

Observed Life Table Results
Empire District Electric Co.
Account: 341 - Other Prod. Structures & Improvements

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	16,085,449	41,869	0.2603	99.7397	1.0000
0.5	14,965,536	0	0.0000	100.0000	0.9974
1.5	12,379,921	0	0.0000	100.0000	0.9974
2.5	7,553,387	28,567	0.3782	99.6218	0.9974
3.5	7,458,314	570,712	7.6520	92.3480	0.9936
4.5	6,653,013	1	0.0000	100.0000	0.9176
5.5	6,372,438	1,103,840	17.3221	82.6779	0.9176
6.5	3,514,897	0	0.0000	100.0000	0.7586
7.5	3,513,502	0	0.0000	100.0000	0.7586
8.5	1,868,998	0	0.0000	100.0000	0.7586
9.5	1,867,212	0	0.0000	100.0000	0.7586
10.5	1,867,212	0	0.0000	100.0000	0.7586
11.5	1,867,212	0	0.0000	100.0000	0.7586
12.5	1,864,506	0	0.0000	100.0000	0.7586
13.5	1,864,506	0	0.0000	100.0000	0.7586
14.5	1,858,698	0	0.0000	100.0000	0.7586
15.5	1,728,604	0	0.0000	100.0000	0.7586
16.5	1,728,604	0	0.0000	100.0000	0.7586
17.5	1,728,604	0	0.0000	100.0000	0.7586
18.5	1,728,604	0	0.0000	100.0000	0.7586
19.5	1,728,604	0	0.0000	100.0000	0.7586
20.5	1,728,604	0	0.0000	100.0000	0.7586
21.5	1,727,236	0	0.0000	100.0000	0.7586
22.5	1,499,473	0	0.0000	100.0000	0.7586
23.5	1,499,473	0	0.0000	100.0000	0.7586
24.5	1,438,973	1,657	0.1152	99.8848	0.7586
25.5	45,387	0	0.0000	100.0000	0.7578
26.5	45,387	0	0.0000	100.0000	0.7578
27.5	45,387	0	0.0000	100.0000	0.7578
28.5	45,387	0	0.0000	100.0000	0.7578
29.5	45,387	0	0.0000	100.0000	0.7578
30.5	45,387	0	0.0000	100.0000	0.7578
31.5	45,387	0	0.0000	100.0000	0.7578
32.5	45,387	0	0.0000	100.0000	0.7578
33.5	45,387	0	0.0000	100.0000	0.7578
34.5	45,387	0	0.0000	100.0000	0.7578
35.5	45,387	0	0.0000	100.0000	0.7578
36.5	45,387	0	0.0000	100.0000	0.7578
37.5	45,387	0	0.0000	100.0000	0.7578
38.5	45,387	0	0.0000	100.0000	0.7578
39.5	0	0	0.0000	100.0000	0.7578
40.5	0	0	0.0000	100.0000	0.7578
41.5	0	0	0.0000	100.0000	0.7578
42.5	0	0	0.0000	100.0000	0.7578
43.5	0	0	0.0000	100.0000	0.7578
44.5	0	0	0.0000	100.0000	0.7578

Observed Life Table Results

Empire District Electric Co.

Account: 341 - Other Prod. Structures & Improvements

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.7578
46.5	0	0	0.0000	100.0000	0.7578
47.5	0	0	0.0000	100.0000	0.7578
48.5	0	0	0.0000	100.0000	0.7578
49.5	0	0	0.0000	100.0000	0.7578
50.5	0	0	0.0000	100.0000	0.7578
51.5	0	0	0.0000	100.0000	0.7578
52.5	0	0	0.0000	100.0000	0.7578
53.5	0	0	0.0000	100.0000	0.7578
54.5	0	0	0.0000	100.0000	0.7578
55.5	0	0	0.0000	100.0000	0.7578
56.5	0	0	0.0000	100.0000	0.7578
57.5	0	0	0.0000	100.0000	0.7578
58.5	0	0	0.0000	100.0000	0.7578
59.5	0	0	0.0000	100.0000	0.7578
60.5	0	0	0.0000	100.0000	0.7578
61.5	0	0	0.0000	100.0000	0.7578
62.5	0	0	0.0000	100.0000	0.7578
63.5	0	0	0.0000	100.0000	0.7578
64.5	0	0	0.0000	100.0000	0.7578
65.5	0	0	0.0000	100.0000	0.7578
66.5	0	0	0.0000	100.0000	0.7578
67.5	0	0	0.0000	100.0000	0.7578
68.5	0	0	0.0000	100.0000	0.7578
69.5	0	0	0.0000	100.0000	0.7578
70.5	0	0	0.0000	100.0000	0.7578
71.5	0	0	0.0000	100.0000	0.7578
72.5	0	0	0.0000	100.0000	0.7578
73.5	0	0	0.0000	100.0000	0.7578
74.5	0	0	0.0000	100.0000	0.7578
75.5	0	0	0.0000	100.0000	0.7578
76.5	0	0	0.0000	100.0000	0.7578
BAND		2001 - 2003			
0	8,490,192	0	0.0000	100.0000	1.0000
0.5	7,478,655	0	0.0000	100.0000	1.0000
1.5	5,127,630	0	0.0000	100.0000	1.0000
2.5	610,236	28,567	4.6812	95.3188	1.0000
3.5	2,839,576	570,712	20.0985	79.9015	0.9532
4.5	2,035,670	0	0.0000	100.0000	0.7616
5.5	4,503,440	1,103,840	24.5110	75.4890	0.7616
6.5	1,647,685	0	0.0000	100.0000	0.5749
7.5	1,646,290	0	0.0000	100.0000	0.5749
8.5	1,786	0	0.0000	100.0000	0.5749
9.5	2,706	0	0.0000	100.0000	0.5749
10.5	2,706	0	0.0000	100.0000	0.5749
11.5	8,514	0	0.0000	100.0000	0.5749

Observed Life Table Results
Empire District Electric Co.
Account: 341 - Other Prod. Structures & Improvements

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	135,902	0	0.0000	100.0000	0.5749
13.5	135,902	0	0.0000	100.0000	0.5749
14.5	130,094	0	0.0000	100.0000	0.5749
15.5	0	0	0.0000	100.0000	0.5749
16.5	0	0	0.0000	100.0000	0.5749
17.5	0	0	0.0000	100.0000	0.5749
18.5	1,368	0	0.0000	100.0000	0.5749
19.5	229,131	0	0.0000	100.0000	0.5749
20.5	229,131	0	0.0000	100.0000	0.5749
21.5	288,263	0	0.0000	100.0000	0.5749
22.5	1,454,086	0	0.0000	100.0000	0.5749
23.5	1,454,086	0	0.0000	100.0000	0.5749
24.5	1,393,586	1,657	0.1189	99.8811	0.5749
25.5	0	0	0.0000	100.0000	0.5742
26.5	0	0	0.0000	100.0000	0.5742
27.5	0	0	0.0000	100.0000	0.5742
28.5	0	0	0.0000	100.0000	0.5742
29.5	0	0	0.0000	100.0000	0.5742
30.5	0	0	0.0000	100.0000	0.5742
31.5	0	0	0.0000	100.0000	0.5742
32.5	0	0	0.0000	100.0000	0.5742
33.5	0	0	0.0000	100.0000	0.5742
34.5	0	0	0.0000	100.0000	0.5742
35.5	0	0	0.0000	100.0000	0.5742
36.5	45,387	0	0.0000	100.0000	0.5742
37.5	45,387	0	0.0000	100.0000	0.5742
38.5	45,387	0	0.0000	100.0000	0.5742
39.5	0	0	0.0000	100.0000	0.5742

Empire District Electric Company

Production Plant

342 - Other Prod. Fuel Holders, Producers & Access.

Empire District Electric Co.

Account: 342 - Other Prod. Fuel Holders, Producers & Access.

Analysis: Not enough data for Actuarial Analysis

9/17/2004

Snavey King Majoros O'Connor & Lee, Inc.
Depreciation Analysis

Observed Life Table Results**Empire District Electric Co.****Account: 342 - Other Prod. Fuel Holders, Producers & Access.**

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	12,655,912	4,967	0.0392	99.9608	1.0000
0.5	12,617,401	0	0.0000	100.0000	0.9996
1.5	13,016,633	0	0.0000	100.0000	0.9996
2.5	4,646,518	0	0.0000	100.0000	0.9996
3.5	5,275,218	0	0.0000	100.0000	0.9996
4.5	5,217,935	0	0.0000	100.0000	0.9996
5.5	5,062,384	0	0.0000	100.0000	0.9996
6.5	4,230,954	0	0.0000	100.0000	0.9996
7.5	4,147,064	0	0.0000	100.0000	0.9996
8.5	1,070,265	0	0.0000	100.0000	0.9996
9.5	1,070,265	58	0.0054	99.9946	0.9996
10.5	1,070,207	0	0.0000	100.0000	0.9996
11.5	1,070,207	0	0.0000	100.0000	0.9996
12.5	1,069,980	0	0.0000	100.0000	0.9996
13.5	1,061,182	0	0.0000	100.0000	0.9996
14.5	1,058,278	0	0.0000	100.0000	0.9996
15.5	993,231	0	0.0000	100.0000	0.9996
16.5	988,282	0	0.0000	100.0000	0.9996
17.5	988,282	0	0.0000	100.0000	0.9996
18.5	988,282	0	0.0000	100.0000	0.9996
19.5	988,282	0	0.0000	100.0000	0.9996
20.5	987,793	0	0.0000	100.0000	0.9996
21.5	986,483	0	0.0000	100.0000	0.9996
22.5	882,485	0	0.0000	100.0000	0.9996
23.5	882,485	1,811	0.2052	99.7948	0.9996
24.5	865,611	0	0.0000	100.0000	0.9975
25.5	9,000	0	0.0000	100.0000	0.9975
26.5	9,000	0	0.0000	100.0000	0.9975
27.5	9,000	0	0.0000	100.0000	0.9975
28.5	9,000	2,204	24.4889	75.5111	0.9975
29.5	6,606	0	0.0000	100.0000	0.7532
30.5	6,606	0	0.0000	100.0000	0.7532
31.5	6,606	0	0.0000	100.0000	0.7532
32.5	6,606	0	0.0000	100.0000	0.7532
33.5	6,606	0	0.0000	100.0000	0.7532
34.5	6,606	0	0.0000	100.0000	0.7532
35.5	6,606	0	0.0000	100.0000	0.7532
36.5	6,606	0	0.0000	100.0000	0.7532
37.5	0	0	0.0000	100.0000	0.7532
38.5	0	0	0.0000	100.0000	0.7532
39.5	0	0	0.0000	100.0000	0.7532
40.5	0	0	0.0000	100.0000	0.7532
41.5	0	0	0.0000	100.0000	0.7532
42.5	0	0	0.0000	100.0000	0.7532
43.5	0	0	0.0000	100.0000	0.7532
44.5	0	0	0.0000	100.0000	0.7532

Observed Life Table Results

Empire District Electric Co.

