

**BEFORE THE
STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

07-AQLG-431-RTS

**In the Matter of the Application of Aquila Inc.,)
d/b/a Aquila Networks-KGO, For Approval of)
the Commission to Make Certain Changes) Docket No. _____
in its Rates For Natural Gas Service)**

EXHIBITS

November 2006



Aquila

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Aquila, Inc., d/b/a Aquila Networks-KGO
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Aquila

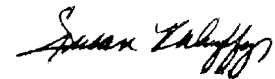
1815 Capitol Avenue
Omaha, NE 68102
Tel 402-221-2000
Fax 402-221-2501

October 31, 2006

Ms. Susan K. Duffy, Executive Director
Kansas Corporation Commission
1500 S.W. Arrowhead Rd
Topeka, KS 66604

STATE CORPORATION COMMISSION

NOV 01 2006

 Docket
Room

RE: General Rate Increase

Dear Ms. Duffy:

Enclosed for filing are an original, nine photocopies, and one electronic copy of an Application, Supporting Exhibits, and Direct Testimony in connection with Aquila, Inc.'s request for a general rate increase in its rates charged for natural gas.

The Application is based on a twelve-month test period ending June 30, 2006, and seeks an annual revenue increase of \$7,240,218. This amounts to an overall increase in annual revenue of 5.1%.

One complete copy of the filing is comprised of two binders: 1) Exhibits, Sections 1 through 18, which includes the Application, and 2) Direct Testimony sponsoring all exhibits, pro forma adjustments, and other proposals. Accompanying this filing are the responses to Staff's Initial Set of 67 data requests.

If you have any questions or desire further information, please advise.

Sincerely,



Jon R. Empson
Senior Vice President

BEFORE THE STATE CORPORATION COMMISSION STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

NOV 01 2006

In the Matter of the Application of Aquila, Inc.,)
d/b/a Aquila Networks-KGO, For Approval of)
the Commission to Make Certain Changes in)
Its Rates for Natural Gas Service)

Docket No. **07-AQLG-431-RTS**

APPLICATION

COMES NOW the Applicant, Aquila, Inc., d/b/a Aquila Networks-KGO, and in full compliance with K.S.A. 66-1,200, 66-1,202, 66-1,203, 66-117 and this Commission's Rules of Practice and Procedure, Rule 82-1-231 (b) and (c), states as follows:

1. Applicant is a corporation duly organized under the laws of the State of Delaware, and has its principal place of business at 20 West 9th Street, Kansas City, Missouri.

2. All communications regarding this Application should be addressed to:

Larry W. Headley
Director, Regulatory Services
Aquila, Inc.
1815 Capitol Avenue
Omaha, NE 68102

with copies to:

Jon R. Empson
Senior Vice President
Aquila, Inc.
1815 Capitol Ave
Omaha, NE 68102

James G. Flaherty
Attorney at Law
Anderson & Byrd, LLP
216 S. Hickory, P.O. Box 17
Ottawa, KS 66067

3. Applicant is duly authorized to transact business in the State of Kansas as a foreign corporation, holds appropriate certificates from this Commission to transact business as a natural gas public utility, and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said State and Rules and Regulations of this Commission. Applicant provides retail natural gas service to approximately 105,000 customers

in Kansas, including natural gas service to approximately 54 communities in Kansas and other areas throughout 35 Kansas counties.

4. The test year for this filing is the adjusted twelve month period ending June 30, 2006.

5. Natural gas sold by Applicant is obtained from Aquila's own Gas Supply Services, a department dedicated to locating gas supplies for all of Aquila's utility operations, both electric and gas.

6. In order to provide for the current requirements for natural gas in the areas served by it, Applicant has a total gas plant investment in Kansas of \$175,359,212 as of June 30, 2006.

7. Aquila, Inc., d/b/a Aquila Networks-KGO filed its last rate case two years ago at Docket No. 05-AQLG-367-RTS, using a test period ending June 30, 2004. Several factors make the filing of this rate application necessary at this time.

8. Since the filing of Aquila's last rate case, record-setting natural gas prices have spurred competition and increased conservation by customers, resulting in declining margins for Applicant's Kansas Gas Operations. Although Applicant has aggressively managed expenses, it is apparent that this change in business conditions brought about by high natural gas prices will be permanent. In addition, Applicant continues to address safety and system reliability-related main replacements and make prudent investments to enhance the operating efficiency of its gas distribution system, resulting in the proposed rate base increases. This Application reflects these requests for revenue and rate base adjustments.

9. As part of this application, Aquila is proposing a Low-Income Weatherization Program to help curb demand for natural gas. More energy efficient homes and greater emphasis on conservation will lower prices over the long term, make natural gas more affordable for lower income customers, and lower the Applicant's balance of uncollectible consumer debt.

10. Presently effective rates do not produce sufficient revenues to cover the reasonable cost of Applicant's continued ability to render reasonably sufficient and efficient service. The existing retail natural gas rates of Applicant are unjust and unreasonable in that its jurisdictional earnings are deficient. Said rates produce an overall rate of return on rate base of 4.3851 percent. Applicant must have increased revenues. Applicant must earn a reasonable return on its property dedicated to public service in order to acquire necessary capital at reasonable rates, carry out necessary new construction, provide adequate supplies of gas, and continue to render the quality of service the public requires. The present return to Applicant is not just and reasonable. Therefore, Applicant proposes to adjust its rates in this proceeding to increase its revenues annually by \$7,240,218. This will result in an overall rate of return of 9.5998%.

11. In compliance with the Commission Rules of Practice and Procedure, filed herewith and incorporated by reference are Exhibits and Schedules containing the following information:

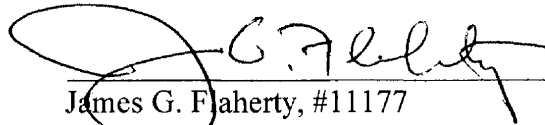
Section 1	Letter of Transmittal and Application
Section 2	General Information and Publicity
Section 3	Rate Base and Return
Section 4	Plant Investment
Section 5	Accumulated Provision for Depreciation, Amortization and Depletion
Section 6	Working Capital
Section 7	Capitalization and Cost of Capital
Section 8	Financial and Operating Data
Section 9	Test Year and Pro Forma Income Statements
Section 10	Depreciation and Amortization
Section 11	Taxes
Section 12	Allocation Basis
Section 13	Annual Report
Section 14	Additional Evidence
Section 16	Financial Statements (Letter from external auditor)
Section 17	Summary of Current and Proposed Rates
Section 18	Proposed Tariff Sheets

Also included as part of this Application are the testimony and exhibits of Mr. Richard C. Loomis, Mr.

Philip Beyer, Mr. Matthew Daunis, Mr. Randy Dyer, Ms. Ruth Gustin, Mr. Timothy Hess, Mr. Harry Ono, Mr. Richard Petersen, Mr. Terry Thomas, Dr. Donald Murry, Mr. Paul Raab, Mr. Thomas Sullivan, and Ms. Kimberly Winslow.

WHEREFORE, Applicant respectfully requests the Commission's approval to adjust rates to increase annual revenues by \$7,240,218; a waiver be granted from Rule 82-1-231, Section 16 that requires an independent audit; and such other necessary and proper relief as required to fulfill this Application.

Respectfully submitted,



James G. Faherty, #11177

ANDERSON & BYRD, LLP

216 S. Hickory, P. O. Box 17

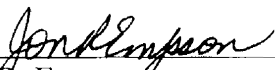
Ottawa, Kansas 66067

(785) 242-1234

Attorneys for Aquila, Inc., d/b/a Aquila Networks-KGO

STATE OF NEBRASKA)
) ss:
COUNTY OF DOUGLAS)

JON R. EMPSON, of lawful age, being first duly sworn, deposed and states that he is Senior Vice President of Aquila, Inc.; that he has read the foregoing Application and knows the contents thereof and that the statements and allegations therein contained are true.

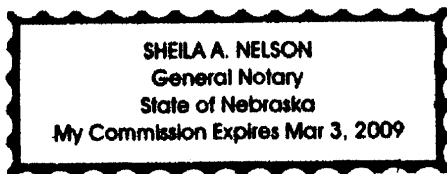


Jon R. Empson

SUBSCRIBED AND SWORN to before me this 27 day of October, 2006

Notary Public
My Commission Expires:





Aquila, Inc., d/b/a Aquila Networks-KGO

In this filing, Aquila, Inc., d/b/a Aquila Networks-KGO (Aquila), proposes to increase the annual revenues which it derives from its Kansas gas operations to allow Aquila the opportunity to earn a fair and reasonable rate of return on its investment dedicated to the service of Kansas customers. Since Aquila's last rate case, which was based on a test year ending June 30, 2006, conservation and increased rate base investment as well as increased expenses such as pension and health care have prevented Aquila from earning a fair and reasonable return on its Kansas rate base under existing rates. This unacceptable earning condition will continue, and accordingly, in this filing, Aquila proposes to increase its annual Kansas revenues.

Prior to filing this Application, Aquila representatives met with local officials and citizen groups from Dodge City, Garden City, Goodland, Lawrence, Liberal, and Wichita.

Proposed Annual Increase \$7,240,218

Number of customers by tariff class:

Residential	94,010
Small Commercial	8,225
Small Volume Firm	1,175
Large Volume Firm	33
Small Volume Interruptible	65
Large Volume Interruptible	12
Irrigation	1,026
Wholesale Gas	7
Transportation	
Small Volume	526
Large Volume	168
Irrigation	707
Total Customers	105,954

Aquila, Inc., d/b/a Aquila Networks-KGO

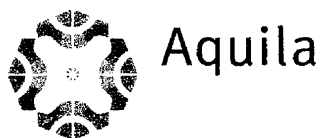
The increase in annual revenue is 5.5%. The following is a list of the average proposed dollar increase by tariff class:

	Commodity per Therm	Demand per Therm	Monthly Customer Charge	
			Current	Proposed
Residential	(\$0.13189)	\$1.43460	\$12.00	\$13.00
Small Commercial	(\$0.13189)	\$1.43460	\$17.00	\$20.00
Small Volume Firm	(\$0.09581)	\$0.88170	\$30.00	\$40.00
Large Volume Firm	(\$0.03981)	\$0.41750	\$225.00	\$250.00
Small Volume Interruptible	(\$0.00783)	\$0.00000	\$30.00	\$40.00
Large Volume Interruptible	(\$0.02537)	\$0.00000	\$225.00	\$250.00
Irrigation	\$0.00000	\$0.00000	\$25.00	\$25.00
Wholesale Gas	\$0.00000	\$0.00000	\$225.00	\$250.00
Transportation				
Small Volume	(\$0.09581)	\$0.88170	\$30.00	\$40.00
Large Volume	(\$0.03981)	\$0.41750	\$225.00	\$250.00
Irrigation	\$0.00000	\$0.00000	\$25.00	\$25.00

Aquila, Inc., d/b/a Aquila Networks-KGO

Communities and Counties served by Aquila Networks-KGO:

<u>Communities</u>		<u>Counties</u>	
Andale	Meade	Barber	Rush
Ashton	Milton	Barton	Sedgwick
Burdett	Mitchell	Cheyenne	Seward
Cimarron	Montezuma	Clark	Sherman
Colwich	Moscow	Clay	Stafford
Copeland	Mt. Vernon	Douglas	Stevens
Dodge City	Nickerson	Edwards	Wallace
Elkhart	Norwich	Ellsworth	Washington
Ensign	Obeeville	Finney	
Enterprise	Offerle	Ford	
Fowler	Olivet	Grant	
Garden City	Peck	Gray	
Geuda Springs	Plains	Harper	
Goodland	Plevna	Harvey	
Hackney	Rolla	Haskell	
Haggard	Satanta	Hodgeman	
Hanston	Sayre	Kearney	
Hayne	South Hutchinson	Kingman	
Hugoton	St. Marks	Kiowa	
Hutchinson	Sterling	Lincoln	
Jetmore	Sublette	McPherson	
Johnson	Wichita	Meade	
Kanorado	Willowbrook	Morton	
Kingsdown	Wilroads Garden	Ottawa	
Lawrence	Wright	Pawnee	
Liberal	Yoder	Reno	
Maize	Yost	Rice	



News Release

Media Contacts:

Curt Floerchinger -- (816) 467-3772
Larissa Long -- (785) 832-3918
Aquila Media Line -- (816) 467-3000

Investor Contact:

Neala Hackett -- (816) 467-3562

**AQUILA FILES WITH KANSAS CORPORATION COMMISSION
FOR RATE INCREASE, MORE BALANCED BILL STRUCTURE**

No changes expected until at least June 2007

LAWRENCE, Kan., Nov. 1, 2006 – Aquila Inc. today filed a request with the Kansas Corporation Commission for increased rates in the company’s Kansas natural gas service territories. The commission’s final ruling and any changes in rates or a new bill structure will not affect customers’ bills until at least June 2007.

The company is asking the commission for a bill increase of \$4.40 a month, or \$53 a year, for a typical customer consuming 735 therms of natural gas a year. The monthly bill for commercial customers consuming 1,558 therms a year would increase \$6 a month, or \$72 a year. The total proposed increase in the rate case is \$7.2 million for a 5.1 percent increase in the company’s annual revenues.

Aquila is seeking to recover its ongoing costs for operating and maintaining its distribution system, which reaches 54 communities across Kansas. On an annual basis, Aquila invests approximately \$6 million to \$7 million to maintain, update and improve its system.

“Aquila’s current Kansas natural gas rates are based on costs from up to three years ago. The company’s success in implementing process improvements and cost-saving measures do not fully offset the effects of inflation and keeping pace with rising costs to maintain 4,000 miles of Kansas gas lines” said Chuck Loomis, vice president of Aquila’s Kansas gas operations.

“For example, Kansas gas employees annually drive more than 1.75 million miles throughout the company’s vast Kansas service territory, so even small increases in gasoline and fleet maintenance costs have a substantial impact.”

Also proposed in the request is a redesign of the rate structure to shift most service fees from the usage-based delivery charge to a flat monthly fee for service and system costs. “Moving toward a flat rate will take much of the pain out of higher winter gas bills and achieve a more balanced, budget-friendly bill year-round,” said Loomis.

Aquila Kansas Natural Gas Rate Request, page 2

Basically, all natural gas customers currently pay a fee, noted on customer bills as a delivery charge, for the gas delivered to them. When customers use more gas, as they typically do during the winter months, their bills increase rapidly because of this imbedded fee. The delivery fee currently covers a portion of the company's "fixed costs" of maintaining its distribution system. As proposed, this fee would be significantly reduced. The delivery charge for residential and smaller-volume commercial customers would drop from the current 15 cents per therm to less than 2 cents per therm.

Instead, the company is proposing to include most, but not all of the "fixed costs" in a flat monthly "demand charge" that would remain the same for each month of the year. Explains Loomis: "Applying a demand charge is a more equitable way of billing customers for what are generally fixed costs to Aquila. While the customer charge is the same for everyone within a rate class, the demand charge addresses the costs for serving the needs of the individual on the basis of their share of the overall system consumption."

Under the new rate design, the current residential customer charge would increase from \$12 a month to \$13 a month. Demand charges for business and industrial customers also would increase proportionately. "In total, the proposed rate design will help customers in knowing that from month to month their natural gas bill will not vary as much as it has in the past," Loomis said.

