

THE EMPIRE DISTRICT ELECTRIC COMPANY  
Consolidated Balance Sheet

	June 30, 2008	Adjustments	Proforma June 30, 2008
<b>ASSETS</b>			
Plant and Property, at Original Cost:			
Electric	\$ 1,465,033,960		\$ 1,465,033,960
Natural Gas	55,021,645		55,021,645
Water	10,474,390		10,474,390
Non-Regulated	27,479,516		27,479,516
Construction Work in Progress	214,112,369		214,112,369
	<u>1,772,121,880</u>		<u>1,772,121,880</u>
Accumulated Depreciation	510,655,769		510,655,769
	<u>1,261,466,111</u>		<u>1,261,466,111</u>
<b>Current Assets:</b>			
Cash and Cash Equivalents	3,349,276	196,538,539 X	199,887,815
Accounts Receivable - Trade, Net of Allowance	37,650,946		37,650,946
Accrued Unbilled Revenues	16,733,797		16,733,797
Accounts Receivable - Other	12,007,559		12,007,559
Materials and Supplies	28,138,395		28,138,395
Electric Fuel Inventory	16,703,348		16,703,348
Natural Gas Inventory	4,198,156		4,198,156
Unrealized gain in fair value of derivative contracts	18,228,535		18,228,535
Prepaid Expenses and Other	3,356,296		3,356,296
	<u>140,366,308</u>	<u>196,538,539</u>	<u>336,904,847</u>
<b>Deferred Charges:</b>			
Regulatory Assets	93,123,225		93,123,225
Goodwill	39,492,327		39,492,327
Unamortized Debt Issuance Costs	9,443,068	1,250,000	
		1,250,000	
		625,000	12,568,068
Unrealized gain in fair value of derivative contracts	32,269,465		32,269,465
Other	3,773,721		3,773,721
	<u>178,101,806</u>	<u>3,125,000</u>	<u>181,226,806</u>
<b>Total Assets</b>	<u>\$ 1,579,934,225</u>	<u>\$ 199,663,539</u>	<u>\$ 1,779,597,764</u>
<b>CAPITALIZATION AND LIABILITIES</b>			
Common Stock \$1 Par Value and Common Stock Rights	\$ 33,860,214	\$ 6,818,182 (1)	\$ 40,678,396
Capital in Excess of Par Value	482,038,094	136,431,818 (1)	618,469,912
Retained Earnings	7,374,437	(8,727,273) (2)	
		(2,399,388) Y	(3,752,224)
Accumulated Other Comprehensive Income (loss), net of income tax	30,379,411		30,379,411
<b>Total Common Stockholders' Equity</b>	<u>553,652,156</u>	<u>132,123,339</u>	<u>685,775,495</u>
<b>Long-Term Debt:</b>			
Note Payable to Securitization Trust	50,000,000	(50,000,000) (3)	
Obligations Under Capital Lease	262,588		262,588
First Mortgage Bonds and Secured Debt	332,930,197	(20,000,000) (1)	
		100,000,000 (3)	
		100,000,000 (5)	
		(50,000,000) (5)	
		50,000,000 (7)	512,930,197
Unsecured Debt	248,522,485	(49,203,000) (7)	199,319,485
<b>Total Long-Term Debt</b>	<u>631,715,268</u>	<u>80,797,000</u>	<u>712,512,268</u>
<b>Total Long-Term Debt &amp; Common Stockholders' Equity</b>	<u>1,185,367,424</u>	<u>212,920,339</u>	<u>1,398,287,763</u>
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	74,357,889		74,357,889
Short Term Debt	12,000,000	(143,250,000) (1)	
		20,000,000 (1)	
		8,727,273 (2)	
		(1,625,000) (2)	
		(98,750,000) (3)	
		50,000,000 (3)	
		6,500,000 (4)	
		(4,250,000) (4)	
		(98,750,000) (5)	
		50,000,000 (5)	
		6,500,000 (6)	
		(3,250,000) (6)	
		(49,375,000) (7)	
		49,203,000 (7)	
		3,250,000 (8)	
		(3,468,812) (8)	
		196,538,539 X	
Customer Deposits	8,859,776		8,859,776
Interest Accrued	6,146,588		6,146,588
Taxes Accrued	9,532,396	498,875 (2)	
		(690,750) (4)	
		(997,750) (6)	
		(67,175) (9)	
Other Current Liabilities	6,439,387		6,439,387
Unrealized loss in fair value of derivative contracts	2,977,999		2,977,999
Current Maturities of Long-Term Debt	155,229		155,229
	<u>120,469,964</u>	<u>(13,256,800)</u>	<u>107,212,264</u>
<b>Noncurrent Liabilities and Deferred Credits:</b>			
Regulatory Liabilities	62,479,594		62,479,594
Deferred Income Taxes	173,676,977		173,676,977
Unamortized Investment Tax Credits	3,323,148		3,323,148
Unrealized loss in fair value of derivative contracts	454,947		454,947
Pension and Other Postretirement Benefit Obligations	14,875,635		14,875,635
Other	19,287,436		19,287,436
	<u>274,097,737</u>		<u>274,097,737</u>
<b>Total Capitalization and Liabilities</b>	<u>\$ 1,579,934,225</u>	<u>\$ 199,663,539</u>	<u>\$ 1,779,597,764</u>