Account: 342 - Other Prod. Fuel Holders, Producers & Access.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.7532
46.5	0	0	0.0000	100.0000	0.7532
47.5	0	0	0.0000	100.0000	0.7532
48.5	0	0	0.0000	100.0000	0.7532
49.5	0	0	0.0000	100.0000	0.7532
50.5	0	0	0.0000	100.0000	0.7532
51.5	0	0	0.0000	100.0000	0.7532
52.5	0	0	0.0000	100.0000	0.7532
53.5	0	0	0.0000	100.0000	0.7532
54.5	0	0	0.0000	100.0000	0.7532
55.5	0	0	0.0000	100.0000	0.7532
56.5	0	0	0.0000	100.0000	0.7532
57.5	0	0	0.0000	100.0000	0.7532
58.5	0	0	0.0000	100.0000	0.7532
59.5	0	0	0.0000	100.0000	0.7532
60.5	0	0	0.0000	100.0000	0.7532
61.5	0	0	0.0000	100.0000	0.7532
62.5	0	0	0.0000	100.0000	0.7532
63.5	0	0	0.0000	100.0000	0.7532
64.5	0	0	0.0000	100.0000	0.7532
65.5	0	0	0.0000	100.0000	0.7532
66.5	0	0	0.0000	100.0000	0.7532
67.5	0	0	0.0000	100.0000	0.7532
68.5	0	0	0.0000	100.0000	0.7532
69.5	0	0	0.0000	100.0000	0.7532
70.5	0	0	0.0000	100.0000	0.7532
71.5	0	0	0.0000	100.0000	0.7532
72.5	0	0	0.0000	100.0000	0.7532
73.5	0	0	0.0000	100.0000	0.7532
74.5	0	0	0.0000	100.0000	0.7532
75.5	0	0	0.0000	100.0000	0.7532
76.5	0	0	0.0000	100.0000	0.7532
BAND		1955 - 2003			
0	12,651,839	4,967	0.0393	99.9607	1.0000
0.5	12,613,328	0	0.0000	100.0000	0.9996
1.5	13,012,560	0	0.0000	100.0000	0.9996
2.5	4,642,445	0	0.0000	100.0000	0.9996
3.5	5,271,145	0	0.0000	100.0000	0.9996
4.5	5,213,862	0	0.0000	100.0000	0.9996
5.5	5,058,311	0	0.0000	100.0000	0.9996
6.5	4,226,881	0	0.0000	100.0000	0.9996
7.5	4,142,991	0	0.0000	100.0000	0.9996
8.5	1,066,192	0	0.0000	100.0000	0.9996
9.5	1,066,250	58	0.0054	99.9946	0.9996
10.5	1,066,192	0	0.0000	100.0000	0.9996
11.5	1,066,192	0	0.0000	100.0000	0.9996

Observed Life Table Results**Empire District Electric Co.****Account: 342 - Other Prod. Fuel Holders, Producers & Access.**

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	1,065,965	0	0.0000	100.0000	0.9996
13.5	1,057,167	0	0.0000	100.0000	0.9996
14.5	1,054,263	0	0.0000	100.0000	0.9996
15.5	989,216	0	0.0000	100.0000	0.9996
16.5	984,267	0	0.0000	100.0000	0.9996
17.5	984,267	0	0.0000	100.0000	0.9996
18.5	984,267	0	0.0000	100.0000	0.9996
19.5	984,267	0	0.0000	100.0000	0.9996
20.5	983,778	0	0.0000	100.0000	0.9996
21.5	982,468	0	0.0000	100.0000	0.9996
22.5	878,470	0	0.0000	100.0000	0.9996
23.5	880,281	1,811	0.2057	99.7943	0.9996
24.5	863,407	0	0.0000	100.0000	0.9975
25.5	6,796	0	0.0000	100.0000	0.9975
26.5	6,796	0	0.0000	100.0000	0.9975
27.5	6,796	0	0.0000	100.0000	0.9975
28.5	9,000	2,204	24.4889	75.5111	0.9975
29.5	6,606	0	0.0000	100.0000	0.7532
30.5	6,606	0	0.0000	100.0000	0.7532
31.5	6,606	0	0.0000	100.0000	0.7532
32.5	6,606	0	0.0000	100.0000	0.7532
33.5	6,606	0	0.0000	100.0000	0.7532
34.5	6,606	0	0.0000	100.0000	0.7532
35.5	6,606	0	0.0000	100.0000	0.7532
36.5	6,606	0	0.0000	100.0000	0.7532

Best Fit Curve Results

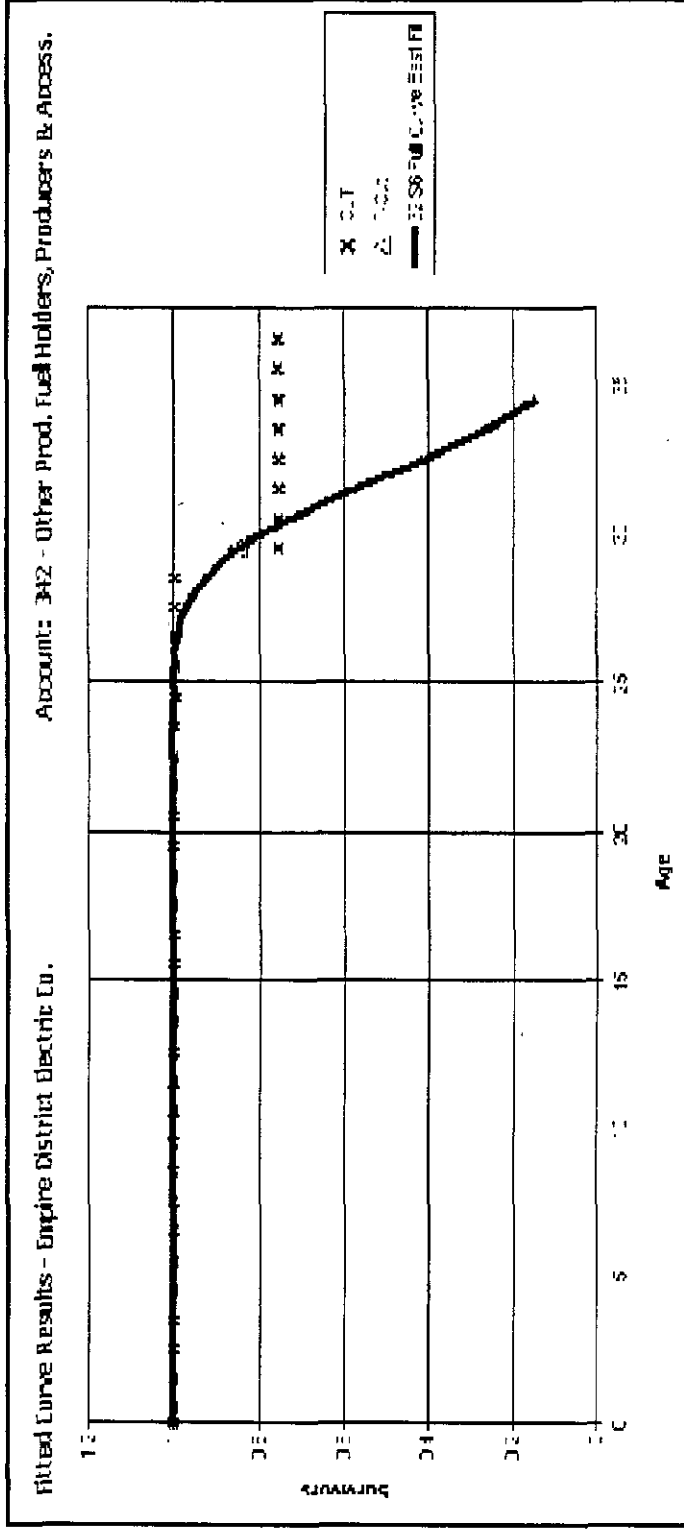
Empire District Electric Co.

Account: 342 - Other Prod. Fuel Holders, Producers & Access.

Curve	Life	Sum of Squared Differences
BAND	1955 - 2003	
S6	32.0	150.462
S5	34.0	234.935
L5	36.0	313.230
R5	35.0	317.742
S4	38.0	320.686
L4	42.0	390.972
S3	45.0	393.800
R4	44.0	420.928
L3	45.0	556.736
SQ	30.0	609.356
R3	45.0	701.879
S2	45.0	733.108
R2.5	45.0	1,193.262
S1.5	45.0	1,255.569
L2	45.0	1,841.236
R2	45.0	1,922.239
S1	45.0	2,010.870
R1.5	45.0	3,139.581
S0.5	45.0	3,155.144
L1.5	45.0	3,243.612
S0	45.0	4,629.669
R1	45.0	4,720.120
L1	45.0	5,130.372
S-0.5	45.0	7,002.040
R0.5	45.0	7,095.961
L0.5	45.0	7,239.097
L0	45.0	9,813.235
O1	45.0	9,997.895
O2	45.0	12,714.723
O3	45.0	24,232.697
O4	45.0	39,029.920

Analytical Parameters

OLT Placement Band: 1926 - 2003
OLT Experience Band: 1955 - 2003
Minimum Life Parameter: 4
Maximum Life Parameter: 45
Life Increment Parameter: 1
Max Age (T-Cut): 29.5



Analytical Parameters

OLT Placement Band:	1926 - 2003
OLT Experience Band:	1955 - 2003
Minimum Life Parameter:	4
Maximum Life Parameter:	45
Life Increment Parameter:	1
Max Age (T-Cut):	29.5

Empire District Electric Company

Production Plant

343 - Other Prod. Prime Movers

9/17/2004

Snavely King Majoros O'Connor & Lee, Inc.
Depreciation Analysis

Empire District Electric Co.
Account: 343 - Other Prod. Prime Movers

Analysis: Full Curve Best Fit Chosen

Observed Life Table Results

Empire District Electric Co.

Account: 343 - Other Prod. Prime Movers

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	183,736,958	4,042,730	2.2003	97.7997	1.0000
0.5	179,799,543	3,484,500	1.9380	98.0620	0.9780
1.5	177,781,593	1,699,597	0.9560	99.0440	0.9590
2.5	97,147,048	0	0.0000	100.0000	0.9499
3.5	92,002,854	12,337,601	13.4100	86.5900	0.9499
4.5	76,623,448	27,362	0.0357	99.9643	0.8225
5.5	71,145,069	42,363	0.0595	99.9405	0.8222
6.5	57,272,834	46,732	0.0816	99.9184	0.8217
7.5	55,916,477	80,193	0.1434	99.8566	0.8210
8.5	27,262,896	91,500	0.3356	99.6644	0.8199
9.5	27,171,396	48,803	0.1796	99.8204	0.8171
10.5	27,122,593	279	0.0010	99.9990	0.8156
11.5	26,993,762	101,532	0.3761	99.6239	0.8156
12.5	26,873,607	0	0.0000	100.0000	0.8126
13.5	26,861,682	0	0.0000	100.0000	0.8126
14.5	25,634,619	908,479	3.5440	96.4560	0.8126
15.5	19,410,940	0	0.0000	100.0000	0.7838
16.5	19,410,940	228,211	1.1757	98.8243	0.7838
17.5	19,175,636	901,954	4.7036	95.2964	0.7746
18.5	18,273,682	191,305	1.0469	98.9531	0.7381
19.5	18,082,377	252,084	1.3941	98.6059	0.7304
20.5	17,742,013	0	0.0000	100.0000	0.7202
21.5	17,742,013	393,174	2.2161	97.7839	0.7202
22.5	9,060,787	0	0.0000	100.0000	0.7043
23.5	9,060,787	0	0.0000	100.0000	0.7043
24.5	9,060,787	56,381	0.6223	99.3777	0.7043
25.5	1,045,138	151	0.0144	99.9856	0.6999
26.5	1,044,987	0	0.0000	100.0000	0.6998
27.5	1,042,533	136	0.0130	99.9870	0.6998
28.5	1,042,397	95,815	9.1918	90.8082	0.6997
29.5	908,451	0	0.0000	100.0000	0.6354
30.5	793,131	0	0.0000	100.0000	0.6354
31.5	793,131	0	0.0000	100.0000	0.6354
32.5	720,400	0	0.0000	100.0000	0.6354
33.5	720,400	0	0.0000	100.0000	0.6354
34.5	679,416	0	0.0000	100.0000	0.6354
35.5	678,602	85,300	12.5700	87.4300	0.6354
36.5	586,901	0	0.0000	100.0000	0.5555
37.5	586,901	0	0.0000	100.0000	0.5555
38.5	584,283	0	0.0000	100.0000	0.5555
39.5	0	0	0.0000	100.0000	0.5555
40.5	0	0	0.0000	100.0000	0.5555
41.5	0	0	0.0000	100.0000	0.5555
42.5	0	0	0.0000	100.0000	0.5555
43.5	0	0	0.0000	100.0000	0.5555
44.5	0	0	0.0000	100.0000	0.5555

Observed Life Table Results
Empire District Electric Co.
Account: 343 - Other Prod. Prime Movers

