

## The Empire District Electric Company

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## The Empire District Electric Company

## Capital Structure

December 31, 2003

Item	Amount	Percent of Total
Long Term Debt	\$336,496,611	43.89%
Trust Preferred Securities	\$48,292,848	6.30%
Common Equity	\$381,935,258	49.81%
Total	\$766,724,717	100.00%

Source :  
The Empire District Electric Company Workpapers

## The Empire District Electric Company

## Long Term Debt

December 31, 2003

Series	Principal Amount Outstanding	Annual Cost	Projected Unamortized Expense, Discount and Premium
Bonds and Unsecured Notes:			
7.2% Series, Due 2016	\$25,000,000	\$1,800,000	(\$306,672)
5.2% Pollution Control Series, Due 2013	\$5,200,000	\$270,400	(\$269,080)
5.3% Pollution Control Series, Due 2013	\$8,000,000	\$424,000	(\$378,009)
7.05% Series, Due 2022 Dec 02 Issue	\$49,942,000	\$3,520,911	(\$1,603,062)
6.7% Series, Due 2023	\$62,000,000	\$4,154,000	(\$2,927,434)
7.75% Series, Due 2025	\$30,000,000	\$2,325,000	(\$2,852,241)
8.125% Series, Due 2009	\$20,000,000	\$1,625,000	(\$145,382)
7.6% Series, Due 2005	\$10,000,000	\$760,000	(\$26,093)
6.5% Series, Due 2010	\$50,000,000	\$3,250,000	(\$459,637)
4.5% Series, Due 2013	\$98,000,000	\$4,410,000	(\$12,677,779)
Totals	\$358,142,000	\$22,539,311	(\$21,645,389)
Premium, Discount, and Expense		\$1,871,248	
Total Unamortized Expenses	(\$21,645,389)		
Net Proceeds to Company	\$336,496,611		
Total Annual Cost		\$24,410,559	
Embedded Cost of Long Term Debt		7.25%	

Source:

The Empire District Electric Company Workpapers

## The Empire District Electric Company

## Trust Preferred Securities

December 31, 2003

Item	Principal Amount Outstanding	Annual Cost
Preferred Securities	\$50,000,000	\$4,250,000
Premium, Discount, and Expense	(\$1,707,152)	\$62,840
Net Proceeds to Company	\$48,292,848	\$4,312,840
Embedded Cost of Trust Preferred Securities		8.93%

Source:  
The Empire District Electric Company Workpapers

## The Empire District Electric Company

## Comparable Companies

## Comparison of Common Equity Ratios

Company	1999	2000	2001	2002	2003E
Empire District Electric	40.4%	42.4%	42.8%	44.5%	48.5%
Central Vermont Public Service	48.5%	50.0%	48.4%	54.1%	58.5%
CH Energy Group	55.3%	56.1%	64.6%	61.6%	61.0%
Hawaiian Electric	41.4%	39.9%	41.6%	46.5%	47.0%
MGE Energy	55.5%	52.2%	57.8%	54.2%	55.0%
NSTAR	47.2%	39.4%	39.5%	37.8%	40.0%
Pinnacle West	50.0%	54.9%	48.3%	48.2%	47.0%
Comparable Companies' Averages	49.7%	48.8%	50.0%	50.4%	51.4%

Source: Value Line Investment Survey

The Empire District Electric Company

Comparable Companies

Comparison of Return on Equity

Company	1999	2000	2001	2002	2003	Five Year Average
Empire District Electric	8.80%	9.80%	3.90%	7.80%	8.00%	7.66%
Central Vermont Public Service	8.00%	6.90%	5.80%	9.30%	9.00%	7.80%
CH Energy Group	10.00%	10.60%	10.20%	7.10%	8.50%	9.28%
Hawaiian Electric	11.00%	9.80%	11.60%	11.30%	10.50%	10.84%
MGE Energy	12.80%	13.70%	12.60%	12.80%	12.00%	12.78%
NSTAR	9.10%	13.00%	13.70%	13.80%	13.50%	12.62%
Pinnacle West	12.20%	11.90%	12.50%	8.00%	8.50%	10.62%
Comparable Companies' Averages	10.52%	10.98%	11.07%	10.38%	10.33%	10.66%

