

**EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2004-0570
RECONCILIATION**

	Staff	OPC
Company Revenue Requirement (Permanent Rates)	\$ 42,366,164	\$ 42,366,164
Depreciation Lives	(2,576,063)	\$ (2,965,257)
Depreciation Cost Of Removal	(4,643,191)	(4,516,587)
Fuel & Purchased Power (Permanent Rates) ¹	(22,134,119)	(12,066,483)
Return On Equity ²	(11,649,060)	(11,051,669)
Capital Structure	(292,442)	(77,524)
Cost Of Long Term Debt	(119,725)	(59,863)
Revenue Requirement (Permanent Rates)	\$ 951,564	\$ 11,628,781
Interim Energy Charge (Interim Rates)	\$ 19,587,103	
<u>Settled Items:</u>		
Alternative Minimum Tax - Deferred Taxes	\$ (151,188)	
OPEBs Deferred Taxes	(335,252)	
Enron Legal Fees	(64,561)	
Tree Trimming	(446,382)	
Stock Options	(176,091)	
Pensions	63,927	
Payroll O&M Factor	(287,124)	
Energy Center Units 3 & 4 Disallowance	(327,868)	\$ (401,922)
Incentive Compensation	(117,496)	
Generator Inspections	(410,000)	
Energy Center Units 3 & 4 20 Year Inspection	(180,899)	
Rate Case Expense	(59,320)	
DNR Programs	(326,667)	
Total	\$ (2,818,920)	\$ (2,892,974)

1. Company's revenue requirement reflects its single point estimate for gas costs. Company's IEC option reflects an increase from Staff's position to \$8,624,929 instead of \$22,134,119 and an interim energy charge of \$16,505,288.
2. At the high end of the Party's return on equity range.

Empire District Electric Company

Case No. ER-2004-0570

Test Year Ending December 31, 2003 Updated Through June 30, 2004

Revenue Requirement

Line	(A)		8.29% Equity Return (B)	8.79% Equity Return (C)	9.29% Equity Return (D)
1	Net Original Cost Rate Base	(From Accounting Schedule 2)	\$ 606,396,695	\$ 606,396,695	\$ 606,396,695
2	Rate of Return		7.84%	8.09%	8.34%
3	Net Operating Income Requirement		\$ 47,541,501	\$ 49,057,493	\$ 50,573,484
4	Net Operating Income Available	(From Accounting Schedule 9)	50,849,772	50,849,772	50,849,772
5	Additional Net Operating Income Requirement		\$ (3,308,271)	\$ (1,792,279)	\$ (276,288)
6	Income Tax Requirement:	(From Accounting Schedule 11)			
7	Required Current Income Tax		\$ 9,310,216	\$ 10,254,796	\$ 11,199,375
8	Test Year Current Income Tax		11,371,523	11,371,523	11,371,523
9	Additional Current Income Tax Requirement		\$ (2,061,307)	\$ (1,116,727)	\$ (172,148)
10	Additional Revenue Requirement - Base Rates		\$ (5,369,578)	\$ (2,909,006)	\$ (448,436)
11	Settlement of Accounting and DNR Issues		\$ 1,400,000	\$ 1,400,000	\$ 1,400,000 *
12	Total Additional Revenue Requirement - Base Rates		\$ (3,969,578)	\$ (1,509,006)	\$ 951,564
13	Interim Energy Charge (IEC) - Interim Rates		\$ 19,587,103	\$ 19,587,103	\$ 19,587,103

* See the Reconciliation for a listing of settled items