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.5555
46.5	0	0	0.0000	100.0000	0.5555
47.5	0	0	0.0000	100.0000	0.5555
48.5	0	0	0.0000	100.0000	0.5555
49.5	0	0	0.0000	100.0000	0.5555
50.5	0	0	0.0000	100.0000	0.5555
51.5	0	0	0.0000	100.0000	0.5555
52.5	0	0	0.0000	100.0000	0.5555
53.5	0	0	0.0000	100.0000	0.5555
54.5	0	0	0.0000	100.0000	0.5555
55.5	0	0	0.0000	100.0000	0.5555
56.5	0	0	0.0000	100.0000	0.5555
57.5	0	0	0.0000	100.0000	0.5555
58.5	0	0	0.0000	100.0000	0.5555
59.5	0	0	0.0000	100.0000	0.5555
60.5	0	0	0.0000	100.0000	0.5555
61.5	0	0	0.0000	100.0000	0.5555
62.5	0	0	0.0000	100.0000	0.5555
63.5	0	0	0.0000	100.0000	0.5555
64.5	0	0	0.0000	100.0000	0.5555
65.5	0	0	0.0000	100.0000	0.5555
66.5	0	0	0.0000	100.0000	0.5555
67.5	0	0	0.0000	100.0000	0.5555
68.5	0	0	0.0000	100.0000	0.5555
69.5	0	0	0.0000	100.0000	0.5555
70.5	0	0	0.0000	100.0000	0.5555
71.5	0	0	0.0000	100.0000	0.5555
72.5	0	0	0.0000	100.0000	0.5555
73.5	0	0	0.0000	100.0000	0.5555
74.5	0	0	0.0000	100.0000	0.5555
75.5	0	0	0.0000	100.0000	0.5555
76.5	0	0	0.0000	100.0000	0.5555
BAND		1955 - 2003			
0	183,583,933	4,042,730	2.2021	97.7979	1.0000
0.5	179,646,518	3,484,500	1.9396	98.0604	0.9780
1.5	177,628,568	1,699,597	0.9568	99.0432	0.9590
2.5	96,994,023	0	0.0000	100.0000	0.9498
3.5	91,849,829	12,337,601	13.4324	86.5676	0.9498
4.5	76,470,423	27,362	0.0358	99.9642	0.8222
5.5	70,992,044	42,363	0.0597	99.9403	0.8220
6.5	57,119,809	46,732	0.0818	99.9182	0.8215
7.5	55,763,645	80,193	0.1438	99.8562	0.8208
8.5	27,110,064	91,500	0.3375	99.6625	0.8196
9.5	27,018,564	48,803	0.1806	99.8194	0.8168
10.5	26,970,040	279	0.0010	99.9990	0.8154
11.5	26,841,209	101,532	0.3783	99.6217	0.8154

Observed Life Table Results**Empire District Electric Co.****Account: 343 - Other Prod. Prime Movers**

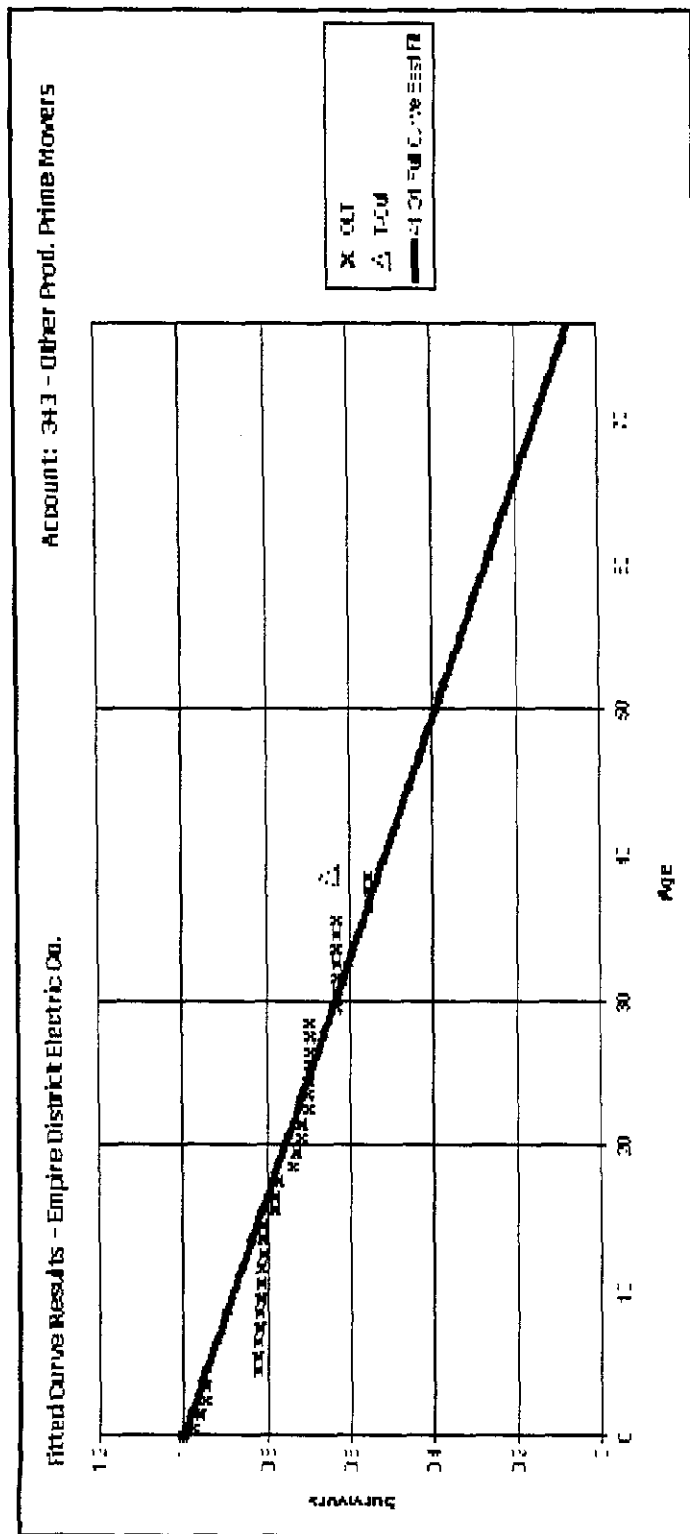
Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	26,721,054	0	0.0000	100.0000	0.8123
13.5	26,709,129	0	0.0000	100.0000	0.8123
14.5	25,482,066	908,479	3.5652	96.4348	0.8123
15.5	19,258,387	0	0.0000	100.0000	0.7833
16.5	19,258,387	228,211	1.1850	98.8150	0.7833
17.5	19,023,083	901,954	4.7414	95.2586	0.7740
18.5	18,121,129	191,305	1.0557	98.9443	0.7373
19.5	17,929,846	252,084	1.4059	98.5941	0.7296
20.5	17,589,482	0	0.0000	100.0000	0.7193
21.5	17,589,530	393,174	2.2353	97.7647	0.7193
22.5	8,908,304	0	0.0000	100.0000	0.7032
23.5	8,908,304	0	0.0000	100.0000	0.7032
24.5	8,964,685	56,381	0.6289	99.3711	0.7032
25.5	949,187	151	0.0159	99.9841	0.6988
26.5	949,036	0	0.0000	100.0000	0.6987
27.5	946,718	136	0.0144	99.9856	0.6987
28.5	1,042,397	95,815	9.1918	90.8082	0.6986
29.5	908,451	0	0.0000	100.0000	0.6344
30.5	793,131	0	0.0000	100.0000	0.6344
31.5	793,131	0	0.0000	100.0000	0.6344
32.5	720,400	0	0.0000	100.0000	0.6344
33.5	720,400	0	0.0000	100.0000	0.6344
34.5	679,416	0	0.0000	100.0000	0.6344
35.5	678,602	85,300	12.5700	87.4300	0.6344
36.5	586,901	0	0.0000	100.0000	0.5546
37.5	586,901	0	0.0000	100.0000	0.5546
38.5	584,283	0	0.0000	100.0000	0.5546

Best Fit Curve Results
Empire District Electric Co.
Account: 343 - Other Prod. Prime Movers

Curve	Life	Sum of Squared Differences
BAND	1955 - 2003	
O1	41.0	845.129
O2	44.0	934.552
R0.5	38.0	1,234.871
S-0.5	39.0	1,526.196
L0	44.0	1,561.906
R1	36.0	1,975.892
L0.5	41.0	2,240.637
S0	37.0	2,644.510
R1.5	36.0	2,977.460
L1	40.0	3,208.564
S0.5	37.0	3,601.220
R2	35.0	4,326.220
L1.5	39.0	4,340.255
O3	44.0	4,509.622
S1	36.0	4,850.147
R2.5	35.0	5,809.141
L2	38.0	5,900.950
S1.5	36.0	6,053.042
S2	35.0	7,554.136
R3	35.0	7,642.710
L3	37.0	8,977.154
S3	35.0	10,397.551
R4	35.0	11,117.718
L4	36.0	12,245.029
O4	44.0	12,361.035
S4	36.0	14,121.388
L5	36.0	15,796.447
R5	36.0	15,864.141
S5	36.0	17,684.916
S6	37.0	21,041.852
SQ	39.0	29,774.250

Analytical Parameters

OLT Placement Band: 1926 - 2003
 OLT Experience Band: 1955 - 2003
 Minimum Life Parameter: 4
 Maximum Life Parameter: 44
 Life Increment Parameter: 1
 Max Age (T-Cut): 38.5



Analytical Parameters

OLT Placement Band:	1926 - 2003
OLT Experience Band:	1955 - 2003
Minimum Life Parameter:	4
Maximum Life Parameter:	44
Life Increment Parameter:	1
Max Age (T-Cut):	38.5

Empire District Electric Company

Production Plant

344 - Other Prod. Generators

Empire District Electric Co.
Account: 344 - Other Prod. Generators

Analysis: Not enough data for Actuarial Analysis

Observed Life Table Results**Empire District Electric Co.****Account: 344 - Other Prod. Generators**

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	82,765,569	0	0.0000	100.0000	1.0000
0.5	42,553,046	0	0.0000	100.0000	1.0000
1.5	43,767,098	0	0.0000	100.0000	1.0000
2.5	16,802,336	0	0.0000	100.0000	1.0000
3.5	16,802,336	0	0.0000	100.0000	1.0000
4.5	16,801,976	0	0.0000	100.0000	1.0000
5.5	16,356,165	0	0.0000	100.0000	1.0000
6.5	12,215,029	0	0.0000	100.0000	1.0000
7.5	12,259,542	800	0.0065	99.9935	1.0000
8.5	5,108,485	0	0.0000	100.0000	0.9999
9.5	5,108,485	0	0.0000	100.0000	0.9999
10.5	5,108,485	0	0.0000	100.0000	0.9999
11.5	5,108,485	0	0.0000	100.0000	0.9999
12.5	5,105,991	0	0.0000	100.0000	0.9999
13.5	5,100,840	0	0.0000	100.0000	0.9999
14.5	5,089,559	0	0.0000	100.0000	0.9999
15.5	4,353,382	0	0.0000	100.0000	0.9999
16.5	4,353,382	0	0.0000	100.0000	0.9999
17.5	4,352,157	0	0.0000	100.0000	0.9999
18.5	4,352,157	0	0.0000	100.0000	0.9999
19.5	4,352,157	0	0.0000	100.0000	0.9999
20.5	4,352,157	0	0.0000	100.0000	0.9999
21.5	4,350,390	0	0.0000	100.0000	0.9999
22.5	2,083,100	0	0.0000	100.0000	0.9999
23.5	2,083,100	6,232	0.2992	99.7008	0.9999
24.5	197,982	0	0.0000	100.0000	0.9969
25.5	192,848	0	0.0000	100.0000	0.9969
26.5	192,848	0	0.0000	100.0000	0.9969
27.5	192,848	256	0.1327	99.8673	0.9969
28.5	192,592	14,764	7.6659	92.3341	0.9956
29.5	177,828	0	0.0000	100.0000	0.9193
30.5	177,828	0	0.0000	100.0000	0.9193
31.5	177,828	0	0.0000	100.0000	0.9193
32.5	177,828	0	0.0000	100.0000	0.9193
33.5	177,828	0	0.0000	100.0000	0.9193
34.5	177,828	0	0.0000	100.0000	0.9193
35.5	177,828	0	0.0000	100.0000	0.9193
36.5	177,828	0	0.0000	100.0000	0.9193
37.5	177,828	0	0.0000	100.0000	0.9193
38.5	177,828	0	0.0000	100.0000	0.9193
39.5	0	0	0.0000	100.0000	0.9193
40.5	0	0	0.0000	100.0000	0.9193
41.5	0	0	0.0000	100.0000	0.9193
42.5	0	0	0.0000	100.0000	0.9193
43.5	0	0	0.0000	100.0000	0.9193
44.5	0	0	0.0000	100.0000	0.9193

Observed Life Table Results

Empire District Electric Co.

