent to the Medicare Part D benefits under the Act for current retirees. Therefore, we qualify for the 28% federal subsidy. We have recognized the effect of the Act on our other post-retirement benefit obligations and costs in our financial statements, beginning July 1, 2004 in accordance with FASB Staff Position No. 106-2. "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 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	
	2005	2004
Changes in accumulated post-retirement benefit obligation:		
Benefit Obligation at start of year	15,532,752	17,260,501
Service Cost	53,382	36,808
Interest Cost	881,097	954,000
Plan participants' contribution	13,830	16,955
Amendments	0	1,371,556
Actuarial (gain)/loss	(267,346)	(2,946,596)
Benefits paid	(1,147,429)	(1,160,472)
Benefit Obligation at end of year	<u>15,066,286</u>	<u>15,532,752</u>
Changes in plan assets:		
Fair value of plan assets at start of year	4,808,059	4,569,127
Actual return on assets	1,005,105	(168,290)
Employer Contributions	561,098	1,550,739
Plan participants' contribution	13,830	16,955
Benefits paid	(1,147,429)	(1,160,472)
Fair value of plan assets at end of year	<u>5,240,663</u>	<u>4,808,059</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

Reconciliation of funded status:

Actuarial present value of post-retirement benefit obligations:

Retirees	13,710,982	14,800,263
Other fully eligible participants	350,435	148,095
Other active participants	1,004,869	584,394
Total	<u>15,066,286</u>	<u>15,532,752</u>
Fair value of plan assets	(5,240,663)	(4,808,059)
Unrecognized transition obligation	(2,050,857)	(2,341,819)
Unrecognized prior service cost	(1,339,524)	(1,371,556)
Unrecognized net loss	(6,898,482)	(8,285,967)
Employer VEBA Contribution	(709,347)	0
Balance Sheet Liability	<u>(1,172,587)</u>	<u>(1,274,649)</u>

Reconciliation of net amount recognized:

Prepaid post-retirement benefit cost	1,274,649	1,164,740
Net periodic post-retirement benefit cost before curtailments	(1,261,004)	(1,640,782)
Contributions	1,265,567	1,750,691
Curtailments and other adjustments	(106,625)	0
Net amount recognized at end of year	<u>1,172,587</u>	<u>1,274,649</u>

Weighted average assumptions as of September 30:

	<u>2005</u>	<u>2004</u>
Discount rate for expense	6.00%	6.00%
Discount rate for disclosure	5.53%	6.00%
Expected return on plan assets for expense	7.00%	7.00%
Expected return on plan assets for disclosure	7.00%	7.00%

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 \$1,363,978 and \$895,609 for 2005 and 2004 respectively, and the aggregate of the service and interest cost components by \$81,390 and \$66,061 for 2005 and 2004 respectively.

Our other post-retirement benefit plan assets at December 31, 2005 and 2004 were 100% invested in short-term debt instruments and cash equivalents.

The discount rate is defined as the rate at which plan obligations could effectively be settled. We utilize the Hewitt Yield Curve (HYC) in selecting the discount rate assumption for our pension and other post-retirement benefit plans. The HYC method is to project all benefit payments (PBO benefit payments) payable over the life of the plan. Then, stripped investment grade coupons (the top quartile of non-callable, Corporate Aa bonds or higher) are matched to the benefit payments and discounted back to the current date. The result is a PBO. Then, a single discount rate is produced that generates the same PBO. This single discount rate is the weighted average of the discounted benefit payments.

Components of net periodic benefit cost:

	<u>2005</u>	<u>2004</u>
Service Cost	53,382	36,808
Interest Cost	881,097	954,000
Expected Return on plan assets	(336,564)	(319,839)
Amortization of transition amount	292,727	292,727
Amortization of prior service cost	82,957	0
Recognized net actuarial (gain) loss	287,405	677,086
Net periodic post-retirement benefit cost	<u>1,261,004</u>	<u>1,640,782</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

(6) Long Term Debt

Long-term debt at December 31, 2005 and 2004 is represented by:

	2005	2004
Notes Issued by ILA and Partially Assigned to MGU		
9.03% Series due December 1, 2005	0	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	6,519,423	1,926,961
14.875% Series due July 1, 2012	31,037,039	31,037,039
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	8,590,000	4,592,462
	<u>78,054,500</u>	<u>82,052,038</u>

The amount of Long Term Debt maturing through 2010 is as follows:

	<u>Maturing Amounts</u>
2006	8,590,000
2007	0
2008	0
2009	30,200,000
2010	0
Thereafter	47,854,500
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, 2005, MGU had long-term debt in the amount of \$86,644,500. The fair value at December 31, 2005 was \$98,657,114.

Interest on Long Term Debt Assigned

In accordance with ILA's capital assignment policy, it is agreed that for regulatory purposes, the effective interest rate charged on assigned long-term debt would not be more than an investment grade domestic utility (BBB). The effective interest rates for the assigned debts from parent were based on "all costs in" investment grade interest rate provided by Treasury at the date of the assignment or at the time the debt is re-financed.

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NOTES TO FINANCIAL STATEMENTS (Continued)

(7) 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, 2005 and December 31, 2004. Liabilities were \$772,084 at both December 31, 2005 and December 31, 2004 respectively.

Income tax expense consists of the following components:

<u>Dollars in Thousands</u>	<u>2005</u>	<u>2004</u>
Currently Payable	5,372	2,992
Deferred:		
Depreciation	(385)	(382)
Contributions in aid on construction	(490)	(485)
Regulatory expense	0	(46)
Pension expense	(466)	466
Post-Retirement Benefits	0	0
SBT Over/Under Accrual	0	159
Removal Costs	91	(90)
Other	(721)	881
Investment Tax Credit Amortization	(195)	(206)
Total Income Tax Expense	3,206	3,289
Tax effect of other income items	287	(6)
Total Income Tax Expense	3,493	3,283

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

<u>Dollars in Thousands</u>	<u>2005</u>	<u>2004</u>
Deferred Tax Asset		
Plant Differences	0	0
Other	14,003	12,728
Total	<u>14,003</u>	<u>12,728</u>
Deferred Tax Liability		
Plant Differences	32,070	30,667
Other	6,983	8,872
Total	<u>39,053</u>	<u>39,539</u>
Unamortized Investment Tax Credits	<u>1,033</u>	<u>1,228</u>

Deferred Tax Asset - Other consists primarily of Contributions in Aid of Construction and Deferred Compensation.

Deferred Tax Liability - Other consists primarily of regulatory assets and pensions costs.

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

	<u>2005</u>	<u>2004</u>
Statutory Federal Income Tax Rate	35.0%	35.0%
Tax effect of:		
Investment tax credit amortization	(2.0)	(2.4)
Amortization of acquisition adjustment	4.2	4.7
Other	(1.0)	1.1
Effective Federal Income Tax Rate	36.2%	38.4%

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, 2005
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NOTES TO FINANCIAL STATEMENTS (Continued)

(8) 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:

	2005	2004
Regulatory Assets:		
Deferred Environmental Costs	5,634,858	5,049,273
Income Taxes (SFAS 109)	611,000	611,000
Other	186,962	185,357
Total Regulatory Assets	6,432,820	5,845,630

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 future periods when authorized by regulatory authorities. Prudent costs such as these have traditionally been allowed for recovery over periods of five to ten years. 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.

-Regulatory Assets - Other consists primarily of asset retirement obligations. asset retirement obligations represents the estimated recoverable costs for legally required removal obligations. A return is not earned on these items.

(9) Quarterly Financial Information (Unaudited)

Quarterly results of operations are summarized as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
2005				
Operating Revenue	94,843,105	32,374,095	20,670,367	84,106,260
Operating Income	8,066,127	495,268	1,620,466	3,756,337
Net Income (Loss)	6,308,442	(1,182,337)	(776,190)	1,812,350
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

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NOTES TO FINANCIAL STATEMENTS (Continued)

(10) Commitments and Contingencies

Capital Expenditures:

Due to the sale of MGU properties to WPS on April 1, 2006, minimal commitments for capital expenditures and leases were made prior to the sale date. For the year ended December 31, 2005, MGU had additions to plant of \$8.6 million.

Contingent Obligations:

No guarantees or obligations, other than those that may be set forth in the MGU sale document exist after the April 1, 2006 sales date.

Environmental:

ILA is subject to various environmental laws. These include regulations governing air and water quality and the storage and disposal of hazardous or toxic wastes. We continually assess ways to ensure we comply with laws and regulations on hazardous materials and hazardous waste and remediation activities.

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 \$2.1 million to date on preliminary site investigations and remediation. MGU estimates probable cleanup costs to be \$5 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 \$7.9 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.

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.

Gas Purchases:

MGU procures its gas for customers through ILA. Long-term commitments for the purchase of gas are entered into by ILA.

(11) Sale of Assets

On September 21, 2005, Aquila entered into an agreement to sell MGU for a base purchase price of \$269.5 million. The base price will be increased by working capital and capital expenditures net of depreciation. Completion of the sale depends on several conditions being satisfied by September 21, 2006 (subject to extension in limited circumstances), including: (i) the non-occurrence of a material adverse event, as described in the asset purchase agreement; (ii) the approval of the MPSC; (iii) the expiration or early termination of any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and (iv) the other closing conditions set forth in the asset purchase agreement.

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION				
Line No.	Item (a)	Total (b)	Electric (c)	
1	UTILITY PLANT			
2	In Service			
3	Plant in Service (Classified)	287,342,785		
4	Property Under Capital Leases	0		
5	Plant Purchased or Sold	0		
6	Completed Construction not Classified	1,372,117		
7	Experimental Plant Unclassified	0		
8	TOTAL (Enter Total of lines 3 thru 7)	288,714,902		
9	Leased to Others	0		
10	Held for Future Use	0		
11	Construction Work in Progress	255,359		
12	Acquisition Adjustments	34,546,115		
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	323,516,376		
14	Accum. Prov. for Depr., Amort., & Depl.	159,855,415		
15	Net Utility Plant (Enter Total of line 13 less 14)	163,660,961		
DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION				
16	In Service:			
18	Depreciation	138,585,852		
19	Amort. and Depl. of Producing Natural Gas Land and Land Rights	0		
20	Amort. of Underground Storage Land and Land Rights	0		
21	Amort. of Other Utility Plant	2,173,238		
22	TOTAL In Service (Enter Total of lines 18 thru 21)	140,759,090		
23	Leased to Others			
24	Depreciation	0		
25	Amortization and Depletion	0		
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)	0		
27	Held for Future Use			
28	Depreciation	0		
29	Amortization	0		
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)	0		
31	Abandonment of Leases (Natural Gas)	0		
32	Amort. of Plant Acquisition Adj.	19,096,325		
33	TOTAL Accumulated provisions (Should agree with line 14 above) (Enter Total of lines 22, 26, 30, 31, and 32)	159,855,415		

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, 2005
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION					
Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
287,342,785					3
0					4
0					5
1,372,117					6
0					7
288,714,902					8
0					9
0					10
255,359					11
34,546,115					12
323,516,376					13
159,855,415					14
163,660,961					15
					16
					17
138,585,852					18
0					19
0					20
2,173,238					21
140,759,090					22
					23
0					24
0					25
0					26
					27
0					28
0					29
0					30
0					31
19,096,325					32
159,855,415					33

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

- | | |
|---|---|
| <p>1. Report below the original cost of gas plant in service according to the prescribed accounts.</p> <p>2. In addition to Acct 101, Gas Plant in Service (Classified), this schedule includes Account 102, Gas Plant Purchased or Sold; Acct 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified - Gas.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such amounts.</p> <p>5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries</p> | <p>for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements.</p> <p>Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior year's tentative account distributions of these amounts.</p> |
|---|---|

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

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report	Year of Report Dec. 31, 2005
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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)

Careful observation of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classification.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
					1
			0	301	2
			22,656	302	3
			0	303	4
0	0	0	22,656		5
					6
					7
			0	304.1	8
			0	304.2	9
			0	305	10
			0	306	11
			0	307	12
			0	308	13
			0	309	14
			0	310	15
			0	311	16
			0	312	17
			0	313	18
			0	314	19
			0	315	20
			0	316	21
			0	317	22
			0	318	23
			0	319	24
			0	320	25
0	0	0	0		26

Name of Respondent		This Report Is:	Date of Report	Year of Report
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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
27		Natural Gas Production & Gathering Plant		
28	325.1	Producing Lands	0	
29	325.2	Producing Leaseholds	0	
30	325.3	Gas Rights	0	
31	325.4	Rights-of-Way	0	
32	325.5	Other Land	35,093	
33	325.6	Other Land Rights	0	
34	326	Gas Well Structures	0	
35	327	Field Compressor Station Structures	0	
36	328	Field Measuring and Regulating Station Structures	0	
37	329	Other Structures	51,679	
38	330	Producing Gas Wells-Well Construction	0	
39	331	Producing Gas Wells-Well Equipment	5,149	
40	332	Field Lines	41,943	
41	333	Field Compressor Station Equipment	115,824	
42	334	Field Measuring and Regulating Station Equipment	2,051	
43	335	Drilling and Cleaning Equipment	0	
44	336	Purification Equipment	22,055	
45	337	Other Equipment	9,961	
46	338	Unsuccessful Exploration & Development Costs	0	
47		TOTAL Production and Gathering Plant	283,755	0
48		Products Extraction Plant		
49	340.1	Land	0	
50	340.2	Land Rights	0	
51	341	Structures and Improvements	0	
52	342	Extraction and Refining Equipment	0	
53	343	Pipe Lines	0	
54	344	Extracted Products Storage Equipment	0	
55	345	Compressor Equipment	0	
56	346	Gas Measuring and Regulating Equipment	0	
57	347	Other Equipment	0	
58		TOTAL Products Extraction Plant	0	0
59		TOTAL Natural Gas Production Plant	283,755	0
60		SNG Production Plant (Submit Supplemental Statement)	0	
61		TOTAL Production Plant	283,755	0
62		3. Natural Gas Storage and Processing Plant		
63		Underground Storage Plant		
64	350.1	Land	8,312	

