

The Empire District Electric Company

List of Surrebuttal Schedules

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Table 7-14 (continued)

Surrebuttal
Schedule DAM - 1**Size Effect within Industries**
Summary Statistics and Excess Returns

(Through Year-end 2003)

SIC Code	Description	Small Company Group			Excess Return
		Geometric Mean	Arithmetic Mean	Standard Deviation	
10	Metal Mining	8.06%	16.22%	46.62%	4.84%
13	Oil and Gas Extraction	11.35%	19.86%	47.73%	6.97%
15	Building Construction-General Contractors & Op. Builders	5.37%	15.17%	44.92%	-3.81%
16	Hvy. Construction Other than Bldg. Construction-Contractors	18.47%	23.76%	38.45%	13.67%
20	Food and Kindred Spirits	11.96%	15.54%	29.89%	2.72%
22	Textile Mill Products	9.48%	15.08%	34.67%	2.95%
23	Apparel & other Finished Products Made from Fabrics & Similar	5.35%	11.36%	38.68%	-1.52%
24	Lumber and Wood Products, Except Furniture	11.42%	21.97%	54.51%	9.59%
25	Furniture and Fixtures	8.04%	12.34%	30.22%	-0.70%
26	Paper & Allied Products	11.26%	17.40%	41.19%	3.53%
27	Printing, Publishing and Allied Products	16.34%	19.32%	25.42%	5.71%
28	Chemicals and Allied Products	13.70%	19.33%	40.10%	5.15%
29	Petroleum Refining & Related Industries	12.41%	16.83%	31.76%	3.56%
30	Rubber & Miscellaneous Plastics Products	12.75%	17.35%	33.46%	3.77%
31	Leather & Leather Products	11.26%	16.47%	34.85%	-0.30%
32	Stone, Clay, Glass & Concrete Products	9.62%	14.64%	33.81%	2.42%
33	Primary Metal Industries	12.03%	17.81%	38.56%	5.97%
34	Fabricated Metal Products, Except Machinery & Trans. Equip.	10.92%	16.48%	37.03%	4.94%
35	Industrial & Commercial Machinery & Computer Equipment	12.23%	17.82%	36.23%	3.59%
36	Electrical Equipment & Components, Except Computer	12.50%	20.69%	46.34%	6.78%
37	Transportation Equipment	12.27%	18.65%	38.67%	3.31%
38	Measuring, Analyzing & Controlling Instruments	13.29%	18.36%	35.38%	4.09%
39	Miscellaneous Manufacturing Industries	8.90%	13.63%	32.88%	-0.25%
40	Railroad Transportation	8.44%	14.80%	36.53%	2.77%
42	Motor Freight Transportation & Warehousing	6.74%	12.93%	39.68%	-0.28%
45	Transport by Air	9.21%	17.88%	48.92%	6.20%
48	Communications	18.34%	26.70%	46.32%	15.13%
49	Electric, Gas & Sanitary Services	10.13%	13.86%	30.11%	3.12%
50	Wholesale Trade-Durable Goods	10.61%	16.02%	37.02%	3.77%
51	Wholesale Trade-Nondurable Goods	9.23%	13.16%	29.67%	0.01%
53	General Merchandise Stores	9.05%	16.71%	43.70%	3.36%
54	Food Stores	8.96%	12.74%	29.33%	-1.19%
56	Apparel & Accessory Stores	11.52%	17.87%	39.60%	-0.35%
57	Home Furniture, Furnishings, and Equipment Stores	15.61%	26.77%	52.80%	1.80%
58	Eating and Drinking Places	0.56%	6.66%	37.54%	-8.58%
59	Miscellaneous Retail	12.59%	18.24%	36.91%	2.12%
60	Depository Institutions	15.62%	18.42%	25.70%	4.41%
61	Nondepository Credit Institutions	12.20%	16.44%	30.95%	0.45%
62	Security and Commod. Brokers, Dealers, Exchanges	15.08%	22.51%	43.31%	-2.61%
63	Insurance Carriers	13.25%	16.19%	24.49%	4.05%
64	Insurance Agents, Brokers, and Service	12.09%	20.01%	45.13%	3.59%
65	Real Estate	6.04%	11.12%	35.49%	-0.48%
67	Holding & Other Investment Offices	11.48%	15.93%	32.03%	2.75%
70	Hotels, Rooming Houses, Camps, & Other Lodging	5.29%	11.56%	37.84%	-3.36%
72	Personal Services	15.29%	19.00%	28.44%	5.16%
73	Business Services	14.11%	24.31%	61.30%	8.94%
78	Motion Pictures	6.07%	13.85%	45.54%	-2.96%
79	Amusement and Recreation Services	11.46%	15.98%	35.01%	-0.26%
80	Health Services	14.72%	21.40%	41.54%	2.94%

Source: Center for Research in Security Prices, University of Chicago.