Account: 344 - Other Prod. Generators

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.9193
46.5	0	0	0.0000	100.0000	0.9193
47.5	0	0	0.0000	100.0000	0.9193
48.5	0	0	0.0000	100.0000	0.9193
49.5	0	0	0.0000	100.0000	0.9193
50.5	0	0	0.0000	100.0000	0.9193
51.5	0	0	0.0000	100.0000	0.9193
52.5	0	0	0.0000	100.0000	0.9193
53.5	0	0	0.0000	100.0000	0.9193
54.5	0	0	0.0000	100.0000	0.9193
55.5	0	0	0.0000	100.0000	0.9193
56.5	0	0	0.0000	100.0000	0.9193
57.5	0	0	0.0000	100.0000	0.9193
58.5	0	0	0.0000	100.0000	0.9193
59.5	0	0	0.0000	100.0000	0.9193
60.5	0	0	0.0000	100.0000	0.9193
61.5	0	0	0.0000	100.0000	0.9193
62.5	0	0	0.0000	100.0000	0.9193
63.5	0	0	0.0000	100.0000	0.9193
64.5	0	0	0.0000	100.0000	0.9193
65.5	0	0	0.0000	100.0000	0.9193
66.5	0	0	0.0000	100.0000	0.9193
67.5	0	0	0.0000	100.0000	0.9193
68.5	0	0	0.0000	100.0000	0.9193
69.5	0	0	0.0000	100.0000	0.9193
70.5	0	0	0.0000	100.0000	0.9193
71.5	0	0	0.0000	100.0000	0.9193
72.5	0	0	0.0000	100.0000	0.9193
73.5	0	0	0.0000	100.0000	0.9193
74.5	0	0	0.0000	100.0000	0.9193
75.5	0	0	0.0000	100.0000	0.9193
76.5	0	0	0.0000	100.0000	0.9193
BAND		1955 - 2003			
0	82,744,317	0	0.0000	100.0000	1.0000
0.5	42,531,794	0	0.0000	100.0000	1.0000
1.5	43,745,846	0	0.0000	100.0000	1.0000
2.5	16,781,084	0	0.0000	100.0000	1.0000
3.5	16,781,084	0	0.0000	100.0000	1.0000
4.5	16,780,724	0	0.0000	100.0000	1.0000
5.5	16,334,913	0	0.0000	100.0000	1.0000
6.5	12,193,777	0	0.0000	100.0000	1.0000
7.5	12,238,290	800	0.0065	99.9935	1.0000
8.5	5,087,233	0	0.0000	100.0000	0.9999
9.5	5,087,233	0	0.0000	100.0000	0.9999
10.5	5,087,233	0	0.0000	100.0000	0.9999
11.5	5,087,233	0	0.0000	100.0000	0.9999

Observed Life Table Results

Empire District Electric Co.

Account: 344 - Other Prod. Generators

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	5,084,739	0	0.0000	100.0000	0.9999
13.5	5,079,588	0	0.0000	100.0000	0.9999
14.5	5,068,307	0	0.0000	100.0000	0.9999
15.5	4,332,130	0	0.0000	100.0000	0.9999
16.5	4,332,130	0	0.0000	100.0000	0.9999
17.5	4,330,905	0	0.0000	100.0000	0.9999
18.5	4,330,905	0	0.0000	100.0000	0.9999
19.5	4,330,905	0	0.0000	100.0000	0.9999
20.5	4,330,905	0	0.0000	100.0000	0.9999
21.5	4,329,138	0	0.0000	100.0000	0.9999
22.5	2,061,848	0	0.0000	100.0000	0.9999
23.5	2,068,080	6,232	0.3013	99.6987	0.9999
24.5	182,962	0	0.0000	100.0000	0.9969
25.5	177,828	0	0.0000	100.0000	0.9969
26.5	177,828	0	0.0000	100.0000	0.9969
27.5	178,084	256	0.1438	99.8562	0.9969
28.5	192,592	14,764	7.6659	92.3341	0.9955
29.5	177,828	0	0.0000	100.0000	0.9192
30.5	177,828	0	0.0000	100.0000	0.9192
31.5	177,828	0	0.0000	100.0000	0.9192
32.5	177,828	0	0.0000	100.0000	0.9192
33.5	177,828	0	0.0000	100.0000	0.9192
34.5	177,828	0	0.0000	100.0000	0.9192
35.5	177,828	0	0.0000	100.0000	0.9192
36.5	177,828	0	0.0000	100.0000	0.9192
37.5	177,828	0	0.0000	100.0000	0.9192
38.5	177,828	0	0.0000	100.0000	0.9192

Empire District Electric Company

Production Plant

345 - Other Prod. Accessory Electric Equip.

Empire District Electric Co.
Account: 345 - Other Prod. Accessory Electric Equip.

Analysis: Not enough data for Actuarial Analysis

Observed Life Table Results
Empire District Electric Co.
Account: 345 - Other Prod. Accessory Electric Equip.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	15,383,889	0	0.0000	100.0000	1.0000
0.5	13,199,691	0	0.0000	100.0000	1.0000
1.5	13,558,790	0	0.0000	100.0000	1.0000
2.5	1,396,841	0	0.0000	100.0000	1.0000
3.5	1,330,023	0	0.0000	100.0000	1.0000
4.5	1,330,001	0	0.0000	100.0000	1.0000
5.5	2,043,939	0	0.0000	100.0000	1.0000
6.5	1,665,052	0	0.0000	100.0000	1.0000
7.5	958,583	3,322	0.3466	99.6534	1.0000
8.5	584,533	0	0.0000	100.0000	0.9965
9.5	584,533	0	0.0000	100.0000	0.9965
10.5	584,533	0	0.0000	100.0000	0.9965
11.5	584,533	0	0.0000	100.0000	0.9965
12.5	583,853	0	0.0000	100.0000	0.9965
13.5	584,107	0	0.0000	100.0000	0.9965
14.5	575,395	0	0.0000	100.0000	0.9965
15.5	380,255	0	0.0000	100.0000	0.9965
16.5	380,254	0	0.0000	100.0000	0.9965
17.5	380,254	0	0.0000	100.0000	0.9965
18.5	380,254	0	0.0000	100.0000	0.9965
19.5	380,254	0	0.0000	100.0000	0.9965
20.5	380,254	0	0.0000	100.0000	0.9965
21.5	380,254	24	0.0063	99.9937	0.9965
22.5	316,865	34	0.0107	99.9830	0.9965
23.5	316,831	3,218	1.0157	98.9673	0.9964
24.5	55,006	80	0.1454	98.8219	0.9862
25.5	54,926	0	0.0000	100.0000	0.9848
26.5	54,926	36	0.0655	99.9345	0.9848
27.5	54,890	1,605	2.9240	96.9105	0.9842
28.5	53,285	8,164	15.3214	81.5891	0.9554
29.5	45,121	0	0.0000	100.0000	0.8090
30.5	45,121	0	0.0000	100.0000	0.8090
31.5	45,121	0	0.0000	100.0000	0.8090
32.5	45,121	0	0.0000	100.0000	0.8090
33.5	45,121	0	0.0000	100.0000	0.8090
34.5	45,121	0	0.0000	100.0000	0.8090
35.5	45,121	0	0.0000	100.0000	0.8090
36.5	45,121	0	0.0000	100.0000	0.8090
37.5	45,121	0	0.0000	100.0000	0.8090
38.5	45,121	0	0.0000	100.0000	0.8090
39.5	0	0	0.0000	100.0000	0.8090
40.5	0	0	0.0000	100.0000	0.8090
41.5	0	0	0.0000	100.0000	0.8090
42.5	0	0	0.0000	100.0000	0.8090
43.5	0	0	0.0000	100.0000	0.8090
44.5	0	0	0.0000	100.0000	0.8090

Observed Life Table Results

Empire District Electric Co.

Account: 345 - Other Prod. Accessory Electric Equip.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.8090
46.5	0	0	0.0000	100.0000	0.8090
47.5	0	0	0.0000	100.0000	0.8090
48.5	0	0	0.0000	100.0000	0.8090
49.5	0	0	0.0000	100.0000	0.8090
50.5	0	0	0.0000	100.0000	0.8090
51.5	0	0	0.0000	100.0000	0.8090
52.5	0	0	0.0000	100.0000	0.8090
53.5	0	0	0.0000	100.0000	0.8090
54.5	0	0	0.0000	100.0000	0.8090
55.5	0	0	0.0000	100.0000	0.8090
56.5	0	0	0.0000	100.0000	0.8090
57.5	0	0	0.0000	100.0000	0.8090
58.5	0	0	0.0000	100.0000	0.8090
59.5	0	0	0.0000	100.0000	0.8090
60.5	0	0	0.0000	100.0000	0.8090
61.5	0	0	0.0000	100.0000	0.8090
62.5	0	0	0.0000	100.0000	0.8090
63.5	0	0	0.0000	100.0000	0.8090
64.5	0	0	0.0000	100.0000	0.8090
65.5	0	0	0.0000	100.0000	0.8090
66.5	0	0	0.0000	100.0000	0.8090
67.5	0	0	0.0000	100.0000	0.8090
68.5	0	0	0.0000	100.0000	0.8090
69.5	0	0	0.0000	100.0000	0.8090
70.5	0	0	0.0000	100.0000	0.8090
71.5	0	0	0.0000	100.0000	0.8090
72.5	0	0	0.0000	100.0000	0.8090
73.5	0	0	0.0000	100.0000	0.8090
74.5	0	0	0.0000	100.0000	0.8090
75.5	0	0	0.0000	100.0000	0.8090
76.5	0	0	0.0000	100.0000	0.8090
BAND		1955 - 2003			
0	15,367,406	0	0.0000	100.0000	1.0000
0.5	13,183,208	0	0.0000	100.0000	1.0000
1.5	13,542,307	0	0.0000	100.0000	1.0000
2.5	1,380,358	0	0.0000	100.0000	1.0000
3.5	1,313,540	0	0.0000	100.0000	1.0000
4.5	1,313,518	0	0.0000	100.0000	1.0000
5.5	2,027,456	0	0.0000	100.0000	1.0000
6.5	1,648,569	0	0.0000	100.0000	1.0000
7.5	945,422	3,322	0.3514	99.6486	1.0000
8.5	571,372	0	0.0000	100.0000	0.9965
9.5	571,372	0	0.0000	100.0000	0.9965
10.5	571,372	0	0.0000	100.0000	0.9965
11.5	571,372	0	0.0000	100.0000	0.9965

Observed Life Table Results
Empire District Electric Co.
Account: 345 - Other Prod. Accessory Electric Equip.