Source: Value Line Investment Survey

The Empire District Electric Company

Comparable Companies

Comparison of Dividends per Share

Company	1999	2000	2001	2002	2003E	Growth '99-'03
Empire District Electric	1.28	1.28	1.28	1.28	1.28	0.00%
Central Vermont Public Service	0.88	0.88	0.88	0.88	0.88	0.00%
CH Energy Group	2.16	2.16	2.16	2.16	2.16	0.00%
Hawaiian Electric	2.48	2.48	2.48	2.48	2.48	0.00%
MGE Energy	1.31	1.32	1.33	1.34	1.35	0.75%
NSTAR	1.96	2.02	2.08	2.13	2.17	2.61%
Pinnacle West	1.33	1.43	1.53	1.63	1.73	6.78%
Comparable Companies' Averages	1.69	1.72	1.74	1.77	1.80	1.69%

Source: Value Line Investment Survey

The Empire District Electric Company

Comparable Companies

Comparison of Dividend Payout Ratios

Company	1999	2000	2001	2002	2003E	Five Year Average
Empire District Electric	107%	95%	217%	109%	98%	125.2%
Central Vermont Public Service	72%	80%	92%	61%	61%	73.2%
CH Energy Group	77%	73%	71%	102%	82%	81.0%
Hawaiian Electric	88%	84%	63%	63%	64%	72.4%
MGE Energy	89%	79%	82%	80%	75%	81.0%
NSTAR	74%	64%	65%	63%	64%	66.0%
Pinnacle West	42%	43%	41%	64%	66%	51.2%
Comparable Companies' Averages	73.7%	70.5%	69.0%	72.2%	68.7%	70.8%

Source: Value Line Investment Survey



The Empire District Electric Company  
Price-Earnings Ratios of Electric Utilities  
Before and After Dividend Reduction  
(2002-2003)

Company	Prior Year	Reduction Year
Alliant Energy	19.1	12.3
American Electric Power	12.7	12.2
Puget Sound Energy	19.1	17.1
TXU Corporation	18.4	10.2
Westar Energy	14.0	9.6
Average	16.7	12.3

Source: Value Line Investment Survey

The Empire District Electric Company  
Comparable Local Distribution Companies  
Comparison of Value Line's Safety Rank

	Safety Rank
Empire District Electric	3
Central Vermont Public Service	3
CH Energy Group	1
Hawaiian Electric	2
MGE Energy	1
NSTAR	1
Pinnacle West	1
Comparable Companies' Average	1.5