Also included in the rate case filing is a request for \$371,000 to expand or create energy efficiency education and assistance programs to benefit customers in Aquila's Kansas gas territories. For example, a recent initiative is the company's new weatherization program. The Aquila Weatherization Team of company and community volunteers works with local assistance agencies to find customers unable to winterize their homes by properly sealing windows, doors and home foundations with weather stripping, placing plastic sheeting over windows, and filling gaps with foam insulation. Labor and materials are provided at no cost to the homeowner.

In addition, through its long-standing Aquila Cares program, employee and customer donations of up to \$375,000 are matched by company contributions and forwarded to local energy assistance agencies to help qualifying customers. Funds are returned to the county they came from, so those who donate know they are helping someone nearby.

Aquila serves 106,000 natural gas customers in Kansas. The company's state headquarters is in Lawrence. Based in Kansas City, Mo., Aquila serves nearly 1 million natural gas and electric customers in Colorado, Iowa, Kansas, Missouri and Nebraska. Further information is available at aquila.com.

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18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 3
SCHEDULE 1
PAGE 1 OF 1

PROPOSED RATE ADJUSTMENT CALCULATED ON
TEST PERIOD ENDED 6/30/2006

<u>LNE NO.</u>		<u>REFERENCE</u>	
001	GAS PLANT	3-2-1	175,359,212
<u>002</u>	DEPRECIATION AND AMORTIZATION RESERVE	3-2-1	<u>80,584,375</u>
003	NET GAS PLANT		<u>\$94,774,837</u>
004	CONSTRUCTION WORK IN PROGRESS	3-2-1	0
005	MATERIALS AND SUPPLIES	3-2-1	1,150,336
006	GAS STORAGE	3-2-1	7,050,188
007	PREPAYMENTS	3-2-1	1,312,321
008	WORKING CAPITAL	3-2-1	700,517
009	CUSTOMER ADVANCES	3-2-1	(1,104,345)
010	CUSTOMER DEPOSITS	3-2-1	(1,525,311)
011	ACCRUED INTEREST ON CUSTOMER DEPOSITS	3-2-1	0
012	RESERVES FOR INJURIES AND DAMAGES	3-2-1	(128,187)
013	ACCUMULATED DEFERRED INCOME TAXES	3-2-1	(18,600,697)
014	ACCUMULATED DEFERRED INVESTMENT TAX CREDIT	3-2-1	(18,665)
<u>015</u>	UNCLAIMED CHECK RESERVES	3-2-1	<u>0</u>
<u>016</u>	TOTAL RATE BASE		<u><u>\$83,610,994</u></u>
017	ADJUSTED OPERATING REVENUES	3-2-3-3	142,436,305
<u>018</u>	ADJUSTED OPERATING EXPENSES	3-2-3-10	<u>138,769,876</u>
019	ADJ OPERATING INCOME AT PRESENT RATES	3-2-3-11	3,666,429
<u>020</u>	RATE OF RETURN - PRESENT RATES		<u><u>4.3851</u></u> %
021	ADDL REVENUE FROM PROPOSED RATE ADJ	3-3-1-7	7,240,218
022	LESS: INCOME TAXES ON PROPOSED RATE ADJ		2,880,159
023	ADJ OPERATING INCOME - PROPOSED RATES	3-3-1-3	8,026,488
<u>024</u>	RATE OF RETURN - PROPOSED RATES	7-1-1-11	<u><u>9.5998</u></u> %
<u>025</u>	TOTAL PROPOSED RATE ADJUSTMENT		<u><u>7,240,218</u></u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

RATE BASE 6/30/2006

<u>LNE NO.</u>		<u>REFERENCE</u>	<u>PER BOOKS 06/30/06 (COL.1)</u>	<u>ADJUSTMENTS (COL.2)</u>	<u>ADJUSTED 06/30/06 (COL.3)</u>
001	GAS PLANT	4-1-1-8	174,159,212	1,200,000	175,359,212
002	DEPRECIATION AND AMORTIZATION RESERVE	5-1-1-8	79,976,676	607,699	80,584,375
003	NET GAS PLANT		<u>\$94,182,536</u>	<u>\$592,301</u>	<u>\$94,774,837</u>
004	CONSTRUCTION WORK IN PROGRESS		0	0	0
005	MATERIALS AND SUPPLIES		1,150,336	0	1,150,336
006	GAS STORAGE		7,050,188	0	7,050,188
007	PREPAYMENTS		1,312,321	0	1,312,321
008	WORKING CAPITAL	6-1-1-5	595,093	105,424	700,517
009	CUSTOMER ADVANCES		(1,104,345)	0	(1,104,345)
010	CUSTOMER DEPOSITS		(1,525,311)	0	(1,525,311)
011	ACCRUED INTEREST ON CUSTOMER DEPOSITS		0	0	0
012	RESERVES FOR INJURIES AND DAMAGES		(128,187)	0	(128,187)
013	ACCUMULATED DEFERRED INCOME TAXES	11-6	(18,600,697)	0	(18,600,697)
014	ACCUMULATED DEFERRED INVESTMENT TAX CREDIT	11-5	(18,665)	0	(18,665)
015	UNCLAIMED CHECK RESERVES		<u>0</u>	<u>0</u>	<u>0</u>
<u>016</u>	TOTAL RATE BASE		<u>\$82,913,269</u>	<u>\$697,725</u>	<u>\$83,610,994</u>

18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 3
SCHEDULE 2
PAGE 2 OF 29

RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

<u>LINE NO.</u>	RESTATED TEST PERIOD	
001	GAS SALES REVENUES	120,234,635
<u>002</u>	OTHER REVENUES	<u>9,915,148</u>
003	TOTAL OPERATING REVENUES	\$ 130,149,783
	<u>OPERATING EXPENSES</u>	
004	PURCHASED GAS	91,251,398
<u>005</u>	O & M	<u>22,866,576</u>
006	TOTAL OPERATING EXPENSES	\$ 114,117,974
007	DEPRECIATION & AMORTIZATION	5,313,774
008	TAXES OTHER THAN INCOME	3,443,959
009	CUSTOMER DEPOSIT INTEREST EXPENSE	42,145
<u>010</u>	INCOME TAXES	<u>1,718,308</u>
<u>011</u>	TOTAL EXPENSES	<u>\$ 124,636,160</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	<u>\$ 5,513,623</u>

18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 3
SCHEDULE 2
PAGE 3 OF 29

RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

<u>LINE NO.</u>		ADJUSTED INCOME STATEMENT (*)	
001	GAS SALES REVENUES		135,900,778
<u>002</u>	OTHER REVENUES		<u>6,535,527</u>
003	TOTAL OPERATING REVENUES	\$	142,436,305
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		104,664,068
<u>005</u>	O & M		<u>24,189,436</u>
006	TOTAL OPERATING EXPENSES	\$	128,853,504
007	DEPRECIATION & AMORTIZATION		5,921,473
008	TAXES OTHER THAN INCOME		3,470,849
009	CUSTOMER DEPOSIT INTEREST EXPENSE		42,145
<u>010</u>	INCOME TAXES		<u>481,905</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>138,769,876</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>3,666,429</u>

*SUMMARY AND DETAIL OF ADJUSTMENTS APPEAR ON PAGES 4 THROUGH 29
OF THIS SCHEDULE. A NARRATIVE DESCRIPTION OF THE ADJUSTMENTS APPEARS
ON SCHEDULE 2 OF SECTION 9.

18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 3
SCHEDULE 2
PAGE 4 OF 29

RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

<u>LINE NO.</u>	TOTAL PRO FORMA ADJUSTMENTS	
001	GAS SALES REVENUES	15,666,143
<u>002</u>	OTHER REVENUES	<u>(3,379,621)</u>
003	TOTAL OPERATING REVENUES	\$ 12,286,522
	<u>OPERATING EXPENSES</u>	
004	PURCHASED GAS	13,412,670
<u>005</u>	O & M	<u>1,322,860</u>
006	TOTAL OPERATING EXPENSES	\$ 14,735,530
007	DEPRECIATION & AMORTIZATION	607,699
008	TAXES OTHER THAN INCOME	26,890
009	CUSTOMER DEPOSIT INTEREST EXPENSE	0
<u>010</u>	INCOME TAXES	(1,226,654) /1/
<u>011</u>	TOTAL EXPENSES	\$ <u>14,143,465</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$ <u>(1,856,943)</u>
	INC. TAX TOTAL OF PRO FORMA ADJUSTMENTS	(1,226,654)
	INC. TAX EFFECT OF INTEREST EXP (11-2-1)	<u>(9,749)</u>
	ADJUSTED INCOME TAX (9-1-1)	(1,236,403)

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<u>LINE NO.</u>		ADJUSTMENT 1 HEATING NORMALIZATION	
001	GAS SALES REVENUES		15,273,697
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	15,273,697
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		13,054,435
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	13,054,435
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>882,822</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>13,937,257</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>1,336,440</u>

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ADJUSTMENT 2
IRRIGATION NORMALIZATION

<u>LINE NO.</u>			
001	GAS SALES REVENUES		236,386
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	236,386
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		215,350
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	215,350
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>8,368</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>223,718</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>12,668</u>

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<u>LINE NO.</u>		ADJUSTMENT 3 WNA RIDER	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>(3,425,783)</u>
003	TOTAL OPERATING REVENUES	\$	(3,425,783)
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	0
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(1,362,776)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(1,362,776)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(2,063,007)</u>

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<u>LINE NO.</u>		ADJUSTMENT 4 TRANSPORTATION	
001	GAS SALES REVENUES		156,060
<u>002</u>	OTHER REVENUES		<u>46,162</u>
003	TOTAL OPERATING REVENUES	\$	202,222
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		142,885
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	142,885
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>23,604</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>166,489</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>35,733</u>

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<u>LINE NO.</u>		ADJUSTMENT 5 H2S COSTS	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>198,341</u>
006	TOTAL OPERATING EXPENSES	\$	198,341
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(78,900)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>119,441</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(119,441)</u>

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<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>1,164,766</u>
006	TOTAL OPERATING EXPENSES	\$	1,164,766
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		(86,463)
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(428,949)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>649,354</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(649,354)</u>

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<u>LINE NO.</u>		ADJUSTMENT 7 PENSION EXPENSE	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>142,269</u>
006	TOTAL OPERATING EXPENSES	\$	142,269
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(56,595)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>85,674</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(85,674)</u>

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ADJUSTMENT 8
GUI APPLICATION WRITE OFF

<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(198,773)</u>
006	TOTAL OPERATING EXPENSES	\$	(198,773)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		(2,822)
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>80,194</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(121,401)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>121,401</u>

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LINE NO.			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>384,009</u>
006	TOTAL OPERATING EXPENSES	\$	384,009
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(152,759)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>231,250</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(231,250)</u>

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<u>LINE NO.</u>		ADJUSTMENT 10 WALK-IN PAYMENTS	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>77,521</u>
006	TOTAL OPERATING EXPENSES	\$	77,521
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(30,838)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>46,683</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(46,683)</u>

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<u>LINE NO.</u>		ADJUSTMENT 11 BAD DEBT EXPENSE	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(883,662)</u>
006	TOTAL OPERATING EXPENSES	\$	(883,662)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>351,521</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(532,141)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>532,141</u>

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		ADJUSTMENT 12	
		MERIT AND CONTRACT PAYROLL INCREASES	
<u>LINE</u>			
<u>NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	<u>OTHER REVENUES</u>		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	<u>O & M</u>		<u>410,685</u>
006	TOTAL OPERATING EXPENSES	\$	410,685
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		22,936
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	<u>INCOME TAXES</u>		<u>(172,494)</u>
<u>011</u>	<u>TOTAL EXPENSES</u>	\$	<u>261,127</u>
<u>012</u>	<u>TOTAL UTILITY OPERATING INCOME</u>	\$	<u>(261,127)</u>

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		ADJUSTMENT 13	
		RATE CASE AMORTIZATION EXPENSE	
<u>LINE</u>			
<u>NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(37,111)</u>
006	TOTAL OPERATING EXPENSES	\$	(37,111)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>14,763</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(22,348)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>22,348</u>

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		ADJUSTMENT 14	
		VARIABLE COMPENSATION PLAN CHANGE	
LINE NO.			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
		<u>OPERATING EXPENSES</u>	
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>221,611</u>
006	TOTAL OPERATING EXPENSES	\$	221,611
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		16,399
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(94,680)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>143,330</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(143,330)</u>

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<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(229,215)</u>
006	TOTAL OPERATING EXPENSES	\$	(229,215)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		(12,599)
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>96,194</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(145,620)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>145,620</u>

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<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>10,908</u>
006	TOTAL OPERATING EXPENSES	\$	10,908
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(4,339)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>6,569</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(6,569)</u>

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<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>28,561</u>
006	TOTAL OPERATING EXPENSES	\$	28,561
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(11,362)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>17,199</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(17,199)</u>

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<u>LINE NO.</u>		ADJUSTMENT 18 ADVERTISING	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(18,608)</u>
006	TOTAL OPERATING EXPENSES	\$	(18,608)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>7,402</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(11,206)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>11,206</u>

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LINE NO.	ADJUSTMENT 19 KANSAS ELECTRIC ASSET SALE IMPACT	
001	GAS SALES REVENUES	0
002	OTHER REVENUES	<u>0</u>
003	TOTAL OPERATING REVENUES	\$ 0
004	OPERATING EXPENSES	<u>0</u>
005	PURCHASED GAS O & M	<u>35,607</u>
006	TOTAL OPERATING EXPENSES	\$ 35,607
007	DEPRECIATION & AMORTIZATION	0
008	TAXES OTHER THAN INCOME	3,436
009	CUSTOMER DEPOSIT INTEREST EXPENSE	0
010	INCOME TAXES	<u>(15,531)</u>
011	TOTAL EXPENSES	\$ <u>23,512</u>
012	TOTAL UTILITY OPERATING INCOME	\$ <u>(23,512)</u>

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<u>LINE NO.</u>		ADJUSTMENT 20 POSTAGE	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(81,350)</u>
006	TOTAL OPERATING EXPENSES	\$	(81,350)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>32,361</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(48,989)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>48,989</u>

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<u>LINE NO.</u>			
		ADJUSTMENT 21	
		10750 BUILDING LEASE	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>(48,561)</u>
006	TOTAL OPERATING EXPENSES	\$	(48,561)
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>19,318</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>(29,243)</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>29,243</u>

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RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

<u>LINE NO.</u>		ADJUSTMENT 22 RANGE PENETRATION	
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>145,862</u>
006	TOTAL OPERATING EXPENSES	\$	145,862
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		8,146
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(61,264)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>92,744</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(92,744)</u>

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UTILICORP UNITED INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

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RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

		ADJUSTMENT 23	
		ANNUALIZATION OF DEPRECIATION EXPENSE	
<u>LINE</u>			
<u>NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	0
007	DEPRECIATION & AMORTIZATION		541,411
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(215,373)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>326,038</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(326,038)</u>

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UTILICORP UNITED INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

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RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

		ADJUSTMENT 24	
		DEFERRED DEPRECIATION REVERSAL OF CORPORATE ASSETS	
<u>LINE</u>			
<u>NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	0
007	DEPRECIATION & AMORTIZATION		66,288
008	TAXES OTHER THAN INCOME		0
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(26,369)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>39,919</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(39,919)</u>

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UTILICORP UNITED INC.
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RECONCILIATION OF RESTATED TEST YEAR AND ADJUSTED INCOME STATEMENT
FOR YEAR ENDED 6/30/2006

