

**The Empire District Electric Company**  
**Calculation of Amortization to meet Financial Ratio Targets**  
***CALCULATION WITH SUGGESTED CHANGES AS OF 3/27/08***

3/27/2008

Rebuttal Schedule RWS-1

		<b>Total Company</b>	<b>Juris Alloc</b>
1	Additional Net Balance Sheet Investment	(numeric value for this case only)	94,500,000
2	Rate Base	Schedule D	670,433,470
3	Jurisdictional Allocation for Capital		0.837404
4	Total Capital	12/31 Consolidated BS	764,933,470
5	Equity	Schedule H1	388,739,189
6	Trust Preferred	Schedule H1	35,033,953
7	Long-term Debt	Schedule H1	341,236,821
8	Cost of Debt	Schedule H4	6.80%
9	Interest Expense	L7 * L8 (+\$2,125,000 (TOPRs))	25,329,104
10	Revenue	plus staff rate case \$10.3m	353,642,502
11	Other Electric Operating Revenue		3,010,138
12	Operating Revenue	L10 + L11	356,652,640
13	Operating and Maintenance Expense	Cons income stmt	217,470,936
14	Depreciation		35,721,512
15	Amortization		13,504,374
16	Interest on Customer Deposits		593,870
17	Taxes Other than Income Taxes		13,106,455
18	Federal and State Income Taxes		19,201,605
19	Total Electric Operating Exp	Sum of L. 13-18	299,598,752
20	Operating Income - Electric	L12 - L19	57,053,888
21	less: Interest Expense	L9	-26,427,527
22	Depreciation	L14	35,721,512
23	Amortization	L 15	13,504,374
24	Deferred Taxes	Schedule J	-3,309,636
25	Funds from Operations (FFO)	Sum of L20-24	76,542,611

26	<b>Additional Financial Information Needed for Calculation of Ratios</b>		
27	Capitalized Lease Obligations	EDE Accounts 227 + 243	479,951
28	Short-term Debt Balance	EDE Form 10-Q, p. 8	33,040,000
29	Short-term Debt Interest	EDE Accounts 417.891 + 431.400	2,940,317
30	Cash Interest Paid	Information Supplied by EDE	35,781,815
31	AFUDC Debt (capitalized interest)	EDE Form 10-Q, p. 4	4,732,378
32	<b>Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations</b>		
33	Debt Adj for Off-Balance Sheet Obligs		
34	Operating Lease Debt Equivalent	Information Supplied by EDE/S&P	2,937,000
35	Purchase Power Debt Equivalent	Information Supplied by EDE	86,546,000
36	Total OBS Debt Adjustment	L34 + L35	89,483,000
37	Operating Lease Deprec Adjustment	Information Supplied by EDE/S&P	1,255,000
38	<b>Interest Adjustments for Off-Balance Sheet Obligations</b>		
39	Present Value of Operating Leases	L34 * 10%	293,700
40	Purchase Power Debt Equivalent	L35 * 10%	8,654,600
41	Total OBS Interest Adjustment	L39 + L40	8,948,300
42	<b>Ratio Calculations</b>		
43	Adjusted Interest Expense	L9 + L29 + L41	35,284,679
44	Adjusted Total Debt 12/31/07	1/2 of L6 + L7 + L27 + L28 + L36	461,756,961
45	Adjusted Total Debt 12/31/06	Same as L65, but for prior year	443,934,000
46	Adjusted Total Capital	L4 + L27 + L28 + L36	867,936,634
47	<b>Adj. FFO Interest Coverage</b>	<b>(L25 + L37 + L43)/L43</b>	<b>3.20</b>
48	<b>Adj. FFO as a % of Ending Debt</b>	<b>(L25 + L37)/L44</b>	<b>0.1680</b>
49	<b>Adj. Total Debt to Total Capital</b>	<b>L44/L46</b>	<b>0.5320</b>
50	<b>Changes Required to Meet Ratio Targets</b>		
51	Adj. FFO Interest Coverage Target	Target	3.20
52	FFO Adjustment to Meet Target	(L51 - L47) * L43	32,740
53	Interest Adjustment to Meet Target	L25 * (1/L51 - 1) - 1/L47 - 1)	-14,680
54	Adj. FFO as a % of Average Total Debt	Target	0.195
55	FFO Adjustment to Meet Target	(L54 - L48) * (Avg of L44 + L45)	12,208,799
56	Debt Adjustment to Meet Target	L25 * (1/L54 - 1/L48)	-62,976,626
57	Adj. Total Debt to Total Capital Target	Target	56.50%
58	Debt Adjustment to Meet Target	(L57 - L49) * L46	28,627,237
59	Total Capital Adjustment to Meet Target	L44/L57 - L46	-50,667,676
60	<b>Amortization and Revenue Needed to Meet Targeted Ratios</b>		
61	FFO Adj Needed to Meet Target Ratios	Maximum of L52, L55 or zero	12,208,799
62	Effective Income Tax Rate	Schedule G3	0.3839
63	Deferred Income Taxes	L61 * L62/(1 - L62)	-7,607,021
64	Total Amortization Req for FFO Adj	L61 - L63	19,815,820