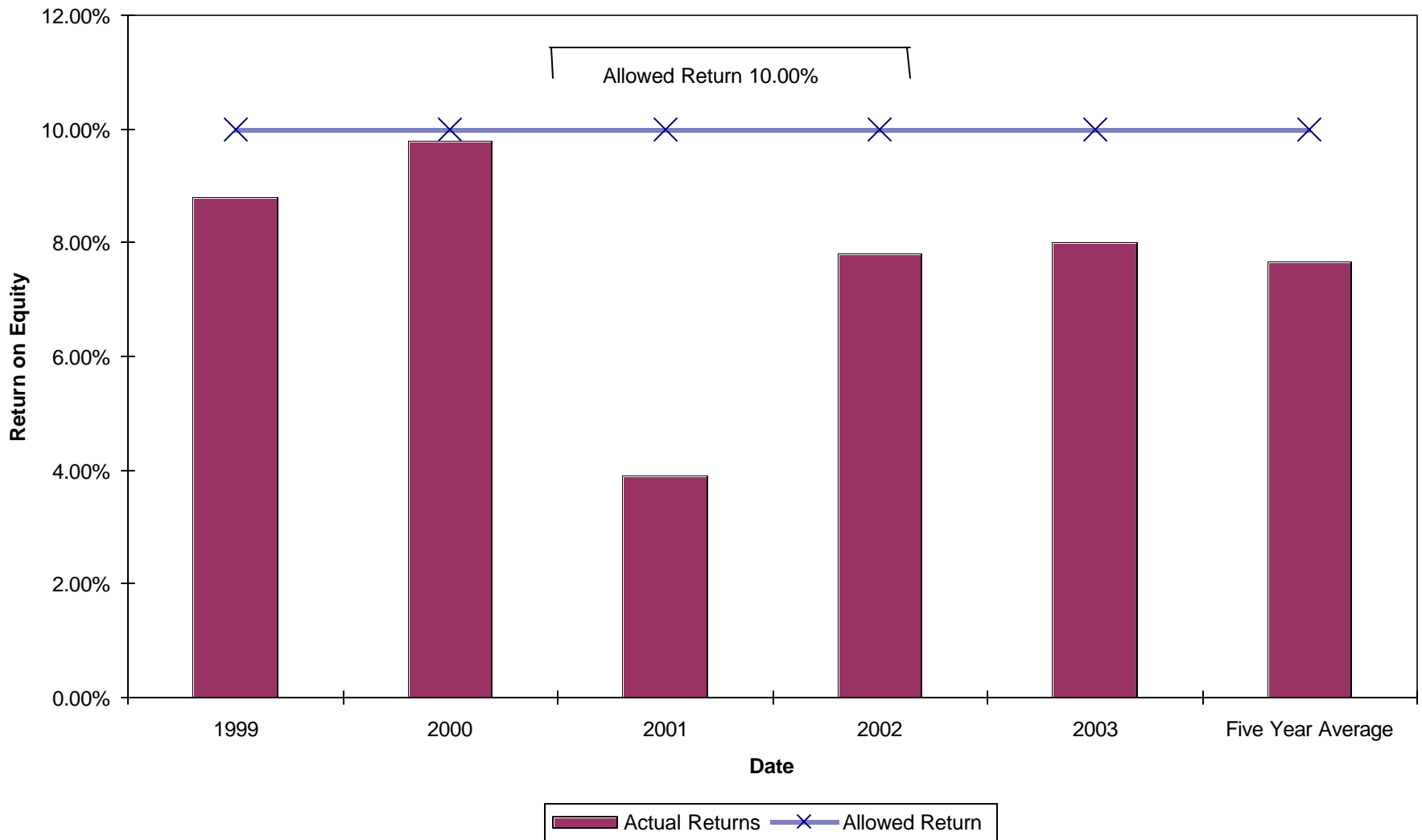
Source: Value Line Investment Survey

The Empire District Electric Company  
Comparable Local Distribution Companies  
Comparison of Value Line's Timeliness Rank

	Timeliness Rank
Empire District Electric	5
Central Vermont Public Service	3
CH Energy Group	5
Hawaiian Electric	3
MGE Energy	4
NSTAR	5
Pinnacle West	4
Comparable Companies' Average	4.0

Source: Value Line Investment Survey

### The Empire District Electric Company Comparison of Actual and Allowed Returns on Equity



The Empire District Electric Company

Comparable Electric Companies

Growth Rate Summary

	1998 TO 2007 Estimate			Value Line Five Year Historical			Projections Value Line		S & P
	EPS	DPS	Book Value	EPS	DPS	Book Value	EPS	DPS	EPS
Empire District Electric	1.5%	0.0%	2.1%	-3.5%	0.0%	1.5%	6.0%	0.0%	2.0%
Central Vermont Public Service	8.0%	1.9%	1.5%	-3.0%	1.0%	0.5%	7.5%	3.0%	N/A
CH Energy Group	0.3%	0.2%	1.7%	-1.0%	0.5%	2.5%	1.5%	0.5%	0.0%
Hawaiian Electric	2.2%	0.1%	3.4%	2.5%	0.5%	1.5%	2.5%	0.0%	3.0%
MGE Energy	5.2%	0.7%	5.2%	4.5%	1.0%	0.5%	6.0%	0.5%	N/A
NSTAR	4.3%	2.2%	3.4%	6.0%	2.0%	3.0%	3.5%	2.0%	4.0%
Pinnacle West	1.7%	6.3%	3.8%	5.0%	8.5%	5.0%	1.0%	5.5%	4.0%
Comparable Companies' Averages	3.62%	1.89%	3.19%	2.33%	2.25%	2.17%	3.67%	1.92%	2.75%