<u>LINE NO.</u>			
001	GAS SALES REVENUES		0
<u>002</u>	OTHER REVENUES		<u>0</u>
003	TOTAL OPERATING REVENUES	\$	0
	<u>OPERATING EXPENSES</u>		
004	PURCHASED GAS		0
<u>005</u>	O & M		<u>0</u>
006	TOTAL OPERATING EXPENSES	\$	0
007	DEPRECIATION & AMORTIZATION		0
008	TAXES OTHER THAN INCOME		77,857
009	CUSTOMER DEPOSIT INTEREST EXPENSE		0
<u>010</u>	INCOME TAXES		<u>(30,972)</u>
<u>011</u>	TOTAL EXPENSES	\$	<u>46,885</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	\$	<u>(46,885)</u>

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

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COMPUTATION OF REVENUE DEFICIENCY
FOR YEAR ENDED 6/30/2006

<u>LNE NO.</u>		
<u>001</u>	RATE BASE	83,610,994
<u>002</u>	RATE OF RETURN	<u>9.5998 %</u>
<u>003</u>	REQUIRED RETURN	8,026,488
<u>004</u>	LESS: ADJUSTED RETURN	<u>3,666,429</u>
<u>005</u>	RETURN DEFICIENCY	4,360,059
<u>006</u>	TAX FACTOR	<u>60.2200 %</u>
<u>007</u>	REVENUE DEFICIENCY	<u><u>7,240,218</u></u>

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 4
SCHEDULE 1
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GAS PLANT IN SERVICE

<u>LNE NO.</u>		<u>REFERENCE</u>	<u>PER BOOKS 06/30/06 (COL.1)</u>	<u>ADJUSTMENTS (COL.2)</u>	<u>ADJUSTED 06/30/06 (COL.3)</u>
	<u>GAS PLANT IN SERVICE</u>				
001	INTANGIBLE PLANT	4-2	\$1,308,986	\$0	1,308,986
002	MANUFACTURED GAS PRODUCING PLANT	4-2	0	0	0
003	PRODUCTION & GATHERING PLANT	4-2	18,719	0	18,719
004	PRODUCT EXTRACTION PLANT	4-2	0	0	0
005	TRANSMISSION PLANT	4-2	23,993,106	0	23,993,106
006	DISTRIBUTION PLANT	4-2	119,648,449	0	119,648,449
007	GENERAL PLANT	4-2	29,189,952	1,200,000	30,389,952
<u>008</u>	TOTAL PLANT IN SERVICE		<u>\$ 174,159,212</u>	<u>\$1,200,000</u>	<u>\$ 175,359,212</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

			GAS PLANT IN SERVICE						
LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	PER BOOKS 06/30/06 (COL.5)	ADJUSTMENTS 06/30/06 (COL.6)	ADJUSTED 06/30/06 (COL.7)
<u>INTANGIBLE PLANT</u>									
001	301	ORGANIZATION	201,957	201,957	201,957	201,957	201,957	0	201,957
002	302	FRANCHISES AND CONSENTS	74,990	74,990	74,990	74,990	74,990	0	74,990
003	303	MISCELLANEOUS INTANGIBLE PLANT	1,032,039	1,032,039	1,032,039	1,032,039	1,032,039	0	1,032,039
004		TOTAL FOR INTANGIBLE PLANT	\$1,308,986	\$1,308,986	\$1,308,986	\$1,308,986	\$1,308,986	\$0	\$1,308,986
<u>MANUFACTURED GAS PRODUCTION PLANT</u>									
005	304	LAND AND LAND RIGHTS	0	0	0	0	0	0	0
006	305	STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0
007	311	LIQUEFIED PETROLEUM GAS EQUIP.	0	0	0	0	0	0	0
008		TOTAL MANUFACT GAS PROD PLANT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>NAT GAS PRODUCTION GATHERING PLANT</u>									
009	325.2	PRODUCING LEASEHOLDS	0		0	0	0	0	0
010	325.3	GAS RIGHTS	0		0	0	0	0	0
011	325.4	RIGHTS-OF-WAY	0	0	0	0	0	0	0
012	325.5	OTHER LAND AND LAND RIGHTS	0	0	0	0	0	0	0
013	327	FIELD COMPRESSOR STA. STRUCT.	0	0	0	0	0	0	0
014	328	FLD MEAS. AND REG. STA. STRUCT.	0	0	0	0	0	0	0
015	329	OTHER STRUCTURES	0	0	0	0	0	0	0
016	332	FIELD LINES	0	0	0	0	0	0	0
017	333	FIELD COMPRESSOR STATION EQUIP.	0	0	0	0	0	0	0
018	334	FLD MEAS. AND REG. STA. EQUIP.	0	0	0	0	0	0	0
019	336	PURIFICATION EQUIPMENT	18,719	18,719	18,719	18,719	18,719	0	18,719
020	337	OTHER EQUIPMENT	0	0	0	0	0	0	0
021	339	LATE REPORTED IN SERVICE PLANT	0	0	0	0	0	0	0
022		TOT NAT GAS PROD & GATH. PLANT	\$18,719	\$18,719	\$18,719	\$18,719	\$18,719	\$0	\$18,719
<u>PRODUCTS EXTRACTION PLANT</u>									
023	341	STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0
024	342	EXTRACTION AND REFINING EQUIP.	0	0	0	0	0	0	0
025	343	PIPE LINES	0	0	0	0	0	0	0
026	344	EXTRACTED PROD. STORAGE EQUIP.	0	0	0	0	0	0	0
027	345	COMPRESSOR EQUIPMENT	0	0	0	0	0	0	0
028	347	OTHER EQUIPMENT	0	0	0	0	0	0	0
029		TOTAL FOR PROD EXTRACTION PLANT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
030		TOT FOR NAT GAS PROD. PLANT	\$18,719	\$18,719	\$18,719	\$18,719	\$18,719	\$0	\$18,719

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

GAS PLANT IN SERVICE

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	PER BOOKS 06/30/06 (COL.5)	ADJUSTMENTS 06/30/06 (COL.6)	ADJUSTED 06/30/06 (COL.7)
TRANSMISSION PLANT									
001	365.1	LAND AND LAND RIGHTS	10,774	10,774	10,774	10,774	10,774	0	10,774
002	365.2	RIGHTS-OF-WAY	488,313	488,313	488,313	488,313	488,313	0	488,313
003	366	STRUCTURES AND IMPROVEMENTS	148,285	148,285	148,285	148,285	148,285	0	148,285
004	367	MAINS	19,258,421	19,567,873	19,734,517	19,593,705	19,768,177	0	19,768,177
005	368	COMPRESSOR STATION EQUIPMENT	605,743	605,743	605,743	605,743	605,743	0	605,743
006	369	MEAS. AND REG. STA. EQUIP.	2,877,318	2,726,443	2,730,583	2,727,445	2,748,346	0	2,748,346
007	370	COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0
008	371	OTHER EQUIPMENT	223,468	223,468	223,468	223,468	223,468	0	223,468
009		TOTAL FOR TRANSMISSION PLANT	\$23,612,322	\$23,770,899	\$23,941,683	\$23,797,733	\$23,993,106	\$0	\$23,993,106
DISTRIBUTION PLANT									
010	373	LATE DATE REPORTED IN SERVICE	0	0	0	0	0	0	0
011	374	LAND AND LAND RIGHTS	281,746	281,899	281,746	281,899	289,517	0	289,517
012	375	STRUCTURES AND IMPROVEMENTS	176,956	176,956	183,354	176,943	180,377	0	180,377
013	376	MAINS	50,756,807	52,645,780	54,446,136	53,497,364	55,812,603	0	55,812,603
014	377	COMPRESSOR STATION EQUIPMENT	0	0	6,396	(12)	3,421	0	3,421
015	378	MEAS. AND REG. STA. EQUIP.	2,025,436	2,057,650	2,102,793	2,065,170	2,104,955	0	2,104,955
016	379	MEAS. AND REG. EQUIP. CTY GATE	104,711	104,710	104,710	104,711	104,710	0	104,710
017	380	SERVICES	34,141,402	35,391,640	36,802,149	36,022,987	37,629,335	0	37,629,335
018	381	METERS	7,588,134	7,820,995	8,050,237	7,899,600	8,031,785	0	8,031,785
019	382	METER INSTALLATIONS	1,826,667	1,826,451	1,855,178	1,826,322	1,855,038	0	1,855,038
020	383	HOUSE REGULATORS	5,598,965	6,508,781	7,337,723	6,903,385	7,854,684	0	7,854,684
021	384	HOUSE REGULATOR INSTALLATIONS	0	0	0	0	0	0	0
022	385	IND. MEAS. AND REG. STA. EQUIP.	6,706,658	6,885,588	6,647,820	7,267,394	5,454,044	0	5,454,044
023	386	OTH. PROPERTY ON CUST. PREMISES	0	0	0	0	0	0	0
024	387	OTHER EQUIPMENT	304,248	304,488	313,962	306,104	327,980	0	327,980
025		TOTAL FOR DISTRIBUTION PLANT	\$109,511,730	\$114,004,938	\$118,132,204	\$116,351,867	\$119,648,449	\$0	\$119,648,449
GENERAL PLANT									
026	389	LAND AND LAND RIGHTS	114,497	117,098	119,378	117,151	133,160	0	133,160
027	390	STRUCTURES AND IMPROVEMENTS	5,267,047	5,188,786	5,391,042	5,189,049	7,010,681	1,200,000	8,210,681
028	391	OFFICE FURNITURE AND EQUIPMENT	12,052,129	12,498,484	12,614,731	12,800,481	19,121,232	0	19,121,232
029	392	TRANSPORTATION EQUIPMENT	289,768	289,103	166,106	237,350	175,267	0	175,267
030	393	STORES EQUIPMENT	25,473	26,018	26,018	26,018	28,168	0	28,168
031	394	TOOLS AND WORK EQUIPMENT	1,316,555	1,384,208	1,406,446	1,388,406	1,500,968	0	1,500,968
032	395	LABORATORY EQUIPMENT	101,830	105,640	107,830	104,691	127,842	0	127,842
033	396	POWER OPERATED EQUIPMENT	288,898	278,492	212,079	247,675	155,244	0	155,244
034	397	COMMUNICATIONS EQUIPMENT	752,620	762,255	786,824	766,157	860,123	0	860,123
035	398	MISCELLANEOUS EQUIPMENT	56,666	56,767	60,706	56,536	73,205	0	73,205
036	399	OTHER TANGIBLE PROPERTY	0	0	0	0	0	0	0
037	399.1	ASSET RETIREMENT OBLIGATION	0	0	0	0	4,062	0	4,062
038		TOTAL FOR GENERAL PLANT	\$20,265,483	\$20,706,851	\$20,891,160	\$20,933,514	\$29,189,952	\$1,200,000	\$30,389,952
039		TOTAL FOR GAS PLANT	\$154,717,240	\$159,810,393	\$164,292,752	\$162,410,819	\$174,159,212	\$1,200,000	\$175,359,212

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION

LNE NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	PER BOOKS 06/30/06 (COL.5)	ADJUSTMENTS (COL.6)	ADJUSTED 06/30/06 (COL.7)
<u>ACCUMULATED PROVISION FOR DEPRECIATION</u>								
001	PRODUCTION AND GATHERING	3,121	3,658	4,196	3,927	4,464	0	4,464
002	PRODUCTS EXTRACTION	0	0	0	0	0	0	0
003	TRANSMISSION	10,184,034	10,218,129	10,583,036	10,389,750	10,778,059	1,788	10,779,847
004	DISTRIBUTION	48,804,698	50,655,845	52,362,640	51,643,049	52,846,972	(9,178)	52,837,794
005	GENERAL	6,935,537	8,933,153	10,391,946	9,858,565	15,312,398	615,089	15,927,487
006	TOTAL DEPRECIATION	\$65,927,390	\$69,810,785	\$73,341,818	\$71,895,291	\$78,941,893	\$607,699	\$79,549,592
<u>ACCUMULATED PROVISION FOR AMORTIZATION</u>								
007	OTHER GAS PLANT IN SERVICE	895,695	972,268	974,012	953,597	1,034,783	0	1,034,783
008	TOTAL DEPRECIATION AND AMORT	<u>\$66,823,085</u>	<u>\$70,783,053</u>	<u>\$74,315,830</u>	<u>\$72,848,888</u>	<u>\$79,976,676</u>	<u>\$607,699</u>	<u>\$80,584,375</u>

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 6
SCHEDULE 1
PAGE 1 OF 1

COMPUTATION OF WORKING CAPITAL

<u>LNE NO.</u>		<u>REFERENCES</u>		<u>UNADJUSTED</u>	<u>ADJUSTMENTS</u>	<u>ADJUSTED</u>
		<u>UNADJT'D</u>	<u>ADJUSTED</u>	<u>06/30/06</u>	<u>(COL.2)</u>	<u>06/30/06</u>
				<u>(COL.1)</u>		<u>(COL.3)</u>
001	OPERATIONS AND MAINTENANCE EXPENSE	3-2-2-5	3-2-3-5	22,866,576	1,322,860	24,189,436
002	CASH REQ FOR OPERATIONS & MAINTENANCE	(1/8 OF TOTAL O&M EXP)		2,858,322	165,358	3,023,680
003	ACCRUED TAXES	6A-2-1-3	6B-2-1-3	(1,656,480)	(54,828)	(1,711,308)
004	ACCRUED INTEREST	6A-2-1-4	6B-2-1-4	(606,749)	(5,106)	(611,855)
<u>005</u>				<u>595,093</u>	<u>105,424</u>	<u>700,517</u>

AQUILA, INC.
 AQUILA NETWORKS - KANSAS GAS OPERATIONS

COMPUTATION OF TAX AND INTEREST ACCRUALS
 AS AN OFFSET TO WORKING CAPITAL

<u>LNE NO.</u>	<u>BASE</u> (COL.1)	<u>PERCENTAGE</u> /1/ (COL.2)	<u>ACCRUALS</u> <u>AVAILABLE</u> (COL.3)
001	2,480,159	66.6667 %	1,653,440
002	29,188	10.4167 %	3,040
<u>003</u>			<u>1,656,480</u>
<u>004</u>	2,912,401	20.8333 %	<u>606,749</u>

/1/ SEE SECTION 6A, SCHEDULE 2, PAGES 2-4 FOR PERCENTAGE DETERMINATION

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 6A
SCHEDULE 2
PAGE 2 OF 4

PERCENTAGE OF PROPERTY TAX AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LNE NO.	CURRENT YEAR'S TAX			PRIOR YEAR'S TAX			TOTAL NET ACCRUAL AVAILABLE	
	CUMULATIVE COLLECTIONS (A)	CUMULATIVE PAYMENTS (B)	NET ACCRUAL AVAILABLE (C)	CUMULATIVE COLLECTIONS (D)	CUMULATIVE PAYMENTS (E)	NET ACCRUAL AVAILABLE (F)		
001	JANUARY	8.3333		8.3333	100.0000	50.0000	50.0000	58.3333
002	FEBRUARY	16.6667		16.6667	100.0000	50.0000	50.0000	66.6667
003	MARCH	25.0000		25.0000	100.0000	50.0000	50.0000	75.0000
004	APRIL	33.3333		33.3333	100.0000	50.0000	50.0000	83.3333
005	MAY	41.6667		41.6667	100.0000	100.0000	0.0000	41.6667
006	JUNE	50.0000		50.0000			0.0000	50.0000
007	JULY	58.3333		58.3333			0.0000	58.3333
008	AUGUST	66.6667		66.6667			0.0000	66.6667
009	SEPTEMBER	75.0000		75.0000			0.0000	75.0000
010	OCTOBER	83.3333		83.3333			0.0000	83.3333
011	NOVEMBER	91.6667		91.6667			0.0000	91.6667
012	DECEMBER	100.0000	50.0000	50.0000			0.0000	50.0000
013	AVERAGE							66.6667

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL TAX.
COLUMNS (B) AND (E) REFLECT 50% PAYMENTS ON DECEMBER 20 AND MAY 10 AS REQUIRED BY STATUTE.