	June 30, 2008			Proforma Shares
	Shares Authorized	Shares Issued & Outstanding	Adjustments	Issued & Outstanding
Common Stock	100,000,000	33,860,214	6,818,182	40,678,396
Preference Stock	2,500,000	-	-	-
Preferred Stock	5,000,000	-	-	-

**EMPIRE DISTRICT ELECTRIC COMPANY**  
**Consolidated Statement of Operations**  
6/30/08

	12 MONTHS ENDED	Adjustments	Proforma 12 MONTHS ENDED
<b>Operating Revenues:</b>			
Electric	\$ 439,525,306		\$ 439,525,306
Natural Gas	60,272,713		60,272,713
Water	1,851,230		1,851,230
	<u>505,485,764</u>		<u>505,485,764</u>
<b>Operating Expenses:</b>			
Fuel - Electric	121,318,649		121,318,649
Purchased Power	86,462,575		86,462,575
Cost of Natural Gas Sold and Transported	37,179,773		37,179,773
Other	1,601,071		1,601,071
Regulated - Other	71,354,269		71,354,269
Maintenance and Repairs	27,438,566		27,438,566
Gain on Sale of Assets	(1,241,287)		(1,241,287)
Depreciation and Amortization	54,302,497		54,302,497
Provision for Income Taxes	15,074,282	498,875 (2)	
		(690,750) (4)	
		(997,750) (6)	
		(67,175) (8)	13,817,482
Other Taxes	25,580,544		25,580,544
	<u>439,070,939</u>	<u>(1,256,800)</u>	<u>437,814,139</u>
<b>Operating Income</b>	66,414,825	1,256,800	67,671,625
<b>Other Income and Deductions:</b>			
Allowance for Equity Funds Used			
During Construction	3,979,093		3,979,093
Interest Income	768,069		768,069
Benefit/(Provision) for Other Income Taxes	(318,769)		(318,769)
Other Non-operating Income	157,472		157,472
Other Non-operating Expense	(1,103,604)		(1,103,604)
	<u>3,482,261</u>		<u>3,482,261</u>
<b>Interest Charges:</b>			
Note Payable to Securitization Trust	4,250,000		4,250,000
Other Long-Term Debt	33,026,852	(1,625,000) (2)	
		6,500,000 (4)	
		(4,250,000) (4)	
		6,500,000 (6)	
		(3,250,000) (6)	
		3,250,000 (8)	
		(3,468,812) (8)	36,683,040
Allowance for Borrowed Funds Used			
During Construction	(5,484,416)		(5,484,416)
Short-term Debt	2,441,365		2,441,365
Other	1,058,273		1,058,273
	<u>35,292,074</u>	<u>3,656,188</u>	<u>38,948,262</u>
<b>Income from Continuing Operations</b>	34,605,012	(2,399,388)	32,205,624
<b>Earnings from Discontinued Operations, Net of Tax</b>	<u>111,014</u>		<u>111,014</u>
<b>Net Income</b>	<u>\$ 34,716,026</u>	<u>\$ (2,399,388) Y</u>	<u>\$ 32,316,638</u>