Sources:

Value Line Investment Survey

Standard & Poor's Earnings Guide

The Empire District Electric Company

Comparable Electric Companies

52 Week Cost of Capital

	Share Prices		2004 Dividend	52 Week Yields		1997-99 Dividend	2006-08E Dividend	Growth Rate	Cost of Capital	
	Low	High		Low	High				Low	High
Empire District Electric	17.00	22.45	1.28	5.70%	7.53%	1.28	1.28	0.00%	5.70%	7.53%
Central Vermont Public Service	16.52	24.50	0.92	3.76%	5.57%	0.88	1.04	1.87%	5.63%	7.44%
CH Energy Group	40.21	47.15	2.16	4.58%	5.37%	2.15	2.20	0.24%	4.82%	5.61%
Hawaiian Electric	38.20	51.50	2.48	4.82%	6.49%	2.47	2.48	0.06%	4.88%	6.55%
MGE Energy	25.00	35.84	1.36	3.79%	5.44%	1.30	1.38	0.67%	4.46%	6.11%
NSTAR	38.67	49.98	2.21	4.42%	5.72%	1.91	2.33	2.21%	6.64%	7.93%
Pinnacle West	28.34	40.81	1.83	4.48%	6.46%	1.23	2.13	6.29%	10.78%	12.75%
Comparable Companies' Averages	31.16	41.63	1.83	4.31%	5.84%	1.66	1.93	1.89%	6.20%	7.73%

Source : Value Line Investment Survey

The Empire District Electric Company

Comparable Electric Companies

Current Cost of Capital

	Share Prices		Current Dividend	Current Yields		1997-99 Dividend	2006-08E Dividend	Growth Rate	Cost of Capital	
	Low	High		Low	High				Low	High
Empire District Electric	21.76	22.07	1.28	5.80%	5.88%	1.28	1.28	0.00%	5.80%	5.88%
Central Vermont Public Service	23.65	23.98	0.92	3.84%	3.89%	0.88	1.04	1.87%	5.71%	5.76%
CH Energy Group	46.19	46.77	2.16	4.62%	4.68%	2.15	2.20	0.24%	4.86%	4.91%
Hawaiian Electric	50.40	51.01	2.48	4.86%	4.92%	2.47	2.48	0.06%	4.92%	4.98%
MGE Energy	31.34	31.86	1.36	4.27%	4.34%	1.30	1.38	0.67%	4.93%	5.00%
NSTAR	48.58	49.15	2.21	4.50%	4.55%	1.91	2.33	2.21%	6.71%	6.76%
Pinnacle West	38.11	38.78	1.83	4.72%	4.80%	1.23	2.13	6.29%	11.01%	11.09%
Comparable Companies' Averages	39.71	40.26	1.83	4.47%	4.53%	1.66	1.93	1.89%	6.36%	6.42%

Sources:

Value Line Investment Survey  
 Yahoo! FINANCE

The Empire District Electric Company

Comparable Electric Companies

52 Week Cost of Capital

	Share Prices		2004 Dividend	52 Week Yields		1997-99 EPS	2006-08E EPS	Growth Rate	Cost of Capital	
	Low	High		Low	High				Low	High
Empire District Electric	17.00	22.45	1.28	5.70%	7.53%	1.32	1.50	1.46%	7.16%	8.99%
Central Vermont Public Service	16.52	24.50	0.92	3.76%	5.57%	0.93	1.85	7.98%	11.74%	13.55%
CH Energy Group	40.21	47.15	2.16	4.58%	5.37%	2.92	3.00	0.31%	4.89%	5.69%
Hawaiian Electric	38.20	51.50	2.48	4.82%	6.49%	2.87	3.50	2.23%	7.05%	8.72%
MGE Energy	25.00	35.84	1.36	3.79%	5.44%	1.42	2.25	5.25%	9.04%	10.69%
NSTAR	38.67	49.98	2.21	4.42%	5.72%	2.75	4.00	4.27%	8.69%	9.98%
Pinnacle West	28.34	40.81	1.83	4.48%	6.46%	2.93	3.40	1.67%	6.15%	8.12%
Comparable Companies' Averages	31.16	41.63	1.83	4.31%	5.84%	2.30	3.00	3.62%	7.93%	9.46%