Name of Respondent		This Report Is:	Date of Report	Year of Report	
Aquila, Inc. d/b/a Aquila Networks - MGU		(1) X An Original (2) A Resubmission	(Mo, Da, Yr)	Dec. 31, 2005	
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements	Adjustments	Transfers	Balance at End of Year	Acct. No.	Line No.
(d)	(e)	(f)	(g)		
					27
			0	325.1	28
			0	325.2	29
			0	325.3	30
			0	325.4	31
			35,093	325.5	32
			0	325.6	33
			0	326	34
			0	327	35
			0	328	36
			51,679	329	37
			0	330	38
			5,149	331	39
			41,943	332	40
			115,824	333	41
			2,051	334	42
			0	335	43
			22,055	336	44
			9,961	337	45
			0	338	46
0	0	0	283,755		47
					48
			0	340.1	49
			0	340.2	50
			0	341	51
			0	342	52
			0	343	53
			0	344	54
			0	345	55
			0	346	56
			0	347	57
0	0	0	0		58
0	0	0	283,755		59
			0		60
0	0	0	283,755		61
					62
					63
			8,312	350.1	64

Name of Respondent		This Report Is:	Date of Report	Year of Report
Aquila, Inc. d/b/a Aquila Networks - MGU		(1) X An Original (2) A Resubmission	(Mo, Da, Yr)	Dec. 31, 2005
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
65	350.2	Rights-of-Way	2,455	
66	351	Structures and Improvements	276,491	
67	352	Wells	2,470,587	
68	352.1	Storage Leaseholds and Rights	1,666,933	
69	352.2	Reservoirs	95,267	
70	352.3	Non-recoverable Natural Gas	4,840,502	
71	353	Lines	897,299	
72	354	Compressor Station Equipment	1,642,454	1,271,134
73	355	Measuring and Regulating Equipment	673,287	3,017
74	356	Purification Equipment	578,570	130,872
75	357	Other Equipment	18,594	
76	358	Gas in Underground Storage-Noncurrent	0	
77		TOTAL Underground Storage-Noncurrent	13,170,751	1,405,023
78		Other Storage Plant		
79	360.1	Land	0	
80	360.2	Land Rights	0	
81	361	Structures and Improvements	0	
82	362	Gas Holders	0	
83	363	Purification Equipment	0	
84	363.1	Liquefaction Equipment	0	
85	363.2	Vaporizing Equipment	0	
86	363.3	Compressor Equipment	0	
87	363.4	Measuring and Regulating Equipment	0	
88	363.5	Other Equipment	0	
89		TOTAL Other Storage Plant	0	0
90		Base Load Liquefied NG Terminating and Processing Plant		
91	364.1	Land	0	
92	364.1a	Land Rights	0	
93	364.2	Structures and Improvements	0	
94	364.3	LNG Processing Terminal Equipment	0	
95	364.4	LNG Transportation Equipment	0	
96	364.5	Measuring and Regulating Equipment	0	
97	364.6	Compressor Station Equipment	0	
98	364.7	Communication Equipment	0	
99	364.8	Other Equipment	0	
100		TOTAL Base Load LNG Terminating and Processing Plant	0	0
101				
102		TOTAL Natural Gas Storage and Processing Plant	13,170,751	1,405,023

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.
			2,455	350.2	65
			276,491	351	66
			2,470,587	352	67
			1,666,933	352.1	68
			95,267	352.2	69
			4,840,502	352.3	70
			897,299	353	71
			2,913,588	354	72
			676,304	355	73
			709,442	356	74
			18,594	357	75
			0	358	76
0	0	0	14,575,774		77
					78
			0	360.1	79
			0	360.2	80
			0	361	81
			0	362	82
			0	363	83
			0	363.1	84
			0	363.2	85
			0	363.3	86
			0	363.4	87
			0	363.5	88
0	0	0	0		89
					90
			0	364.1	91
			0	364.1a	92
			0	364.2	93
			0	364.3	94
			0	364.4	95
			0	364.5	96
			0	364.6	97
			0	364.7	98
			0	364.8	99
0	0	0	0		100
					101
0	0	0	14,575,774		102

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
103		4. Transmission Plant		
104	365.1	Land	50,782	
105	365.2	Land Rights	726,824	
106	365.3	Rights-of-Way	0	
107	366	Structures and Improvements	78,258	
108	367	Mains	28,560,056	
109	368	Compressor Station Equipment	0	
110	369	Measuring and Regulating Station Equipment	4,732,097	
111	370	Communication Equipment	0	
112	371	Other Equipment	0	
113		TOTAL Transmission Plant	34,148,017	0
114		5. Distribution Plant		
115	374.1	Land	67,127	
116	374.2	Land Rights	16,716	
117	375	Structures and Improvements	314,893	539
118	376	Mains	94,742,707	2,833,348
119	377	Compressor Station Equipment	9,997	(6,057)
120	378	Measuring and Regulating Station Equip.-General	5,412,522	160,887
121	379	Measuring and Regulating Station Equip.-City Gate	7,247	
122	380	Services	48,312,480	2,205,192
123	381	Meters	13,650,808	544,763
124	382	Meter Installations	8,000,167	(110)
125	383	House Regulators	12,428,011	984,897
126	384	House Regulator Installations	0	
127	385	Industrial Measuring and Regulating Station Equip.	6,190,716	454,182
128	386	Other Property on Customer's Premises	0	
129	387	Other Equipment	133,834	(130,872)
130		TOTAL Distribution Plant	189,287,225	7,046,769
131		6. General Plant		
132	389.1	Land	1,273,468	32,992
133	389.2	Land Rights	0	
134	390	Structures and Improvements	15,509,668	365,466
135	391	Office Furniture and Equipment	19,687,966	94,721
136	391.1	Computers and Computer Related Equipment	0	
137	392	Transportation Equipment	0	
138	393	Stores Equipment	20,419	
139	394	Tools, Shop and Garage Equipment	2,140,651	34,794
140	395	Laboratory Equipment	105,909	(14,078)

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GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)					
Retirements	Adjustments	Transfers	Balance at End of Year	Acct. No.	Line No.
(d)	(e)	(f)	(g)		
					103
			50,782	365.1	104
			726,824	365.2	105
			0	365.3	106
			78,258	366	107
			28,560,056	367	108
			0	368	109
			4,732,097	369	110
			0	370	111
			0	371	112
0	0	0	34,148,017		113
					114
			67,127	374.1	115
			16,716	374.2	116
825			314,607	375	117
43,775	(154,636)		97,377,644	376	118
			3,940	377	119
12,593	(4,127)		5,556,689	378	120
			7,247	379	121
122,463	(75,913)		50,319,296	380	122
121,718	(29,226)		14,044,627	381	123
			8,000,057	382	124
145,625	(36,142)		13,231,141	383	125
			0	384	126
	10,159		6,655,057	385	127
			0	386	128
			2,962	387	129
446,999	(289,885)	0	195,597,110		130
					131
	36		1,306,496	389.1	132
			0	389.2	133
2,668	(63,764)		15,808,702	390	134
285,162	188,161		19,685,686	391	135
			0	391.1	136
	29,970		29,970	392	137
			20,419	393	138
184	(2,850)		2,172,411	394	139
	(635)		91,196	395	140

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, 2005
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)				
Line No.	Acct. No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
141	396	Power Operated Equipment	1,127,859	
142	397	Communication Equipment	3,081,883	895,736
143	398	Miscellaneous Equipment	46,945	
144		SUBTOTAL (Lines 132 thru 143)	42,994,768	1,409,631
145	399	Other Tangible Property	0	
146		TOTAL General Plant	42,994,768	1,409,631
147		TOTAL (Accounts 101 and 106)	279,907,172	9,861,423
148	101.1	Property Under Capital Leases	0	
149	102	Gas Plant Purchased (See Instruction 8)	0	
150	(Less) 102	Gas Plant Sold (See Instruction 8)	0	
151	103	Experimental Gas Plant Unclassified	0	
152		TOTAL GAS PLANT IN SERVICE	279,907,172	9,861,423

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, 2005	
GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)(Continued)						
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Acct. No.	Line No.	
125,182	(45,521)		957,156	396	141	
	(11,865)		3,965,754	397	142	
	2,855		49,800	398	143	
413,196	96,387	0	44,087,590		144	
			0	399	145	
413,196	96,387	0	44,087,590		146	
860,195	(193,498)	0	288,714,902		147	
			0	101.1	148	
			0	102	149	
			0	(Less) 102	150	
			0	103	151	
860,195	(193,498)	0	288,714,902		152	

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo. Da, Yr)	Year of Report Dec. 31, 2005
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CONSTRUCTION WORK IN PROGRESS -- GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,

Development, and Demonstration (See Account 107 of the Uniform System of Accounts).
3. Minor projects (less than \$500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress - Gas (Account 107) (b)	Additional Cost of Project (c)
1			
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4	Minor projects	255,359	
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43	TOTAL	255,359	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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CONSTRUCTION OVERHEADS-GAS

1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.
 2. On page 218 furnish information concerning construction overheads.
 3. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain on page

218 the accounting procedures employed and the amounts of engineering, supervision and administrative costs, etc., which are directly charged to construction.
 4. Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc., which are first assigned to a blanket work order and then prorated to construction jobs.

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	Administrative and General Expense	368,783	
2	Allowance for Funds Used During Construction	67,532	
3	Employee Pension and Benefits Capitalized	441,347	
4	Construction Overhead Clearing - Field Engineering	1,152,790	
5			
6			
7	Total Cost of Construction (exclusive of overhead charges)		6,226,121
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46	TOTAL	2,030,452	6,226,121

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, 2005
GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE			
<p>1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.</p>		<p>2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the U.S. of A.</p> <p>3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.</p>	
Administrative and General Transferred Credit			
<p>1. (a) Overheads capitalized consists of administrative, engineering, and clerical salaries and related expenses charged to Accounts 920 and 921, Administrative and General Expenses, property taxes and an applicable portion of the injuries and damages insurance, which are incurred in connection with construction matters.</p> <p>(b) The amount charged to construction work in progress is based on a study made to determine the portion of such expenses properly charged to construction.</p> <p>(c) Overheads are charged directly to individual work orders. A monthly overhead distribution is made to each individual work order on the basis of current charges to the total of all individual work order current charges.</p> <p>(d) Generally, there is no difference made in percentages for different types of construction.</p> <p>(e) Overheads are indirectly assigned.</p>			
Employees' Pensions and Benefits Capitalized			
<p>(f) Employees' Pensions and Benefits Capitalized is based on direct charges to construction payroll. Such amount is distributed monthly to construction work orders on the basis of total direct construction payroll charges during the month. The total charges incurred for pensions and benefits are distributed over total company payroll.</p>			
Construction Overhead - Personnel			
<p>(g) Total charges to this account represent payroll, personal expenses, and transportation expenses incurred by personnel, other than regular construction crews in connection with construction activities, which for practical reasons are not chargeable direct to a specific construction work order. The total charges for each month are distributed to construction work orders on the basis of total direct company payroll charges and contract labor charges during the month.</p>			

Name of Respondent Aquila, Inc. d/b/a Michigan Gas Utilities	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (*Account 108 & 110*)

- | | |
|---|--|
| <p>1. Explain in a footnote any important adjustments during year.</p> <p>2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 204-209, column (d), excluding retirements of non-depreciable property.</p> <p>3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If</p> | <p>the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.</p> <p>4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.</p> |
|---|--|

SECTION A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	131,165,117	131,165,117		
2	Depreciation Prov. for Year, Charged to				
3	(403) Depreciation Expense	8,851,914	8,851,914		
4	(403.1) Deprec. and Depletion Exp.	0			
5	(413) Exp. of Gas Plt Leased to Others	0			
6	Transportation Expenses - Clearing	61,049	61,049		
7	Other Clearing Accounts	0			
8	Other Accounts (Specify):				
9		0			
10	TOTAL Deprec. Prov. for Year (<i>Enter Total of lines 3 thru 9</i>)	8,912,963	8,912,963		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	860,195	860,195		
13	Cost of Removal	308,295	308,295		
14	Salvage (Credit)	(32,953)	(32,953)		
15	TOTAL Net Chrgs. for Plant Ret. (<i>Enter Total of lines 12 thru 14</i>)	1,135,537	1,135,537		
16	Other Debit or Credit Items (Describe):				
17	<i>Transfers/adjustments/allocation changes</i>	(356,690)	(356,690)		
18		0			
19	Balance End of Year (<i>Enter Totals of lines 1, 10, 15 & 16</i>)	138,585,853	138,585,853		

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

20	Production- Manufactured Gas	0			
21	Production and Gathering - Natural Gas	195,211	195,211		
22	Products Extraction - Natural Gas	0			
23	Underground Gas Storage	3,993,044	3,993,044		
24	Other Storage Plant	0			
25	Base Load LNG Terminating & Proc. Plant	0			
26	Transmission	20,965,816	20,965,816		
27	Distribution	96,765,940	96,765,940		
28	General	16,665,841	16,665,841		
29	TOTAL (<i>Enter Total of lines 20 thru 28</i>)	138,585,852	138,585,852		

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, 2005
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GAS STORED (ACCOUNT 117, 164.1, 164.2 AND 164.3)

1. If during the year adjustment was made to the stored gas inventory (such as to correct cumulative inaccuracies of gas measurements), furnish in a footnote an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment, and account charged or credited.

2. Give in a footnote a concise statement of the facts and the accounting performed with respect to any encroachment of withdrawals during the year, or restoration of previous encroachment, upon native gas constituting the "gas cushion" of any storage reservoir.