**Financing Assumptions for Pro Forma Statements:**

**2009**

Issue \$150 million of Common stock at an estimated \$22.00  
(\$20m of 8 1/8% first mortgage bonds mature and paid off)

Reference	New Common Stock	Increased (Decreased) Debt	Refinanced Debt
A	\$150m	(\$20m)	

Issue \$100 million of debt  
(\$50m of 8 1/2% trust preferred securities refinanced)

B		\$50m	\$50m
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**2010**

Issue \$100 million of debt  
(\$50m of 6 1/2% first mortgage bonds mature and refinance)

C		\$50m	\$50m
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**2011**

Issue \$50 million of debt  
(\$49m of unsecured 7.05% notes refinanced)

D		\$1m	\$49m
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**Entries**

(1) Short-term Debt (cash)	A	143,250,000	
Common Stock \$1 par (100,000,000 / \$22 price)			6,818,182
Capital in Excess of Par			136,431,818
Long-term debt		20,000,000	
Short-term Debt (cash)			20,000,000
(Issuance of equity shares at \$22 with a 4.5% reduction for issuance/fees, pay off \$20m debt maturing)			
(2) Dividends (6,818,182 shares * \$1.28) Paid through Retained Earnings	A	8,727,273	
Short-term Debt (cash)			8,727,273
Short-term Debt (cash)		1,625,000	
Interest Expense			1,625,000
Income Tax Expense (30.7% eff tax rate)		498,875	
Income Taxes Payable			498,875
(Dividends on new shares and reduction of interest costs and taxes related to \$20m FMB paid off)			
(3) Short-term Debt (cash)	B	98,750,000	
Issuance Costs (1.25%)		1,250,000	
Long-term debt			100,000,000
Note Payable to Securitization Trust		50,000,000	
Short-term Debt (cash)			50,000,000
(Issuance of \$100m of debt in conjunction with refinancing \$50m of existing debt)			
(4) Interest Expense (\$100m * 6.5%)	B	6,500,000	
Short-term Debt (cash)			6,500,000
Short-term Debt (cash)		4,250,000	
Interest Expense (\$50m * 8.5%)			4,250,000
Income Taxes Payable		690,750	
Income Tax Expense (30.7% eff tax rate)			690,750
(Interest costs on new debt reduced by debt refinanced)			
(5) Short-term Debt (cash)	C	98,750,000	
Issuance Costs (1.25%)		1,250,000	
Long-term debt			100,000,000
Long-term debt		50,000,000	
Short-term Debt (cash)			50,000,000
(Issuance of \$100m of debt in conjunction with refinancing)			

\$50m of maturing debt)

(6) Interest Expense (\$100m * 6.5%)	C	6,500,000	
Short-term Debt (cash)			6,500,000
Short-term Debt (cash)		3,250,000	
Interest Expense (\$50m * 6.5%)			3,250,000
Income Taxes Payable		997,750	
Income Tax Expense (30.7% eff tax rate)			997,750
(Interest costs on new debt reduced by debt refinanced, including income tax effect)			
(7) Short-term Debt (cash)	D	49,375,000	
Issuance Costs (1.25%)		625,000	
Long-term debt			50,000,000
Long-term debt (unsecured)		49,203,000	
Short-term Debt (cash)			49,203,000
(Issuance of \$50m of debt in conjunction with refinancing \$49m of existing debt)			
(8) Interest Expense (\$50m * 6.5%)	D	3,250,000	
Short-term Debt (cash)			3,250,000
Short-term Debt (cash)		3,468,812	
Interest Expense (\$49.2m * 7.05%)			3,468,812
Income Taxes Payable		67,175	
Income Tax Expense (30.7% eff tax rate)			67,175
(Interest costs on new debt reduced by debt refinanced, including income tax effect)			