Source : Value Line Investment Survey



The Empire District Electric Company

Comparable Electric Companies

Current Cost of Capital

	Share Prices		Current Dividend	Current Yields		1997-99 EPS	2006-08E EPS	Growth Rate	Cost of Capital	
	Low	High		Low	High				Low	High
Empire District Electric	21.76	22.07	1.28	5.80%	5.88%	1.32	1.50	1.46%	7.26%	7.34%
Central Vermont Public Service	23.65	23.98	0.92	3.84%	3.89%	0.93	1.85	7.98%	11.82%	11.87%
CH Energy Group	46.19	46.77	2.16	4.62%	4.68%	2.92	3.00	0.31%	4.93%	4.99%
Hawaiian Electric	50.40	51.01	2.48	4.86%	4.92%	2.87	3.50	2.23%	7.09%	7.15%
MGE Energy	31.34	31.86	1.36	4.27%	4.34%	1.42	2.25	5.25%	9.52%	9.59%
NSTAR	48.58	49.15	2.21	4.50%	4.55%	2.75	4.00	4.27%	8.76%	8.81%
Pinnacle West	38.11	38.78	1.83	4.72%	4.80%	2.93	3.40	1.67%	6.39%	6.47%
Comparable Companies' Averages	39.71	40.26	1.83	4.47%	4.53%	2.30	3.00	3.62%	8.08%	8.15%

Sources:

Value Line Investment Survey

Yahoo! FINANCE

The Empire District Electric Company

Comparable Electric Companies

52 Week Cost of Capital

	Share Prices		2004 Dividend	52 Week Yields		EPS Estimates		Cost of Capital	
	Low	High		Low	High	Value Line	S&P	Low	High
Empire District Electric	17.00	22.45	1.28	5.70%	7.53%	6.00%	2.00%	7.70%	13.53%
Central Vermont Public Service	16.52	24.50	0.92	3.76%	5.57%	7.50%	N/A	11.26%	13.07%
CH Energy Group	40.21	47.15	2.16	4.58%	5.37%	1.50%	0.00%	6.08%	6.87%
Hawaiian Electric	38.20	51.50	2.48	4.82%	6.49%	2.50%	3.00%	7.32%	8.99%
MGE Energy	25.00	35.84	1.36	3.79%	5.44%	6.00%	N/A	9.79%	11.44%
NSTAR	38.67	49.98	2.21	4.42%	5.72%	3.50%	4.00%	7.92%	9.72%
Pinnacle West	28.34	40.81	1.83	4.48%	6.46%	1.00%	4.00%	5.48%	10.46%
Comparable Companies' Averages	31.16	41.63	1.83	4.31%	5.84%	3.67%	2.75%	7.98%	10.09%

Sources:

Value Line Investment Survey

Standard & Poor's Earnings Guide

The Empire District Electric Company

Comparable Electric Companies

Current Cost of Capital

	Share Prices		Current Dividend	Current Yields		EPS Estimates		Cost of Capital	
	Low	High		Low	High	Value Line	S&P	Low	High
Empire District Electric	21.76	22.07	1.28	5.80%	5.88%	6.00%	2.00%	7.80%	11.88%
Central Vermont Public Service	23.65	23.98	0.92	3.84%	3.89%	7.50%	N/A	11.34%	11.39%
CH Energy Group	46.19	46.77	2.16	4.62%	4.68%	1.50%	0.00%	6.12%	6.18%
Hawaiian Electric	50.40	51.01	2.48	4.86%	4.92%	2.50%	3.00%	7.36%	7.42%
MGE Energy	31.34	31.86	1.36	4.27%	4.34%	6.00%	N/A	10.27%	10.34%
NSTAR	48.58	49.15	2.21	4.50%	4.55%	3.50%	4.00%	8.00%	8.55%
Pinnacle West	38.11	38.78	1.83	4.72%	4.80%	1.00%	4.00%	5.72%	8.80%
Comparable Companies' Averages	39.71	40.26	1.83	4.47%	4.53%	3.67%	2.75%	8.13%	8.78%

