

THE EMPIRE DISTRICT ELECTRIC COMPANY
Consolidated Balance Sheet

	December 31, 2010		Proforma December 31, 2010
ASSETS			
Plant and Property, at Original Cost:			
Electric	\$ 2,001,142,332		\$ 2,001,142,332
Natural Gas	63,581,315		63,581,315
Water	11,128,134		11,128,134
Non-Regulated	32,263,685		32,263,685
Construction Work in Progress	9,336,267		9,336,267
	<u>2,117,451,733</u>	<u>0</u>	<u>2,117,451,733</u>
Accumulated Depreciation	<u>598,362,343</u>		<u>598,362,343</u>
	<u>1,519,089,390</u>	<u>0</u>	<u>1,519,089,390</u>
Current Assets:			
Cash and Cash Equivalents	14,499,057	246,875,000 (1)	
		(111,200,000) (1)	
		144,000,000 (2)	
		(17,500,000) (3)	
		5,104,400 (4)	
		(8,727,273) (6)	273,051,184
Accounts Receivable - Trade, Net of Allowance	41,379,659		41,379,659
Accrued Unbilled Revenues	23,594,946		23,594,946
Accounts Receivable - Other	25,445,133		25,445,133
Materials and Supplies	23,438,981		23,438,981
Electric Fuel Inventory	17,648,205		17,648,205
Natural Gas Inventory	4,470,390		4,470,390
Unrealized gain in fair value of derivative contracts	38,650		38,650
Regulatory Assets	4,973,569		4,973,569
Prepaid Expenses and Other	5,649,348		5,649,348
	<u>161,137,938</u>	<u>258,552,127</u>	<u>419,690,065</u>
Deferred Charges:			
Regulatory Assets	189,403,988		189,403,988
Goodwill	39,492,327		39,492,327
Unamortized Debt Issuance Costs	9,256,347	3,125,000 (1)	12,381,347
Unrealized gain in fair value of derivative contracts	194,760		194,760
Intan Investment Tax Credits	-		-
Other	2,736,377		2,736,377
	<u>241,083,799</u>	<u>3,125,000</u>	<u>244,208,799</u>
Total Assets	<u>\$ 1,921,311,127</u>	<u>\$ 261,677,127</u>	<u>\$ 2,182,988,254</u>
CAPITALIZATION AND LIABILITIES			
Common Stock \$1 Par Value and Common Stock Rights	\$ 41,576,869	\$ 6,818,182 (2)	\$ 48,395,051
Capital in Excess of Par Value	610,578,618	137,181,818 (2)	747,760,436
Retained Earnings	5,467,941	(8,727,273) (6)	
		(7,538,850) Y	(10,798,182)
Accumulated Other Comp. Income (Loss), net of income tax			
Total Common Stockholders' Equity	<u>657,623,428</u>	<u>127,733,877</u>	<u>785,357,305</u>
Long-Term Debt:			
Note Payable to Securitization Trust			
Obligations Under Capital Lease	4,995,333		4,995,333
First Mortgage Bonds and Secured Debt	488,577,019	250,000,000 (1)	
		(13,200,000) (1)	725,377,019
Unsecured Debt	199,500,016	(98,000,000) (1)	101,500,016
	<u>693,072,368</u>	<u>138,800,000</u>	<u>831,872,368</u>
Total Long-Term Debt	<u>693,072,368</u>	<u>138,800,000</u>	<u>831,872,368</u>
Total Long-Term Debt & Common Stockholders' Equity	<u>1,350,695,796</u>	<u>266,533,877</u>	<u>1,617,229,673</u>
Current Liabilities:			
Accounts Payable and Accrued Liabilities	58,820,087		58,820,087
Short Term Debt	24,000,000		24,000,000
Customer Deposits	11,061,505		11,061,505
Interest Accrued	6,004,104		6,004,104
Taxes Accrued	3,934,816	(4,856,750) (5)	(921,934)
Other Current Liabilities	578,303		578,303
Unrealized loss in fair value of derivative contracts	759,100		759,100
Current Maturities of Long-Term Debt	880,641		880,641
Regulatory Liabilities	1,243,291		1,243,291
	<u>107,281,847</u>	<u>(4,856,750)</u>	<u>102,425,097</u>
Noncurrent Liabilities and Deferred Credits:			
Regulatory Liabilities	87,579,048		87,579,048
Deferred Income Taxes	212,002,686		212,002,686
Unamortized Investment Tax Credits	19,597,336		19,597,336
Unrealized loss in fair value of derivative contracts	3,564,150		3,564,150
Pension and Other Postretirement Benefit Obligations	93,404,899		93,404,899
Other	47,185,365		47,185,365
	<u>463,333,484</u>		<u>463,333,484</u>
Total Capitalization and Liabilities	<u>\$ 1,921,311,127</u>	<u>\$ 261,677,127</u>	<u>\$ 2,182,988,254</u>
December 31, 2010			
	Shares	Shares	Proforma
	Authorized	Issued & Outstanding	Shares Issued & Outstanding
Common Stock	100,000,000	41,576,869	48,395,051
Preference Stock	2,500,000	-	-
Preferred Stock	5,000,000	-	-
		Adjustments	
		6,818,182	