The Empire District Electric Company
Comparison of Company Witness Donald A. Murry's
Financial Analysis in Both Rate Cases

Cost of Capital Model	Case No. ER-2002-424		Case No. ER-2004-0570	
	Low	High	Low	High
52 Week Trading Range of EDE's Stock Price	\$17.50	\$26.60	\$17.00	\$22.45
Current Trading Range of EDE's Stock Price	\$20.62	\$20.97	\$20.55	\$20.63
52 Week Discounted Cash Flow Analysis	9.31%	13.31%	7.70%	13.53%
Current Discounted Cash Flow Analysis	10.61%	12.21%	7.80%	11.88%
Historical Capital Asset Pricing Model		10.89%		10.97%
Size-Adjusted Capital Asset Pricing Model		10.09%		11.12%

Sources:

Direct Testimony of Donald A. Murry, Case No. ER-2002-424

Direct Testimony of Donald A. Murry, Case No. ER-2004-0570

Rebuttal Testimony of David Murray, Case No. ER-2004-0570, page 28, lines 21-22

YAHOO! Finance

No. 2159

**Empire District Electric Company
ER-2004-0570**

Office of the Public Counsel Data Request

Requested From: Angela Cloven

Date Requested: 12 November 2004

Information Requested: During his deposition testimony on November 10, 2004, witness Donald Murry testified that there were empirical studies showing that Value Line growth forecasts were superior to all other growth forecasts. Please provide copies of these empirical studies.

Dr. Murry did not state in his deposition that "Value Line growth forecasts were superior to all other forecasts" as the information request would imply. At page 105, lines 8 through 10, Dr. Murry stated: "I told you that analysts growth rates were superior, and my recollection was that specifically the preferred was Value Line."

In his deposition, Dr. Murry had in mind such articles as the attached: "Long-term Earnings Forecasts in the Electric Utility Industry: Accuracy and Valuation Implications," by Robert E. Chatfield, Scott E. Hein, and R. Charles Moyer. They concluded the following in their analysis:

"The valuation tests of the alternative forecasting techniques provided strong evidence that investors place the greatest weight on the forecasts provided by Value Line, rather than on the slightly more accurate implied growth rate forecasts. This result may be explained by the broad availability of Value Line forecasts, and the fact that many earlier research studies have found Value Line to be more accurate than alternative forecasting methods. Because the results of this earlier research, notably Brown and Rozeff [3], have been widely disseminated, it is possible that investor valuation decisions have been influenced accordingly. Of the analyst forecasts examined in this paper, Value Line forecasts have considerably higher explanatory power in the DCF model than do the forecasts provided by Salomon Brothers. These results suggest that investors and policymakers should rely upon analyst forecasts of earnings when looking for a proxy for the expected growth rate in the DCF model of valuation."

Requested By: Travis Allen

Phone: 573/751-1305

Fax: 573/751-5562

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to this information request.