3. If the company uses a "base stock" in connection with its inventory accounting, give a concise statement of the basis of establishing such "base stock" and the inventory basis and the accounting performed with respect to any encroachment

of withdrawals upon "base stock", or restoration of previous encroachment, including brief particulars of any such accounting during the year.

4. If the company has provided accumulated provision for stored gas which may not eventually be fully recovered from any storage project, furnish a statement showing: (a) date of Commission authorization of such accumulated provision, (b) explanation of circumstances requiring such provision, (c) basis of provision and factors of calculation, (d) estimated ultimate accumulated provision accumulation, and (e) a summary showing balance of accumulated provision and entries during year.

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

Line No.	Description (a)	Noncurrent (Account 117) (b)	Current (Account 164.1) (c)	LNG (Account 164.2) (d)	LNG (Account 164.3) (e)	Total (f)
1	Balance at Beginning of Year		36,655,627			36,655,627
2	Gas Delivered to Storage (contra Account)		52,813,512			52,813,512
3	Gas Withdrawn from Storage (contra Account)		45,623,818			45,623,818
4	Other Debits or Credits (Net)		382,943			382,943
5	Balance at End of Year		44,228,264			44,228,264
6	Mcf		5,785,982			5,785,982
7	Amount Per Mcf		7.64			7.64

8 *State basis of segregation of inventory between current and noncurrent portions:*

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NONUTILITY PROPERTY (Account 121)

1. Give a brief description and state the location of non-utility property included in Account 121.
2. Designate with an asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.
3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.
4. List separately all property previously devoted to public service and give date of transfer to Account 121, *Nonutility Property*. These items are separate and dis-

- tinct from those allowed to be grouped under instruction No. 5.
5. Minor items (5% of the balance at the end of the year, for account 121) may be grouped.
6. Natural gas companies which have oil property should report such property by State, classified as to (a) oil lands and land rights, (b) oil wells, and (c) other oil property. Gasoline plants & other plants for the recovery of products from natural gas are classifiable as gas plant and should be reported as such and not shown as *Nonutility Property*.

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	Land costs of a 40 acre parcel of land in Calhoun County, Michigan associated with Campbell storage field. Pursuant to the Order issued in rate case U-9781, by the Michigan Public Service Commission on April 30, 1991, MGU transferred the cost of the land to account 121 "Non-Utility Property".	15,480	0	15,480
8	Office Furniture	2,766	0	2,766
11	Allocated Common Corporate Shared Assets	0	0	0
25	TOTAL	18,246	0	18,246

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	0
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (<i>Specify</i>): Account 417	
6	Account 416	
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	0
8	Net Charges for Plant Retired	
9	Book Cost of Plant Retired	0
10	Cost of Removal	
11	Salvage (Credit)	0
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	0
13	Other Debit or Credit items (<i>Describe</i>):	
14	Misc Transfers from UCU and common shared corporate assets allocations	0
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	0

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NOTES AND ACCOUNTS RECEIVABLE SUMMARY FOR BALANCE SHEET

Show separately by footnote the total amount of notes and accounts receivable from directors, officers, and employees included in Notes Receivable (Account 141) and Other Accounts Receivable (Account 143).

Line No.	Accounts (a)	Balance Beginning of Year (b)	Balance End of Year (c)
1	Notes Receivable (Account 141)	-	-
2	Customer Accounts Receivable (Account 142)	17,422,237	25,398,399
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	2,176,994	2,036,503
4	TOTAL	19,599,231	27,434,902
5	Less: Accumulated Provision for Uncollectible Accounts - Cr. (Account 144)	(476,499)	(364,042)
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	19,122,732	27,070,860
7			
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ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS - CR. (Account 144)

1. Report below the information called for concerning this accumulated provision.
2. Explain any important adjustments of subaccounts.
3. Entries with respect to officers and employees shall not include items for utility services.

Line No.	Item (a)	Utility Customers (b)	Merchandise, Jobbing and Contract Work (c)	Officers and Employees (d)	Other (e)	Total (f)
1	Balance beginning of year	473,411	3,088	-	-	476,499
2	Prov. for uncollectibles for current year	1,786,290	4,250	-	-	1,790,540
3	Accounts written off	(1,895,659)	(7,338)	-	-	(1,902,997)
4	Coll. of accounts written off	-	-	-	-	-
5	Adjustments (explain):	-	-	-	-	-
6	Balance end of Year	364,042	-	-	-	364,042
7						
8						
9						
10						
11						

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MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material. Nonmajor companies may report total on line 4.

2. Give an explanation of important inventory adjustments during the year (on a supplemental page) showing general classes of material and supplies and the various accounts (operating expense, clearing accounts, plant, etc.) affected-debited or credited. Show separately debits or credits to stores expense-clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments Which Use Material (d)
1	Fuel Stock (Account 151)	-	-	
2	Fuel Stock Expenses Undistributed (Account 152)	25	-	
3	Residuals and Extracted Products (Account 153)	-	-	
4	Plant Materials and Operating Supplies (Account 154)	-	-	
5	Assigned to - Construction (Estimated)	285,902	407,555	Gas Operations
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	27	21	Gas Operations
8	Transmission Plant (Estimated)	3,219	2,567	Gas Operations
9	Distribution Plant (Estimated)	17,844	14,703	Gas Operations
10	Assigned to - Other	-	-	Miscellaneous
11	TOTAL Account 154 <i>(Enter Total of lines 5 thru 10)</i>	306,992	424,846	
12	Merchandise (Account 155)	-	-	Gas Operations
13	Other Materials and Supplies (Account 156)	-	-	Gas Operations
14	Nuclear Materials Held for Sale (Account 157)			
	<i>(Not applicable to Gas Utilities)</i>			
15	Stores Expense Undistributed (Account 163)			
16	Electric	-	-	
17	Gas	228,615	256,462	Gas Operations
18	Other	-	-	
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	535,632	681,308	

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OTHER REGULATORY ASSETS (Account 182.3)

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

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS		Balance at End of Year (e)
			Account Charged (c)	Amount (d)	
1	Michigan Rate Case		928	\$ 131,233	\$ 32,808
2	(03/03 - 02/06 amort period)				
3					
4	Deferred Environmental Costs	\$ 1,771,972	various	\$ 1,186,387	\$ 5,634,858
5					
6	FAS 109				\$ 611,000
7					
8	Asset Retirement Obligations-FAS 143	\$ 132,838	904		\$ 154,154
9					
10					
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43					
44	TOTAL	\$ 1,904,810		\$ 1,317,620	\$ 6,432,820

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OTHER DEFERRED DEBITS (Account 186)						
1. Report below the particulars (details) called for concerning miscellaneous deferred debits.			of amortization in column (a).			
2. For any deferred debit being amortized, show period			3. Minor items (less than \$50,000) may be grouped by classes.			
Line No.	Description of Miscellaneous Deferred Debts (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	Transition Obligation - FAS 106	\$ 248,475		926	\$ 31,068	\$ 217,407
2						
3	Washington 10 Storage Corp		\$ 183,757			\$ 183,757
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46						
47	Misc Work in Progress					\$0
48	DEFERRED REGULATORY COMM. EXPENSES (SEE PAGES 350-351)					
49	TOTAL	\$ 248,475	\$ 183,757		\$ 31,068	\$ 401,164

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ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes. 2. For Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Electric			
2				
3				
4				
5				
6				
7	Other			
8	TOTAL Electric (Enter Total of lines 2 thru 7)			
9	Gas			
10	Accumulated Deferred Income Taxes	12,728,259	0	490,000
11				
12				
13				
14				
15	Other			
16	TOTAL Gas (Enter Total of lines 10 thru 15)	12,728,259	0	490,000
17	Other (Specify)			
18	TOTAL (Account 190 (Enter Total of lines 8, 16 & 17)	12,728,259	0	490,000
19	Classification of Total:			
20	Federal Income Tax	12,728,259	0	490,000
21	State Income Tax	0	0	0
22	Local Income Tax			

NOTES

In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under Other.

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ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

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

4. In the space provided below, identify by amount

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
							7
							8
							9
0	0	411	785,077	0	0	14,003,336	10
							11
							12
							13
							14
							15
0	0	411	785,077	0	0	14,003,336	16
							17
0	0	411	785,077	0	0	14,003,336	18
							19
0	0	411	785,077	0	0	14,003,336	20
0	0		0		0	0	21
							22

NOTES (Continued)

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OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) *Donations Received from Stockholders* (Account 208)--State amount and give brief explanation of the origin and purpose of each donation.

(b) *Reduction in Par or Stated Value of Capital Stock* (Account 209)--State amount and give brief explanation of the

capital changes which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) *Gain on Resale or Cancellation of Reacquired Capital Stock* (Account 210)--Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

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

Line No.	Item (a)	Amount (b)
1		
2	<u>Account 211 - Division Equity</u>	
3		
4	Balance Beginning of Year	\$ 86,340,637
5		
6	Net Income	6,162,265
7		
8		
9		
10		
11	Dividends Accrued:	
12	March 31, 2004	1,028,802
13	June 30, 2004	1,028,802
14	September 30, 2004	1,028,802
15	December 31, 2004	1,028,802
16	Total Dividends Accrued	4,115,208
17		
18		
19		
20	Parent Company Infusion of Division Equity	0
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40	TOTAL	\$ 88,387,694

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, 2005
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**SECURITIES ISSUED OR ASSUMED AND
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

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

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

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

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

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

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

Securities Assumed During the Year

UtiliCorp Assumed Long Term Debt
9.95% Series Due 2011

\$ 4,592,462

-

-

-

Total Increase to Long Term Debt

\$ 4,592,462

Securities Retired During the Year

UtiliCorp Assigned Long Term Debt
9% Note Due 2005

\$ 4,592,462

Total Retirements on Assigned Long Term Debt

\$ 4,592,462

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LONG-TERM DEBT (Accounts 221, 222, 223, AND 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, *Bonds*, 222, *Reacquired Bonds*, 223, *Advances from Associated Companies*, and 224, *Other Long-Term Debt*. If information to meet the stock exchange reporting requirement outlined in column (a) is available from SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.

3. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (d)
1				
2	9.03% Note Due 2005 - Aquila Assigned	03/31/99	12/01/05	-
3				
4	6.7% Note Due 2006 - Aquila Assigned	10/15/96	10/15/06	8,590,000
5				
6	7.625% Note Due 2009 - Aquila Assigned	11/15/99	11/15/09	30,200,000
7				
8	7.95% (downgrade 9.95%) Note Due 2011 - Aquila Assigned	02/01/01	02/01/11	6,519,423
9				
10	8.27% Note Due 2021 - Aquila Assigned	03/31/99	11/15/21	2,191,038
11				
12	8.0% Note due 2023 - Aquila Assigned	03/01/93	03/01/23	8,107,000
13				
14	11.875% (downgrade 14.875%) Note Due 2012 - Aquila Assigned	07/03/02	07/01/12	11,473,039
15				
16	11.875% (downgrade 14.875%) Note Due 2012 - Aquila Assigned	07/03/02	07/01/12	19,564,000
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31	Sub Total			86,644,500
32				
33	Less: Current Maturities			(8,590,000)
34				
35				
36				
37				
38	TOTAL			78,054,500

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LONG-TERM DEBT (Accounts 221, 222, 223, AND 224)(Continued)

5. In a supplemental statement, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.

6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.

7. If the respondent has any long-term securities which have been nominally issued and are nominally

outstanding at end of year, describe such securities in a footnote.

8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, *Interest on Long-Term Debt* and Account 430, *Interest on Debt to Associated Companies*.

9. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

INTEREST FOR YEAR		HELD BY RESPONDENT		Redemption Price Per \$100 at End of Year (i)	Line No.
Rate (in %) (e)	Amount (f)	Reacquired Bonds (Acct. 222) (g)	Sinking and Other Funds (h)		
9.312%	392,007				1
6.745%	579,396				2
					3
7.742%	2,338,080				4
					5
8.010%	185,000				6
					7
8.502%	186,276				8
					9
8.129%	659,016				10
					11
5.350%	613,812				12
					13
6.05%	1,183,620				14
					15
					16
					17
					18
					19
					20
					21
					22
					23
					24
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					36
					37
	6,137,207				38

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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PAYABLES TO ASSOCIATED COMPANIES* (Accounts 233, 234)

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234 Accounts Payable to Associated Companies, in addition to a total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.

4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

* See definition on page 226B

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	<u>A/C 233</u>					
2	Aquila, Inc.	30,113,623	313,603,025	349,335,562	65,846,160	783,759
3						
4						
5	<u>A/C 234</u>					
6	Gas Supply Services	17,618,535	384,311,425	366,692,890	-	-
7						
8	Peoples Natural Gas	(21,871)	142,782	164,653	-	-
9						
10	UtiliCorp Energy Delivery	399,241	8,189,657	7,790,416	-	-
11						
12	Missouri Public Service	(960)	24,649	25,609	-	-
13						
14	Aquila, Inc.	3,570,662	68,032,249	63,706,944	(754,643)	-
15						
16	West Plains	554	2,703	2,149	-	-
17						
18	SJG - St Joe	-	-	-	-	-
19						
20		-	-	-	-	-
21		-	-	-	-	-
22		-	-	-	-	-
23		-	-	-	-	-
24		-	-	-	-	-
25						
26						
27						
28	TOTAL A/C 234	21,566,161	460,703,465	438,382,661	(754,643)	-
29						
30						
31						
32	TOTAL	51,679,784	774,306,490	787,718,223	65,091,517	783,759

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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	\$6,162,265
2	Reconciling items for the Year:	
3		
4	Provisions for Deferred Taxes (Total) & Current Federal Income Tax	3,688,393
5	Investment Tax Credit	(195,000)
6		
7	Deductions Recorded on Books Not Deducted for Return:	
8	Contributions in Aid of Construction	1,400,000
9	Amortization of Acquisition Premium	1,151,537
10	Nondeductible Club Dues	60,000
11	Pension Expense	1,331,967
12	Book Depreciation Over Tax Depreciation	1,100,000
13	Gain on Disposition of Assets & Gain on Sale of Storage Fields	17,778
14	50% Meals & Entertainment	30,000
15	Other Miscellaneous	1,000
16		
17		
18		
19		
20		
21		
22		
23	Deductions on Return Not Charged Against Book Income	
24	Removal Costs	(260,000)
25	OPEB	(259,404)
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
38		
39		
40	Federal Tax Net Income	\$14,228,536
41	Show Computation of Tax:	
42	Federal Tax @ 35 %	4,979,988
43	Current Federal - Return to Accrual	673,208
44	Other Federal Adjustments	5,687
45		
46		5,658,883
48	Federal Tax Provision:	
49	Page 114, Line 14, Account 409.1	5,372,062
50	Page 117, Line 47, Account 409.2	286,821
51		<u>5,658,883</u>
		\$5,658,883

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.