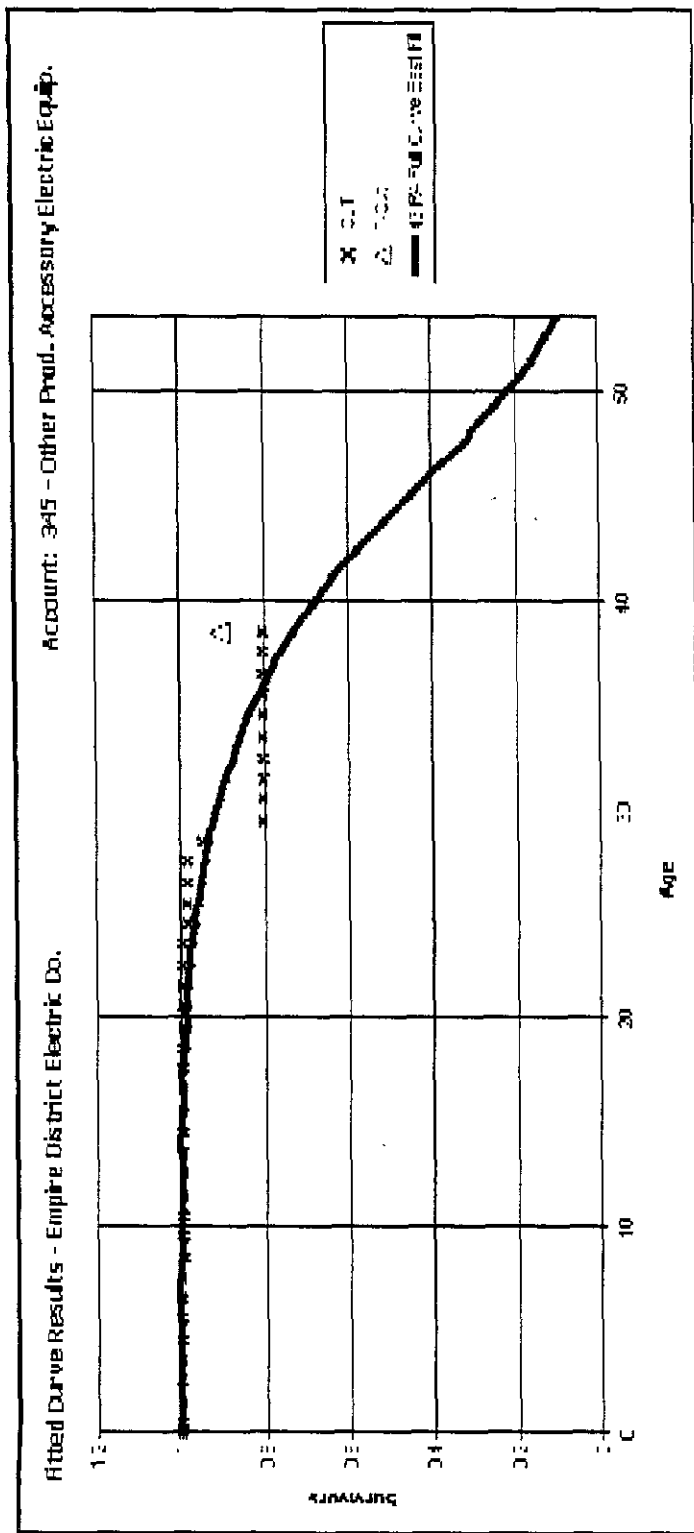
Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	570,692	0	0.0000	100.0000	0.9965
13.5	570,946	0	0.0000	100.0000	0.9965
14.5	562,234	0	0.0000	100.0000	0.9965
15.5	367,094	0	0.0000	100.0000	0.9965
16.5	367,093	0	0.0000	100.0000	0.9965
17.5	367,093	0	0.0000	100.0000	0.9965
18.5	367,093	0	0.0000	100.0000	0.9965
19.5	367,093	0	0.0000	100.0000	0.9965
20.5	367,093	0	0.0000	100.0000	0.9965
21.5	367,151	24	0.0065	99.9935	0.9965
22.5	303,762	34	0.0112	99.9888	0.9964
23.5	307,026	3,218	1.0481	98.9519	0.9963
24.5	45,201	80	0.1770	99.8230	0.9859
25.5	45,121	0	0.0000	100.0000	0.9841
26.5	45,157	36	0.0797	99.9203	0.9841
27.5	46,726	1,605	3.4349	96.5651	0.9833
28.5	53,285	8,164	15.3214	84.6786	0.9496
29.5	45,121	0	0.0000	100.0000	0.8041
30.5	45,121	0	0.0000	100.0000	0.8041
31.5	45,121	0	0.0000	100.0000	0.8041
32.5	45,121	0	0.0000	100.0000	0.8041
33.5	45,121	0	0.0000	100.0000	0.8041
34.5	45,121	0	0.0000	100.0000	0.8041
35.5	45,121	0	0.0000	100.0000	0.8041
36.5	45,121	0	0.0000	100.0000	0.8041
37.5	45,121	0	0.0000	100.0000	0.8041
38.5	45,121	0	0.0000	100.0000	0.8041

Best Fit Curve Results
Empire District Electric Co.
Account: 345 - Other Prod. Accessory Electric Equip.

Curve	Life	Sum of Squared Differences
BAND	1955 - 2003	
R4	43.0	527.059
S3	44.0	563.901
L4	44.0	657.134
R3	44.0	702.456
S4	42.0	956.673
R5	41.0	1,149.618
L5	42.0	1,181.610
S2	44.0	1,204.657
R2.5	44.0	1,325.793
L3	44.0	1,403.897
S5	41.0	1,728.019
S1.5	44.0	2,040.169
R2	44.0	2,354.177
S6	40.0	2,472.920
S1	44.0	3,237.035
SQ	39.0	3,875.914
R1.5	44.0	3,979.327
L2	44.0	4,162.626
S0.5	44.0	4,815.823
R1	44.0	6,111.428
L1.5	44.0	6,130.227
S0	44.0	6,809.364
L1	44.0	8,681.416
R0.5	44.0	9,366.496
S-0.5	44.0	9,737.387
L0.5	44.0	11,413.794
O1	44.0	13,362.463
L0	44.0	14,668.379
O2	44.0	18,103.497
O3	44.0	35,603.176
O4	44.0	56,161.260

Analytical Parameters

OLT Placement Band: 1926 - 2003
 OLT Experience Band: 1955 - 2003
 Minimum Life Parameter: 5
 Maximum Life Parameter: 44
 Life Increment Parameter: 1
 Max Age (T-Cut): 38.5



Analytical Parameters

OLT Placement Band: 1926 - 2003
 OLT Experience Band: 1955 - 2003
 Minimum Life Parameter: 1
 Maximum Life Parameter: 100
 Life Increment Parameter: 1
 Max Age (T-Cut): 38.5

Empire District Electric Company

Production Plant

346 - Other Prod. Misc. Power Plant Equip.

Empire District Electric Co.

Account: 346 - Other Prod. Misc. Power Plant Equip.

Analysis: Not enough data for Actuarial Analysis

9/17/2004

Snively King Majoros O'Connor & Lee, Inc.
Depreciation Analysis

Observed Life Table Results

Empire District Electric Co.

Account: 346 - Other Prod. Misc. Power Plant Equip.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
0	1,516,167	1,765	0.1164	99.8836	1.0000
0.5	1,514,402	0	0.0000	100.0000	0.9988
1.5	1,443,980	0	0.0000	100.0000	0.9988
2.5	2,111,643	0	0.0000	100.0000	0.9988
3.5	2,064,513	0	0.0000	100.0000	0.9988
4.5	2,045,976	0	0.0000	100.0000	0.9988
5.5	1,983,469	0	0.0000	100.0000	0.9988
6.5	1,609,898	0	0.0000	100.0000	0.9988
7.5	1,559,929	0	0.0000	100.0000	0.9988
8.5	1,195,991	0	0.0000	100.0000	0.9988
9.5	1,187,301	0	0.0000	100.0000	0.9988
10.5	1,187,301	0	0.0000	100.0000	0.9988
11.5	1,187,301	0	0.0000	100.0000	0.9988
12.5	1,185,487	0	0.0000	100.0000	0.9988
13.5	1,185,572	14,674	1.2377	98.7623	0.9988
14.5	1,164,003	0	0.0000	100.0000	0.9865
15.5	1,091,579	0	0.0000	100.0000	0.9865
16.5	1,085,114	0	0.0000	100.0000	0.9865
17.5	1,083,090	0	0.0000	100.0000	0.9865
18.5	1,079,012	0	0.0000	100.0000	0.9865
19.5	1,079,012	0	0.0000	100.0000	0.9865
20.5	1,062,626	0	0.0000	100.0000	0.9865
21.5	1,054,239	2,483	0.2355	99.7645	0.9865
22.5	64,073	0	0.0000	100.0000	0.9841
23.5	63,717	105	0.1648	99.8352	0.9841
24.5	61,331	0	0.0000	100.0000	0.9825
25.5	15,856	0	0.0000	100.0000	0.9825
26.5	15,856	0	0.0000	100.0000	0.9825
27.5	15,856	0	0.0000	100.0000	0.9825
28.5	15,856	42	0.2649	99.7351	0.9825
29.5	15,814	0	0.0000	100.0000	0.9799
30.5	15,348	0	0.0000	100.0000	0.9799
31.5	15,348	0	0.0000	100.0000	0.9799
32.5	15,348	0	0.0000	100.0000	0.9799
33.5	15,348	0	0.0000	100.0000	0.9799
34.5	15,348	0	0.0000	100.0000	0.9799
35.5	15,348	0	0.0000	100.0000	0.9799
36.5	0	0	0.0000	100.0000	0.9799
37.5	0	0	0.0000	100.0000	0.9799
38.5	0	0	0.0000	100.0000	0.9799
39.5	0	0	0.0000	100.0000	0.9799
40.5	0	0	0.0000	100.0000	0.9799
41.5	0	0	0.0000	100.0000	0.9799
42.5	0	0	0.0000	100.0000	0.9799
43.5	0	0	0.0000	100.0000	0.9799
44.5	0	0	0.0000	100.0000	0.9799

Observed Life Table Results

Empire District Electric Co.

Account: 346 - Other Prod. Misc. Power Plant Equip.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
45.5	0	0	0.0000	100.0000	0.9799
46.5	0	0	0.0000	100.0000	0.9799
47.5	0	0	0.0000	100.0000	0.9799
48.5	0	0	0.0000	100.0000	0.9799
49.5	0	0	0.0000	100.0000	0.9799
50.5	0	0	0.0000	100.0000	0.9799
51.5	0	0	0.0000	100.0000	0.9799
52.5	0	0	0.0000	100.0000	0.9799
53.5	0	0	0.0000	100.0000	0.9799
54.5	0	0	0.0000	100.0000	0.9799
55.5	0	0	0.0000	100.0000	0.9799
56.5	0	0	0.0000	100.0000	0.9799
57.5	0	0	0.0000	100.0000	0.9799
58.5	0	0	0.0000	100.0000	0.9799
59.5	0	0	0.0000	100.0000	0.9799
60.5	0	0	0.0000	100.0000	0.9799
61.5	0	0	0.0000	100.0000	0.9799
62.5	0	0	0.0000	100.0000	0.9799
63.5	0	0	0.0000	100.0000	0.9799
64.5	0	0	0.0000	100.0000	0.9799
65.5	0	0	0.0000	100.0000	0.9799
66.5	0	0	0.0000	100.0000	0.9799
67.5	0	0	0.0000	100.0000	0.9799
68.5	0	0	0.0000	100.0000	0.9799
69.5	0	0	0.0000	100.0000	0.9799
70.5	0	0	0.0000	100.0000	0.9799
71.5	0	0	0.0000	100.0000	0.9799
72.5	0	0	0.0000	100.0000	0.9799
73.5	0	0	0.0000	100.0000	0.9799
74.5	0	0	0.0000	100.0000	0.9799
75.5	0	0	0.0000	100.0000	0.9799
76.5	0	0	0.0000	100.0000	0.9799
BAND		1955 - 2003			
0	1,514,255	0	0.0000	100.0000	1.0000
0.5	1,514,255	0	0.0000	100.0000	1.0000
1.5	1,443,833	0	0.0000	100.0000	1.0000
2.5	2,111,496	0	0.0000	100.0000	1.0000
3.5	2,064,366	0	0.0000	100.0000	1.0000
4.5	2,045,829	0	0.0000	100.0000	1.0000
5.5	1,983,322	0	0.0000	100.0000	1.0000
6.5	1,609,751	0	0.0000	100.0000	1.0000
7.5	1,559,782	0	0.0000	100.0000	1.0000
8.5	1,195,844	0	0.0000	100.0000	1.0000
9.5	1,187,154	0	0.0000	100.0000	1.0000
10.5	1,187,154	0	0.0000	100.0000	1.0000
11.5	1,187,154	0	0.0000	100.0000	1.0000

Observed Life Table Results

Empire District Electric Co.

