# The Empire District Electric Company Earnings Presentation



Third Quarter and Twelve Months Ending September 30, 2013

**November 1, 2013** 

Brad Beecher – President & CEO
Laurie Delano – Vice President - Finance & CFO

#### **Forward Looking Statements**

Certain matters discussed in this presentation are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements address or may address future plans, objectives, expectations and events or conditions concerning various matters such as capital expenditures, earnings, impacts from the 2011 tornado, pension and other costs, competition, litigation, our construction program, our generation plans, our financing plans, potential acquisitions, rate and other regulatory matters, liquidity and capital resources and accounting matters. Forward-looking statements may contain words like "anticipate", "believe", "expect", "project", "objective" or similar expressions to identify them as forward-looking statements. Factors that could cause actual results to differ materially from those currently anticipated in such statements include:

- > weather, business and economic conditions, recovery and rebuilding efforts relating to the 2011 tornado and other factors which may impact sales volumes and customer growth;
- the costs and other impacts resulting from natural disasters, such as tornados and ice storms;
- the amount, terms and timing of rate relief we seek and related matters:
- the results of prudency and similar reviews by regulators of costs we incur, including capital expenditures, fuel and purchased power costs and Southwest Power Pool (SPP) regional transmission organization (RTO) expansion costs, including any regulatory disallowances that could result from prudency reviews;
- > legislation and regulation, including environmental regulation (such as NOx, SO<sub>2</sub> mercury, ash and CO<sub>2</sub>) and health care regulation;
- competition and markets, including the SPP Energy Imbalance Services Market and SPP Day-Ahead Market and the impact of energy efficiency and alternative energy sources;
- electric utility restructuring, including ongoing federal activities and potential state activities;
- > volatility in the credit, equity and other financial markets and the resulting impact on our short term debt costs and our ability to issue debt or equity securities, or otherwise secure funds to meet our capital expenditure, dividend and liquidity needs;
- the effect of changes in our credit ratings on the availability and cost of funds;
- the performance of our pension assets and other post employment benefit plan assets and the resulting impact on our related funding commitments:
- the periodic revision of our construction and capital expenditure plans and cost and timing estimates:
- > our exposure to the credit risk of our hedging counterparties;
- > changes in accounting requirements (including the potential consequences of being required to report in accordance with IFRS rather than U. S. GAAP);
- > unauthorized physical or virtual access to our facilities and systems and acts of terrorism, including, but not limited to, cyber-terrorism;
- the timing of accretion estimates, and integration costs relating to completed and contemplated acquisitions and the performance of acquired businesses:
- > rate regulation, growth rates, discount rates, capital spending rates, terminal value calculations and other factors integral to the calculations utilized to test the impairment of goodwill, in addition to market and economic conditions which could adversely affect the analysis and ultimately negatively impact earnings;
- the success of efforts to invest in and develop new opportunities;
- the cost and availability of purchased power and fuel, and the results of our activities (such as hedging) to reduce the volatility of such costs;
- > interruptions or changes in our coal delivery, gas transportation or storage agreements or arrangements;
- > operation of our electric generation facilities and electric and gas transmission and distribution systems, including the performance of our joint owners;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- other circumstances affecting anticipated rates, revenues and costs.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time and it is not possible for management to predict all such factors or to assess the impact of each such factor on us. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

We caution you that any forward-looking statements are not guarantees of future performance and involve known and unknown risk, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from the facts, results, performance or achievements we have anticipated in such forward-looking statements.

#### **Third Quarter 2013 Summary**

	3rd Quarter 2013	3rd Quarter 2012	Twelve Months Ended September 30, 2013	Twelve Months Ended September 30, 2012
Net income (in millions)	\$24.0	\$25.5	\$57.9	\$54.7
Earnings Per Share	\$0.56	\$0.60	\$1.36	\$1.30

#### **Highlights**

- ➤ Increased quarterly common stock dividend 2.0%
- Missouri customer electric rates effective April 1
- Significantly cooler weather
- > Increased operating, depreciation and amortization costs
- Arkansas rate case notice filed
- ➤ Expect full-year earnings in mid to upper end of \$1.26 to \$1.43 per share range communicated in February 2013