2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or

accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.

3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.

4. List the aggregate of each kind of tax in such manner

Line No.	Kind of Tax (See Instruction 5) (a)	BALANCE AT BEGINNING OF YEAR	
		Taxes Accrued (Account 236) (b)	Prepaid Taxes (Incl. in Account 165) (c)
1	INCOME TAXES:		
2	Federal Income	\$1,943,966	
3			
4			
5			
6			
7	OTHER TAXES:		
8	Payroll Taxes	0	
9	Single Business Tax	838,676	
10	Sales/Use and City/County	886,068	
11	Ad Valorem	2,206,059	
12	Other		
13			
14			
15			
16			
17			
18	TOTAL	\$5,874,769	\$0

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

Line No.	Electric Account 408.1, 409.1 (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Departments (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2		5,372,062		286,821
3				
4				
5				
6				
7				
8		901,634		3,681
9		25,094		0
10		49,983		(764,000)
11		1,031,519		0
12		14,840		0
13				
14				
15				
16				
17				
18	TOTAL	\$7,395,132		(\$473,498)

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

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

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

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

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

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

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

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

Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	BALANCE AT END OF YEAR		Line No.
			Taxes Accrued (Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	
\$5,658,883		(\$7,602,849)	0		1
					2
					3
					4
					5
					6
					7
905,315	484,120	(408,221)	12,974		8
25,094	702,170		161,600		9
(714,017)	137,170	(112)	34,769		10
1,031,519	1,632,989	19,218	1,623,807		11
14,840		(14,840)	0		12
					13
					14
					15
					16
					17
\$6,921,634	\$2,956,449	(\$8,006,804)	\$1,833,150	\$0	18

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

Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	Line No.
				1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
				16
				17
			\$0	18

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ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

1. Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (h). Include in column (j) the average period over which the tax credits are amortized.

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

Line No.	Account Subdivisions (a)	Subaccount Number (b)	Balance at Beginning of Year (c)	Deferred for Year	
				Account Number (d)	Amount (e)
1	<i>Gas Utility</i>				
2	3%		0		
3	4%		4,077		
4	7%		68,886		
5	8%		354,934		
6	10%		799,753		
7					
8					
9					
10					
11					
12					
13					
14					
15	JDITC				
16					
17					
18					
19					
20	TOTAL		1,227,650		0
21	<i>Other</i>				
22	3%				
23	4%				
24	7%				
25	8%				
26	10%				
27					
28					
29					
30					
31					
32	JDITC				
33					
34					
35	TOTAL				0

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ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (Continued)

Allocations to Current Year's Income		Adjustments (h)	Balance at End of Year (i)	Average Period of Allocation to Income (j)	Line No.
Account Number (f)	Amount (g)				
411400	-		-		1
411400	4,014		63		2
411400	10,594		58,292		3
411400	38,031		316,903		4
411400	142,361		657,392		5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
	195,000	0	1,032,650		20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33
					34
	0	0	0		35

NOTES (Continued)

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MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Give description and amount of other current and accrued liabilities as of the end of year.
2. Minor items may be grouped by classes, showing number of items in each class.

Line No.	Item (a)	Balance End of Year (b)
1	Accrued Benefits Comp Absences	44,613
2	Accrued Gas Imbalance	2,502,911
3	Accrued Incentive	221,874
4	Accrued Payroll	162,173
5	Miscellaneous	10,758
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	TOTAL	2,942,329

CUSTOMER ADVANCES FOR CONSTRUCTION (Account 252)

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

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OTHER DEFERRED CREDITS (Account 253)

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

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

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

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

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Environmental Liability	\$ 4,325,000	182.3 & 186		\$ 695,000	\$ 5,020,000
2	FAS 106	\$ (1,274,648)	Various	\$ 2,843,742	\$ 2,839,176	\$ (1,279,214)
3	FAS 109	\$ 772,084	196 & 282			\$ 772,084
4	Over/Unrecovered Gas Cost	\$ 388,858	400	\$ 7,830,091	\$ 11,418,512	\$ 3,977,279
5	Other	\$ 61,068	Various	\$ 935,163	\$ 879,685	\$ 5,590
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
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32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	\$4,272,362		\$ 11,608,996	\$ 15,832,373	\$ 8,495,739

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ACCUMULATED DEFERRED INCOME TAXES--OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. For Other (Specify), include deferrals relating to other

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	30,666,544	(294,000)	6,222
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	30,666,544	(294,000)	6,222
6	Other (Specify)			
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	30,666,544	(294,000)	6,222
10	Classification of TOTAL			
11	Federal Income Tax	30,666,544	(294,000)	6,222
12	State Income Tax	0	0	0
13	Local Income Tax			

NOTES

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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ACCUMULATED DEFERRED INCOME TAXES-OTHER PROPERTY (Account 282)(Continued)

income and deductions.
3. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
		411	120,449	410/233/283	1,824,247	32,070,120	3
							4
		411	120,449	410/233/283	1,824,247	32,070,120	5
							6
							7
							8
		411	120,449	410/233/283	1,824,247	32,070,120	9
							10
		411	120,449	410/233/283	1,824,247	32,070,120	11
		411	0	410/233/283	0	0	12
							13

NOTES (Continued)

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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ACCUMULATED DEFERRED INCOME TAXES--OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.

2. For Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Electric			
2				
3				
4				
5				
6	Other			
7	TOTAL Electric (Total of lines 2 thru 6)	0	0	0
8	Gas			
9		8,872,033	(466,188)	0
10				
11				
12				
13	Other			
14	TOTAL Gas (Total of lines 9 thru 13)	8,872,033	(466,188)	0
15	Other (Specify)			
16	TOTAL (Account 283) (Enter total of lines 7, 14 and 15)	8,872,033	(466,188)	0
17	Classification of TOTAL			
18	Federal Income Tax	8,872,033	(466,188)	0
19	State Income Tax	0	0	0
20	Local Income Tax	0	0	0

NOTES

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below, the order authorizing the use of the account for each line item. Include amounts relating to insignificant items listed under Other.
4. Fill in all columns for all items as appropriate.
5. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	DEBITS		CREDITS			
		Acct. No. (g)	Amount (h)	Acct. No. (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
0	0		0		0	0	7
							8
0	0	410/282	1,423,024	0	0	6,982,821	9
							10
							11
							12
							13
0	0	410/282	1,423,024	0	0	6,982,821	14
							15
0	0	410/282	1,423,024	0	0	6,982,821	16
							17
0	0	410/282	1,423,024	0	0	6,982,821	18
0	0		0		0	0	19
0	0		0		0	0	23

NOTES (Continued)

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.
 2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
 3. Report number of customers, columns (f) and (g), on the basis of meters. In addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted

for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
 4. Report quantities of natural gas sold in Mcf (14.73 psia) at 60 F. If billings are on a therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.
 5. If increases or decreases from previous year (columns (c), (e), and (g)), are not derived from previously

Line No.	Title of Account (a)	OPERATING REVENUES	
		Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	480 Residential Sales	157,526,552	136,409,064
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	57,922,333	52,768,662
5	Large (or Ind.) (See Instr. 6)	6,266,401	6,638,091
6	482 Other Sales to Public Authorities	80,811	282,501
7	484 Interdepartmental Sales	49	0
8	TOTAL Sales to Ultimate Consumers	221,796,146	196,098,318
9	483 Sales for Resale	0	0
10	TOTAL Nat. Gas Service Revenues	221,796,146	196,098,318
11	Revenues from Manufactured Gas	0	0
12	TOTAL Gas Service Revenues	221,796,146	196,098,318
13	OTHER OPERATING REVENUES		
14	486 Intracompany Transfers	0	0
15	487 Forfeited Discounts	967,359	920,361
16	488 Misc. Service Revenues	769,548	563,264
17	489 Rev. from Nat. Gas Proc. by Others	8,411,992	8,260,099
18	490 Sales of Prod. Ext. from Nat. Gas	0	0
19	491 Rev. from Nat. Gas Proc. by Others	0	0
20	492 Incidental Gasoline & Oil Sales	0	0
21	493 Rent from Gas Property	0	0
22	494 Interdepartmental Rents	0	0
23	495 Other Gas Revenues	48,831	306,654
24	TOTAL Other Operating Revenues	10,197,730	9,774,378
25	TOTAL Gas Operating Revenues	231,993,876	205,872,696
26	(Less) 496 Provision for Rate Refunds	0	0
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	231,993,876	
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Cust.)	215,448,934	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	6,266,401	
30	Sales for Resale	0	
31	Other Sales to Pub. Auth. (Local Dist. Only)	80,811	
32	Interdepartmental Sales	0	
33	TOTAL (Same as Line 10, Columns (b) and (d))	221,796,146	

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GAS OPERATING REVENUES (Account 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

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

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

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

MCF OF NATURAL GAS SOLD		AVG. NO OF NAT. GAS CUSTRS. PER MO.		Line No.
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
				1
14,459,793	14,926,501	147,888	146,146	2
				3
5,696,414	6,269,975	13,033	13,102	4
659,810	852,846	54	63	5
8,349	33,084	3	3	6
3	0	0	0	7
20,824,369	22,082,406	160,978	159,314	8
0	0	0	0	9
20,824,369	22,082,406	160,978	159,314	10
		<i>NOTES</i>		11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
				28
20,156,210				29
659,810				30
0				31
8,349				32
0				33
20,824,369				

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RATE AND SALES SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

K. Other Gas Revenues. Revenues derived from operations of the respondent other than sales of gas. They include rent from gas property, interdepartmental rents, customers' forfeited discounts and penalties, services of customers' installations and miscellaneous gas revenues, such as fees and charges for changing, connecting and disconnecting service, profit on sales of materials and supplies not ordinarily purchased for resale, commissions on sales or distribution of others' gas (sold under rates filed by such others), management or supervision fees, sale of steam (except where the respondent furnishes steam-heating service) and rentals from leased property on customers' premises.

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

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

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

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**625-A. SALES DATA FOR THE YEAR
(For the State of Michigan)**

Line No.	Class of Service (a)	Average Number of Customers per month (b)	Gas Sold Mcf* (c)	Revenue (Show to nearest dollar) (d)	AVERAGES		
					Mcf* per Customer (e)	Revenue Per Customer (f)	Revenue per Mcf (g)
1	AB. Residential service	147,884	14,459,455	157,523,281	97.78	1,065.18	10.89
2	A. Residential service	3,970	291,264	3,267,996	73.37	823.17	11.22
3	B. Residential space heating service	143,914	14,168,191	154,255,285	98.45	1,071.86	10.89
4	CD. Commercial service	12,796	5,257,814	53,618,365	410.90	4,190.24	10.20
5	C. Commercial service, except space heating						
6	D. Commercial space heating	12,796	5,257,814	53,618,365	410.90	4,190.24	10.20
7	E. Industrial service	277	1,095,753	10,502,214	3,955.79	37,914.13	9.58
8	F. Public street & highway lighting	18	2,995	71,426	166.39	3,968.11	23.85
9	G. Other Sales to public authorities	3	8,349	80,811	2,783.00	26,937.00	9.68
10	H. Interdepartmental sales	0	3	49	0.00	0.00	16.33
11	I. Other Sales						
12	A-I. Total sales to ultimate customers	160,978	20,824,369	221,796,146	129.36	1,377.80	10.65
13	J. Sales to other gas utilities for resale						
14	A-J. TOTAL SALES OF GAS	160,978	20,824,369	221,796,146	129.36	1,377.80	10.65
15	K. Other gas revenues			10,197,730			
16	A-K. TOTAL GAS OPERATING REVENUE	160,978	20,824,369	231,993,876	129.36	1,441.15	N/A**

* Report Mcf on a pressure base of 14.65 psia dry and a temperature base of 60 F. Give two decimals.
 ** Not calculated because Transportation Revenue included in other gas revenue will distort the results.

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625-B. SALES DATA BY RATE SCHEDULES FOR THE YEAR

1. Report below the distribution of customers, sales and revenue for the year by individual rate schedules. (See definitions on first page of this section).
2. Column (a).--List all rate schedules by identification number or symbol. Where the same rate schedule designation applies to different rates in different zones, cities or districts, list separately data for each such area in which the schedule is available.
3. Column (b).--Give the type of service to which the rate schedule is applicable, i.e., cooking, space heating, commercial heating, commercial cooking, etc.
4. Column (c).--Using the classification shown in Schedule 625-A, column (a), indicate the class or classes of customers served under each rate schedule, e.g., (A) for Residential Service, (B) Heating Service, etc.