Account: 346 - Other Prod. Misc. Power Plant Equip.

Age	Exposures	Retirements	Retirement Ratio (%)	Survivor Ratio (%)	Cumulative Survivors
BAND		1926 - 2003			
12.5	1,185,340	0	0.0000	100.0000	1.0000
13.5	1,185,425	14,674	1.2379	98.7621	1.0000
14.5	1,163,856	0	0.0000	100.0000	0.9876
15.5	1,091,432	0	0.0000	100.0000	0.9876
16.5	1,084,967	0	0.0000	100.0000	0.9876
17.5	1,082,943	0	0.0000	100.0000	0.9876
18.5	1,078,865	0	0.0000	100.0000	0.9876
19.5	1,078,865	0	0.0000	100.0000	0.9876
20.5	1,062,479	0	0.0000	100.0000	0.9876
21.5	1,054,092	2,483	0.2356	99.7644	0.9876
22.5	63,926	0	0.0000	100.0000	0.9853
23.5	63,675	105	0.1649	99.8351	0.9853
24.5	61,289	0	0.0000	100.0000	0.9837
25.5	15,814	0	0.0000	100.0000	0.9837
26.5	15,814	0	0.0000	100.0000	0.9837
27.5	15,814	0	0.0000	100.0000	0.9837
28.5	15,856	42	0.2649	99.7351	0.9837
29.5	15,814	0	0.0000	100.0000	0.9811
30.5	15,348	0	0.0000	100.0000	0.9811
31.5	15,348	0	0.0000	100.0000	0.9811
32.5	15,348	0	0.0000	100.0000	0.9811
33.5	15,348	0	0.0000	100.0000	0.9811
34.5	15,348	0	0.0000	100.0000	0.9811
35.5	15,348	0	0.0000	100.0000	0.9811

Empire District Electric Company

Depreciation Analysis

Transmission, Distribution and General Plant

9/17/2004

Snavey King Majoros O'Connor & Lee, Inc.
Depreciation Analysis

**Analysis for Transmission, Distribution and General Plant
will be provided in workpapers.**

Empire District Electric Company

Five-Year Net Salvage Experience

	<u>Salvage</u>	<u>COR</u>	<u>Net Salvage</u>
<u>Production</u>			
1999	30,437	1,326,225	(1,295,789)
2000	83,487	762,104	(678,617)
2001	-	-	- 1/
2002	-	-	-
2003	<u>6,772</u>	<u>860,756</u>	<u>(853,985)</u>
Total	120,695	2,949,086	(2,828,391)
Average	24,139	589,817	(565,678)
<u>Transmission</u>			
1999	19,841	316,924	(297,082)
2000	24,441	98,637	(74,196)
2001	15,818	17,626	(1,808)
2002	13,808	37,956	(24,148)
2003	<u>269,610</u>	<u>924,292</u>	<u>(654,682)</u>
Total	343,518	1,395,434	(1,051,916)
Average	68,704	279,087	(210,383)
<u>Distribution</u>			
1999	266,151	1,751,353	(1,485,201)
2000	164,581	1,059,285	(894,704)
2001	85,767	755,527	(669,760)
2002	283,679	1,233,433	(949,754)
2003	<u>649,424</u>	<u>1,769,366</u>	<u>(1,119,942)</u>
Total	1,449,603	6,568,964	(5,119,361)
Average	289,921	1,313,793	(1,023,872)
<u>General</u>			
1999	1	-	1
2000	88,130	(852)	88,982
2001	70,238	107	70,131
2002	98,689	79,035	19,654
2003	<u>25,672</u>	<u>6,213</u>	<u>19,459</u>
Total	282,730	84,504	198,227
Average	56,546	16,901	39,645
<u>Total</u>			
1999	316,431	3,394,502	(3,078,071)
2000	360,640	1,919,175	(1,558,535)
2001	171,823	773,260	(601,437)
2002	396,176	1,350,423	(954,248)
2003	<u>951,478</u>	<u>3,560,627</u>	<u>(2,609,150)</u>
Total	2,196,546	10,997,987	(8,801,440)
Average	439,309	2,199,597	(1,760,288)

1/ Removed unusually large salvage amount.

Source: salvProd(2003).xls, salvTransm03.xls,
salvDistr03.xls and salvGenrl03.xls provided by
Company in response to DR 801.

Summary and Analysis of SFAS No. 143 and FERC Order No. 631
As They Relate to Non-Legal Asset Retirement Obligations
By Michael J. Majoros, Jr.
June 9, 2003

Introduction

This summary and analysis provides the background required to understand the accounting and ratemaking implications of FERC Order No. 631 Accounting, Financial Reporting and Rate Filing Requirements for Asset Retirement Obligations as it relates to assets for which asset retirement obligations *do not* exist. It was prepared by Michael J. Majoros, Jr. who has closely followed and testified about the issue. Mr. Majoros attended the FERC Commission staff's May 7, 2002 Technical Conference on the subject and in conjunction with his partner Charles W. King prepared the Comments of the National Association of State Utility Consumer Advocates ("NASUCA") in FERC Docket No. RM02-7-000 which is manifested in FERC Order No. 631.

Background

In June 1994, at the request of the Edison Electric Institute ("EEI"), the Financial Accounting Standards Board ("FASB" or "Board") added an agenda project to focus on accounting for decommissioning costs of nuclear power plants. The original scope of the project related to the legal costs of decommissioning a nuclear power plant imposed by the Nuclear Regulatory Commission. Subsequently, the scope was expanded to include (a) similar legal obligations in other industries and (b) constructive obligations. In February 1996, the Board issued an Exposure Draft, *Accounting for Certain Liabilities Related to Closure or Removal of Long-Lived Assets*.¹

SFAS No. 143

After two Exposure Drafts and several rounds of comments, FASB issued, in June 2001, its resulting Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"). This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to all entities [including public utilities] and "components of transmission and distribution systems (utility poles) etc," are specifically not excluded. (SFAS No. 143, paragraph B17, footnote 22.)

¹ FASB Accounting for Obligations Associated with the Retirement of Long-Lived Assets. Staff summary of Board decisions, <http://www.rutgers.edu/Accounting/raw/fasb/project/aro>

It applies to *unambiguous* legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. As used in SFAS No. 143, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.² SFAS No. 143 is effective for all financial statements issued for fiscal years beginning after June 15, 2002.

As indicated, SFAS No. 143 establishes accounting standards for recognition and measurement of a liability for an *asset retirement obligation* ("ARO") and the associated *asset retirement cost* ("ARC"). An asset retirement obligation refers to an obligation associated with the retirement of a tangible long-lived asset. The term asset retirement cost refers to the amount capitalized that increases the carrying amount of the long-lived asset when a liability for an asset retirement obligation is recognized.³

In general, SFAS No. 143 requires all entities to conduct reviews of their long-lived assets to determine whether they have AROs based on the legal standards summarized above. If an ARO exists, the entity must measure the ARC and record a liability for the amount and capitalize it as part of the original cost of the asset.

In explaining why it adopted this approach, the FASB stated that "paragraph 37 of [its] Statement 19 states that 'estimated dismantlement, restoration, and abandonment costs [future cost of removal]...shall be taken into account in determining amortization and depreciation rates.' Application of that paragraph has the effect of accruing an expense irrespective of the requirements for liability recognition in FASB Concepts Statements. In doing so, it results in [the anomalous] recognition of accumulated depreciation that can exceed the historical cost of a long-lived asset. The Board concluded that an entity should be precluded from including an amount for an asset retirement obligation in the depreciation base of a long-lived asset unless that amount also meets the recognition criteria in this Statement [SFAS No. 143]. When an entity recognizes a liability for an asset retirement obligation, it also will recognize an increase in the carrying amount of the related long-lived asset. Consequently, depreciation of that asset will not result in the recognition of accumulated depreciation in excess of the historical cost of a long-lived asset."⁴

Paragraph 37 eliminates any doubt as to the FASB's intent regarding the application of SFAS No. 143. All companies must review their long-lived assets to determine whether they have unambiguous legal asset retirement obligations associated with those assets. If they do have such obligations, then the estimated ARC (which is based on its estimated present value and updated annually following the rules in the Statement) is capitalized as part off the cost of the asset. Thus, at the end of the asset's

² SFAS No. 143, Summary, and Paragraph 2, and Appendix A, Paragraph A3.

³ Id., Paragraph 1 and Footnote 1.

⁴ Id., Paragraph B22. Emphasis added.

life, the accumulated depreciation account will be equal to the historical plant balance. In no case, may entities in general, include estimated future cost of removal in depreciation rates. Although SFAS No. 143 does not specifically state what to do with removal costs for assets which are not AROs, it is intuitively well accepted that concepts in the AICPA's SOP on Property, Plant and Equipment will eventually be adopted, and at least will not be objectionable. Those concepts would support expensing as incurred, or capitalization as a cost of the replacement.

Regardless of these overall principles and concepts, SFAS No. 143 recognizes that historically, many public utility depreciation rates contained a component for future cost of removal in the rate calculation. It deals with this issue as follows. "Many rate-regulated entities currently provide for the costs related to asset retirement obligations in their financial statements and recover those amounts in rates charged to their customers. Some of those costs relate to asset retirement obligations within the scope of this Statement; others are not within the scope of this Statement and, therefore, cannot be recognized as liabilities under its provisions. The objective of including those amounts in rates currently charged to customers is to allocate costs to customers over the lives of those assets. The amount charged to customers is adjusted periodically to reflect the excess or deficiency of the amounts charged over the amounts incurred for the retirement of long-lived assets. The Board concluded that if asset retirement costs are charged to customers of rate-regulated entities but no liability is recognized, a regulatory liability should be recognized if the requirements of SFAS No. 71 are met."⁵

Thus if the utility has included future net salvage in the past for which it has no ARO, then it will recognize and record a Regulatory Liability to ratepayers for that amount on its financial books and records. Presumably, if the utility continues to include future cost of removal in its depreciation rates, the Regulatory Liability to Ratepayers will also continue to grow.

In summary, SFAS No. 143 precludes the inclusion of future net salvage in depreciation rates for all entities in general, based on the principles and concepts included therein. However, recognizing the unique aspects of rate-regulated entities, SFAS No. 143 requires that those unique aspects be accounted for in a Regulatory Liability to Ratepayers.

FERC Docket No. RM02-7-000

On March 29, 2002, the FERC Commission staff announced that it would hold a technical conference to discuss the financial accounting, reporting and ratemaking implications related to asset retirement obligations associated with the retirement of tangible long-lived assets.⁶ "The main purpose for convening this technical conference is to afford an opportunity for the electric, natural gas and oil pipeline industries and other

⁵ Id., Paragraph B72.

⁶ Federal Energy Regulatory Commission, Docket No. RM02-7-000, Notice of Informal Technical Conference, Agenda and Request for Comments, (March 29, 2002). ("Notice".)

interested parties to discuss with the Commission staff issues related to the implementation of accounting requirements for asset retirement obligations. The goal of the conference is to identify how recognition of asset retirement obligations may affect the Commission's existing accounting and rate regulations."⁷ The FERC Notice also requested comments on the subject.