Sources:

Value Line Investment Survey  
 Standard & Poor's Earnings Guide  
 Yahoo! FINANCE

The Empire District Electric Company  
 Comparable Electric Companies  
 Summary of Discounted Cash Flow Analysis

	DCF Range	
	Low	High
DCF Using Projected Growth Rates and Current Share Prices		
Comparable Companies' Averages	8.13%	8.78%
Empire District Electric	7.80%	11.88%
DCF Using Projected Growth Rates and 52 Week Share Prices		
Comparable Companies' Averages	7.98%	10.09%
Empire District Electric	7.70%	13.53%

Sources: Schedules DAM-17 and DAM-18

The Empire District Electric Company  
 Comparable Electric Distribution Companies  
 Cost of Equity : Historical Capital Asset Pricing Model

Company	Market Total Returns	Long-Term Corporate Bonds Return	Risk Premium	Beta	Adjusted Risk Premium	Aaa Corporate Bonds Return	Cost of Equity
Empire District Electric	14.55%	6.20%	8.35%	0.65	5.43%	5.54%	10.97%
Central Vermont Public Service	14.55%	6.20%	8.35%	0.45	3.76%	5.54%	9.30%
CH Energy Group	14.55%	6.20%	8.35%	0.75	6.26%	5.54%	11.80%
Hawaiian Electric	14.55%	6.20%	8.35%	0.60	5.01%	5.54%	10.55%
MGE Energy	14.55%	6.20%	8.35%	0.55	4.59%	5.54%	10.13%
NSTAR	14.55%	6.20%	8.35%	0.70	5.85%	5.54%	11.39%
Pinnacle West	14.55%	6.20%	8.35%	0.80	6.68%	5.54%	12.22%
Comparable Companies' Averages	14.55%	6.20%	8.35%	0.64	5.36%	5.54%	10.90%