5. Column (d).--Give the average number of customers billed under each rate schedule during the year. The total of this column will approximate the total number of ultimate customers, line 12, Schedule 625-A.
6. Columns (e) and (f).--For each rate schedule listed, enter the total number of Mcf sold to, and revenues received from customers billed under that rate schedule. The totals of these columns should equal the totals shown on line 12, Schedule 625-A. If the utility sells gas to ultimate customers under special contracts, the totals for such sales should be entered on a line on this page in order to make the totals of columns (e) and (f) check with those entered on line 12, Schedule 625-A.
7. When a rate schedule was not in effect during the entire year, indicate in a footnote the period in which it was effective.

Line No.	Rate Schedule Designation (a)	Type of Service to which Schedule is applicable (b)	Class of Service (c)	Average Number of Customers per Month (d)	Mcf Sold (e)	Revenue (Show to nearest dollar) (f)
1	Residential	General & Heating	A & B	147,888	14,459,793	157,526,552
2	General	Heating & Cooling	C, D, E	13,033	5,696,414	57,922,333
3	Optional	Industrial	E	57	668,159	6,347,212
4	Other	Interdepartmental		0	3	49
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18	Total Company			160,978	20,824,369	221,796,146

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REVENUE FROM TRANSPORTATION OF GAS OF OTHERS--NATURAL GAS (Account 489)

1. Report below particulars (details) concerning revenue from transportation or compression (by respondent) of natural gas for others. Subdivide revenue between transportation or compression for interstate pipeline companies and others.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas. Designate with an asterisk, however, if gas transported or compressed is other than natural gas.

3. In column (a) include the names of companies from which revenues were derived, points of receipt and delivery, and names of companies from which gas was received and to which delivered. Also specify the Commission order or regulation authorizing such transaction.

Line No.	Name of Company and Description of Service Performed <i>(Designate associated companies with an asterisk)</i> (a)	Distance Transported (In miles) (b)*
1		
2	Menasha - Transportation of Gas	Various
3	Point of Receipt - Otsego	
4	Point of Delivery - Otsego	
5	Gas Received from ANR, Delivered to Menasha	
6	IMCO - Transportation of Gas	Various
7	Point of Receipt - Coldwater	
8	Point of Delivery - Coldwater	
9	Gas Received from ANR, Delivered to IMCO	
10	Mac Steel - Transportation of Gas	Various
11	Point of Receipt - Monroe	
12	Point of Delivery - Monroe	
13	Gas Received from ANR, Delivered to Mac Steel	
14	Other - Transportation of Gas, individually less than 1,000,000 Mcf	Various
15	Various point of receipt and delivery	
16	Various companies from which gas was received and to which delivered	
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
TOTAL		

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

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REVENUE FROM TRANSPORTATION OF GAS OF OTHERS--NATURAL GAS (Account 489)(Continued)

4. Designate points of receipt and delivery so that they can be identified on map of the respondent's pipe line system.
5. Enter Mcf at 14.65 psia at 60 F.
6. Minor items (less than 1,000,000 Mcf) may be grouped.

"Note: For transportation provided under Part 284 of Title 18 of the Code of Federal Regulations, report only grand totals for all transportation in columns (b) through (g) for the following regulation sections to be listed in column (a): 284.102, 284.122, 284.222, 284.223(a), 284.223(b) and 284.224. Details for each transportation are reported in separate annual reports required under Part 284 of the Commission's regulations."

Mcf of Gas Received (c)	Mcf of Gas Delivered (d)	Revenue (e)	Average Revenue per Mcf of Gas Delivered (in cents) (f)	FERC Tariff Rate Schedule Designation (g)	Line No.
1,860,085	1,860,085	409,457	22		1 2 3 4
1,033,880	1,033,880	409,684	40		5 6 7 8 9
1,045,601	1,045,601	357,510	34		10 11 12
8,928,431	8,928,431	7,235,341	81		13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29
12,867,997	12,867,997	8,411,992	65		30

*(C & D) Reported in Sales Base Pressure

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GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	18,243	19,234
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering		
8	751 Production Maps and Records		
9	752 Gas Wells Expenses	37	
10	753 Field Lines Expenses		
11	754 Field Compressor Station Expenses	379,781	515,037
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses	152,744	149,310
14	757 Purification Expenses		
15	758 Gas Well Royalties		
16	759 Other Expenses	1,141	
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	533,703	664,347
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines		
24	765 Maintenance of Field Compressor Station Equipment		
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment		
26	767 Maintenance of Purification Equipment		(573)
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	0	(573)
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	533,703	663,774
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchases for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility-Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)	0	0

Supplemental Statement to page 320

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

		Amount for Current Year (b)	Amount for Previous Year (c)
A. Manufactured Gas Production			
Operation			
717	Liquified Petroleum Gas Expense	0	356
728	Liquified Petroleum Gas	0	0
735	Mfg Gas Plant Clean-up & Eval	18,040	18,878
Total Operation		18,040	19,234
Maintenance			
742	Maintenance of Production Equipment	203	0
Total Maintenance		203	0
TOTAL Manufactured Gas Production		18,243	19,234

Name of Respondent		This Report Is:	Date of Report:	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
B2. Products Extraction (Continued)				
48	Maintenance			
49	784 Maintenance Supervision and Engineering			
50	785 Maintenance of Structures and Improvements			
51	786 Maintenance of Extraction and Refining Equipment			
52	787 Maintenance of Pipe Lines			
53	788 Maintenance of Extracted Products Storage Equipment			
54	789 Maintenance of Compressor Equipment			
55	790 Maintenance of Gas Measuring and Reg. Equipment			
56	791 Maintenance of Other Equipment			
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)		0	0
58	TOTAL Products Extraction (Enter Total of line 47 and 57)		0	0
C. Exploration and Development				
60	Operation			
61	795 Delay Rentals			
62	796 Nonproductive Well Drilling			
63	797 Abandoned Leases			
64	798 Other Exploration			
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)		0	0
D. Other Gas Supply Expenses				
66	Operation			
67	800 Natural Gas Well Head Purchases	1,337,333		953,756
68	801 Natural Gas Field Line Purchases			
69	802 Natural Gas Gasoline Plant Outlet Purchases			
70	803 Natural Gas Transmission Line Purchases			
71	803.1 Off-System Gas Purchases			
72	804 Natural Gas City Gate Purchases	181,143,586		157,715,862
73	804.1 Liquefied Natural Gas Purchases			
74	805 Other Gas Purchases	(73,108)		3,135
75	(Less) 805.1 Purchased Gas Cost Adjustments			
76	(Less) 805.2 Incremental Gas Cost Adjustments			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 76)	182,407,811		158,672,753
78	806 Exchange Gas			
79	Purchased Gas Expenses			
80	807.1 Well Expenses - Purchased Gas			
81	807.2 Operation of Purchased Gas Measuring Stations			
82	807.3 Maintenance of Purchased Gas Measuring Stations			
83	807.4 Purchased Gas Calculations Expenses			
84	807.5 Other Purchased Gas Expenses			
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)		0	0
86	808.1 Gas Withdrawn from Storage - Debit	45,623,818		30,884,061
87	(Less) 808.2 Gas Delivered to Storage - Credit	(53,196,455)		(40,308,979)
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit			
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit			
90	Gas Used in Utility Operations - Credit			
91	810 Gas Used for Compressor Station Fuel - Credit	(379,781)		(515,037)
92	811 Gas Used for Products Extraction - Credit			
93	812 Gas Used for Other Utility Operations - Credit	(252,830)		(262,879)
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	(632,611)		(777,916)
95	813 Other Gas Supply Expenses		0	0
96	TOTAL Other Gas Supply Expenses (Total of line 77,78,85,86 thru 89,94,95)	174,202,563		148,469,919
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)	174,754,509		149,152,927

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, 2005
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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	28,483	29,241
102	815 Maps and Records	11,721	10,723
103	816 Wells Expenses	25,384	24,595
104	817 Lines Expense	34,419	31,313
105	818 Compressor Station Expenses	21,168	19,610
106	819 Compressor Station Fuel and Power		
107	820 Measuring and Regulating Station Expenses	3,064	2,429
108	821 Purification Expenses	4,254	5,264
109	822 Exploration and Development		
110	823 Gas Losses		
111	824 Other Expenses	18,653	22,007
112	825 Storage Well Royalties		
113	826 Rents		
114	TOTAL Operation <i>(Enter Total of lines 101 thru 113)</i>	147,146	145,182
115	Maintenance		
116	830 Maintenance Supervision and Engineering	17,390	23,996
117	831 Maintenance of Structures and Improvements	1,237	8,173
118	832 Maintenance of Reservoirs and Wells	38,110	12,028
119	833 Maintenance of Lines	1,030	1,088
120	834 Maintenance of Compressor Station Equipment	36,084	28,209
121	835 Maintenance of Measuring and Regulating Station Equipment	4,177	5,767
122	836 Maintenance of Purification Equipment	6,571	6,117
123	837 Maintenance of Other Equipment	4,096	9,418
124	TOTAL Maintenance <i>(Enter Total of lines 116 thru 123)</i>	108,695	94,796
125	TOTAL Underground Storage Expenses <i>(Total of lines 114 and 124)</i>	255,841	239,978
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation <i>(Enter Total of lines 128 thru 133)</i>	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment		
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance <i>(Enter Total of lines 136 thru 144)</i>	0	0
146	TOTAL Other Storage Expenses <i>(Enter Total of lines 134 and 145)</i>	0	0

Name of Respondent Aquila Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts - Credit		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation <i>(Enter Total of liens 149 thru 164)</i>	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance <i>(Enter Total of lines 167 thru 174)</i>	0	0
176	TOTAL Liquefied Natural Gas Terminaling and Processing Expenses <i>(Lines 165 & 175)</i>	0	0
177	TOTAL Natural Gas Storage <i>(Enter Total of lines 125, 146, and 176)</i>	255,841	239,978
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	6,307	6,684
181	851 System Control and Load Dispatching	97	(13,924)
182	852 Communication System Expenses		
183	853 Compressor Station Labor and Expenses		
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expenses	52,191	7,685
187	857 Measuring and Regulating Station Expenses	46,999	38,398
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	31,684	29,297
190	860 Rents		
191	TOTAL Operation <i>(Enter Total of lines 180 thru 190)</i>	137,278	68,140

Name of Respondent		This Report Is:	Date of Report:	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
3. TRANSMISSION EXPENSES (Continued)				
192	Maintenance			
193	861 Maintenance Supervision and Engineering			13
194	862 Maintenance of Structures and Improvements			
195	863 Maintenance of Mains	4,546		1,455
196	864 Maintenance of Compressor Station Equipment			(5)
197	865 Maintenance of Measuring and Reg. Station Equip.	17,550		27,648
198	866 Maintenance of Communication Equipment			
199	867 Maintenance of Other Equipment	3,628		787
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	25,724		29,898
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	163,002		98,038
202	4. DISTRIBUTION EXPENSES			
203	Operation			
204	870 Operation Supervision and Engineering	715,344		699,317
205	871 Distribution Load Dispatching	116,179		141,000
206	872 Compressor Station Labor and Expenses	572		9
207	873 Compressor Station Fuel and Power	0		0
208	874 Mains and Services Expenses	1,079,963		1,128,963
209	875 Measuring and Regulating Station Expenses - General	164,852		134,706
210	876 Measuring and Regulating Station Expenses - Industrial	252		1,170
211	877 Measuring and Regulating Station Expenses - City Gate Check Station	29,736		45,996
212	878 Meter and House Regulator Expenses	1,253,778		791,861
213	879 Customer Installations Expenses	448,043		499,172
214	880 Other Expenses	868,941		861,321
215	881 Rents	9,196		0
216	TOTAL Operation (Enter Total of lines 204 thru 215)	4,686,856		4,303,515
217	Maintenance			
218	885 Maintenance Supervision and Engineering	44,102		47,572
219	886 Maintenance of Structures and Improvements	4,185		1,316
220	887 Maintenance of Mains	555,390		575,283
221	888 Maintenance of Compressor Station Equipment	0		0
222	889 Maintenance of Meas. and Reg. Sta. Equip.-General	79,569		145,230
223	890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial	130		65
224	891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station	147,390		92,980
225	892 Maintenance of Services	234,515		241,091
226	893 Maintenance of Meters and House Regulators	318,961		389,714
227	894 Maintenance of Other Equipment	113,700		89,991
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	1,497,942		1,583,242
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	6,184,798		5,886,757
230	5. CUSTOMER ACCOUNTS EXPENSES			
231	Operation			
232	901 Supervision	565,030		166,251
233	902 Meter Reading Expenses	1,385,066		1,543,205
234	903 Customer Records and Collection Expenses	2,993,907		2,977,063
235	904 Uncollectible Accounts	1,786,187		2,141,329
236	905 Miscellaneous Customer Accounts Expenses	61,156		75,781
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	6,791,346		6,903,629

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GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	468,128	468,434
241	908 Customer Assistance Expenses	0	0
242	909 Informational and Instructional Expenses	89,713	100,120
243	910 Miscellaneous Customer Service and Information Expenses	160,310	154,733
244	TOTAL Customer Service and Information Expenses (Lines 240 thru 243)	718,151	723,287
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	1,235	0
248	912 Demonstrating and Selling Expenses	302,670	312,115
249	913 Advertising Expenses	199	0
250	916 Miscellaneous Sales Expenses	15,207	32,609
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	319,311	344,724
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	4,060,483	3,582,376
255	921 Office Supplies and Expenses	1,682,183	1,888,382
256	(Less) 922 Administrative Expenses Transferred-Credit	(368,783)	(251,562)
257	923 Outside Services Employed	1,579,599	1,696,365
258	924 Property Insurance	48,124	33,858
259	925 Injuries and Damages	1,143,809	909,992
260	926 Employee Pensions and Benefits	4,693,694	3,843,787
261	927 Franchise Requirements		
262	928 Regulatory Commission Expenses	421,421	342,955
263	(Less) 929 Duplicate Charges - Credit		
264	930.1 General Advertising Expenses	1,788	1,377
265	930.2 Miscellaneous General Expenses	286,570	287,758
266	931 Rents	468,080	671,311
267	TOTAL Operation (Enter Total of lines 254 thru 266)	14,016,968	13,006,599
268	Maintenance		
269	935 Maintenance of General Plant	621,901	492,419
270	TOTAL Administrative and General Exp (Total of lines 267 and 269)	14,638,869	13,499,018
271	TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244, 251, and 270)	203,825,827	176,848,358

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.