Several comments were received and the Technical Conference was held at the FERC in Washington, D.C. on May 7, 2002. Several parties attended, and several panels were heard, followed by a question and answer session. The subjects of ARO's and SFAS No. 143 were intertwined through virtually all comments. Subsequently, on October 30, 2002, the FERC Issued a Notice of Proposed Rulemaking ("NOPR") in Docket RM02-7-000. The FERC proposed to revise its regulations to update the accounting and reporting requirements for liabilities for asset retirement obligations under its Uniform Systems of Accounts for public utilities, licensees, natural gas companies, and oil pipeline companies.⁸

The NOPR stated that "the proposed accounting for asset retirement obligations is consistent with the accounting and reporting requirement that jurisdictional entities will use [SFAS No. 143] in their general purpose financial statements provided to shareholders and the Securities and Exchange Commission. (e.g., companies will separately account and report the liability for asset retirement obligations, capitalize the asset costs, and charge earnings for depreciation of the asset and operating expense for the accretion of the liability)."⁹

The NOPR went on to say "the recognition and measurement of legal liabilities associated with the retirement and decommissioning of long-lived assets by various entities, including Commission jurisdictional entities, has been inconsistent over the years. The usefulness of consistently recognizing and measuring asset retirement obligations in the financial statements resulted in Financial Accounting Standards Board (FASB) issuing a new accounting pronouncement affecting the manner in which legal obligations are measured and reported in the financial statements applicable to entities in general.⁶" The NOPR's footnotes 6 to 12 then cited to various paragraphs and concepts contained in SFAS No. 143. The NOPR generally proposed to adopt and integrate SFAS No. 143 into its Uniform System of Accounts, and Reporting Requirements and then established certain ratemaking standards.

Regarding non-legal retirement obligations the NOPR stated "the Commission is aware that a number of natural gas companies are currently collecting an allowance in jurisdictional rates to cover the future cost of retiring and removing facilities. This allowance is referred to as a negative salvage allowance. The Commission believes that these negative salvage allowances do not necessarily reflect the existence of a legal asset

⁷ Notice page 3.

⁸ FERC Docket No. RM02-7-000, Notice of Proposed Rulemaking, Issued October 30, 2002, ("NOPR"), page 1.

⁹ Id., Paragraph I.2.

retirement obligation. Therefore, the Commission will require that negative net salvage allowances that are not established due to an asset retirement obligation be identified for ratemaking purposes separately from asset retirement obligation allowances. The current rate change filing requirements for natural gas companies at 154.312(d), Statement D, requires that any authorized negative salvage must be maintained in a separate subaccount of account 108, Accumulated provision for depreciation of gas utility plant. The Commission proposes to amend this section to ensure that this subaccount must not include any amounts related to asset retirement obligations."¹⁰ The NOPR did not specifically identify electric utilities in this regard. Again, comments were requested and received, and on April 9, 2003 the FERC issued its Final Rule, i.e. Docket No. RM02-7-000, Order No. 631.

Order No. 631

Order No. 631 states "instead, we will require jurisdictional entities to maintain separate subsidiary records for cost of removal for non-legal retirement obligations that are included as specific identifiable allowances recorded in accumulated depreciation in order to separately identify such information to facilitate external reporting and for regulatory analysis, and rate setting purposes. Therefore, the Commission is amending the instructions of accounts 108 and 110 in parts 101, 201 and account 31, Accrued depreciation-carrier property, in Part 352 to require jurisdictional entities to maintain separate subsidiary records for the purpose of identifying the amount of specific allowances collected in rates for non-legal retirement obligations included in the depreciation accruals."¹¹

"Jurisdictional entities must identify and quantify in separate subsidiary records the amounts, if any, of previous and current accumulated removal costs for other than legal retirement obligations as part of the depreciation accrual in accounts 108 and 110 for public utilities and licensees, account 108 for natural gas companies, and account 31 for oil pipeline companies. If jurisdictional entities do not have the required records to separately identify such prior accruals for specific identifiable allowances collected in rates for non-legal asset retirement obligations recorded in accumulated depreciation, the Commission will require that the jurisdictional entities separately identify and quantify prospectively the amount of current accruals for specific allowances collected in rates for non-legal retirement obligations."¹²

Order No. 631 also states "the Commission will decline to make policy calls concerning regulatory certainty for disposition of transition costs, external funds for amounts collected in rates for asset retirement obligations, adjustments to book depreciation rates, and the exclusion of accumulated depreciation and accretion for asset retirement obligations from rate base; these are matters that are not subject to a one size fits all approach and are better resolved on a case-by-case basis in rate proceedings. The

¹⁰ Id., Paragraph III 45.

¹¹ FERC Docket No. RM02-7-000, Order No. 631, Issued April 9, 2003, Paragraph 39.

¹² Id., Paragraph 39.

Commission is of the view that utilities will have the opportunity to seek recovery of qualified costs for asset retirement obligations in individual rate proceedings. This rule should not be construed as pregranted authority for rate recovery in a rate proceeding."¹³

Order No. 631 goes on to say "finally this rule requires nothing new and nothing more with respect to the requirement for a detailed study. Complex depreciation and negative salvage studies are routinely filed or otherwise made available for review in rate proceedings. When utilities perform depreciation studies, a certain amount of detail is expected. It is incumbent upon the utility to provide sufficient detail to support depreciation rates, cost of removal, and salvage estimates in rates.⁴⁵"¹⁴ And footnote 45 states "when an electric utility files for a change in its jurisdictional rates, the Commission requires detailed studies in support of changes in annual depreciation rates if they are different from those supporting the utility's prior approved jurisdictional rate."¹⁵

Thus, it seems clear that the FERC recognizes distinctions between legal and non-legal AROs just as SFAS No. 143 recognizes those distinctions. In fact, the amount resulting from Order No. 631's requirement to identify previous amounts collected for non-legal ARO's should result in the same amount as the SFAS NO. 143 requirement to establish a regulatory liability to ratepayers for the same amounts. It is also clear, that on a going-forward basis, jurisdictional entities must be prepared to specifically identify and justify any non-legal AROs that they propose to be included in their rates.

¹³ Id., Paragraph 64. (Emphasis added.)

¹⁴ Id., Paragraph 65.

¹⁵ Id., footnote 45.

Society of Depreciation Professionals
2004 Annual Meeting
Washington DC, September 13-14, 2004

SFAS No. 143 and FERC Order No. 631 What Are Non-Legal AROs? What Is The Separation Principle?

Michael J. Majoros, Jr.

Objective

To discuss how SFAS NO. 143 and
FERC Order No. 631 have
highlighted a significant and
growing *intergenerational inequity*.

Concept No. 1

Substance Over Form

If it waddles like a duck, and quacks like a duck, and looks like a duck, it's a duck.

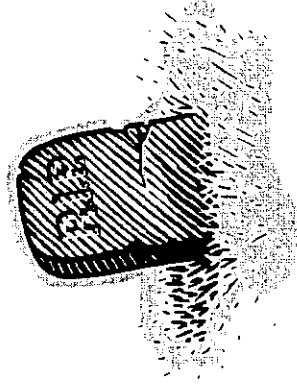
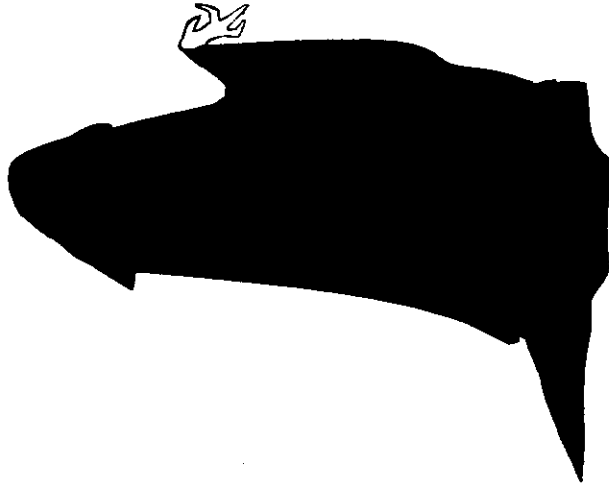
No amount of theoretical rhetoric or lobbying can turn that duck into a dog, a cat or even a dead horse.

Other Important Definitions and Concepts

- **Cost** is the amount of money actually paid or to be paid for property or services.
- Money to be paid for property or services is a **liability** (“amount owed”).
- A **legal liability** for a future asset retirement obligation is a component of the asset’s original cost.

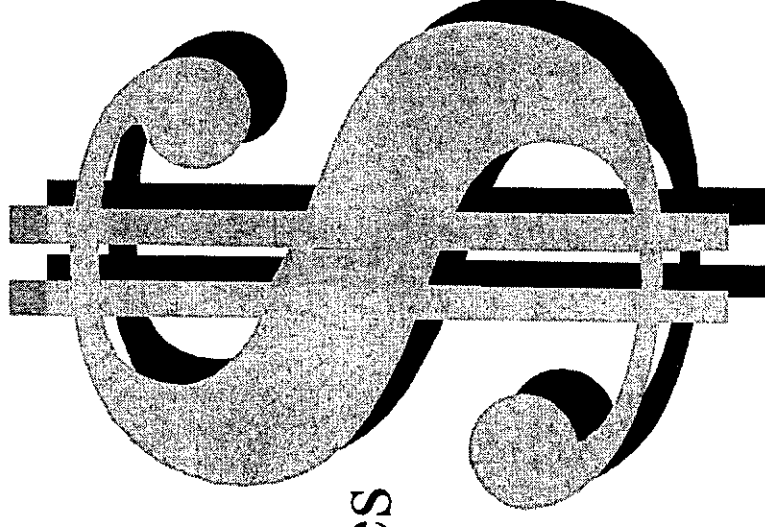
Lynchpin Issue:

• DEPRECIATION



Depreciation Fundamentals: 101

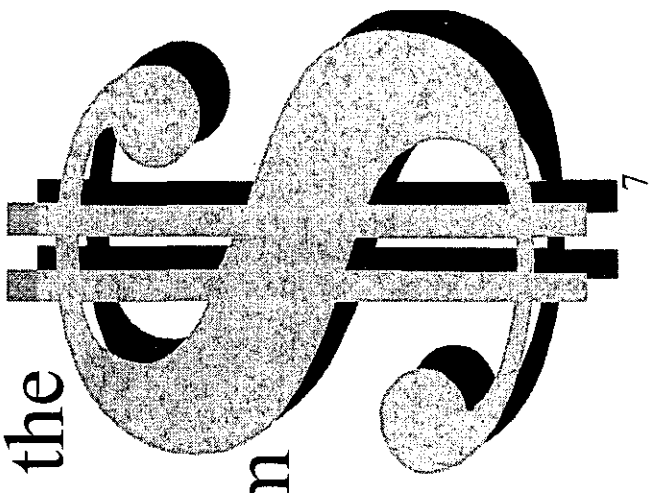
- Depreciation = Cash
- Free cash inflow
- Green pieces of paper with pictures of dead presidents



Depreciation Fundamentals: 101

(Continued)

- Typically the largest non-fuel expense
- The higher the depreciation rate, the greater the revenue requirement
- The greater the revenue requirement, the higher the charges to ratepayers.
- Depreciation produces cash flow from ratepayers to utilities.



Typical Depreciation Rates Are Based on Estimates

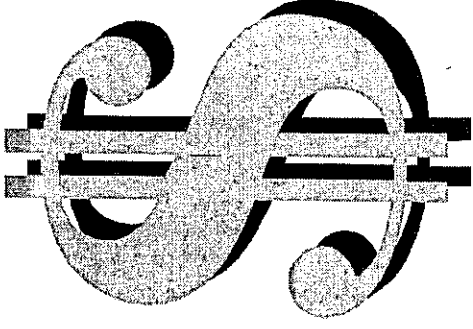
- Service Life and Dispersion Estimates,
- Salvage Estimates, and
- Future Cost of Removal Estimates

Net Salvage

- Most estimates have assumed that COR will be greater than salvage, therefore estimated future net salvage has been negative.

Impact of Negative Net Salvage on Depreciation Rates

- Negative net salvage increases depreciation rates.



Future Cost of Removal Estimates

- Utilities usually inflate future COR estimates.
- This inflation is embedded in the method used to make the COR estimates.
- Some witnesses admit the inflation and defend it, others deny it.