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AQUILA , INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 6A
SCHEDULE 2
PAGE 3 OF 4

PERCENTAGE OF INCOME TAX AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LNE NO.	CURRENT YEAR'S TAX			PRIOR YEAR'S TAX			TOTAL NET ACCRUAL AVAILABLE	
	CUMULATIVE COLLECTIONS (A)	CUMULATIVE PAYMENTS (B)	NET ACCRUAL AVAILABLE (C)	CUMULATIVE COLLECTIONS (D)	CUMULATIVE PAYMENTS (E)	NET ACCRUAL AVAILABLE (F)		
001	JANUARY	8.3333		8.3333	100.0000	100.0000	0.0000	8.3333
002	FEBRUARY	16.6667		16.6667			0.0000	16.6667
003	MARCH	25.0000		25.0000			0.0000	25.0000
004	APRIL	33.3333	25.0000	8.3333			0.0000	8.3333
005	MAY	41.6667	25.0000	16.6667			0.0000	16.6667
006	JUNE	50.0000	50.0000	0.0000			0.0000	0.0000
007	JULY	58.3333	50.0000	8.3333			0.0000	8.3333
008	AUGUST	66.6667	50.0000	16.6667			0.0000	16.6667
009	SEPTEMBER	75.0000	75.0000	0.0000			0.0000	0.0000
010	OCTOBER	83.3333	75.0000	8.3333			0.0000	8.3333
011	NOVEMBER	91.6667	75.0000	16.6667			0.0000	16.6667
012	DECEMBER	100.0000	100.0000	0.0000			0.0000	0.0000
013	AVERAGE							10.4167

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL TAX.
COLUMNS (B) AND (E) REFLECT QUARTERLY PAYMENTS ON APRIL 15, JUNE 15, SEPTEMBER 15, AND
DECEMBER 15 PER INTERNAL REVENUE CODE, SECTION 6154(B).

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 6A
SCHEDULE 2
PAGE 4 OF 4

PERCENTAGE OF INTEREST EXPENSE AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LNE NO.		CURRENT YEAR			PRIOR YEAR			TOTAL NET ACCRUAL AVAILABLE (G)
		CUMULATIVE COLLECTIONS (A)	CUMULATIVE PAYMENTS (B)	NET ACCRUAL AVAILABLE (C)	CUMULATIVE COLLECTIONS (D)	CUMULATIVE PAYMENTS (E)	NET ACCRUAL AVAILABLE (F)	
001	JANUARY	8.3333	4.9239	3.4094	100.0000	91.1628	8.8372	12.2466
002	FEBRUARY	16.6667	7.6954	8.9713	100.0000	96.7057	3.2943	12.2656
003	MARCH	25.0000	8.9895	16.0105	100.0000	97.9998	2.0002	18.0107
004	APRIL	33.3333	10.6210	22.7123	100.0000	98.8156	1.1844	23.8967
005	MAY	41.6667	16.5432	25.1235	100.0000	100.0000	0.0000	25.1235
006	JUNE	50.0000	16.5432	33.4568			0.0000	33.4568
007	JULY	58.3333	46.0867	12.2466			0.0000	12.2466
008	AUGUST	66.6667	54.4010	12.2657			0.0000	12.2657
009	SEPTEMBER	75.0000	56.9893	18.0107			0.0000	18.0107
010	OCTOBER	83.3333	59.4366	23.8967			0.0000	23.8967
011	NOVEMBER	91.6667	66.5431	25.1236			0.0000	25.1236
012	DECEMBER	100.0000	66.5431	33.4569			0.0000	33.4569
013	AVERAGE							20.8333

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL INTEREST.
COLUMNS (B) AND (E) REFLECT EQUAL SEMI-ANNUAL PAYMENTS WITH DUE DATES IN ALL MONTHS.

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS
COMPUTATION OF TAX AND INTEREST ACCRUALS
AS AN OFFSET TO WORKING CAPITAL

SECTION 6B
SCHEDULE 2
PAGE 1 OF 4

<u>LNE NO.</u>		<u>BASE</u> (COL.1)	<u>PERCENTAGE</u> /1/ (COL.2)	<u>ACCRUALS AVAILABLE</u> (COL.3)
001	PROPERTY TAXES	2,558,016	66.6667 %	1,705,345
<u>002</u>	INCOME TAXES	57,246	10.4167 %	<u>5,963</u>
<u>003</u>	TOTAL ACCRUED TAXES			<u><u>1,711,308</u></u>
<u>004</u>	INTEREST	2,936,910	20.8333 %	<u><u>611,855</u></u>

/1/ SEE SECTION 6B, SCHEDULE 2, PAGES 2-4 FOR PERCENTAGE DETERMINATION

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 6B
SCHEDULE 2
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PERCENTAGE OF PROPERTY TAX AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LNE NO.	CURRENT YEAR'S TAX			PRIOR YEAR'S TAX			TOTAL NET ACCRUAL AVAILABLE	
	CUMULATIVE	CUMULATIVE	NET ACCRUAL	CUMULATIVE	CUMULATIVE	NET ACCRUAL		
	<u>COLLECTIONS</u>	<u>PAYMENTS</u>	<u>AVAILABLE</u>	<u>COLLECTIONS</u>	<u>PAYMENTS</u>	<u>AVAILABLE</u>		
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
001	JANUARY	8.3333		8.3333	100.0000	50.0000	50.0000	58.3333
002	FEBRUARY	16.6667		16.6667	100.0000	50.0000	50.0000	66.6667
003	MARCH	25.0000		25.0000	100.0000	50.0000	50.0000	75.0000
004	APRIL	33.3333		33.3333	100.0000	50.0000	50.0000	83.3333
005	MAY	41.6667		41.6667	100.0000	100.0000	0.0000	41.6667
006	JUNE	50.0000		50.0000			0.0000	50.0000
007	JULY	58.3333		58.3333			0.0000	58.3333
008	AUGUST	66.6667		66.6667			0.0000	66.6667
009	SEPTEMBER	75.0000		75.0000			0.0000	75.0000
010	OCTOBER	83.3333		83.3333			0.0000	83.3333
011	NOVEMBER	91.6667		91.6667			0.0000	91.6667
012	DECEMBER	100.0000	50.0000	50.0000			0.0000	50.0000
013	AVERAGE							66.6667

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL TAX.
COLUMNS (B) AND (E) REFLECT 50% PAYMENTS ON DECEMBER 20 AND MAY 10 AS REQUIRED BY STATUTE.

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

PERCENTAGE OF INCOME TAX AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LINE NO.	CURRENT YEAR'S TAX		PRIOR YEAR'S TAX		TOTAL NET ACCRUAL AVAILABLE (G)
	CUMULATIVE COLLECTIONS (A)	CUMULATIVE PAYMENTS (B)	CUMULATIVE COLLECTIONS (D)	CUMULATIVE PAYMENTS (E)	
001	JANUARY	8.3333	8.3333	100.0000	8.3333
002	FEBRUARY	16.6667	16.6667	100.0000	16.6667
003	MARCH	25.0000	25.0000	100.0000	25.0000
004	APRIL	33.3333	25.0000	100.0000	8.3333
005	MAY	41.6667	25.0000	100.0000	16.6667
006	JUNE	50.0000	50.0000	100.0000	0.0000
007	JULY	58.3333	50.0000	100.0000	8.3333
008	AUGUST	66.6667	50.0000	100.0000	16.6667
009	SEPTEMBER	75.0000	75.0000	100.0000	0.0000
010	OCTOBER	83.3333	75.0000	100.0000	8.3333
011	NOVEMBER	91.6667	75.0000	100.0000	16.6667
012	DECEMBER	100.0000	100.0000	100.0000	0.0000
013	AVERAGE				10.4167

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL TAX.
COLUMNS (B) AND (E) REFLECT QUARTERLY PAYMENTS ON APRIL 15, JUNE 15, SEPTEMBER 15, AND DECEMBER 15 PER INTERNAL REVENUE CODE, SECTION 6154(B).

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

PERCENTAGE OF INTEREST EXPENSE AVAILABLE AS WORKING CAPITAL
AS OF 6/30/2006

LINE NO.	CURRENT YEAR		PRIOR YEAR		TOTAL NET ACCRUAL AVAILABLE (G)
	CUMULATIVE COLLECTIONS (A)	CUMULATIVE PAYMENTS (B)	CUMULATIVE COLLECTIONS (D)	CUMULATIVE PAYMENTS (E)	
	NET ACCRUAL AVAILABLE (C)	NET ACCRUAL AVAILABLE (F)			
001	8.3333	4.8761	100.0000	90.9468	12.5104
002	16.6667	7.6206	100.0000	96.4358	12.6103
003	25.0000	9.7154	100.0000	98.5306	16.7540
004	33.3333	10.0460	100.0000	98.6959	24.5914
005	41.6667	16.5665	100.0000	100.0000	25.1002
006	50.0000	16.5665	33.4335	0.0000	33.4335
007	58.3333	45.8228	12.5105	0.0000	12.5105
008	66.6667	54.0563	12.6104	0.0000	12.6104
009	75.0000	58.2461	16.7539	0.0000	16.7539
010	83.3333	58.7419	24.5914	0.0000	24.5914
011	91.6667	66.5665	25.1002	0.0000	25.1002
012	100.0000	66.5665	33.4335	0.0000	33.4335
013	AVERAGE				20.8333

COLUMNS (A) AND (D) REFLECT UNIFORM MONTHLY ACCRUALS OF 8.3333% OF ANNUAL INTEREST.
COLUMNS (B) AND (E) REFLECT EQUAL SEMI-ANNUAL PAYMENTS WITH DUE DATES IN ALL MONTHS.

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS
CAPITALIZATION AND REQUESTED RATE OF RETURN
AS OF 06/30/05 AND 06/30/06

<u>LNE NO.</u>		<u>TOTAL COMPANY CAPITALIZATION</u> (COL.1) \$	<u>CAPITAL IZATION PERCENT</u> (COL.2) %	<u>ASSIGNED TO KANSAS RATE BASE</u> (COL.3) \$	<u>WEIGHTED AVERAGE COST OF CAPITAL</u> (COL.7) %	<u>REQUESTED RATE OF RETURN</u> (COL.8) %
	<u>06/30/05</u>					
001	LONG TERM DEBT	200,444,500	48.3015	38,219,416	6.9900	3.3763
002	PREFERRED STOCK EQUITY	0	0.0000	0	0.0000	0.0000
<u>003</u>	<u>COMMON STOCK EQUITY</u>	<u>214,541,788</u>	<u>51.6985</u>	<u>40,907,353</u>	<u>12.0000</u>	<u>6.2038</u>
<u>004</u>	<u>TOTAL CAPITALIZATION</u>	<u>414,986,288</u>	<u>100.0000</u>	<u>79,126,769</u>		<u>9.5801</u>
	<u>06/30/06</u>					
001	LONG TERM DEBT	134,540,892	49.2732	41,197,812	7.1288	3.5126
002	PREFERRED STOCK EQUITY	0	0.0000	0	0.0000	0.0000
<u>003</u>	<u>COMMON STOCK EQUITY</u>	<u>138,510,054</u>	<u>50.7268</u>	<u>42,413,182</u>	<u>12.0000</u>	<u>6.0872</u>
<u>004</u>	<u>TOTAL CAPITALIZATION</u>	<u>273,050,946</u>	<u>100.0000</u>	<u>83,610,994</u>		<u>9.5998</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS
LONG TERM DEBT
FOR THE 12 MONTHS ENDED JUNE 30, 2006

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LINE NO.		JULY 2005	AUG 2005	SEPT 2005	OCT 2005	NOV 2005	DEC 2005	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUNE 2006	TOTAL
Senior Notes 11.875% (downgrade 14.875%)														
Due Date - 07/01/2012														
001	Interest Rate	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%
002	Amount Outstanding - Bom	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000
003	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	(35,552,100)
004	Amount Outstanding - Eom	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	108,131,000	72,578,900	
005	Interest on LTD Current Month	545,160	545,160	545,160	545,160	545,160	545,160	545,161	545,161	545,161	545,161	545,161	365,919	6,362,684
15 Year Term Notes (9.03%)														
Due Date - 12/01/05														
006	Interest Rate	9.312%	9.312%	9.312%	9.312%	9.312%	9.312%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
007	Amount Outstanding - Bom	2,776,014	2,776,014	2,776,014	2,776,014	2,776,014	2,776,014	-	-	-	-	-	-	-
008	Retirement/Addition of Debt	-	-	-	-	-	(2,776,014)	-	-	-	-	-	-	-
009	Amount Outstanding - Eom	2,776,014	2,776,014	2,776,014	2,776,014	2,776,014	-	-	-	-	-	-	-	-
010	Interest on LTD Current Month	21,542	21,542	21,542	21,542	21,542	-	-	-	-	-	-	-	107,710
30 Year Term Notes (8.27% Series)														
Due Date - 11/15/21														
011	Interest Rate	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%	8.502%
012	Amount Outstanding - Bom	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000
013	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	(4,514,579)
014	Amount Outstanding - Eom	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	13,731,000	9,216,421	
015	Interest on LTD Current Month	97,284	97,284	97,284	97,284	97,284	97,284	97,285	97,285	97,285	97,285	97,285	65,298	1,135,427
30 Year Term Notes (9.00% Series)														
Due Date - 11/15/21														
016	Interest Rate	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%	9.185%
017	Amount Outstanding - Bom	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
018	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
019	Amount Outstanding - Eom	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
020	Interest on LTD Current Month	38,271	38,271	38,271	38,271	38,271	38,271	38,271	38,271	38,271	38,271	38,271	38,272	459,253
15 Year Term Notes (8.20% Series)														
Due Date - 01/15/07														
021	Interest Rate	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%	9.114%
022	Amount Outstanding - Bom	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000
023	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	(6,562,595)
024	Amount Outstanding - Eom	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	19,960,000	13,397,405	
025	Interest on LTD Current Month	151,596	151,596	151,596	151,596	151,596	151,596	151,597	151,597	151,597	151,597	151,597	101,755	1,769,316

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS
LONG TERM DEBT
FOR THE 12 MONTHS ENDED JUNE 30, 2006