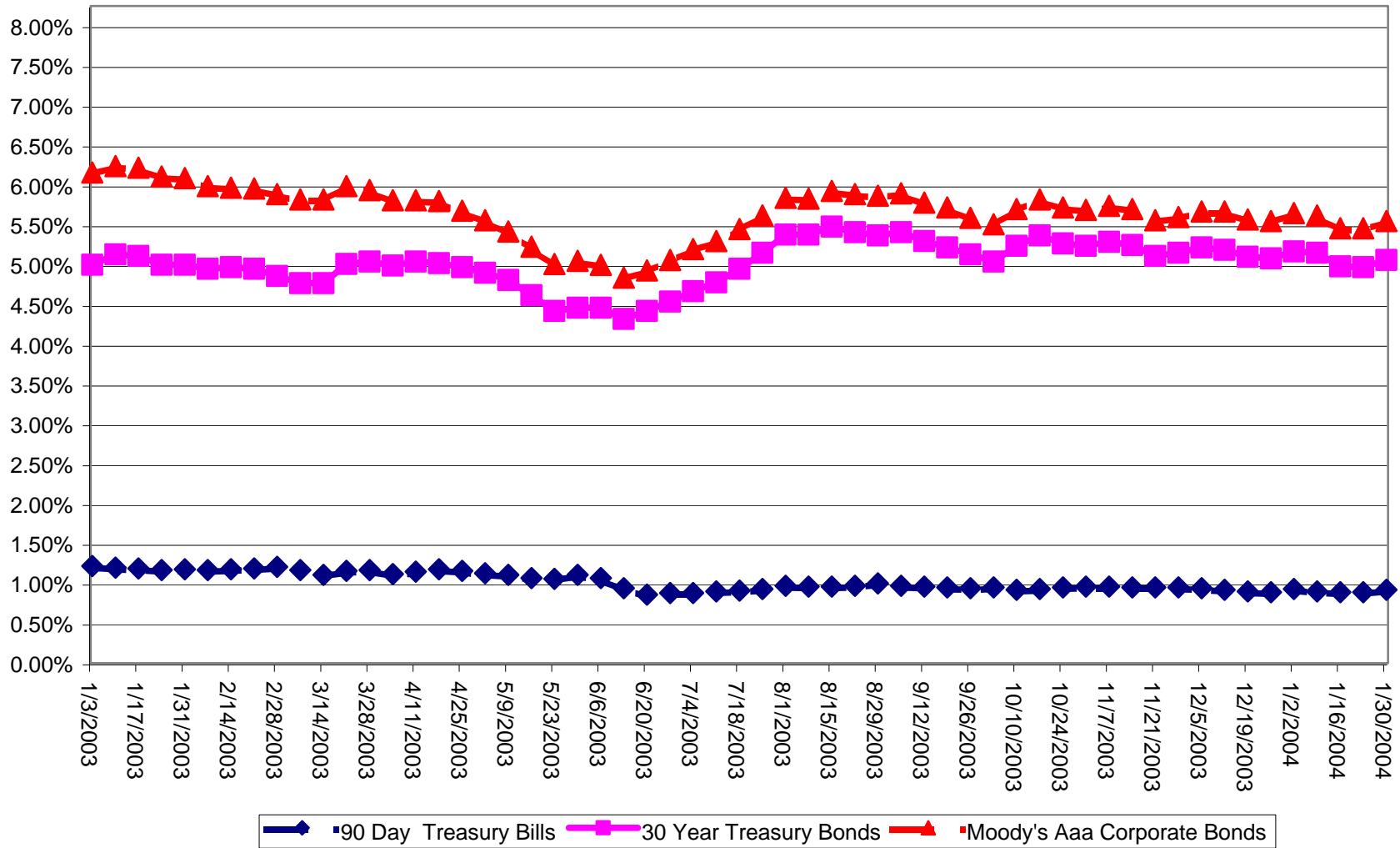
Sources :  
 Value Line Investment Survey  
 Ibbotson Associates 2003 SBBI Yearbook  
 Federal Reserve Statistical Release

The Empire District Electric Company  
 Comparable Electric Distribution Companies  
 Cost of Equity : Size Adjusted Capital Asset Pricing Model