2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special

construction employees in a footnote.

3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1 Payroll Period Ended (Date)	12-31-05
2 Total Regular Full-Time Employees	174
3 Total Part-Time and Temporary Employees	4
4 Total Employees	178

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805)

1. Report particulars of gas purchases during the year in the manner prescribed below.

2. Provide subheadings and totals for prescribed accounts as follow:

- 800 Natural Gas Well Head Purchases.
- 801 Natural Gas Field Line Purchases.
- 802 Natural Gas Gasoline Plant Outlet Purchases.
- 803 Natural Gas Transmission Line Purchases.
- 803.1 Off-System Gas Purchases.
- 804 Natural Gas City Gate Purchases.
- 804.1 Liquefied Natural Gas Purchases.
- 805 Other Gas Purchases.

Purchases are to be reported in account number sequence, e.g. all purchases charged to Account 800, followed by charges to Account 801, etc. Under each account number, purchases should be reported by states in alphabetical order. Totals are to be shown for each account in Columns (h) and (i) and should agree with the books of account, or any differences reconciled.

In some cases, two or more lines will be required to report a purchase, as when it is charged to more than one account.

3. Purchases may be reported by gas purchase contract totals (at the option of the respondent) provided that the same price is being paid for all gas purchased under the contract. If two or more prices are in effect under the same contract, separate details for each price shall be reported. The name of each seller included in the contract total shall be listed on separate sheets, clearly cross-referenced. Where two or more prices are in effect the sellers at each price are to be listed separately.

4. Purchases of less than 100,000 Mcf per year per contract from sellers not affiliated with the reporting company may (at the option of the respondent) be grouped by account number, except when the purchases were permanently discontinued during the reporting year. When grouped purchases are reported, the number of grouped purchases is to be reported in Column (b). Only Columns (a), (b), (h), (i), and (j) are to be completed for grouped purchases; however, the Commission may request additional details when necessary. Grouped non-jurisdictional purchases should be shown on a separate line.

5. Column instructions are as follows:

Column (b) - Report the names of all sellers. Abbreviations may be used where necessary.

Column (c) - Give the name of the producing field only for purchases at the wellhead or from field lines. The plant name should be given for purchase from gasoline outlets. If purchases under a contract are from more than one field or plant, use the name of the one contributing the largest volume. Use a footnote to list the other fields or plants involved.

Columns (d) and (e) - Designate the state and county where the gas is received. Where gas is received in more than one county, use the name of the county having the largest volume and by footnote list the other counties involved.

Column (f) - Show date of the gas purchase contract. If gas is purchased under a renegotiated contract, show the date of the original contract and the date of the renegotiated contract on the following line in brackets. If new acreage is dedicated by ratification of an existing contract show the date of the ratification, rather than the date of the original contract. If gas is being sold from a different reservoir than the original dedicated acreage pursuant to Section 2.56(f)(2) of the Commission's Rules of Practice and Procedure, place the letter "A" after the contract date.

If the purchase was permanently discontinued during the reporting year, so indicate by an asterisk (*) in Column (f).

Column (g). Show for each purchase the approximate Btu per cubic foot.

Column (h). State the volume of purchased gas as measured for purpose of determining the amount payable for the gas. Include current year receipts of make-up gas that was paid for in prior years.

Column (i) - State the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in Column (h).

Column (j) - State the average cost per Mcf to the nearest hundredth of a cent. [Column (i) divided by Column (h) multiplied by 100].

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805) (Continued)

Line No.	Account Number (a)	Name of Seller* (Designate Associated Companies) (b)	Name of Producing Field or Gasoline Plant (c)	State (d)
1	800			
2	804			
3	805			
4				
5		For additional information, please refer to the Gas Cost Reconciliation Reports,		
6		Case Nos. U-13990-R, filed in June 2005, and U-14400-R, to be filed in June 2006.		
7				
8				
9		*Natural gas suppliers to Michigan Gas Utilities:		
10		Anadarko		
11		BP Canada		
12		Christian Oil Company		
13		Cinergy		
14		Co Energy		
15		Conoco Phillips		
16		DTE Energy		
17		Eagle Energy		
18		Matrix Exploration		
19		Miller Exploration		
20		Nexen		
21		NITCO		
22		Oxy		
23		Tenaska		
24		West Hopkins Petroleum Co.		
25		Williams Power Co		

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GAS PURCHASES (Accounts 800, 801, 802, 803, 803.1, 804, 804.1 and 805) (Continued)

County (e)	Date of Contract (f)	Approx. Btu Per Cu. ft. (g)	**Gas Purchased-Mcf (14.73 psia 60 F) (h)	Cost of Gas (i)	Cost Per Mcf (cents) (j)	Line No.
			166,633	1,337,333	802.56	1
			20,800,813	181,143,586	870.85	2
			7,719	(73,108)	(947.12)	3
						4
						5
						6
						7
						8
						9
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** Volumes are reported in MMBtu

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, 2005
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GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 810, 811, 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.

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

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

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

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

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas			Manufactured Gas	
			Mcf of Gas Used (c)	Amount of Credit (d)	Amount of Mcf (In Cents) (e)	Mcf of Gas Used (f)	Amount of Credit (g)
1	810 Gas used for Compressor Station Fuel - Cr	754	43,831	379,781	866.47		
2	811 Gas used for Products Extraction - Cr						
3	Gas Shrinkage and Other Usage in Respondent's Own Proc.						
4	Gas Shrinkage, Etc. for Respdnt's Gas Processed by Others						
5	812 Gas used for Other Util. Oprs--Cr (Rpt sep. for each prin. use. Group minor uses)						
6	812.1 Gas used in Util. Oprs--Cr (Nonmajor only)						
7	Operation of Buildings	Various	30,478	252,830	829.55		
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25	TOTAL		74,309	632,611	851.32		

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LEASED RENTALS CHARGED

1. For purposes of this schedule a "lease" is defined as a contract or other agreement by which one party (lessor) conveys an intangible right or land or other tangible property and equipment to another (lessee) for a specified period of one year or more for rent.

2. Report below, for leases with annual charges of \$25,000 or more, but less than \$250,000, the data called for in columns a, b (description only), f, g and j.

3. For leases having annual charges of \$250,000 or more, report the data called for in all the columns below.

4. The annual charges referred to in Instruction 2 and 3 include the basic lease payment and other payments to or on behalf of the lessor such as taxes, depreciation, assumed interest or dividends on the lessor's securities, cost of replacements** and other expenditures with respect to leased property. The expenses paid by lessee are to be itemized in column (e) below.

5. Leases of construction equipment in connection with construction work in progress are not required to be reported herein. Continuous, master or open-end leases for EDP or office equipment, automobile fleets and other equipment that is short-lived and replaced under terms of the lease or for pole rentals shall report only the data called for in columns a, b (description only), f, g and j, unless the lessee has the option to purchase the property.

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

7. In column (b) for each leasing arrangement, report in order, classified by production plant, storage plant, transmission line, distribution system, or other operating unit or system, followed by any other leasing arrangements not covered under the preceding classifications.

A. LEASE RENTAL CHARGED TO GAS OPERATING EXPENSES

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

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

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LEASED RENTALS CHARGED (Continued)

Description of the property, whether lease is a sale and leaseback, whether lessee has option to purchase and conditions of purchase, whether lease is cancellable by either party and the cancellation conditions, the tax treatment used, the accounting treatment of the lease payments (levelized charges to expense or other treatment), the basis of any charges apportioned between the lessor and lessee, and the responsibility of the respondent for operation and maintenance expenses and replacement of property. The above information is to be reported with initiation of the lease and thereafter when changed or every five years, whichever occurs first.

8. Report in column (d), as of the date of the current lease term, the original cost of the property leased, estimated if not known, or the fair market of the property if greater than original cost and indicate as shown. If leased property is part of a large unit, such as part of a building, indicate without associating any cost or value with it.

9. Report in column (k) below the estimated remaining annual charges under the current term of the lease. Do not apply a present value to the estimate. Assume that cancellable leases will not be cancelled when estimating the remaining charges.

* See definition on page 226(B)

A. LEASE RENTAL CHARGED TO GAS OPERATING EXPENSES

Original Cost (O) or Fair Market Value (F) of Property (d)	Expense to be Paid By Lessee Itemize (e)	AMOUNT OF RENT - CURRENT TERM				Account Charged (j)	Remaining Annual Charges Under Lease Est. if Not Known (k)
		Current Year		Accumulated to Date			
		Lessor (f)	Other (g)	Lessor (h)	Other (i)		
	574,468	0				184	

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Name of Respondent		This Report Is:	Date of Report	Year of Report
Aquila Inc d/b/a Aquila Networks - MGU		(1) X An Original (2) A Resubmission	(Mo, Da, Yr)	Dec. 31, 2005
MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)				
1	Industry association dues		\$	44,334
2	Experimental and general research expenses			0
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent			67,764
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.			
5				
6	MGD - Michigan Gas Utilities			745
7				
8	Intercompany Cost Allocations			149,682
9				
10	Miscellaneous Amortization of Computer Software			24,045
11				
12				
13				
14				
15				
16				
17				
18				
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48				
49	TOTAL		\$	286,570

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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3 405)
(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.

2. Report all available information called for in Section B for the report year 1971, 1974 and every fifth year thereafter. Report only annual changes in the intervals

between the report years (1971, 1974, and every fifth year thereafter).

Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate at the bottom of Section B the

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and Depletion of Producing Natural Gas Land and Land Right (Account 404.1) (c)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (d)
1	Intangible plant			
2	Production plant, manufactured gas			
3	Production and gathering plant,	29,381		
4	Products extraction plant			
5	Underground gas storage plant	261,557		82
6	Other storage plant			
7	Base load LNG terminating and processing plant			
8	Transmission plant	789,871		
9	Distribution plant	4,874,807		
10	General plant	2,896,298		
11	Common plant-gas			
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25	TOTAL	8,851,914	0	82

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, 2005
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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3 405)
(Except Amortization of Acquisition Adjustments) (Continued)

manner in which column (b) balances are obtained. If average balances, state the method averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine

depreciable charges, show at the bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Amortization of Other Limited-term Gas Plant (Account 404.3) (e)	Amortization of Other Gas Plant (Account 405) (f)	Total (b to f) (g)	Functional Classification (a)	Line No.
	906	906	Intangible plant	1
		0	Production plant, manufactured gas	2
		29,381	Production and gathering plant,	3
		0	Products extraction plant	4
60,176	0	321,815	Underground gas storage plant	5
		0	Other storage plant	6
		0	Base load LNG terminating and processing plant	7
13,374	0	803,245	Transmission plant	8
229	0	4,875,036	Distribution plant	9
73,479	0	2,969,777	General plant	10
		0	Common plant-gas	11
				12
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				14
				15
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				24
147,258	906	9,000,160	TOTAL	25

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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Continued)

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classifications (a)	Depreciable Plant Base (Thousands) (b)	Applied Depr. Rate(s) (Percent) (c)
1	Production and Gathering Plant		
2	Offshore		
3	Onshore		
4	Underground Gas Storage Plant	14,565	2.61
5	Transmission Plant		
6	Offshore		
7	Onshore		
8	General Plant	20,299	5.03
9			
10			

Notes to Depreciation, Depletion and Amortization of Gas Plant

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, 2005
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PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

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

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

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

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

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

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

Line No.	Item (a)	Amount (b)
1	Account 425 - Miscellaneous Amortization - Utility Plant Acquisition	1,151,537
2		
3	Account 426.1 - Donations	
4	Charitable Contributions	71,372
5	Social & Community Gifts	18,155
6	Other	135
7	Total Donations	89,662
8		
9	Account 426.3 - Penalties	-
10		
11	Account 426.4 - Civic & Political Activities	
12	Legal Fees	42,916
13	Other	680
14	Total Civic & Political Activities	43,596
15		
16	Account 426.5 - Other Deductions	
17	Accounts Receivable	14,790
17	Other	6,433
18	Total Other Deductions	21,223
19		
20	Total Other Income Deductions 426	154,481
21		
22	Account 430 - Interest on Debt to Associated Companies	783,759
23		
24	Account 431 - Other Interest Expense	
25	Interest on Customer Deposits	137,233
26	Interest on Customer Refunds	0
27	GCR Interest Adjustment	178,308
28	Total Other Interest Expense	315,541
30		
31		
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38		
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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, 2005
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PARTICULARS CONCERNING CERTAIN OTHER INCOME ACCOUNTS

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

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

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

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

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

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

6. Interest and Dividend Income (Account 419) - Report interest and dividend income, before taxes, identified as to the asset account or group of accounts in which are included the assets from which the interest or dividend income was derived. Income derived from investments, Accounts 123, 124 and 136 may be shown in total. Income from sinking and other funds should be identified with the related special funds. Show also expenses included in Account 419 as required by the Uniform System of Accounts.

