

The Empire District Electric Company
Test Year Ending September 30, 2023
ER-2024-0261
Schedule 7 - Explanation of Income Statement Adjustments

| Line No. | Description (a) | Reference | | Adjustment Amount (d) |
|---------------------------|--|--------------------------------------|----------------|--------------------------|
| | | Sch/WP (b) | Witness (c) | |
| OPERATING REVENUES | | | | |
| 1 | This adjustment is to reclass the revenues related to the FAC from FAC revenues to tariff revenues. | REV ADJ 1 | Emery | \$ (0) |
| 2 | To remove the unbilled revenues for Missouri. | REV ADJ 2 | Emery | 3,043,488 |
| 3 | To adjust revenues based on an annualized amount of customers. | REV ADJ 3 | Emery | 861,041 |
| 4 | To normalize revenues for weather. | REV ADJ 4 | Emery | 1,689,042 |
| 5 | To annualize revenues for large customer load growth. | REV ADJ 5 | Emery | (2,342,896) |
| 6 | To reverse the amount of test year revenues being offset for the Asbury AAO liability. | REV ADJ 6 | Emery | 14,789,877 |
| 7 | To remove the Missouri jurisdiction franchise fees from the revenue requirement. | REV ADJ 7 | Emery | (11,321,242) |
| 8 | To remove MEEIA revenue recovered through EO-2022-0078. | REV ADJ 8 | Emery | (3,314,624) |
| 9 | To annualize Non-FAC wind operating revenues in the Company's revenue requirement. | REV ADJ 9 | Emery | (4,316,661) |
| 10 | To remove revenues credited to account 407450 for the MO Property Tax Tracker. | REV ADJ 10 | Emery | (5,233,740) |
| 11 | To reclass the customer interruptible credit entries that were inadvertently left in the revenue account during the test year. | REV ADJ 12 | Emery | 365,712 |
| 12 | Total Adjustments to Operating Revenues: | | | <u>\$ (5,780,003)</u> |
| OPERATING EXPENSES | | | | |
| 13 | To determine the balances in the fuel and purchased power expense accounts at the end of the update period. | REV ADJ 11/EXP ADJ 1 | Emery | \$ (24,321,298) |
| 14 | To normalize non-labor O&M generation expenses. | EXP ADJ 2 | Emery | 3,331,146 |
| 15 | To adjust and normalize expected vegetation management costs as compared to test year balances. | EXP ADJ 3 | Emery | 484,198 |
| 16 | An inventory adjustment was incorrectly made in the test year, causing account 587038 to have a large credit. A three year average was prepared, excluding the test year, to show a normal year. This entry is only normalizing the entries for project related to stores overhead and not the full account balance. | EXP ADJ 4 | Emery | 512,080 |
| 17 | This adjustment is to reverse the test year amount of depreciation expense associated with the PISA Regulatory Asset, as the Company is seeking recovery of all of it's depreciation expense. | EXP ADJ 5 | Emery | 10,564,101 |
| 18 | To annualize uncollectible expense and include the portion of expected uncollectible expense from the proposed rate case increase. | EXP ADJ 6 | Emery | 1,185,143 |
| 19 | To annualize the amount of amortization expense related to the regulatory assets and liabilities to the update period. | EXP ADJ 7 | Emery | 27,403,521 |
| 20 | To determine an annualized amount of rate case expense incurred throughout the current rate case docket. | EXP ADJ 8 | Emery | (894,055) |

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| 21 | To reflect a normalized level of expected insurance premium expense at the update period. | EXP ADJ 9 | Emery | 1,289,207 |
| 22 | To normalize the amount of injuries and damages and workers' comp claims paid out. | EXP ADJ 10 | Emery | 212,815 |
| 23 | To remove non-recoverable expenses, such as donations, that were included in the test year. | EXP ADJ 11 | Schwartz | (624,067) |
| 24 | To annualize payroll and payroll taxes at the update period. | EXP ADJ 12 | Emery | 14,086,507 |
| 25 | To determine an annualized amount of employee benefits at the test year. | EXP ADJ 13 | Emery | 162,439 |
| 26 | To annualize the Public Service Commission Assessment for 2023-2024. | EXP ADJ 14 | Emery | (91,085) |
| 27 | To annualize the amount of depreciation expense at the update period. | EXP ADJ 15 | Emery | 5,673,084 |
| 28 | To annualize the amount of amortization expense at the update period. | EXP ADJ 16 | Emery | 10,983,122 |
| 29 | To annualize the property taxes related to non-wind pro forma plant. | EXP ADJ 17 | Emery | 3,683,037 |
| 30 | To remove the test year level of franchise fee expenses. | EXP ADJ 18 | Emery | (11,321,145) |
| 31 | To include interest on customer deposits as an operating cost. | EXP ADJ 19 | Emery | 1,465,043 |
| 32 | To include non-FAC operating expenses in the Company's revenue requirement for the wind projects. | EXP ADJ 20 | Emery | 261,074 |
| 33 | Due to a refund being issued in the test year for the Moody's Investor invoices, a pro forma adjustment is being made for the budgeted amount of Moody's fees expected to be paid in 2024. | EXP ADJ 21 | Emery | 210,700 |
| 34 | To reflect the balances in the Pension and OPEB accounts at the end of the update period. | EXP ADJ 22 | Fallert | (13,239,327) |
| 35 | To normalize expenses related to the LTM contracts for Riverton/Stateline | EXP ADJ 23 | Emery | 3,714,158 |
| 36 | To annualize America Water expense incurred in operation of Stateline power plant. | EXP ADJ 24 | Emery | 542,343 |
| 37 | To adjust and normalize test year balances for Dept 115 Wind O&M costs as compared to 2024 budget figures. | EXP ADJ 25 | Emery | 215,715 |
| 38 | To calculate the expected on-going Customer First Expenses. | EXP ADJ 26 | Emery | 5,165,203 |
| 39 | Income Tax True-Up | EXP ADJ 27 | Emery | (12,308,870) |
| 40 | Total Adjustments to Operating Expenses: | | | <u>\$ 28,344,787</u> |

Source: See column (b).

Purpose: To provide a description for the income statement adjustments.