

The Empire District Electric Company
Calculation of Amortization to meet Financial Ratio Targets
9/25/2007

		Total Company	Juris Alloc
1	Additional Net Balance Sheet Investment		62,224,304
2	Rate Base	Schedule D	733,148,974
3	Jurisdictional Allocation for Capital		0.83639
4	Total Capital	L1+L2	795,373,278
5	Equity	Schedule H1	** **
6	Trust Preferred	Schedule H1	** **
7	Long-term Debt	Schedule H1	** **
8	Cost of Debt	Schedule H4	7.01%
9	Interest Expense	L7 * L8 (+\$4,250,000 (TOPRs))	28,851,057
10	Electric Sales Revenue	Schedule J + Schedule D (rate increase)	375,139,158
11	Other Electric Operating Revenue	Schedule J	3,010,138
12	Operating Revenue	L10 + L11	378,149,296
13	Operating and Maintenance Expense	Schedule J	223,288,019
14	Depreciation	Schedule M	35,522,399
15	Amortization	Schedule M	11,168,836
16	Interest on Customer Deposits	Schedule J	599,219
17	Taxes Other than Income Taxes	Schedule J	12,484,292
18	Federal and State Income Taxes	Schedule J + Schedule D (rate increase)	26,463,788
19	Total Electric Operating Exp	Sum of L. 13-18	309,526,552
20	Operating Income - Electric	L12 - L19	68,622,744
21	less: Interest Expense	L9	-28,851,057
22	Depreciation	L14	35,522,399
23	Amortization	L 15	11,168,836
24	Deferred Taxes	Schedule J	2,634,852
25	Funds from Operations (FFO)	Sum of L20-24	89,097,774
26	Additional Financial Information Needed for Calculation of Ratios		
27	Capitalized Lease Obligations	EDE Accounts 227 + 243	-152,334
28	Short-term Debt Balance	EDE Form 10-Q, p. 8	50,033,000
29	Short-term Debt Interest	EDE Accounts 417.891 + 431.400	2,366,504
30	Cash Interest Paid	Information Supplied by EDE	28,767,000
31	AFUDC Debt (capitalized interest)	EDE Form 10-Q, p. 4	3,970,000
32	Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations		
33	Debt Adj for Off-Balance Sheet Oblig		
34	Operating Lease Debt Equivalent	Information Supplied by EDE/S&P	3,066,000
35	Purchase Power Debt Equivalent	Information Supplied by EDE	63,339,000
36	Total OSB Debt Adjustment	L34 + L35	66,405,000
37	Operating Lease Deprec Adjustment	Information Supplied by EDE/S&P	896,000
38	Interest Adjustments for Off-Balance Sheet Obligations		
39	Present Value of Operating Leases	L52 * 10%	306,600
40	Purchase Power Debt Equivalent	L53 * 10%	6,333,900
41	Total OSB Interest Adjustment	L39 + L40	6,640,500
42	Ratio Calculations		
43	Adjusted Interest Expense	L9 + L29 + L55	36,384,425
44	Adjusted Total Debt 6/30/07	L6 + L7 + L27 + L28 + L36	484,510,949
45	Adjusted Total Debt 6/30/06	Same as L65, but for prior year	399,854,960
46	Adjusted Total Capital	L4 + L27 + L28 + L36	892,633,446
47	Adj. FFO Interest Coverage	(L25 + L30 + L31 + L41)/(L9 + L31 + L41)	3.23
48	Adj. FFO as a % of Average Total Debt	(L25 + L37)/(avg. of L44 + L45)	0.2032
49	Adj. Total Debt to Total Capital	L44/L46	** **
50	Changes Required to Meet Ratio Targets		
51	Adj. FFO Interest Coverage Target		3.20
52	FFO Adjustment to Meet Target	(L51 - L47) * L43	-1,264,284
53	Interest Adjustment to Meet Target	L25 * (1/L51 - 1) - 1/L47 - 1)	629,716
54	Adj. FFO as a % of Average Total Debt		0.195
55	FFO Adjustment to Meet Target	(L54 - L48) * (Avg of L44 + L45)	-3,621,503
56	Debt Adjustment to Meet Target	L25 * (1/L54 - 1/L48)	18,416,906
57	Adj. Total Debt to Total Capital Target		** **
58	Debt Adjustment to Meet Target	(L57 - L49) * L46	** **
59	Total Capital Adjustment to Meet Target	L44/L57 - L46	** **
60	Amortization and Revenue Needed to Meet Targeted Ratios		
61	FFO Adj Needed to Meet Target Ratios	Maximum of L52, L55 or zero	-
62	Effective Income Tax Rate	Schedule G3	0.3839
63	Deferred Income Taxes	L61 * L62/(1 - L62)	0
64	Total Amortization Req for FFO Adj	L61 - L63	0