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

Line No.		Appliance Service Options (a)	Administrative Services (b)	Other (c)	Amount (d)
1	<u>Account 415</u> - Revenue on Merchandise Contracts				-
2	<u>Account 416</u> - Operating Exp on Merch Contracts				-
3	Cost of Sales				-
4	Operating Expenses				-
5	EBIT				-
6					
7	<u>Account 417</u> - Operations				
8	Revenue	-	141,817		141,817
9	Cost of Sales	-	124,677		124,677
10	Operating Expenses	65,860	4,805		70,665
11	Maintenance Expense	-	-		-
12	Depreciation Expense	-	-		-
13	Amortization Expense	-	-		-
14	EBIT	(65,860)	12,335	-	(53,525)
15					
16	<u>Account 419</u> - Interest & Dividend Income				278,524
17					
18	<u>Account 421</u> - Misc. Nonoperating Income				563
19					
20					
21					
22					

Name of Respondent Aquila United Inc. d/b/a Aquila Nwtworks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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EXPENDITURES FOR CERTAIN CIVIC, POLITICAL AND RELATED ACTIVITIES
(Account 426.4)

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

2. Advertising expenditures in this Account shall be classified according to subheadings, as follows: (a) radio, television, and motion picture advertising; (b) newspaper, magazine, and pamphlet advertising; (c) letters or inserts in customers' bills, (d) inserts in reports to stockholders;

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

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

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

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

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

Line No.	Item (a)	Amount (b)
1	Cost to Influence Public Opinion	\$ 43,596
2		
3		
4		
5		
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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, 2005
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REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous year, if being amortized) relating to formal cases before a regulatory body, or cases in which

such a body was a party.

2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description <i>(Furnish name of regulatory commission or body, the docket or case number, and a description of the case.)</i>	Assessed by Regulatory Commission	Expenses of Utility	Total Expenses to Date	Deferred in Account 182.3 at Beginning of Year
	(a)	(b)	(c)	(d)	(e)
1	Michigan Public Utility Commission				
2	(03/03-02/06 amort period)				\$ 164,041
3					
4	Michigan Public Utility Commission	\$ 289,029		\$ 289,029	
5					
6	Other		\$ 1,159	\$ 1,159	
7					
8					
9					
10					
11					
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13					
14					
15					
16					
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45					
46	TOTAL	\$ 289,029		\$ 290,188	\$ 164,041

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, 2005
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REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.

4. The totals of columns (e), (i), (k), and (l) must agree with the totals shown on page 232 for

Account 182.3.

5. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.

6. Minor items (less than \$25,000) may be grouped.

EXPENSES INCURRED DURING YEAR			AMORTIZED DURING YEAR			Deferred in Account 182.3 at End of Year (l)	Line No.
CHARGED CURRENTLY TO			Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)		
Department (f)	Account No. (g)	Amount (h)					
Gas	928		-	928	\$ 131,233	\$ 32,808	1
Gas	928	\$ 289,029				-	2
Gas	928	\$ 1,159				-	3
							4
							5
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							44
		\$ 290,188	\$ -		\$ 131,233	\$ 32,808	45
							46

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, 2005
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DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to *Utility Departments, Construction, Plant Removals, and Other Accounts*, and enter such amounts

in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission			
5	Distribution			
6	Customer Accounts			
7	Customer Service and Informational			
8	Sales			
9	Administrative and General			
10	TOTAL Operation (Total of lines 3 thru 9)			
11	Maintenance			
12	Production			
13	Transmission			
14	Distribution			
15	Administrative and General			
16	TOTAL Maint. (Total of lines 12 thru 15)			
17	Total Operation and Maintenance			
18	Production (Total of lines 3 and 12)			
19	Transmission (Total of lines 4 and 13)			
20	Distribution (Total of lines 5 and 14)			
21	Customer Accounts (Line 6)			
22	Customer Service and Informational (Line 7)			
23	Sales (Line 8)			
24	Administrative and General (Total of lines 9 and 15)			
25	TOTAL Oper. & Maint. (Total of lines 18 thru 24)			
26	Gas			
27	Operation			
28	Production-Manufactured Gas	15,951		
29	Production-Natural Gas (Including Expl. and Dev.)	26,375		
30	Other Gas Supply	0		
31	Storage, LNG Terminaling and Processing	51,384		
32	Transmission	51,384		
33	Distribution	2,718,593		
34	Customer Accounts	2,437,092		
35	Customer Service and Informational	303,801		
36	Sales	252,832		
37	Administrative and General	3,825,959		
38	TOTAL Operation (Total of lines 28 thru 37)	9,683,371		
39	Maintenance			
40	Production-Manufactured Gas	189		
41	Production-Natural Gas	0		
42	Other Gas Supply	0		
43	Storage, LNG Terminaling and Processing	31,674		
44	Transmission	15,131		
45	Distribution	908,598		
46	Administrative and General	158,939		
47	TOTAL Maintenance (Total of lines 40 thru 46)	1,114,531		

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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
	Gas (Continued)			
48	Total Operation and Maintenance			
49	Production-Manufactured Gas <i>(Lines 28 and 40)</i>	16,140		
50	Production-Natural Gas (Including Expl. and Dev.) <i>(Lines 29 and 41)</i>	26,375		
51	Other Gas Supply <i>(Lines 30 and 42)</i>	0		
52	Storage, LNG Terminaling and Processing <i>(Lines 31 and 43)</i>	83,058		
53	Transmission <i>(Lines 32 and 44)</i>	66,515		
54	Distribution <i>(Lines 33 and 45)</i>	3,627,191		
55	Customer Accounts <i>(Line 34)</i>	2,437,092		
56	Customer Service and Informational <i>(Line 35)</i>	303,801		
57	Sales <i>(Line 36)</i>	252,832		
58	Administrative and General <i>(Lines 37 and 46)</i>	3,984,898		
59	TOTAL Oper. and Maint. <i>(Total of lines 49 thru 58)</i>	10,797,902	1,244,477	12,042,379
60	Other Utility Departments			
61	Operation and Maintenance			0
62	TOTAL All Utility Dept. <i>(Total of lines 25, 59, and 61)</i>	10,797,902	1,244,477	12,042,379
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant			
66	Gas Plant	1,053,748	1,341,416	2,395,164
67	Other			
68	TOTAL Construction <i>(Total of lines 65 thru 67)</i>	1,053,748	1,341,416	2,395,164
69	Plant Removal (By Utility Departments)			
70	Electric Plant			
71	Gas Plant	110,765	17,611	128,376
72	Other			
73	TOTAL Plant Removal <i>(Total of lines 70 thru 72)</i>	110,765	17,611	128,376
74	Other Accounts (Specify):			
75				
76	Nonutility Operation Expense	90,727	15,425	106,152
77	Other Income and Deductions	114	15	129
78	Stores Expense	199,860	36,831	236,691
79	Fleet Expense	741,869	(1,009,599)	(267,730)
80	Compensated Absences/Non-Productive Time	1,646,176	(1,646,176)	
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	2,678,746	(2,603,504)	75,242
96	TOTAL SALARIES AND WAGES	14,641,161	0	14,641,161

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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name and address of person or organization rendering services.

(b) description of services received during year and project or case to which services relate.

(c) basis of charges.

(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

1	BER Refrigeration Heating & Cooling Inc	Equip Removal &	\$	25,450	107
2	205 Palladium Drive	Installation		504	907
3	St. Joseph, MI 49085		\$	25,954	
4					
5	Bi-Con Services Inc	Equip Installation	\$	246,225	107
6	10901 Clay Pike Road				
7	Derwent, OH 43733				
8					
9	Boss Construction Co Inc	Construction	\$	49,500	107
10	4151 West Jefferson Ave				
11	Ecorse, MI 48229				
12					
13	Corporate Risk Solutions	Security Mgmt	\$	32,254	107
14	8725 Rosehill, Suite 450				
15	Lenexa, KS 66215				
16					
17	Corrpro Companies Inc	Construction	\$	40,808	107
18	1055 West Smith Road				
19	Medina, OH 44256				
20					
21	D H Roberts Construction LLC	Construction	\$	87,266	107
22	222 Water Street				
23	Jonesville, MI 49250				
24					
25	DC Voltage Gradient Technology & Supply Ltd	Equipment & Training	\$	26,506	107
26	Wigan WN2 4EY				
27	United Kingdom				
28					
29	Dykema Gossett Law Offices	Legal	\$	207,578	923
30	400 Renaissance Center				
31	Detroit, MI 48243				
32					
33	Hanover Company	Compressor Station	\$	634,441	107
34	P O Box 690349	Equip & Service		545	834
35	Houston, TX 77269		\$	634,986	
36					
37	Honigman Miller Schwartz and Cohn LLP	Legal	\$	83,706	923
38	660 Woodward Avenue				
39	Detroit, MI 48226				
40					
41	JD Construction Enterprises LLC	Construction	\$	53,619	107
42	6530 Secor Road				
43	Lambertville, MI 48144				
44					
45					

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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES (Continued)

1	Kent Power Inc.	Construction	\$ 2,214,117	107
2	90 Spring Street		9,593	108
3	Kent City, MI 49330		1,920	417
4			310	874
5			657	880
6			2,766	887
7			270	892
8			<u>\$ 2,229,633</u>	
9				
10	Mactec Engineering & Consulting Inc.	Engineering/ Consulting	\$ 398,858	182
11	7477 Collection Center Drive			
12	Chicago, IL 60693			
13				
14	Pescador LLC	Environmental Consulting	\$ 592,940	182
15	36 Highview Road		3,876	815
16	Traverse City, MI 49686		<u>\$ 596,816</u>	
17				
18	R L Coolsaet Construction Co	Construction	\$ 734,567	107
19	P O Box 279			
20	Taylor, MI 48180			
21				
22	Shughart Thomson & Kilroy	Legal	\$ 18,663	921
23	120 West 12 Street		22,628	923
24	Kansas City, MO 64105		<u>\$ 41,291</u>	
25				
26	Zimmerman, Kuhn, Darling, Boyd, Taylor & Quandt, PLC	Legal	\$ 27,004	182
27	412 South Union Street			
28	Traverse City, MI 49684			
29				
30				
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32				
33				
34				
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55				
56	TOTAL		\$ 5,516,571	

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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

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

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Aquila Inc (ESF)	(1)	Corporate Costs	403, 404.9, 408.1, 431, 432	\$ 7,431,467
2			Allocated	735, 880, 892, 901 to 903,	
3				905, 909, 910, 920 to 926,	
4				930.1, 930.2, 931, 935	
5					
6					
7	Aquila Gas Supply Services	(1)	Gas Costs, Distribution, Administrative & General Expenses Allocated	408.1, 804, 902, 903, 920, 921 923, 925, 926, 930.2, 931	181,729,662
8					
9					
10					
11					
12	Aquila Networks - PNG	(1)	Distribution, and Administrative & General Expenses Allocated	874, 877, 879, 880, 905, 930.2	9,227
13					
14					
15					
16	Aquila US Networks (IBU)	(1)	Transmission, Distribution, and Administrative and General Expenses Allocated	408.1, 431, 432, 812, 870 879, 880, 881, 887, 893, 894 901 to 905, 907, 909 to 913, 916, 920 to 923, 925, 926, 928, 930.1, 930.2, 931, 935	10,137,438
17					
18					
19					
20					
21					
22					
23	(1) Aquila Inc., through its United States Networks, operates regulated electric and gas utilities in seven states through eight operating divisions. The operating division of Aquila Inc., are Aquila Networks - MPS, Aquila Networks - L&P in Missouri, Aquila Networks - WPK, Aquila Networks -KGO in Kansas, Aquila Networks - WPC in Colorado, Aquila Networks - PNG, Aquila Networks -NMU in Minnesota, Aquila Networks - MGU in Michigan. Aquila Gas Supply Services is a unit of Aquila Inc., which is responsible for the procurement of gas supply for all divisions. Aquila US Networks is a unit of Aquila Inc., which is responsible for managing the electric and gas utilities in the United States.				
24					
25					
26					
27					
28					
29					
30					
TOTAL					\$ 199,307,794

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, 2005
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES (Continued)

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
408.2, 417.1, 419, 421, 426.1, 426.4, 426.5	\$ 101,887			\$ 7,533,354	Cost	1
						2
						3
						4
						5
						6
417.1, 419, 426.1	(159,122)			181,570,540	Cost	7
						8
						9
						10
417.1	8			9,235	Cost	11
						12
						13
						14
						15
417.1, 419, 421, 426.1, 426.4, 426.5	111,507			10,248,945	Cost	16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
	\$ 54,280			\$ 199,362,074		

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, 2005
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COMPRESSOR STATIONS

1. Report below particulars (details) concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.

2. For column (a), indicate the production areas where such stations are used. Relatively small field compressor stations may be grouped by production areas. Show the number of stations grouped. Designate any station held under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature of respondent's title, and percent of ownership.

Line No.	Name of Station and Location (a)	Number of Employees (b)	Plant Cost (c)
1	Underground Storage Compressor Stations, 4 Total	3	2,910,275
2			
3	Gathering System Compressor Stations, 2 Total	0	115,824
4			
5			
6			
7			
8			
9			
10			
11			
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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COMPRESSOR STATIONS (Continued)

if jointly owned. Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station has been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor stations installed and put into operation during the year and show in a footnote the size

of each such unit, and the date each such unit was placed in operation.