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LINE NO.		<u>JULY 2005</u>	<u>AUG 2005</u>	<u>SEPT 2005</u>	<u>OCT 2005</u>	<u>NOV 2005</u>	<u>DEC 2005</u>	<u>JAN 2006</u>	<u>FEB 2006</u>	<u>MAR 2006</u>	<u>APR 2006</u>	<u>MAY 2006</u>	<u>JUNE 2006</u>	<u>TOTAL</u>
30 Year Term Notes (8.00% Series)														
Due Date - 03/01/23														
001	Interest Rate	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	8.129%	
002	Amount Outstanding - Bom	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	
003	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	875,699
004	Amount Outstanding - Eom	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,011,000	9,886,699	
005	Interest on LTD Current Month	61,042	61,042	61,042	61,042	61,042	61,042	61,042	61,042	61,042	61,042	61,042	66,975	738,437
10 Year Term Notes (6.7% Series)														
Due Date - 10/15/06														
006	Interest Rate	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	6.745%	
007	Amount Outstanding - Bom	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	
008	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	(8,558,486)
009	Amount Outstanding - Eom	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	10,268,486	1,410,000	
010	Interest on LTD Current Month	57,717	57,717	57,717	57,717	57,717	57,717	57,717	57,717	57,717	57,717	57,717	7,926	642,813
10 Year Term Notes (7.625 Series)														
Due Date - 11/15/09														
011	Interest Rate	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	7.742%	
012	Amount Outstanding - Bom	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	
013	Retirement/Addition of Debt	-	-	-	-	-	-	-	-	-	-	-	-	(1,633,087)
014	Amount Outstanding - Eom	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	4,967,000	3,333,913	
015	Interest on LTD Current Month	32,045	32,045	32,045	32,045	32,045	32,045	32,045	32,045	32,045	32,045	32,045	21,509	374,004
10 Year Notes (7.95% Series) - Corporate Shared Assets Aje - (downgrade 9.95%)														
Due Date - 02/01/11														
016	Interest Rate	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	8.010%	
017	Amount Outstanding - Bom	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	29,376,013	29,376,013	29,376,013	29,376,013	29,376,013	29,376,013	
018	Retirement/Addition of Debt	-	-	-	-	-	-	2,776,013	-	-	-	-	-	(9,658,459)
019	Amount Outstanding - Eom	26,600,000	26,600,000	26,600,000	26,600,000	26,600,000	29,376,013	29,376,013	29,376,013	29,376,013	29,376,013	29,376,013	19,717,554	
020	Interest on LTD Current Month	177,555	177,555	177,555	177,555	177,555	196,085	196,083	196,083	196,083	196,083	196,083	131,613	2,195,888
021	Total Long-Term Debt - Eom	200,444,500	200,444,500	200,444,500	200,444,500	200,444,500	200,444,499	200,444,499	200,444,499	200,444,499	200,444,499	200,444,499	134,540,892	
022	Total Monthly Interest on LTD	1,182,212	1,182,212	1,182,212	1,182,212	1,182,212	1,179,200	1,179,201	1,179,201	1,179,201	1,179,201	1,179,201	799,267	13,785,532

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

COST OF EACH ISSUE OF DEBT
AS OF 6/30/2006

LINE NO.	SERIES	DATE OF ISSUANCE (COL.1)	DATE OF MATURITY (COL.2)	INTEREST RATE (COL.3)	PRINCIPAL AMOUNT (COL.4)	ISSUANCE COSTS (COL.5)	NET PROCEEDS (COL.6)	ANNUAL INTEREST (COL.7)	COST OF MONEY (COL.8)
001	10 Year Term 6.7% Series	10/15/1996	10/15/2006	6.745%	1,410,000	-	1,410,000	95,105	6.75%
002	15 Year Term 8.2% Series	01/15/1992	01/15/2007	9.114%	13,397,405	-	13,397,405	1,221,039	9.11%
003	10 Year Term 7.625% Series	11/15/1999	11/15/2009	7.742%	3,333,913	-	3,333,913	258,112	7.74%
004	10 Year Term 7.95% Series	02/01/2001	02/11/2011	8.010%	19,717,554	-	19,717,554	1,579,376	8.01%
005	10 Year Term 11.875% Series	07/03/2002	07/01/2012	6.050%	72,578,900	-	72,578,900	4,391,023	6.05%
006	30 Year Term 8.27% Series	11/15/1991	11/15/2021	8.502%	9,216,421	-	9,216,421	783,580	8.50%
007	30 Year Term 9.00% Series	11/15/1991	11/15/2021	9.185%	5,000,000	-	5,000,000	459,250	9.19%
008	30 Year Term 8.0% Series	03/01/1993	03/01/2023	8.129%	9,886,699	-	9,886,699	803,690	8.13%

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

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INTEREST COVERAGE COMPUTATION

LNE NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	PER BOOKS 06/30/06 (COL.5)	ADJUSTED 06/30/06 (COL.6)
001	UTILITY INCOME AVAILABLE FOR INTEREST - PRETAX	6,930,032	6,220,181	8,634,577	5,104,839	7,231,931	4,148,334
<u>002</u>	DIVIDED BY : INT. EXPENSE	<u>2,944,977</u>	<u>2,726,096</u>	<u>2,777,949</u>	<u>2,671,537</u>	<u>2,912,401</u>	<u>2,936,910</u>
003	INTEREST COVERAGE RATIO	2.3532	2.2817	3.1083	1.9108	2.4832	1.4125
<u>INTEREST COMPUTATION</u>							
004	RATE BASE	78,882,127	79,222,921	80,733,398	79,126,769	82,913,269	83,610,994
<u>005</u>	TIMES: WEIGHTED COST OF DEBT	<u>3.7334 %</u>	<u>3.4410 %</u>	<u>3.4409 %</u>	<u>3.3763 %</u>	<u>3.5126 %</u>	<u>3.5126 %</u>
006	INTEREST EXPENSE	\$2,944,977	\$2,726,096	\$2,777,949	\$2,671,537	2,912,401	2,936,910

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AQUILA, INC.

SECTION 7
SCHEDULE 4
PAGE 1 OF 1CAPITAL STRUCTURE
(Thousands of Dollars)

LINE NO.	CAPITALIZATION AND LIABILITIES	06/30/05 (COL.1)	06/30/06 (COL.2)
001	COMMON SHAREHOLDERS' EQUITY	1,103,700	1,155,200
002	PREFERENCE STOCK, NOT MANDATORILY REDEEMABLE	0	0
003	PREFERENCE STOCK, CONVERTIBLE AND MANDATORILY REDEEMABLE	0	0
004	PREFERENCE STOCK OF SUBSIDIARY, RETRACTABLE	0	0
<u>005</u>	<u>LONG-TERM DEBT</u>	<u>2,328,300</u>	<u>1,599,300</u>
006	TOTAL CAPITALIZATION	3,432,000	2,754,500
007	SHORT-TERM DEBT, INCLUDING CURRENT MATURITIES	21,900	18,400
<u>008</u>	<u>OTHER CURRENT LIABILITIES</u>	<u>599,700</u>	<u>444,300</u>
009	TOTAL CURRENT LIABILITIES	621,600	462,700
<u>010</u>	<u>DEFERRED CREDITS</u>	<u>475,700</u>	<u>379,900</u>
<u>011</u>	<u>TOTAL CAPITALIZATION AND LIABILITIES</u>	<u>4,529,300</u>	<u>3,597,100</u>

AQUILA NETWORKS - PND
BALANCE SHEET
(THOUSANDS OF DOLLARS)

LNE NO.	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
UTILITY PLANT IN SERVICE					
001	\$923,011	\$960,432	\$993,974	\$972,848	\$1,021,293
002	412,812	443,830	466,579	459,481	487,917
003	510,199	516,602	527,395	513,367	533,376
004	2,877	5,217	5,345	6,351	4,682
005	513,076	521,819	532,740	519,718	538,058
006	11,047	8,038	6,602	7,147	5,517
CURRENT ASSETS:					
007	448	459	520	454	62
008	421	421	0	421	0
009	109,419	123,135	191,187	60,547	47,874
010	62,000	69,829	90,061	11,586	26,994
011	2,672	2,025	2,560	2,688	3,267
012	11,023	9,203	8,846	9,416	9,937
013	185,983	205,072	293,174	85,112	88,134
014	45,258	60,108	82,182	24,868	22,062
015	\$755,364	\$795,037	\$914,698	\$636,845	\$653,771

AQUILA NETWORKS - PND
BALANCE SHEET
(THOUSANDS OF DOLLARS)

LNE NO.		<u>12/31/03</u> (COL.1)	<u>12/31/04</u> (COL.2)	<u>12/31/05</u> (COL.3)	<u>06/30/05</u> (COL.4)	<u>06/30/06</u> (COL.5)
	CAPITALIZATION:					
001	DIVISION EQUITY (201/207/216)	\$203,839	\$206,731	\$210,797	\$214,542	\$205,759
002	LONG-TERM DEBT (224)	92,313	197,668	190,176	197,668	170,216
003	TOTAL CAPITALIZATION	<u>296,152</u>	<u>404,399</u>	<u>400,973</u>	<u>412,210</u>	<u>375,975</u>
	LIABILITIES:					
004	ACCOUNTS PAYABLE (232-234)	178,716	211,793	312,441	53,046	62,155
005	CUSTOMER DEPOSITS (235)	4,640	7,017	8,719	7,475	8,243
006	ACCRUED TAXES (236)	(1,952)	14,778	11,039	10,622	6,970
007	ACCRUED INTEREST (237)	456	205	202	363	112
008	TAX COLLECTIONS PAYABLE (241)	3,728	4,358	6,095	2,319	2,385
009	MISC CURRENT AND ACCRUED (242)	3,990	2,172	2,189	2,942	1,028
010	MATURED LONG-TERM DEBT (239)	108,131	2,776	10,269	2,776	30,228
011	OTHER NONCURRENT LIABILITIES (228/229/230)	11,541	3,898	3,576	3,091	2,663
012	TOTAL CURRENT AND NONCURRENT LIABILITIES	<u>309,250</u>	<u>246,997</u>	<u>354,530</u>	<u>82,634</u>	<u>113,784</u>
	DEFERRED CREDITS:					
013	DEFERRED INCOME TAXES (282/283)	122,881	131,618	145,185	128,908	149,135
014	INVESTMENT TAX CREDIT (255)	45	33	23	28	19
015	OTHER (252/253/254)	27,036	12,041	13,987	13,065	14,858
016	TOTAL DEFERRED CREDITS	<u>149,962</u>	<u>143,641</u>	<u>159,195</u>	<u>142,001</u>	<u>164,012</u>
017	TOTAL CAPITAL AND LIABILITIES	<u>\$755,364</u>	<u>\$795,037</u>	<u>\$914,698</u>	<u>\$636,845</u>	<u>\$653,771</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 8
SCHEDULE 2A
PAGE 1 OF 1

<u>LNE NO.</u>	<u>12/31/03 (COL.1)</u>	<u>12/31/04 (COL.2)</u>	<u>12/31/05 (COL.3)</u>	<u>06/30/05 (COL.4)</u>	<u>06/30/06 (COL.5)</u>
OPERATING REVENUE					
001	104,582,238	102,234,495	117,629,128	104,806,799	120,167,653
002	7,166,217	7,104,755	8,476,997	6,558,356	9,999,268
<u>003</u>	<u>\$111,748,455</u>	<u>\$109,339,250</u>	<u>\$126,106,125</u>	<u>\$111,365,155</u>	<u>\$130,166,921</u>
COSTS AND EXPENSES					
004	76,837,130	74,932,986	88,284,736	77,825,637	91,251,398
005	20,478,238	20,118,781	21,482,212	20,660,452	22,866,576
006	4,445,704	4,648,173	4,786,909	4,657,005	5,313,774
007	3,050,076	3,406,302	2,889,993	3,096,875	3,443,959
008	2,952,252	2,738,923	2,805,647	2,691,884	2,954,546
009	0	0	0	0	0
<u>010</u>	<u>\$107,763,400</u>	<u>\$105,845,165</u>	<u>\$120,249,497</u>	<u>\$108,931,853</u>	<u>\$125,830,253</u>
011	14,280	11,683	10,358	11,024	9,416
012	\$3,999,335	\$3,505,768	\$5,866,986	\$2,444,326	\$4,346,084
TAXES ON INCOME & RELATED CHARGES					
013	(293,830)	1,809,681	2,038,312	1,799,740	(1,598,526)
014	1,879,085	(419,734)	291,454	(831,772)	3,323,652
015	0	0	0	0	0
<u>016</u>	<u>\$1,585,255</u>	<u>\$1,389,947</u>	<u>\$2,329,766</u>	<u>\$967,968</u>	<u>\$1,725,126</u>
<u>017</u>	<u>\$2,414,080</u>	<u>\$2,115,821</u>	<u>\$3,537,220</u>	<u>\$1,476,358</u>	<u>\$2,620,958</u>

18-Oct-06

AQUILA NETWORKS - PNG
INCOME STATEMENT
(THOUSANDS OF DOLLARS)

SECTION 8
SCHEDULE 2B
PAGE 1 OF 1

LNE NO.		12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
	OPERATING REVENUE					
001	GAS SALES (400)	713,941	771,136	930,314	813,856	950,600
	COSTS AND EXPENSES					
002	COST OF GAS SOLD (401)	500,568	557,854	711,211	601,124	737,568
003	OPERATING EXPENSES (401/402)	111,123	120,474	124,277	121,374	121,649
004	DEPRECIATION AND AMORTIZATION (403-407)	34,004	34,561	35,944	34,006	40,565
005	TAXES OTHER THAN INCOME (408)	14,820	15,711	11,099	12,025	14,790
006	INTEREST & RELATED CHARGES (427-431)	17,033	14,751	16,779	17,672	17,827
007	ALLOWANCE FOR BORROWED FUNDS (CONST) (432)	(137)	(91)	(282)	(109)	(300)
008	TOTAL COSTS & EXPENSES	<u>\$677,411</u>	<u>\$743,260</u>	<u>\$899,028</u>	<u>\$786,092</u>	<u>\$932,099</u>
009	INCOME BEFORE INCOME TAXES	\$36,530	\$27,876	\$31,286	\$27,764	\$18,501
	TAXES ON INCOME & RELATED CHARGES					
010	TAXABLE CURRENTLY (409.1)	(1,298)	3,890	3,295	9,570	(2,809)
011	PAYMENT DEFERRED (410.1-411.1)	16,634	7,436	9,557	1,398	11,392
012	INVESTMENT TAX CREDIT (411.4)	14	11	10	11	9
013	TOTAL TAXES INCOME/RELATED CHARGES	<u>\$15,322</u>	<u>\$11,315</u>	<u>\$12,842</u>	<u>\$10,957</u>	<u>\$8,574</u>
014	NET OPERATING INCOME	<u>\$21,208</u>	<u>\$16,561</u>	<u>\$18,444</u>	<u>\$16,807</u>	<u>\$9,927</u>
015	OTHER INCOME/(DEDUCTIONS)	7,798	4,831	5,598	2,472	3,386
016	TAXES ON OTHER INCOME/(DEDUCTIONS)	2,903	1,840	1,903	989	432
017	NET OTHER INCOME	4,895	2,991	3,695	1,483	2,954
018	NET INCOME	<u>26,103</u>	<u>19,552</u>	<u>22,139</u>	<u>18,290</u>	<u>12,881</u>
019	RETAINED EARNINGS @ BEG OF YEAR (216)	35,468	43,394	46,286	53,174	54,097
020	COMMON STOCK DIVIDENDS (438)	(18,177)	(16,660)	(18,073)	(17,367)	(21,663)
021	NET INCOME	26,103	19,552	22,139	18,290	12,881
022	ADJUSTMENTS TO RETAINED EARNINGS (216)	0	0	0	0	0
023	RETAINED EARNINGS AT YEAR END (216)	<u>\$43,394</u>	<u>\$46,286</u>	<u>\$50,352</u>	<u>\$54,097</u>	<u>\$45,315</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