Effect of Inflated COR Estimates

- Higher depreciation expense.
- Annual COR charges vastly exceed actual COR incurred each year.
- More cash flow and higher depreciation reserves.

Dirty Little Secrets About Removal Costs

- Removal costs may never be incurred at the level incorporated in current depreciation rates for mass accounts.
- Snavely King's national studies show that steam production plants last much longer than utilities assume and there is only a limited probability of plant dismantlement.



More Dirty Little Secrets About Removal Costs

- Basic removal premise is questionable-there is no liability.
- Why would a company spend money on non-productive activities if not required?
- Therefore, most COR collections are the same as net income.



The New World Order According to GAAP

SFAS No. 143 is GAAP

- Statement of Financial Accounting Standard No. 143 is a creature of the
- Financial Accounting Standards Board (“FASB”), dealing with
- Accounting for Asset Retirement Obligations (“ARO”), and it
- Applies to all companies.

COR Under SFAS No. 143

- SFAS No. 143 says “No”.
- Can’t apply a depreciation rate designed to recover more than cost.
- Can only recognize removal costs when there is a legal liability to incur an Asset Retirement Obligation (“ARO”)

SFAS No. 143 Concepts

- An Asset Retirement Obligation (“ARO”) is a **legal** obligation (cost) associated with the retirement of an asset.
- ARO Example – end of life legal requirements for nuclear plants.
- If ARO exists, must estimate the Fair Value of the Asset Retirement Cost (“ARC”).
- Fair Value is net present value of estimated future expenditures.
- ARC is **capitalized** as part of the **cost** of the asset and depreciated.
- Key Concept – **zero net plant at end of life.**

Effect of SFAS No. 143

- On Telephone Industry
- On Electric, Gas and Other Utilities

FCC Response to SFAS No. 143

- FCC said “don’t change; continue to include net salvage in depreciation rates”
(WCB/Pricing 02-35)

Telephone Industry Reaction to SFAS No. 143

- Industry decided that no ARO exists, took all prior collections from ratepayers into income.

Pre-Tax Gains

	<u>\$ Billions 1/</u>
– SBC	\$ 5.9
– Verizon	\$ 3.5
– Qwest	\$ 0.4
– BellSouth	\$ 1.3
– Sprint	<u>\$ 0.4</u>
– Total	<u>\$11.5</u>

1/ 2003 10 K

Snavely King Majors O'Connor & Lee, Inc.

Telephone Industry Reaction

(continued)

- Industry reduced financial book depreciation rates, and
- **Is Expensing COR.**

Electric and Gas Utilities Reaction to SFAS No. 143

- Paragraph B73 requires that all prior and future collections of non-legal future cost of removal must be reclassified from accumulated depreciation and recorded as regulatory liabilities.

Electric and Gas Utilities Reaction to SFAS No. 143 (continued)

A good example is AEP, one of the largest electric holding companies. They said:

“...our utility operating companies have collected removal costs from ratepayers...to extent of deregulation we have taken \$473 million into income...and reclassified \$1.2 billion from accumulated depreciation to Regulatory Liabilities.”

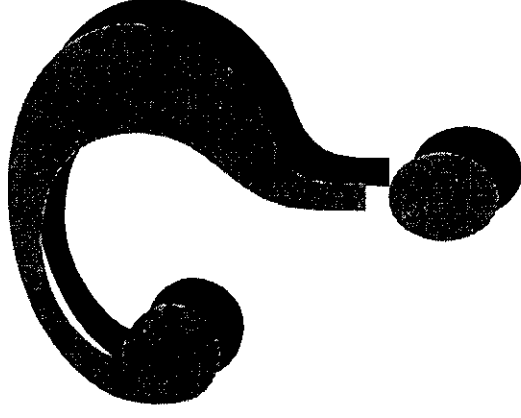
AEP 2003 Annual Report

AEP Example

(continued)

- Obvious conclusion – AEP’s shareholders won \$473 million, and its ratepayers lost \$473 million.
- Is this an *intergenerational inequity*?
- I think it is.

But What is Stockholder Response to Eruption of Major Regulatory Liabilities



FERC Response to SFAS No. 143

- FERC instituted Docket No. RM02-7
Notice of Proposed Rulemaking (“NOPR”)

NASUCA

Responded to the NOPR:

- Pointed out inconsistency of current practice with SFAS 143 principles
- Suggested removal costs be taken out of depreciation
- Proposed removal costs be
 - Expensed or Capitalized as part of a Replacement

Or

- Treated Like AROs

FERC Order No. 631

(April 9, 2002)

- Incorporates the principles of SFAS No. 143 into USoA.
- If AROs exist, they are capitalized into special accounts and depreciated.
- Identifies **non-legal AROs**.

Non-Legal AROs

- FERC Order No. 631 characterizes collections for non-ARO future COR as non-legal AROs
- Establishes a “Separation Principle” in lieu of SFAS No. 143 Regulatory Liability approach to non-legal AROs.

Order No. 631 Separation Principle

- Order No. 631 paragraphs: 34, 35, 37, 38, 39, and 63 address non-legal AROs, and are in direct response to NASUCA's Comments.
- They identify the “separation principle”

Order No. 631 Paragraph 34

(Separation Principle)

Paragraph 34 states in part:

“Certain other commenters [NASUCA] suggest that the Commission should make certain modifications to the Uniform Systems of Accounts ... to include the amount of cost of removal for non-legal obligations as regulatory liabilities...”

Order No. 631 Paragraph 35

(Separation Principle)

Paragraph 35 states:

“One commenter [NASUCA] recommends that the Commission exclude the cost of removal that does not qualify as a legal retirement obligation from the depreciation accrual and instead capitalize any removal costs related to the asset replaced as part of the costs of replacing the utility plant and if no replacement of the asset occurs, the cost of removal for non-legal retirement obligations should be expensed in the income statement.”

Order No. 631 Paragraph 38

(Separation Principle)

Paragraph 38 states:

“Instead [in response to NASUCA] we will require jurisdictional entities to maintain separate subsidiary records for cost of removal for non-legal retirement obligations that are included as specific identifiable allowances recorded in accumulated depreciation in order to separately identify such information to facilitate external reporting and for regulatory analysis, and rate setting purposes. Therefore, the Commission is amending [... the USoA].”

Order No. 631 Paragraph 39

(Separation Principle)

Paragraph 39 further elaborates:

“ Jurisdictional entities **must** identify and quantify in separate subsidiary records the amounts, if any, of previous and current accrued accumulated removal costs for other than legal retirement obligations recorded **as part of the depreciation accrual...**”

Separation Principle and Regulatory Liability

- The Regulatory Liability required in Paragraph B73 of SFAS No.143 should be the same as the separation within accumulated depreciation required in Order No. 631.

Current Situation

- Presently substantial sums of non-legal COR is hidden in depreciation rates and accumulated depreciation.
- Intergenerational inequities-utilities are taking these amounts into income wherever possible.
- Both SFAS No. 143 and Order No. 631 highlight the amounts.

Anticipated Results

- Obvious response is to discontinue current practice and reduce depreciation expense to stem the astronomical build-up of these amounts.
- Utilities will correctly assert that Order No. 631 does not require them to reduce their depreciation rates.
- Utilities will make theoretical arguments intended to continue these huge charges to ratepayers.
- If depreciation rates do not change, at least the amounts are separately identified, and the liabilities to ratepayers will continue to grow to even greater levels.
- At some point, these amounts must be challenged, if not by regulators, perhaps by shareholders.

Conclusion

- Regardless of the rhetoric, in substance and in form we now have identified huge amounts owed to ratepayers.
- These prior collections are owed to ratepayers because the utilities do not have any legal obligation to spend the money.
- These amounts have been and are being audited!
- I wonder where the money will come from when it's time to pay-off the liabilities to ratepayers?
- Probably the social security trust fund, unless the utilities contrive a way to take these amounts into income.

No. 812

PUBLIC COUNSEL DATA REQUEST

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO ER-2004-0570

REQUESTED FROM: Kelly Walters

DATE REQUESTED: June 7, 2004

INFORMATION REQUESTED:

For all accounts and locations for which Mr. Roff is proposing the life span method, provide the following information to support the final retirement dates. Please respond to each item.

- a. Economic studies. (NARUC, p. 146)
- b. Retirement plans. (NARUC, p. 146)
- c. Forecasts. (NARUC, p. 146)
- d. Studies of technological obsolescence. (NARUC, p. 146)
- e. Studies of adequacy of capacity. (NARUC, p. 146)
- f. Studies of competitive pressure. (NARUC, p. 146)
- g. Relationship of type of construction to remaining life span.
- h. Relationship of attained age to remaining life span.
- i. Relationship of observed features and conditions at the time of field visits to remaining life span.
- j. Relationship of specific plans of management to remaining life span.

REQUESTED BY: Michael J. Majoros

INFORMATION PROVIDED:

Each of these factors was given implicit consideration when determining the retirement dates in the depreciation study.

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____

SIGNED BY: Julie Andrews

TITLE: Property Records Accountant

No. 804

PUBLIC COUNSEL DATA REQUEST

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO ER-2004-0570

REQUESTED FROM: Kelly Walters

DATE REQUESTED: June 7, 2004

INFORMATION REQUESTED:

Please provide all information obtained by Mr. Roff and Deloitte & Touche from Company management relative to current operations and future expectations. Include the Please identify by name and title, all Empire personnel who provided the information. Please explain the extent of their participation and the information they provided.

REQUESTED BY: Michael J. Majoros

INFORMATION PROVIDED:

The information obtained by Mr. Roff and Deloitte was from a series of written questions and responses, which are enclosed. Discussions were held during plant tours, copies of those notes are also enclosed. The information gleaned from those discussions was translated into the workpaper notes/comments, which have been provided in response to Data Request 800.

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____

SIGNED BY: Julie Andrews

TITLE: Property Records Accountant

Jun-22-2004 14:25 From-

T-690 P.012/016 F-082

2003 DATA

~~WYANABURY~~

A/c 312 - \$500K (RETS) \$803K (CWR)

A/c 343 - \$380K (RETS)

A/c 353 - \$1.5M (RETS) \$186K (CWR)

A/c 355 - \$140K (CWR)

A/c 356 - \$210K (RETS) \$600K (CWR)

A/c 362 - \$650K (RETS) \$427K (SALV.) \$232K (CWR)

A/c 364 - \$107K (RETS) \$463K (CWR)

A/c 365 - \$1.60K (CWR)

A/c 369 - \$150K (CWR)

A/c 396 - \$475K (RETS)

A/c 397 - \$215K (RETS)

ATAN - CITEK AQUILA = KCP L DATES (EST. 2020)

ADSBURY - EST. 2030 (CWR); BUT COULD STAY W/ 2014

RIVERSON - 2008 ✓

RIVERSON 9 = 2006, REMAINS TO RIVERSON 7

RIVERSON 10: VI - WILL LAST 10 MORE YEARS.

No. 881

PUBLIC COUNSEL DATA REQUEST

EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO ER-2004-0570

REQUESTED FROM: Kelly Walters

DATE REQUESTED: August 23, 2004

INFORMATION REQUESTED:

Follow-up to Data Request No. 833.

- a. Please explain fully the reasons for the large jump in capital expenditures budgeted for Asbury in 2006 and 2007.
- b. Please explain fully the reasons for the large jump in capital expenditures budgeted for Iatan in 2006 and 2007.
- c. Please explain fully the reasons for the large jump in capital expenditures budgeted for Energy Center in 2005.

REQUESTED BY: Michael J. Majoros

INFORMATION PROVIDED: See Attachment.

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____ SIGNED BY: Nancy Moger

DR 881 (Follow-up to Data Request No. 833)

- a. Asbury – 2006: 8 million was budgeted for the selective catalytic removal (SCR) of NO_x.
2007: 16 million was budgeted for SCR of NO_x
- b. Iatan – 2006: 2.4 million was budgeted for SCR of NO_x
2007: 4.4 million was budgeted for SCR of NO_x
- c. Energy Center – 2005: 2 million was budgeted for the replacement of stacks