3. For column (d), include the type of fuel or power, if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power.

Expenses (Except depreciation and taxes)		Gas for Compressor Fuel Mcf (14.73 psia at 60 F)	Operation Data			Line No.
Fuel or Power (d)	Other (e)		Total Compressor Hours of Operation During Year (g)	No. of Comprs. Operated at Time of Station Peak (h)	Date of Station Peak (i)	
379,781	57,252	43,831	8,028			1
0	0	0	0			2
						3
						4
						5
						6
						7
						8
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						41

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, 2005
GAS STORAGE PROJECTS				
1. Report particulars (details) for total gas storage projects. 2. Total storage plant (column b) should agree with amounts reported by the respondent in Acct's 350.1 to 364.8 inclusive (pages 206-207).		3. Give particulars (details) of any gas stored for the benefit of another company under a gas exchange arrangement or on basis of purchase and resale to other company. Designate with an asterisk if other company is an associated company.		
Line No.	Item (a)	Total Amount (b)		
1	Natural Gas Storage Plant			
2	Land and Land Rights	10,767		
3	Structures and Improvements	276,491		
4	Storage Wells and Holders	4,232,787		
5	Storage Lines	897,299		
6	Other Storage equipment	9,158,430		
7	TOTAL (Enter Total of Lines 2 Thru 6)	14,575,774		
8	Storage Expenses			
9	Operation	147,146		
10	Maintenance	108,695		
11	Rents	-		
12	TOTAL (Enter Total of Lines 9 Thru 11)	255,841		
13	Storage Operations (In Mcf)			
14	Gas Delivered to Storage			
15	January	-		
16	February	-		
17	March	-		
18	April	510,675		
19	May	1,253,477		
20	June	1,144,173		
21	July	1,102,653		
22	August	746,634		
23	September	1,365,372		
24	October	391,120		
25	November	(1,009)		
26	December	-		
27	TOTAL (Enter Total of Lines 15 Thru 26)	6,513,095		
28	Gas Withdrawn from Storage			
29	January	1,808,215		
30	February	952,699		
31	March	1,212,652		
32	April	11,713		
33	May	(2,531)		
34	June	18,053		
35	July	17,978		
36	August	35,193		
37	September	(37,021)		
38	October	161,160		
39	November	682,466		
40	December	1,949,360		
41	TOTAL (Enter Total of Lines 29 Thru 40)	6,809,937		

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, 2005
GAS STORAGE PROJECTS (Continued)				
Line No.	Item (a)			Total Amount (b)
	Storage Operations (<i>In Mcf</i>)			
42	Top or Working Gas End of Year (1)			5,756,903
43	Cushion Gas (Including Native Gas) (2)			5,188,091
44	Total Gas in Reservoir (<i>Enter Total of Line 42 and Line 43</i>) (1)			10,944,994
45	Certificated Storage Capacity (2)			10,080,325
46	Number of Injection - Withdrawal Wells (2)			14
47	Number of Observation Wells (2)			6
48	Maximum Day's Withdrawal from Storage (2)			33,682
49	Date of Maximum Days' Withdrawal (2)			12/18/05
50	LNG Terminal Companies (In Mcf)			
51	Number of Tanks			
52	Capacity of Tanks			
53	LNG Volumes			
54	a) Received at "Ship Rail"			
55	b) Transferred to Tanks			
56	c) Withdrawn from Tanks			
57	d) "Boil Off" Vaporization Loss			
58	e) Converted to Mcf at Tailgate of Terminal			

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

(2) Includes only MGU owned storage fields.

Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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DISTRIBUTION AND TRANSMISSION LINES

- | | |
|--|---|
| <p>1. Report below by States the total miles of pipelines operated by respondent at end of year.</p> <p>2. Report separately any lines held under a title other than full ownership. Designate such lines with an asterisk and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.</p> | <p>3. Report separately any line that was not operated during the past year. Enter in a footnote the particulars (details) and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book cost are contemplated.</p> <p>4. Report the number of miles of pipe to one decimal point.</p> |
|--|---|

Line No.	Designation (Identification) of Line or Group of Lines (a)	Total Miles of Pipe (to O.1) (b)
1	Distribution	
2	Benton Harbor <= 1 "	4.4
3	2 "	554.9
4	3 "	11.3
5	4 "	287.4
6	6 "	25.5
7	8 "	5.2
8	10 "	0.7
9	12 "	0.1
10	Grand Haven <= 1 "	7.7
11	2 "	275.7
12	3 "	12.4
13	4 "	122.6
14	6 "	5.3
15	8 "	0.1
16	10 "	0.1
17	Otsego <= 1 "	3.3
18	2 "	218.4
19	3 "	1.6
20	4 "	156.8
21	6 "	2.3
22	8 "	0.1
23	Coldwater <= 1 "	3.8
24	2 "	359.5
25	3 "	9.4
26	4 "	205.2
27	6 "	14.6
28	8 "	8.6
29	10 "	0.1
30	Monroe <= 1 "	10.3
31	2 "	455.5
32	3 "	10.2
33	4 "	352.9
34	6 "	59.9
35	8 "	13.0
36	12 "	2.4
37		
38	All lines are located in the state of Michigan.	
39		
40	TOTAL	3,201.3

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DISTRIBUTION AND TRANSMISSION LINES (Continued)

- | | |
|--|---|
| <p>1. Report below by States the total miles of pipelines operated by respondent at end of year.</p> <p>2. Report separately any lines held under a title other than full ownership. Designate such lines with an asterisk and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.</p> | <p>3. Report separately any line that was not operated during the past year. Enter in a footnote the particulars (details) and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book cost are contemplated.</p> <p>4. Report the number of miles of pipe to one decimal point.</p> |
|--|---|

Line No.	Designation (Identification) of Line or Group of Lines (a)	Total Miles of Pipe (to O.1) (b)
1	Transmission	
2	Benton Harbor 4 "	32.4
3	6 "	26.9
4	8 "	22.1
5	12 "	4.7
6	Grand Haven 4 "	15.7
7	6 "	7.9
8	8 "	9.0
9	12 "	11.0
10	Otsego 2 "	0.2
11	4 "	42.7
12	6 "	30.8
13	8 "	20.2
14	Coldwater 2 "	0.4
15	4 "	50.0
16	6 "	37.8
17	8 "	59.0
18	10 "	24.4
19	Monroe 4 "	18.8
20	6 "	32.9
21	8 "	14.1
22	10 "	29.9
23	12 "	33.5
24	Partello 2 "	1.1
25	3 "	0.3
26	4 "	11.3
27	6 "	9.2
28	8 "	15.3
29	10 "	0.1
30		
31		
32		
33		
34		
35		
36		
37		
38	All lines are located in the state of Michigan.	
39		
40	TOTAL	561.7

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, 2005
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DISTRIBUTION SYSTEM PEAK DELIVERIES

1. Report below the total distribution system deliveries o 2. Report Mcf on a pressure base of 14.73 psia at 60 F. gas, excluding deliveries to storage, for the periods of system peak deliveries indicated below during the calendar year.

Line No.	Item (a)	Day/Month (b)	Amount of Mcf (c)	Curtailments on Day/Month Indicated (d)
Section A. Three Highest Days of System Peak Deliveries				
1	Date of Highest Day's Deliveries	January 17, 2005		
2	Deliveries to Customers Subject to MPSC Rate Schedules		195,655	0
3	Deliveries to Others		64,331	0
4	TOTAL		259,986	0
5	Date of Second Highest Day's Deliveries	January 27, 2005		
6	Deliveries to Customers Subject to MPSC Rate Schedules		179,591	0
7	Deliveries to Others		63,993	0
8	TOTAL		243,584	0
9	Date of Third Highest Day's Deliveries	January 18, 2005		
10	Deliveries to Customers Subject to MPSC Rate Schedules		177,190	0
11	Deliveries to Others		60,261	0
12	TOTAL		237,451	0
Section B. Highest Consecutive 3-Day System Peak Deliveries (and Supplies)				
13	Dates of Three Consecutive Days Highest System Peak Deliveries	January 16, 2005 January 17, 2005 January 18, 2005		
14	Deliveries to Customers Subject to MPSC Rate Schedules		549,967	0
15	Deliveries to Others		176,059	0
16	TOTAL		726,026	0
17	Supplies from Line Pack		0	0
18	Supplies from Underground Storage		707,510	0
19	Supplies from Other Peaking Facilities		0	0
Section C. Highest Month's System Deliveries				
20	Month of Highest Month's System Deliveries	January 2005		
21	Deliveries to Customers Subject to MPSC Rate Schedules		4,211,091	0
22	Deliveries to Others		1,620,070	0
23	TOTAL		5,831,161	0

Name of Respondent Aquila, Inc. d/b/a Aquila Networks-MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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AUXILIARY PEAKING FACILITIES

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

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

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

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

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility. Mcf at 14.73 psia at 60 F (c)	Cost of Facility (In dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?	
					Yes (e)	No (f)
1	Partello/Anderson/Mymachod -	Underground Storage	15,000 - 28,000	8,317,650	X	
2	Calhoun County, MI					
3	Cortright/Campbell	Underground Storage	12,000 - 20,000	1,061,052	X	
4	Calhoun County, MI					
5	Lee 3/3A	Underground Storage	17,500 - 30,000	5,348,609	X	
6	Calhoun County, MI					
7	Eaton County, MI					
8						
9						
10						
11	Note: The daily deliverability of MGU owned storage is less than the combined total of the three reservoirs due to					
12	pipeline constraints.					
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Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2005
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SYSTEM MAPS

1. Furnish 5 copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas. New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If, however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.

2. Indicate the following information on the maps:

- (a) Transmission lines - colored in red, if they are not otherwise clearly indicated.
- (b) Principal pipeline arteries of gathering systems.
- (c) Sizes of pipe in principal pipelines shown on map.
- (d) Normal directions of gas flow - indicated by arrows.
- (e) Location of natural gas fields or pools in which the respondent produces or purchases natural gas.

(f) Locations of compressor stations, products extraction plants, stabilization plants, important purification plants, underground storage areas, recycling areas, etc.

(g) Important main line interconnections with other natural gas companies, indicating in each case whether gas is received or delivered and name of connecting company.

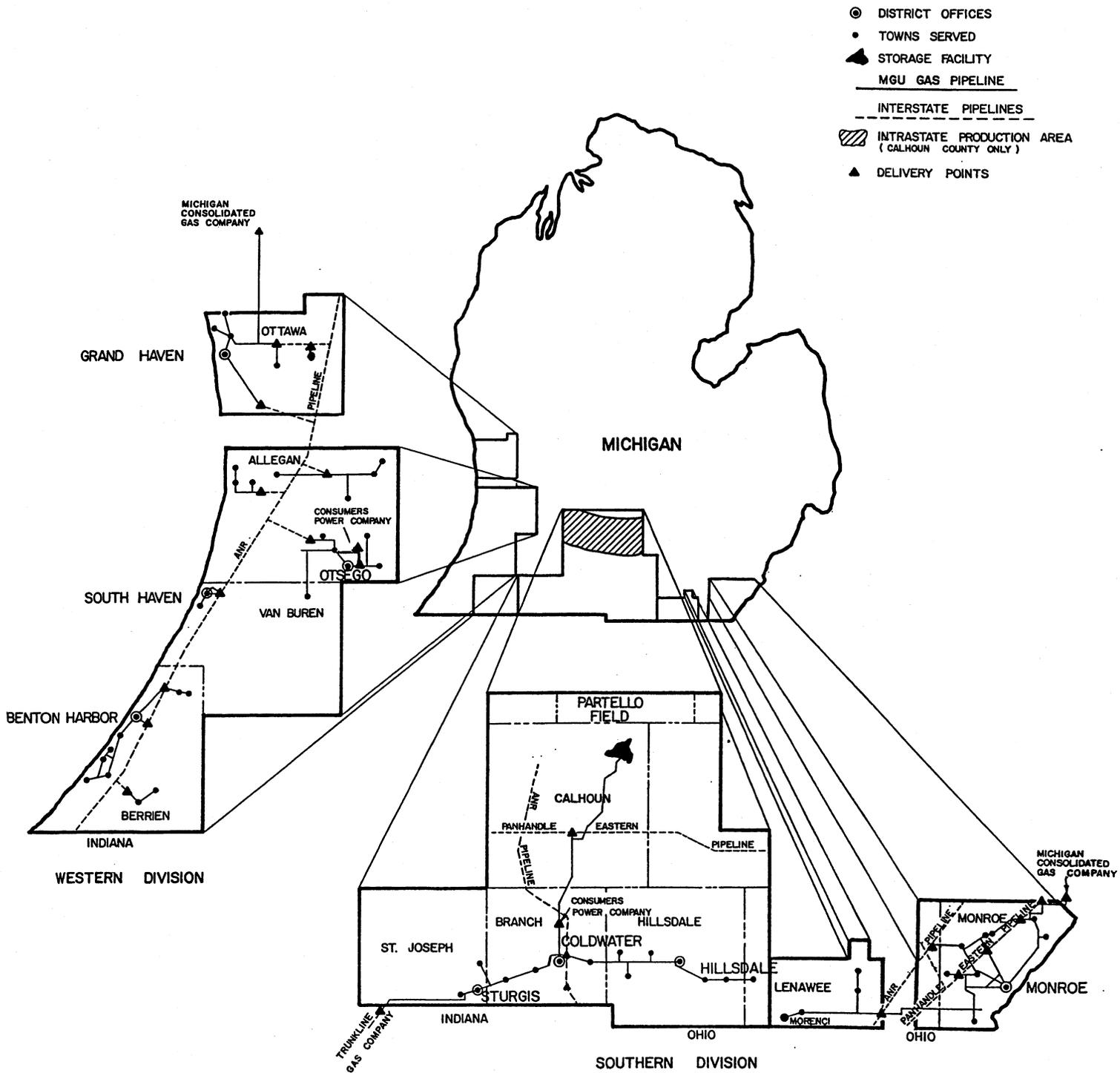
(h) Principal communities in which respondent renders local distribution service.

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

4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger than this report. Bind the maps to the report.

See page 522A.

MICHIGAN GAS UTILITIES SERVICE AREAS AND DELIVERY POINTS



Name of Respondent Aquila, Inc. d/b/a Aquila Networks - MGU	This Report Is: (1) X An Original (2) A Resubmission	Date of Report: (Mo, Da, Yr) Dec. 31, 2005	Year of Report Dec. 31, 2005
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FOOTNOTE DATA

Page No. (a)	Line No. (b)	Column No. (c)	Comments (d)
264 & 265			<p>Method of Accounting Investment tax credits are deferred and amortized over the life of the related property.</p> <p>Option Exercised For 1971 and after, the rateable flow through option is utilized for rate purposes in accordance with Section 46(f) of the Internal Revenue Code.</p>

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