REVENUES AND EXPENSES

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>OPERATING REVENUE</u>							
<u>SALES OF GAS</u>							
001	480	RESIDENTIAL SALES	68,279,510	66,356,388	77,183,536	70,009,173	77,135,905
002	481	COMMERCIAL AND INDUSTRIAL SALES	35,245,841	34,853,800	39,320,569	33,757,201	41,880,780
003	483	SALES FOR RESALE	1,056,887	1,024,307	1,125,023	1,040,425	1,150,968
004		TOTAL FOR SALES OF GAS	<u>\$104,582,238</u>	<u>\$102,234,495</u>	<u>\$117,629,128</u>	<u>\$104,806,799</u>	<u>\$120,167,653</u>
<u>OTHER OPERATING REVENUES</u>							
005	487	FORFEITED DISCOUNTS	464,743	445,097	467,489	440,255	552,406
006	488	MISCELLANEOUS SERVICE REVENUES	482,218	443,577	593,125	460,492	684,001
007	489	REV FROM TRANS OF GAS OF OTH	5,290,145	4,701,605	4,616,183	4,446,342	4,752,783
008	492	INCIDENTAL GAS AND OIL SALES	157,149	0	0	0	0
009	493	RENT GAS PROPERTY	0	0	0	0	0
010	495	OTHER GAS REVENUES	771,962	1,514,476	2,800,200	1,211,267	4,010,078
011		TOTAL OTHER OPERATING REVENUES	<u>\$7,166,217</u>	<u>\$7,104,755</u>	<u>\$8,476,997</u>	<u>\$6,558,356</u>	<u>\$9,999,268</u>
012	496	PROVISION FOR RATE REFUND	0	0	0	0	0
013		TOTAL FOR OPERATING REVENUE	<u><u>\$111,748,455</u></u>	<u><u>\$109,339,250</u></u>	<u><u>\$126,106,125</u></u>	<u><u>\$111,365,155</u></u>	<u><u>\$130,166,921</u></u>
<u>OPERATION AND MAINTENANCE</u>							
<u>MANUFACTURED GAS PRODUCTION</u>							
014	735	MFD GAS PLANT CLEAN UP AND EVAL	0	0	0	0	0
015	742	MAINT OF PRODUCTION EQUIPMENT	0	0	0	0	0
016		TOTAL MANUFACTURED GAS PROD	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>NATURAL GAS PRODUCTION AND GATHERING</u>							
017	750	OPER SUPERV AND ENGINEERING	10,381	(2,012)	0	2,443	0
018	752	GAS WELLS EXPENSES	90,266	0	0	0	0
019	753	FIELD LINES EXPENSES	52,287	40,053	0	0	0
020	754	FIELD COMPRESSOR STAT EXPS	441,289	(37)	0	(37)	0
021	756	FIELD MEAS AND REG STA EXPS	11,237	3,833	4,524	4,114	2,503
022	757	PURIFICATION EXPENSES	203	0	0	0	0
023	759	OTHER EXPENSES	36,470	479,859	11,328	16,518	11,412
024	760	RENTS	47	0	0	0	0
025	761	MAINT OF SUPERV AND ENG	0	0	0	0	0
026	763	MAINT OF PRODUCING GAS WELLS	1,113	0	0	0	0
027	764	MAINTENANCE OF FIELD LINES	123,099	44	0	0	0
028	765	MAINT OF FLD COMP STA EQUIP	21,463	123	0	0	0
029	766	MAINT OF FLD MEAS & REG STA	26,615	0	0	0	0
030	767	MAINT OF PURIFICATION EQUIP	41,134	15,368	1,998	9,060	0
031	769	MAINT OF OTHER EQUIPMENT	902	939	0	378	0
032		TOTAL FOR NAT GAS PROD & GATH	<u>\$856,506</u>	<u>\$538,170</u>	<u>\$17,850</u>	<u>\$32,476</u>	<u>\$13,915</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

REVENUES AND EXPENSES

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>PRODUCTS EXTRACTION</u>							
001	771	OPERATION LABOR	0	0	0	0	0
002	776	OPER SUPPLIES AND EXPENSES	0	0	0	0	0
003		TOTAL FOR PRODUCTS EXTRACTION	\$0	\$0	\$0	\$0	\$0
004		TOTAL NAT GAS PROD EXPENSES	\$856,506	\$538,170	\$17,850	\$32,476	\$13,915
<u>OTHER GAS SUPPLY EXPENSES</u>							
005	800	NATURAL GAS WELLHEAD PURCHASES	5,132,109	0	0	0	0
006	801	GAS FIELD LINE PURCHASES	411,825	716,979	1,219,895	1,002,285	1,395,896
007	804	NAT GAS CITY GATE PURCHASES	70,140,882	77,046,499	93,145,401	77,720,929	97,252,800
008	805	OTHER GAS PURCHASES	(152,585)	(3,609,998)	(6,829,755)	1,554,032	(5,033,371)
009	806	EXCHANGE GAS	0	0	0	0	0
010	807	PURCHASED GAS EXPENSES	0	0	0	0	0
011	808	STORAGE GAS WITHDRAWN/DELIVERED	1,320,967	798,340	773,757	(2,430,512)	(2,337,196)
012	810	GAS USED FOR COMPR STA FUEL(CR)	0	0	0	0	0
013	812	GAS USED FOR OTH UTIL OPER (CR)	(16,068)	(18,834)	(24,562)	(21,097)	(26,731)
014	813	OTHER GAS SUPPLY EXPENSES	0	0	0	0	0
015		TOTAL OTHER GAS SUPPLY EXPENSES	\$76,837,130	\$74,932,986	\$88,284,736	\$77,825,637	\$91,251,398
016		TOTAL FOR PRODUCTION EXPENSES	\$77,693,636	\$75,471,156	\$88,302,586	\$77,858,113	\$91,265,313
<u>UNDERGROUND STORAGE EXPENSES</u>							
017	824	OTHER EXPENSES	0	0	0	0	0
018		TOTAL UNDERGR. STORAGE EXPENSES	\$0	\$0	\$0	\$0	\$0
<u>TRANSMISSION EXPENSES</u>							
019	850	OPER SUPERV & ENGINEERING	43,779	51,641	62,903	59,885	43,189
020	851	SYS CONTROL & LOAD DISPATCHING	58,636	82,970	59,875	68,947	62,342
021	852	COMMUNICATION SYSTEM EXPENSES	0	0	0	0	0
022	854	GAS FOR COMPRESSOR STA FUEL	0	0	633	0	633
023	856	MAINS EXPENSES	179,482	209,647	192,128	209,155	157,137
024	857	MEAS AND REG STATION EXPS	49,278	51,914	40,453	48,017	32,489
025	859	OTHER EXPENSES	539	687	264	610	122
026	860	RENTS	0	0	0	0	0
027	861	MAINT SUPERV & ENGINEERING	0	0	0	0	0
028	862	MAINT OF STRUCT & IMPROVE	0	0	0	0	0
029	863	MAINTENANCE OF MAINS	184,199	157,799	256,689	244,498	174,312
030	864	MAINT OF COMPRESSOR STA EQUIP	28	(7)	1,966	1,607	38
031	865	MAINT OF MEAS & REG STA EQUIP	101,375	96,430	53,063	70,490	62,447
032	866	MAINT OF COMMUNICATION EQUIP	0	0	0	0	0
033	867	MAINT OF OTHER EQUIP	0	0	0	0	0
034		TOTAL FOR TRANSMISSION EXPENSES	\$617,316	\$651,081	\$667,974	\$703,209	\$532,709

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

REVENUES AND EXPENSES							
LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>DISTRIBUTION EXPENSES</u>							
001	870	OPER SUPERV AND ENGINEERING	404,589	403,150	468,923	398,623	537,601
002	871	DISTRIBUTION LOAD DISPATCHING	50,600	63,044	61,137	60,348	49,039
003	872	COMPRESSOR STATION LABOR & EXP	297	0	0	0	0
004	874	MAINS AND SERVICES EXPENSES	1,133,384	1,142,064	1,106,511	1,067,785	1,185,340
005	875	MEAS & REG STATION EXP-GEN'L	7,197	7,237	4,355	1,844	30,073
006	876	MEAS & REG STATION EXP-IND	66,928	81,524	91,726	73,924	115,220
007	877	MEAS & REG STATION EXP-CITY GATE	7,414	12,630	6,458	8,707	5,128
008	878	METER/HOUSE REGULATOR EXP	722,827	791,637	834,536	787,434	914,646
009	879	CUSTOMER INSTALLATIONS EXPENSES	498,001	521,082	487,578	507,970	513,049
010	880	OTHER EXPENSES	1,249,200	1,518,650	1,551,331	1,587,050	1,424,431
011	881	RENTS	5,803	5,624	7,853	7,270	8,159
012	885	MAINT SUPERV AND ENGINEERING	81,205	78,858	68,450	68,218	63,379
013	886	MAINT OF STRUCTURES & IMPRVMENTS	(46,154)	18,280	14,215	18,131	10,530
014	887	MAINTENANCE OF MAINS	433,415	397,201	485,697	416,773	533,013
015	888	MAINT OF COMPRESSOR STA EQUIP	0	2,333	1,248	2,385	23,168
016	889	MAINT OF GEN MEAS EQUIP	62,165	45,898	48,341	49,997	58,549
017	890	MAINT OF IND MEAS EQUIP	55,541	65,339	60,164	70,509	38,021
018	891	MAINT OF CITY GATE MEAS EQUIP	16,757	19,304	18,188	19,188	46,581
019	892	MAINTENANCE OF SERVICES	56,606	126,184	157,026	137,763	131,217
020	893	MAINT OF MTRS AND HSE REGS	204,742	186,851	171,432	175,855	211,100
021	894	MAINTENANCE OF OTHER EQUIPMENT	15,910	12,254	11,597	10,543	11,872
022		TOTAL FOR DISTRIBUTION EXPENSES	<u>\$5,026,427</u>	<u>\$5,499,144</u>	<u>\$5,656,766</u>	<u>\$5,470,317</u>	<u>\$5,910,116</u>
<u>CUSTOMER ACCOUNT EXPENSES</u>							
023	901	SUPERVISION	181,117	220,076	478,100	250,067	496,937
024	902	METER READING EXPENSES	751,880	968,489	861,568	913,646	880,043
025	903	CUST. RECORDS & COLL. EXPENSES	1,860,555	1,989,141	1,944,238	1,994,268	2,425,083
026	904	UNCOLLECTIBLE ACCOUNTS	1,571,132	981,072	1,529,332	1,242,899	1,271,074
027	905	MISC CUSTOMER ACCOUNTS EXP	114,673	120,508	105,842	117,372	80,672
028		TOTAL CUSTOMER ACCOUNT EXPENSES	<u>\$4,479,357</u>	<u>\$4,279,286</u>	<u>\$4,919,080</u>	<u>\$4,518,252</u>	<u>\$5,153,809</u>
<u>CUSTOMER SERVICE INFORMATION EXPENSE</u>							
029	907	SUPERVISION	5,386	6,025	11,435	5,363	77,532
030	908	CUSTOMER ASISSTANCE EXPENSES	47	253	555	454	1,380
031	909	INFORM AND INSTRUCT ADV. EXPS.	85,681	76,460	76,793	70,820	119,671
032	910	MISC CUSTOMER SRVC AND INFO EXP	77,174	54,950	36,060	46,538	21,553
033		TOTAL CUST SVC & INFO EXPENSES	<u>\$168,288</u>	<u>\$137,688</u>	<u>\$124,843</u>	<u>\$123,175</u>	<u>\$220,136</u>

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

		REVENUES AND EXPENSES					
LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>SALES EXPENSES</u>							
001	911	SUPERVISION	85,421	86,759	130,559	114,218	116,351
002	912	DEMONSTRATION AND SELLING EXPS	133,199	157,588	155,125	138,510	203,182
003	913	ADVERTISING EXPENSES	5,346	9,642	1,839	3,585	574
004	916	MISC SALES EXPENSES	354	3,581	4,880	4,894	2,611
005		TOTAL FOR SALES EXPENSES	<u>\$224,320</u>	<u>\$257,570</u>	<u>\$292,403</u>	<u>\$261,207</u>	<u>\$322,718</u>
<u>ADMINISTRATIVE & GENERAL EXPENSES</u>							
006	920	ADMIN. AND GENERAL SALARIES	2,312,836	2,181,953	2,479,265	2,604,617	2,909,903
007	921	OFFICE SUPPLIES AND EXPENSES	1,621,914	1,220,472	1,246,058	1,250,163	1,317,604
008	922	ADMIN. EXPS TRANSFERRED-CR	(218,976)	(96,600)	(213,845)	(147,189)	(200,876)
009	923	OUTSIDE SERVICES EMPLOYED	657,490	808,938	840,774	797,455	985,408
010	924	PROPERTY INSURANCE	1,901	3,950	5,644	5,621	6,564
011	925	INJURIES AND DAMAGES	774,942	605,195	1,007,848	799,657	983,032
012	926	EMPLOYEE PENSIONS AND BENEFITS	2,679,761	2,408,157	2,738,073	2,651,663	2,817,196
013	927	FRANCHISE REQUIREMENTS	0	0	0	0	0
014	928	REGULATORY COMMISSION EXPENSES	427,179	439,633	617,354	472,129	691,084
015	929	DUPLICATE CHARGES-CREDITS	0	0	0	0	0
016	930	GENERAL EXPENSES	325,006	249,943	311,373	232,573	359,753
017	931	RENTS	260,490	582,603	442,036	519,320	420,854
018	935	MAINT OF GEN'L PLANT	263,481	351,598	328,716	365,807	422,651
019		TOTAL FOR ADMIN & GEN EXPS	<u>\$9,106,024</u>	<u>\$8,755,842</u>	<u>\$9,803,296</u>	<u>\$9,551,816</u>	<u>\$10,713,173</u>
020		TOTAL OPERATION & MAINTENANCE	<u>\$97,315,368</u>	<u>\$95,051,767</u>	<u>\$109,766,948</u>	<u>\$98,486,089</u>	<u>\$114,117,974</u>
<u>OTHER EXPENSES</u>							
021	403	DEPRECIATION EXPENSE	4,340,375	4,566,975	4,700,323	4,574,063	5,240,647
022	404	AMORTIZATION EXPENSE	105,329	81,198	86,586	82,942	73,127
023	999.6	TAXES OTHER THAN INCOME	3,050,076	3,406,302	2,889,993	3,096,875	3,443,959
024	431	CUSTOMER DEPOSIT INTEREST EXPENSE	7,275	12,827	27,698	20,347	42,145
025	999.7	INCOME TAXES	1,585,255	1,389,947	2,329,766	967,968	1,725,126
026		TOTAL OTHER EXPENSES	<u>\$9,088,310</u>	<u>\$9,457,249</u>	<u>\$10,034,366</u>	<u>\$8,742,195</u>	<u>\$10,525,004</u>
027		TOTAL EXPENSES	<u>\$106,403,678</u>	<u>\$104,509,016</u>	<u>\$119,801,314</u>	<u>\$107,228,284</u>	<u>\$124,642,978</u>
028	999.9	AMORT INVESTMENT TAX CREDIT	14,280	11,683	10,358	11,024	9,416
029		TOTAL UTILITY NET OPER INCOME	<u>\$5,359,057</u>	<u>\$4,841,917</u>	<u>\$6,315,169</u>	<u>\$4,147,895</u>	<u>\$5,533,359</u>

Supplemental Gas Report of Aquila Networks - KGO Year Ending December 31, 2003

SALES OF NATURAL GAS BY RATE SCHEDULES - KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)

1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party).
2. Provide a sub-heading and total for each gas service revenue account.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).

Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ 60 F. BTU content: N/A (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Cust (e)	Revenue per MCF Sold (f)
1.						
2.	<u>Residential</u>					
3.	RS-1	6,980,890	68,279,510	91,515	76.28	9.78
4.						
5.						
6.	<u>Commercial</u>					
7.	SC-1	1,207,667	11,637,819	7,876	153.34	9.64
8.						
9.						
10.	<u>Industrial</u>					
11.	LVF	258,679	2,005,826	50	5,173.58	7.75
12.	LVI	190,421	1,136,239	39	4,882.59	5.97
13.	SVF	1,375,734	11,333,138	1,519	905.68	8.24
14.	SVI	54,096	338,267	42	1,288.00	6.25
16.	Total Industrial	1,878,930	14,813,470	1,650	1,138.75	7.88
17.						
18.						
19.	<u>Sales For Resale</u>					
20.	WGS	144,150	1,056,887	7	20,592.86	7.33
21.						
22.						
23.	<u>Irrigation</u>					
24.	IR	1,525,284	8,794,552	842	1,811.50	5.77
25.						
26.						
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31.						
32.	Total Kansas	11,736,921	104,582,238	101,890	115.19	8.91
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Annual Report of Aquila Networks - KGO Year Ending December 31, 2004

SALES OF NATURAL GAS BY RATE SCHEDULES - KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)

1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party).
2. Provide a sub-heading and total for each gas service revenue account.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).

Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ 60 F. BTU content: N/A (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Cust (e)	Revenue per MCF Sold (f)
1.						
2.	<u>Residential</u>					
3.	RS-1	6,563,680	66,356,388	92,528	70.94	10.11
4.						
5.						
6.	<u>Commercial</u>					
7.	SC-1	1,014,571	10,147,058	7,818	129.77	10.00
8.						
9.						
10.	<u>Industrial</u>					
11.	LVF	237,983	1,916,069	47	5,063.47	8.05
12.	LVI	180,572	1,160,956	38	4,751.89	6.43
13.	SVF	1,320,494	11,248,283	1,580	835.76	8.52
14.	SVI	51,526	354,611	45	1,145.02	6.88
16.	Total Industrial	1,790,575	14,679,919	1,710	1,047.12	8.20
17.						
18.						
19.	<u>Sales For Resale</u>					
20.	WGS	136,723	1,024,307	7	19,531.86	7.49
21.						
22.						
23.	<u>Irrigation</u>					
24.	IR	1,571,584	10,026,823	932	1,686.25	6.38
25.						
26.						
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31.						
32.	Total Kansas	11,077,133	102,234,495	102,995	107.55	9.23
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Annual Report of

Aquila Networks - KGO

Year Ending December 31, 2005

SALES OF NATURAL GAS BY RATE SCHEDULES - KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)

1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party).
2. Provide a sub-heading and total for each gas service revenue account.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).

Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ 60 F. BTU content: N/A (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Cust (e)	Revenue per MCF Sold (f)
1.						
2.	<u>Residential</u>					
3.	RS-1	6,514,392	77,183,536	93,577	69.62	11.85
4.						
5.						
6.	<u>Commercial</u>					
7.	SC-1	994,422	11,527,628	8,182	121.54	11.59
8.						
9.						
10.	<u>Industrial</u>					
11.	LVF	222,791	2,107,885	32	6,962.22	9.46
12.	LVI	134,947	1,075,487	14	9,639.07	7.97
13.	SVF	1,295,696	12,789,190	1,212	1,069.06	9.87
14.	SVI	79,910	690,714	63	1,268.41	8.64
16.	Total Industrial	1,733,344	16,663,276	1,321	1,312.15	9.61
17.						
18.						
19.	<u>Sales For Resale</u>					
20.	WGS	126,460	1,125,023	7	18,065.71	8.90
21.						
22.						
23.	<u>Irrigation</u>					
24.	IR	1,494,437	11,129,665	1,002	1,491.45	7.45
25.						
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31.						
32.	Total Kansas	10,863,055	117,629,128	104,089	104.36	10.83
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Supplemental Gas Report of Aquila Networks - KGO Year Ending June 30, 2005

SALES OF NATURAL GAS BY RATE SCHEDULES - KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)

1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party).
2. Provide a sub-heading and total for each gas service revenue account.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).

Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ 60 F. BTU content: N/A (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Cust (e)	Revenue per MCF Sold (f)
1.						
2.	<u>Residential</u>					
3.	RS-1	6,468,115	70,009,173	93,170	69.42	10.82
4.						
5.						
6.	<u>Commercial</u>					
7.	SC-1	948,704	10,267,087	7,935	119.56	10.82
8.						
9.						
10.	<u>Industrial</u>					
11.	LVF	237,707	2,014,991	39	6,095.05	8.48
12.	LVI	154,187	1,024,653	26	5,930.27	6.65
13.	SVF	1,321,628	12,037,192	1,446	913.99	9.11
14.	SVI	71,109	527,249	53	1,341.68	7.41
16.	Total Industrial	1,784,631	15,604,085	1,564	1,141.07	8.74
17.						
18.						
19.	<u>Sales For Resale</u>					
20.	WGS	125,775	1,040,425	7	17,967.86	8.27
21.						
22.						
23.	<u>Irrigation</u>					
24.	IR	1,183,986	7,886,029	967	1,224.39	6.66
25.						
26.						
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31.						
32.	Total Kansas	10,511,211	104,806,799	103,643	101.42	9.97
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Supplemental Gas Report of Aquila Networks - KGO Year Ending June 30, 2006

SALES OF NATURAL GAS BY RATE SCHEDULES - KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)

1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party).
2. Provide a sub-heading and total for each gas service revenue account.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).

Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ 60 F. BTU content: N/A (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Cust (e)	Revenue per MCF Sold (f)
1.						
2.	<u>Residential</u>					
3.	RS-1	5,843,603	77,135,905	94,010	62.16	13.20
4.						
5.						
6.	<u>Commercial</u>					
7.	SC-1	916,919	11,700,599	8,224	111.49	12.76
8.						
9.						
10.	<u>Industrial</u>					
11.	LVF	220,734	2,258,999	31	7,120.45	10.23
12.	LVI	132,803	1,088,605	12	11,066.92	8.20
13.	SVF	1,152,980	12,513,167	1,175	981.26	10.85
14.	SVI	76,513	725,052	65	1,177.12	9.48
16.	Total Industrial	1,583,030	16,585,823	1,283	1,233.85	10.48
17.						
18.						
19.	<u>Sales For Resale</u>					
20.	WGS	112,989	1,150,968	7	16,141.29	10.19
21.						
22.						
23.	<u>Irrigation</u>					
24.	IR	1,907,908	13,594,358	1,026	1,859.56	7.13
25.						
26.						
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31.						
32.	Total Kansas	10,364,449	120,167,653	104,550	99.13	11.59
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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

ANNUAL PAYROLL EXPENSE

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>MANUFACTURED GAS PRODUCTION</u>							
001	735	MFD GAS PLANT CLEAN UP AND EVAL	0	0	0	0	0
002	742	MAINT OF PRODUCTION EQUIPMENT	0	0	0	0	0
003		TOTAL MANUFACTURED GAS PROD	\$0	\$0	\$0	\$0	\$0
<u>NATURAL GAS PRODUCTION AND GATHERING</u>							
004	750	OPER SUPERV AND ENGINEERING	4,486	182	0	0	0
005	752	GAS WELLS EXPENSES	13,507	0	0	0	0
006	753	FIELD LINES EXPENSES	36,024	0	0	0	0
007	754	FIELD COMPRESSOR STATION EXPS	6,554	0	0	0	0
008	756	FIELD MEAS AND REG STATION EXPS	4,113	2,470	2,767	2,671	1,455
009	757	PURIFICATION EXPENSES	101	0	0	0	0
010	759	OTHER EXPENSES	2,127	0	0	0	924
011	760	RENTS	47	0	0	0	0
012	761	MAINT OF SUPR AND ENGINEERING	0	0	0	0	0
013	763	DEMONSTRATION AND SELLING EXPS	47	0	0	0	0
014	764	MAINTENANCE OF FIELD LINES	55,231	0	0	0	0
015	765	MAINT OF FIELD COMP STA EQUIP	14,833	0	0	0	0
016	766	MAINT OF FLD MEAS & REG STA	6,014	0	0	0	0
017	767	MAINT OF PURIFICATION EQUIP	19,971	11,310	1,255	6,170	0
018	769	MAINT OF OTHER PLANT	51	215	0	0	0
019		TOTAL FOR NAT. GAS PROD & GATH	\$163,106	\$14,177	\$4,022	\$8,841	\$2,379
<u>PRODUCTS EXTRACTION</u>							
020	771	OPERATION LABOR	0	0	0	0	0
021		TOTAL FOR PRODUCTS EXTRACTION	\$0	\$0	\$0	\$0	\$0
022		TOTAL NAT GAS PROD EXPENSES	\$163,106	\$14,177	\$4,022	\$8,841	\$2,379
<u>OTHER GAS SUPPLY EXPENSES</u>							
023	807	PURCHASED GAS EXPENSES	0	0	0	0	0
024	813	OTHER GAS SUPPLY EXPENSES	0	0	0	0	0
025		TOTAL OTHER GAS SUPPLY EXPENSES	\$0	\$0	\$0	\$0	\$0
026		TOTAL FOR PRODUCTION EXPENSES	163,106	14,177	4,022	8,841	2,379
<u>UNDERGROUND STORAGE EXPENSE</u>							
027	824	OTHER EXPENSES	0	0	0	0	0
028		TOTAL GAS STORAGE EXPENSES	\$0	\$0	\$0	\$0	\$0

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

ANNUAL PAYROLL EXPENSE

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>TRANSMISSION EXPENSES</u>							
001	850	OPER SUPERV AND ENGINEERING	39,052	50,055	52,896	52,053	40,153
002	851	GAS WELLS EXPENSES	45,835	52,835	55,283	54,258	58,802
003	852	FIELD LINES EXPENSES	0	0	0	0	0
004	853	FIELD COMPRESSOR STAT EXPS	0	0	0	0	0
005	854	GAS FOR COMPRESSOR STATION FUEL	0	0	633	0	633
006	856	FIELD MEAS AND REG STA EXPS	72,693	92,306	86,498	89,238	78,406
007	857	PURIFICATION EXPENSES	26,090	21,861	18,742	19,373	15,211
008	859	OTHER EXPENSES	0	0	0	0	0
009	861	MAINT OF PRODUCING GAS WELLS	0	0	0	0	0
010	862	MAINTENANCE OF FIELD LINES	0	0	0	0	0
011	863	MAINT OF FLD COMP STA EQUIP	43,995	44,295	53,433	49,439	44,144
012	864	MAINT OF FLD MEAS & REG STA	0	(7)	38	(321)	38
013	865	MAINT OF PURIFICATION EQUIP	56,217	49,727	30,798	33,639	31,539
014	867	DEMONSTRATION AND SELLING EXPS	0	0	0	0	0
015		TOTAL FOR TRANSMISSION EXPENSES	\$283,882	\$311,072	\$298,321	\$297,679	\$268,926
<u>DISTRIBUTION EXPENSES</u>							
016	870	OPER SUPERV AND ENGINEERING	331,619	335,050	373,065	331,620	447,894
017	871	DISTRIBUTION LOAD DISPATCHING	50,598	63,044	61,137	60,348	49,039
018	872	COMPRESSOR STA LABOR & EXPENSES	0	0	0	0	0
019	874	MAINS AND SERVICES EXPENSES	622,023	603,997	651,325	594,793	680,731
020	875	MEAS AND REG STA EXP-GEN'L	5,185	3,171	3,179	1,016	23,218
021	876	MEAS AND REG STA EXP-IND	53,907	61,732	70,599	57,585	86,913
022	877	MEAS AND REG STA EXP-CITY GATE	5,462	4,119	3,799	3,492	2,442
023	878	METER AND HOUSE REG EXP	624,272	695,804	712,079	689,670	765,249
024	879	CUSTOMER INSTALLATIONS EXPENSES	418,297	444,142	421,268	429,391	438,940
025	880	OTHER EXPENSES	734,276	906,267	926,780	928,429	885,529
026	885	MAINT SUPRV & ENGINEERING	71,153	76,375	65,279	65,858	60,916
027	886	MAINT OF STRUCTURES/IMPROVEMNTS	9,683	8,092	7,954	9,698	9,293
028	887	MAINTENANCE OF MAINS	136,699	135,675	137,840	124,791	164,930
029	888	MAINT OF COMPRESSOR STA EQUIP	0	95	0	95	17,919
030	889	MAINT OF GEN'L MEAS EQUIP	38,102	31,073	28,503	28,979	38,596
031	890	MAINT OF IND MEAS EQUIP	40,355	49,014	42,810	51,048	26,008
032	891	MAINT MEAS & REG STA EQUIP-CITY GATE	10,623	9,706	9,107	7,780	28,460
033	892	MAINTENANCE OF SERVICES	22,104	40,370	47,987	46,768	42,525
034	893	MAINT OF MTRS AND HSE REGS	130,538	117,270	114,132	118,372	131,168
035	894	MAINTENANCE OF OTHER EQUIPMENT	2,716	1,641	626	1,483	479
036		TOTAL FOR DISTRIBUTION EXPENSES	\$3,307,612	\$3,586,637	\$3,677,469	\$3,551,216	\$3,900,249

18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 8
SCHEDULE 5
PAGE 3 OF 3

ANNUAL PAYROLL EXPENSE

LNE NO.	ACCT. NO.	ACCOUNT TITLE	12/31/03 (COL.1)	12/31/04 (COL.2)	12/31/05 (COL.3)	06/30/05 (COL.4)	06/30/06 (COL.5)
<u>CUSTOMER ACCOUNT EXPENSES</u>							
001	901	SUPERVISION	151,048	186,389	245,096	195,689	284,307
002	902	METER READING EXPENSES	607,042	810,535	694,664	763,361	700,208
003	903	CUST RECORDS & COLL EXPENSES	899,700	1,024,990	985,755	1,014,833	1,242,798
004	904	UNCOLLECTIBLE ACCOUNTS	0	0	0	0	0
005	905	MISC CUSTOMER ACCOUNTS EXP	90,242	103,858	88,621	96,909	68,633
006		TOTAL CUSTOMER ACCOUNT EXPENSES	<u>\$1,748,032</u>	<u>\$2,125,772</u>	<u>\$2,014,136</u>	<u>\$2,070,792</u>	<u>\$2,295,946</u>
<u>CUSTOMER SERVICE INFORMATION EXPENSE</u>							
007	907	SUPERVISION	3,369	4,052	10,940	4,296	75,474
008	908	CUSTOMER ASSISTANCE EXPENSES	47	250	555	451	1,380
009	909	INFORM AND INSTRUCT ADV EXPS	12,405	13,387	10,641	12,997	4,585
010	910	MISC CUST SVC AND INFO EXPENSES	50,428	36,198	33,376	35,342	17,331
011		TOTAL CUST SVC & INFO EXPENSES	<u>\$66,249</u>	<u>\$53,887</u>	<u>\$55,512</u>	<u>\$53,086</u>	<u>\$98,770</u>
<u>SALES EXPENSES</u>							
012	911	SUPERVISION	70,286	71,839	115,962	98,027	106,127
013	912	DEMONSTRATION AND SELLING EXPS	130,846	118,931	105,004	92,949	145,259
014	913	ADVERTISING EXPENSES	439	495	130	4	125
015	916	MISC SALES EXPENSES	0	0	2,313	2,313	0
016		TOTAL FOR SALES EXPENSES	<u>\$201,571</u>	<u>\$191,265</u>	<u>\$223,409</u>	<u>\$193,293</u>	<u>\$251,511</u>
<u>ADMINISTRATIVE & GENERAL EXPENSES</u>							
017	920	ADMIN AND GENERAL SALARIES	2,317,262	2,181,953	2,479,265	2,580,201	2,909,903
018	922	ADMIN EXPS TRANSFERRED-CR	0	0	0	0	0
019	926	EMPLOYEE PENSIONS AND BENEFITS	37,860	0	8,228	17,432	10,610
020	930	GENERAL EXPENSES	19,317	928	126	126	437
021	935	MAINT OF GEN'L PLANT	114,880	157,851	130,575	146,726	158,859
022		TOTAL FOR ADMIN & GEN EXPS	<u>\$2,489,319</u>	<u>\$2,340,732</u>	<u>\$2,618,194</u>	<u>\$2,744,485</u>	<u>\$3,079,809</u>
023		TOTAL UTILITY PAYROLL	<u>\$8,259,771</u>	<u>\$8,623,542</u>	<u>\$8,891,063</u>	<u>\$8,919,392</u>	<u>\$9,897,590</u>