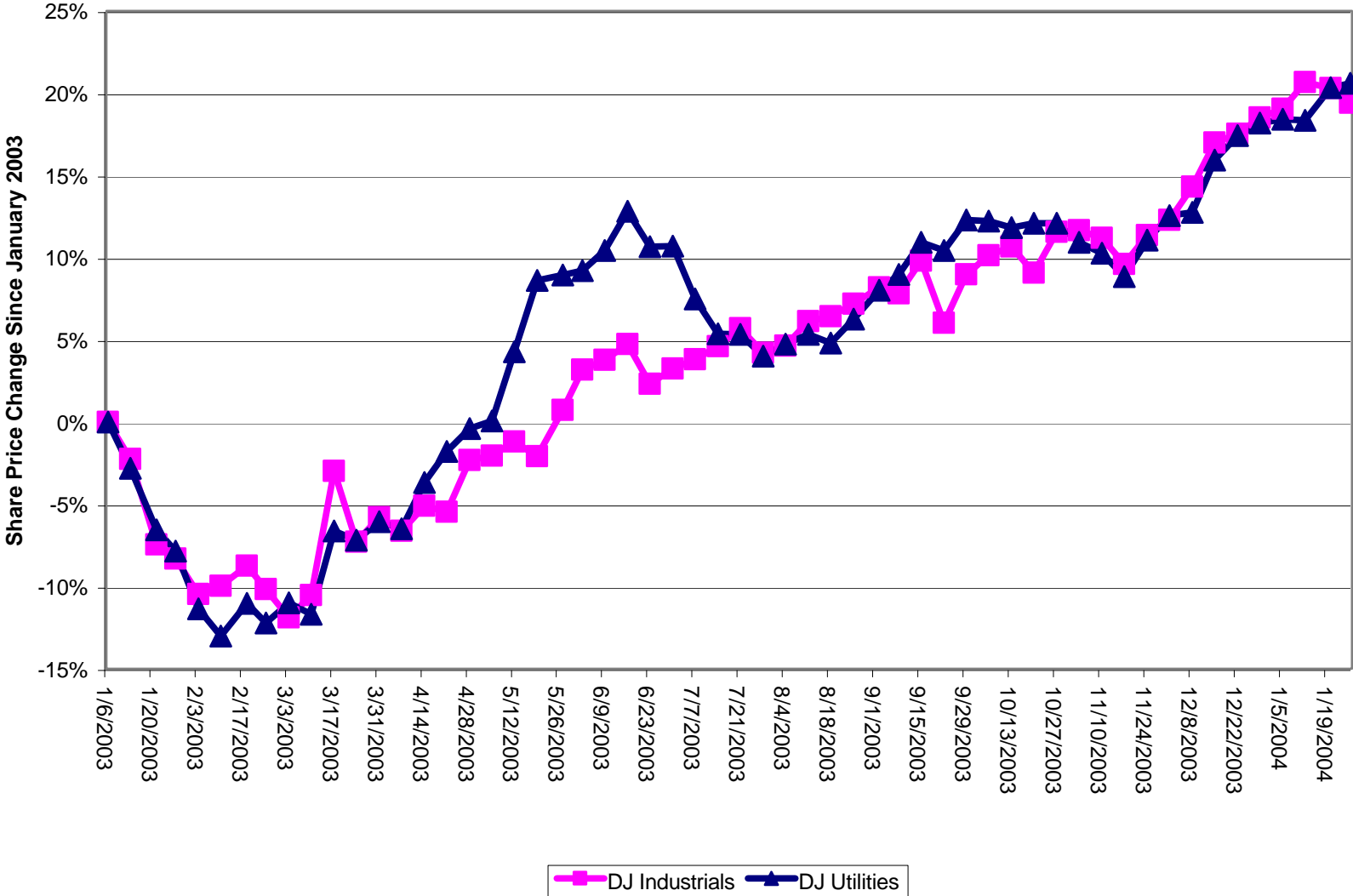
	Risk Free Return	Beta	Equity Risk Premium	Adjusted Equity Risk Premium	Size Premium	Cost of Equity
Empire District Electric	5.05%	0.65	7.00%	4.55%	1.52%	11.12%
Central Vermont Public Service	5.05%	0.45	7.00%	3.15%	3.53%	11.73%
CH Energy Group	5.05%	0.75	7.00%	5.25%	1.52%	11.82%
Hawaiian Electric	5.05%	0.60	7.00%	4.20%	0.82%	10.07%
MGE Energy	5.05%	0.55	7.00%	3.85%	1.52%	10.42%
NSTAR	5.05%	0.70	7.00%	4.90%	0.82%	10.77%
Pinnacle West	5.05%	0.80	7.00%	5.60%	0.82%	11.47%
Comparable Companies' Averages	5.05%	0.64	7.00%	4.49%	1.51%	11.05%

Sources :  
 Value Line Investment Survey  
 Ibbotson Associates 2003 SBBI Yearbook  
 Federal Reserve Statistical Release

# Comparison of Bond Yields



### Comparison of Dow Jones Indices





## The Empire District Electric Company

## Proposed Cost of Capital

December 31, 2003

	Percent of Total	Embedded Costs	Weighted Cost of Capital
Long Term Debt	43.89%	7.25%	3.18%
Trust Preferred Securities	6.30%	8.93%	0.56%
Common Equity	49.81%	12.00%	5.98%
Total Capital	100.00%		9.73%

Source :  
The Empire District Electric Company Workpapers

## The Empire Distirct Electric Company

## Comparable Electric Companies

## Comparison of After-Tax Times Long Term Interest Earned Ratios

Empire District Electric	@ 12.0% ROE	3.05
Central Vermont Public Service		3.02
CH Energy Group		4.72
Hawaiian Electric		2.50
MGE Energy		3.65
NSTAR		2.35
Pinnacle West		2.30
Comparable Companies' Average		3.09

Source : Value Line Investment Survey