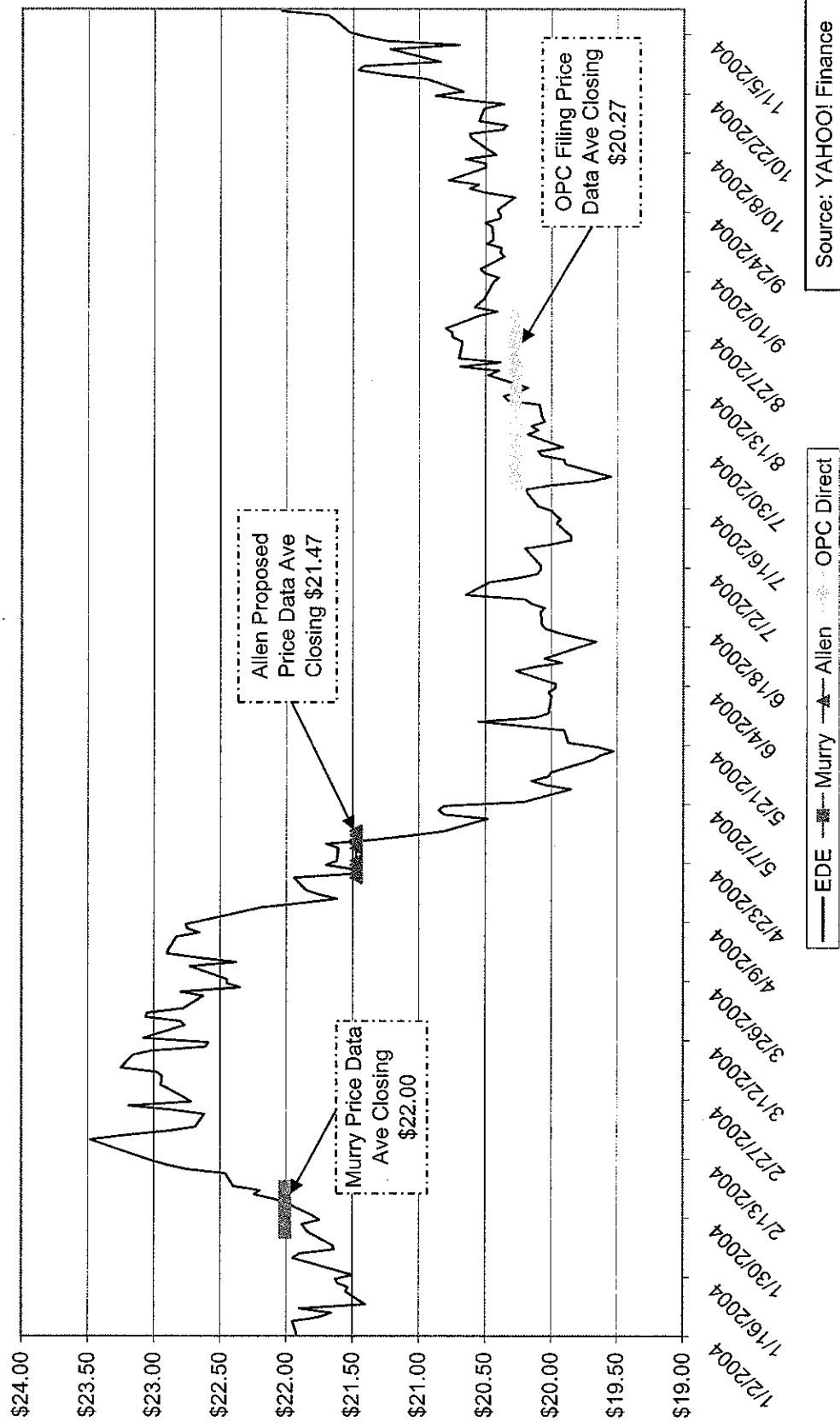
Date Received: _____

Signed By: _____

Title: _____

W. A. Murry
Vice President

Daily Closing Prices for The Empire District Electric Company 2004



The Empire District Electric Company

Commission Staff Witness David Murray

Calculation of Funds from Operations / Interest Coverage

Revised Rebuttal Schedule DAM-4

Line No.	Assumptions	Source
1	Funds From Operations	
2	Interest Expense	\$58,186,852
3	Income Before Interest	\$22,899,760
		\$81,086,612
4	Interest Expense	\$22,899,760
5	FFO Interest Coverage	
		<u>3.54</u>

The Empire District Electric Company

Office of Public Counsel Witness Travis Allen

Calculation of Funds from Operations / Interest Coverage

Revised Rebuttal Schedule DAM-9

Line No.	Assumptions	Source
1	Long Term Debt Ratio	43.99%
2	Embedded Cost of Long Term Debt	7.23%
3	Trust Preferred Securities Ratio	6.52%
4	Embedded Cost of Trust Preferred Securities	8.83%
5	Weighted Cost of Interest Obligations	3.76%
6	Rate Base	\$602,830,619
7	Funds from Operations	\$57,547,304
8	Interest Expense	\$22,644,661
9	Income Before Interest	\$80,191,965
10	Interest Expense	\$22,644,661
11	FFO Interest Coverage	3.54

Rebuttal Schedule DAM - 8
Rate Base * Weighted Cost of Interest Obligations
Line 7 + Line 8

Rate Base * Weighted Cost of Interest Obligations