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AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 9
SCHEDULE 1
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INCOME STATEMENT SUMMARY
FOR YEAR ENDED 6/30/2006

<u>LNE NO.</u>		<u>RESTATED TEST PERIOD</u> /1/ (COL.1)	<u>PRO FORMA ADJUSTMENTS</u> /2/ (COL.2)	<u>TOTAL AFTER ADJUSTMENTS</u> /3/ (COL.3)
001	GAS REVENUES	120,234,635	15,666,143	135,900,778
<u>002</u>	OTHER REVENUES	<u>9,915,148</u>	<u>(3,379,621)</u>	<u>6,535,527</u>
003	TOTAL REVENUES	130,149,783	12,286,522	142,436,305
	<u>OPERATING EXPENSES</u>			
004	PURCHASED GAS	91,251,398	13,412,670	104,664,068
<u>005</u>	O & M	<u>22,866,576</u>	<u>1,322,860</u>	<u>24,189,436</u>
006	TOTAL OPERATING EXPENSES	114,117,974	14,735,530	128,853,504
007	DEPRECIATION AND AMORTIZATION	5,313,774	607,699	5,921,473
008	TAXES OTHER THAN INCOME	3,443,959	26,890	3,470,849
009	CUSTOMER DEPOSIT INTEREST EXPENSE	42,145	0	42,145
<u>010</u>	INCOME TAXES	<u>1,718,308</u>	<u>(1,236,403)</u>	<u>481,905</u>
<u>011</u>	TOTAL EXPENSES	<u>124,636,160</u>	<u>14,133,716</u>	<u>138,769,876</u>
<u>012</u>	TOTAL UTILITY OPERATING INCOME	<u>5,513,623</u>	<u>(1,847,194)</u>	<u>3,666,429</u>

/1/ FROM SECTION 3, SCHEDULE 2, PAGE 2

/2/ FROM SECTION 3, SCHEDULE 2, PAGE 4

/3/ FROM SECTION 3, SCHEDULE 2, PAGE 3

Aquila, Inc.
Aquila Networks – Kansas Gas Operations
Explanations of Pro Forma Adjustments

ADJUSTMENT 1 – HEATING NORMALIZATION

Actual monthly heating degree-days (HDD) were summarized for seven weather stations in the state of Kansas as reported by the National Oceanic and Atmospheric Administration (NOAA). Normal HDDs are the published NOAA 30-year normals based on the 1971-2000 period. The seven weather stations used were Topeka, Garden City, Dodge City, Liberal, Hutchinson, Wichita, and Goodland. Each service city was assigned to a weather station. Monthly use per customer was calculated for each rate schedule that exhibits use sensitive to changes in winter temperature conditions. Monthly use per customer is calculated by dividing monthly sales by number of customers. Data was provided for the period July 1986 – June 2006. Monthly use per customer (dependent variable) was regressed against the following three independent variables: current month's heating degree-days, previous month's heating degree-days, and a trend factor. Regression analyses were performed in decreasing blocks of time for each residential, and non-residential (small commercial, small volume firm, and large volume firm) class of customers. Each regression analysis for each customer grouping was evaluated based on five criteria: predicted normal use per customer, average annual heating degree-days for the period evaluated, adjusted R squared, F statistic, and significant changes in the use per customer characteristics. Using the coefficients from the selected regression analyses, the heating adjustment per customer is calculated by multiplying the difference between normal and actual HDD for the current and previous months by their respective coefficients. The heating sales adjustment (therms) is calculated by multiplying the average number of customers in each customer class by the annual summation of the monthly heating adjustment per customer (therm/customer) for the respective customer classes. The margin revenue adjustment is calculated by multiplying the heating sales adjustment (therms) by the marginal rate (excluding gas cost) (\$/therm). The cost of gas adjustment is calculated by multiplying the heating sales adjustment (therms) by the cost of gas rate (\$/therm). The cost of gas rate (\$/therm) is calculated by dividing the total gas purchases by the total sales volumes for all of the sales customer classes (non transportation) (therms). The total revenue adjustment is the sum of the margin revenue adjustment and the cost of the gas adjustment.

ADJUSTMENT 2 – IRRIGATION NORMALIZATION

Test year normal irrigation use per customer (therm/customer) is based on the five year average annual use per customer (2001-2005). The irrigation sales adjustment (therms) is calculated by multiplying average number of monthly bills by the test year adjustment per customer. The margin revenue adjustment is calculated by multiplying the irrigation sales adjustment (therms) by the marginal rate (excluding gas cost) (\$/therm) (for both sales and transportation customers). The cost of gas adjustment (\$/therm) is calculated by multiplying the irrigation sales adjustment (therms) for the irrigation sales customers by the cost of gas rate (\$/therm). The cost of gas rate (\$/therm) is calculated by dividing the total gas purchases by the total sales volumes (therms). The total revenue adjustment is the sum of the margin revenue adjustment and the cost of the gas adjustment.

ADJUSTMENT 3 – WNA RIDER

This adjustment was made to eliminate the revenues that were related to the Weather Normalization Adjustment Program (WNA). Aquila's WNA adjusts for the variance of actual weather from normal weather. Revenues related to the current under collection have been eliminated, and the full weather variance is covered by the Heating Normalization Adjustment.

Aquila, Inc.
Aquila Networks – Kansas Gas Operations
Explanations of Pro Forma Adjustments

ADJUSTMENT 4 – TRANSPORTATION

This adjustment was made to reflect permanent changes in transportation margin due to changes in customer count. The adjustment was computed by:

- (1) adding the projected annual margin for one new customer added to Aquila's transportation,
- (2) subtracting the annual margin for four customers lost or known to be leaving since the end of the test year,
- (3) adding margin for one customer who was converted from a discount tariff to full tariff and for two customers that moved from large volume to small volume service,
- (4) subtracting margin for a new discounted contract and for a customer whose load is anticipated to decrease by half, and
- (5) making an adjustment to increase sales volumes as the result of two customers moving from a transportation to sales tariff.

ADJUSTMENT 5 – H2S COSTS

This adjustment was made to amortize previously deferred costs related to hydrogen sulfide levels in natural gas being supplied to a number of customers in Southwestern Kansas. Included in this adjustment are both actual costs and carrying costs.

ADJUSTMENT 6 – ANNUALIZATION OF UTILITY PAYROLL EXPENSE

Kansas Gas direct and allocable payroll expense was annualized using base annual payroll as of 8/15/2006, this being the most current base payroll available at the time of the calculation. The base pay amount was adjusted for known vacancies and other-than-base-payroll categories such as overtime, stand-by and call-out pay. The annualized amount was then compared to the 12-months ended 6/30/2006 actual payroll to determine the amount of the adjustment. This adjustment amount was then allocated to FERC accounts based on the 12-months ended 6/30/2006 actual expense by account, providing the split between utility, capitalized and other payroll.

Employee Benefits were adjusted to reflect the changes made to payroll by using an average ratio of per book benefit costs to per book payroll costs for the 12-months ended 6/30/2006 period and applying this ratio to the annualized level of payroll. This benefit adjustment amount was also split between utility, capitalized and other payroll based on 12-months ended 6/30/2006 actual payroll expense.

Variable Compensation pay was annualized by comparing actual incentives paid in March 2006 to the 12-months ended 6/30/2006 accrued VCP expense. This adjustment amount was then allocated to FERC accounts based on the 12-months ended 6/30/2006 accrual expense by account, providing the split between utility, capitalized and other payroll.

Payroll taxes were adjusted for annualized payroll and VCP levels by calculating payroll taxes by person at the annualized payroll levels. A comparison was made between the actual utility payroll taxes accrued 12-months ended 6/30/2006 and the annualized utility payroll tax level.

Aquila, Inc.
Aquila Networks – Kansas Gas Operations
Explanations of Pro Forma Adjustments

ADJUSTMENT 7 – PENSION EXPENSE

This adjustment is an increase in O&M expense to reflect higher Pension costs in 2006.

ADJUSTMENT 8 – GUI APPLICATION WRITE-OFF

This adjustment is a decrease to O&M expense to eliminate the costs associated with the GUI (Graphical User Interface) Application write off.

ADJUSTMENT 9 – HEALTH CARE AND RETIREE MEDICAL

This adjustment increases O&M expense for the projected increase in costs for Health and Dental, FAS 106 OPRB, Supplemental Retirement and employee contribution for Benefit expenses. Costs are higher in 2006 and are projected to increase by an additional 14.8% in 2007.

ADJUSTMENT 10 – WALK-IN PAYMENTS

This adjustment was made to reflect the increased costs to the utility of processing walk-in payments.

ADJUSTMENT 11 – BAD DEBT EXPENSE

This adjustment reduced the test year amount for uncollectible expense to the non-gas cost portion of write-off's. As determined in Docket 05-ATMG-643-GIG, at the time of the Utility's next rate case, only the non-gas cost portion of the uncollectible accounts would be included in base rates.

ADJUSTMENT 12 – MERIT AND CONTRACT PAYROLL INCREASES

Annualized payroll expense, benefits and payroll taxes were adjusted to reflect non-union merit and union contract increases scheduled through the first half of 2007. A split was made between union and non-union expense to reflect the differences in various union contract increases versus non-union increases. The payroll adjustment amount was allocated to FERC accounts based on the test period actual payroll by account, providing the split between utility, capitalized and other payroll. The increase to Benefit expenses was calculated based on the percent of benefits to total payroll as reflected in the Annualized Payroll Adjustment. A payroll tax rate of 7.4% was applied to adjust the payroll tax level for the increases.

ADJUSTMENT 13 – RATE CASE AMORTIZATION EXPENSE

This adjustment decreases O&M expense for the 12-month period ending June 30, 2006 to reflect anticipated rate case expense of \$500,000, which will be deferred and amortized to O&M expense over a three-year period. The adjustment is offset by amortization already included in the actual 12-month period ending June 30, 2006 from the last approved filing.

Aquila, Inc.
Aquila Networks – Kansas Gas Operations
Explanations of Pro Forma Adjustments

ADJUSTMENT 14 – VARIABLE COMPENSATION PLAN CHANGE

An adjustment was made for the Variable Compensation Plan payout in March 2007 to reflect plan changes. Variable Compensation and associated payroll tax expense were adjusted.

ADJUSTMENT 15 – ECONOMIES OF SCALE

Annualized Payroll and Variable Compensation Plan pay, along with their associated benefits and payroll taxes, were reduced for known staffing reductions to occur through December 2006 due to the sale of various utility properties.

ADJUSTMENT 16 – WELLHEAD LITIGATION

The adjustment is an increase in O&M expense to include costs related to wellhead litigation not included in the test period O&M.

ADJUSTMENT 17 – CONTRIBUTIONS AND DUES

The dues and contributions adjustment decreases O&M expense by 50% of the dues included in the test period and increases O&M expense by 50% of the contributions expense charged to the 426100 FERC account. The 426100 FERC account expense is not included in the test period expense.

ADJUSTMENT 18 – ADVERTISING

O&M expense was decreased to eliminate the advertisement costs charged to FERC account 913000 and 930100.

ADJUSTMENT 19 – KANSAS ELECTRIC ASSET SALE IMPACT

This adjustment was made to reflect the impact of the sale of Aquila's Kansas Electric Operations on Aquila's Kansas Gas Operations. The adjustment focuses on two areas: facilities and meter reading.

ADJUSTMENT 20 – POSTAGE

Adjusts for the increase in postage rates for 2006 to the estimated increase for 2007.

ADJUSTMENT 21 – 10750 BUILDING LEASE

Removes the lease expense for the Raytown office building which we plan to vacate in 2007.

ADJUSTMENT 22 – RANGE PENETRATION

This adjustment is an adjustment to individual employee's base pay to align employee's salaries with the market and a reflection of their contribution to the company.

Aquila, Inc.
Aquila Networks – Kansas Gas Operations
Explanations of Pro Forma Adjustments

ADJUSTMENT 23 – ANNUALIZATION OF DEPRECIATION EXPENSE

An adjustment was calculated for depreciation expense to annualize expenses based on end-of-period plant balances. The adjustment is the difference between the actual expenses for the twelve months ended June 30, 2006 and the annualized amount, and recognizes the changes in the annual level of expenses associated with additions and retirements occurring during the test year. The adjustment is included in accumulated depreciation also.

ADJUSTMENT 24 – DEFERRED DEPRECIATION REVERSAL OF CORPORATE ASSETS

Amortizes the deferred depreciation balance for the corporate shared assets over a three-year period.

ADJUSTMENT 25 – PROPERTY TAXES

The property tax adjustment reflects a true-up of the 2006 assessed property value multiplied by the weighted average Kansas mill levy rate compared to the amounts accrued and expensed during the test period.

18-Oct-06

AQUILA, INC.
AQUILA NETWORKS - KANSAS GAS OPERATIONS

SECTION 10
SCHEDULE 1
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DEPRECIATION AND AMORTIZATION
FOR YEAR ENDED 6/30/2006

<u>LNE NO.</u>		<u>COMPOSITE PERCENTAGE</u> (COL.1)	<u>PER BOOKS 06/30/06</u> (COL.2)
	<u>DEPRECIATION - ACCOUNT 403</u>		
001	PRODUCTION AND GATHERING PLANT	VARIOUS %	537
002	PRODUCTS EXTRACTION PLANT	VARIOUS %	0
003	TRANSMISSION PLANT	VARIOUS %	393,975
004	DISTRIBUTION PLANT	VARIOUS %	2,469,442
<u>005</u>	GENERAL PLANT	VARIOUS %	<u>2,376,693</u>
006	TOTAL DEPRECIATION		\$5,240,647
	<u>AMORTIZATION - ACCOUNTS 404 & 405</u>		
<u>007</u>	OTHER AMORT OF GAS PLANT	VARIOUS %	<u>\$73,127</u>
<u>008</u>	TOTAL DEPRECIATION AND AMORTIZATION		<u><u>\$5,313,774</u></u>