THE EMPIRE DISTRICT ELECTRIC COMPANY
Consolidated Statement of Operations

	<u>12/31/2010</u>	<u>ADJUSTMENTS</u>	<u>PROFORMA 12/31/2010</u>
Operating Revenues:			
Electric	\$ 482,910,456		\$ 482,910,456
Natural Gas	50,885,089		50,885,089
Water	1,804,461		1,804,461
Non Regulated	5,675,598		5,675,598
	<u>541,275,604</u>		<u>541,275,604</u>
Operating Expenses:			
Fuel and Purchased Power	199,298,899		199,298,899
Cost of Natural Gas Sold and Transported	26,613,627		26,613,627
Non Regulated - Other	1,950,116		1,950,116
Regulated - Other	79,292,275		79,292,275
Maintenance and Repairs	36,770,824		36,770,824
Depreciation and Amortization	58,655,924		58,655,924
Provision for Income Taxes	30,470,382	(4,856,750) (5)	25,613,632
Other Taxes	27,728,860		27,728,860
	<u>460,780,907</u>	<u>(4,856,750)</u>	<u>455,924,157</u>
Operating Income	<u>80,494,697</u>	<u>4,856,750</u>	<u>85,351,447</u>
Other Income and Deductions:			
Allowance for Equity Funds Used			
During Construction	4,537,520		4,537,520
Interest Income	176,276		176,276
Benefit/(Provision) for Other Income Taxes	(63,198)		(63,198)
Other Non-operating Income	85,998		85,998
Other Non-operating Expense	(1,124,843)		(1,124,843)
	<u>3,611,753</u>		<u>3,611,753</u>
Interest Charges:			
Trust Preferred Securities	2,089,583		2,089,583
Other Long-Term Debt	41,958,541	17,500,000 (3)	
		(5,104,400) (4)	54,354,141
Allowance for Borrowed Funds Used			
During Construction	(5,635,560)		(5,635,560)
Short-term Debt	630,913		630,913
Other	(2,332,530)		(2,332,530)
	<u>36,710,947</u>	<u>12,395,600</u>	<u>49,106,547</u>
Net Income	<u>\$ 47,395,503</u>	<u>\$ (7,538,850) Y</u>	<u>\$ 39,856,653</u>

	<u>December 31, 2010</u>			
	Shares Authorized	Shares Issued & Outstanding	Adjustments	Proforma Shares Issued & Outstanding
Common Stock	100,000,000	41,576,869	6,818,182	48,395,051
Preference Stock	2,500,000	-	-	-
Preferred Stock	5,000,000	-	-	-

NOTE: Due to machine rounding, this statement/schedule may not foot or tie to the dollar with other statements/schedules.

THE EMPIRE DISTRICT ELECTRIC COMPANY
Assumptions and Proforma Journal Entries

Financing Assumptions for Pro Forma Statements:

	Reference	New Common Stock	Increased (Decreased) Debt	Refinanced Debt
2013				
Issue \$250 million of first mortgage bonds (\$111.2m of Pollution Control bonds and unsecured debt mature in 2013)	A		\$138.8m	\$111.2m
Issue \$150 million of common stock, issue price estimated at \$22.00 per share	B	\$150m		

Entries

		Debit	Credit
(1) Cash (short term debt)	A	246,875,000	
Issuance Costs (1.25%)		3,125,000	
Long-term debt			250,000,000
Unsecured debt		98,000,000	
Pollution Control (secured) Bonds		13,200,000	
Cash (short term debt)			111,200,000
(Issuance of \$250m of debt in conjunction with refinancing \$111.2m of maturing debt)			
 (2) Cash (or short term debt)	B	144,000,000	
Common Stock \$1 par (150,000,000 / \$22 price)			6,818,182
Capital in Excess of Par			137,181,818
(Issuance of equity shares at \$22 with a 4.0% reduction for issuance/fees)			
 (3) Interest Expense (\$250m * 7.0%)	A	17,500,000	
Cash (short term debt)			17,500,000
(new debt annual interest incurred)			
 (4) Cash (short term debt)	A	5,104,400	
Interest Expense			5,104,400
(remove interest on maturing debt; \$98m @ 4.5%; \$5.2m @ 5.2%; \$8.0m @ 5.3%)			
 (5) Income Taxes Payable	A	4,856,750	
Income Tax Expense (39.2% eff tax rate)			4,856,750
(net tax impact of interest expense in entries (3) and (4))			
 (6) Dividends (6,818,182 shares * \$1.28)	B	8,727,273	
Cash (short term debt)			8,727,273
(Dividends on new shares based on declared amounts during 2010)			