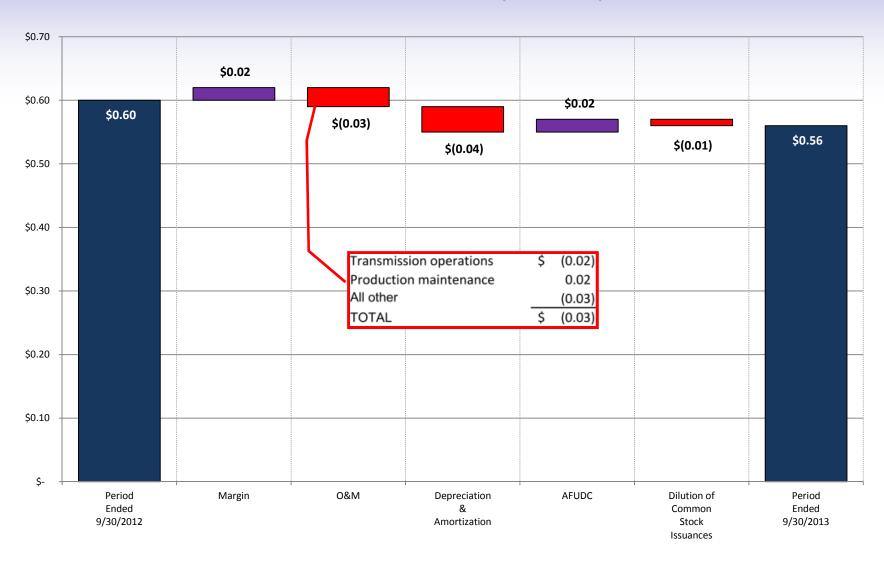
#### 3rd Quarter 2013 Earnings Reconciliation

# Consolidated EPS after tax increase (decrease)



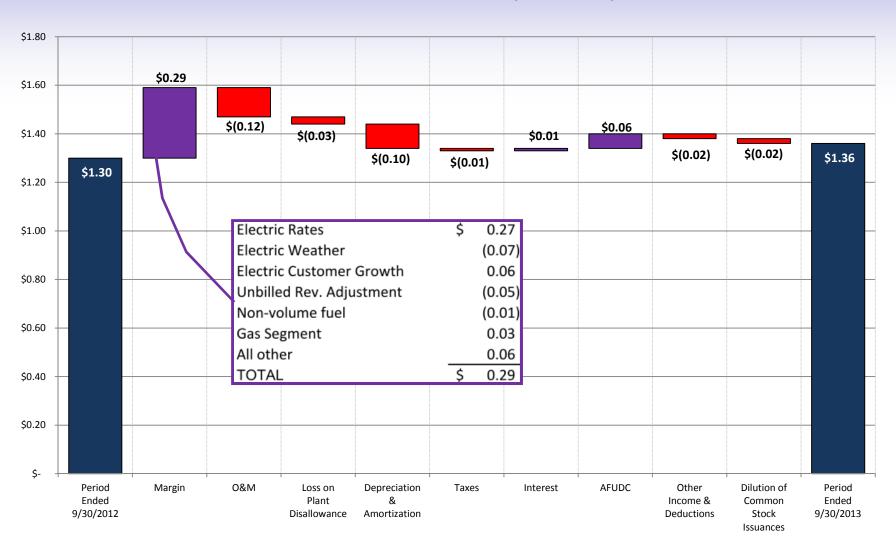
#### 3rd Quarter 2013 Earnings Reconciliation

## Consolidated EPS after tax increase (decrease)



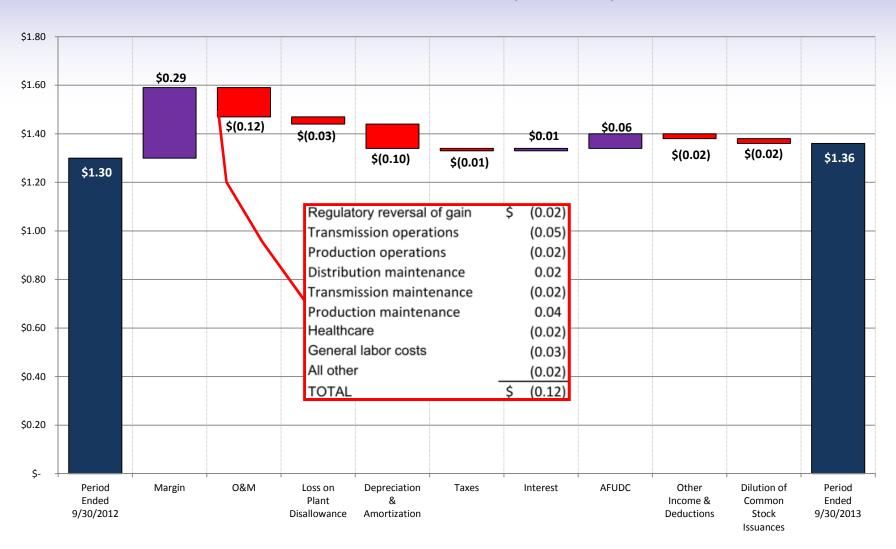
# September 2013 TME Earnings Reconciliation

## Consolidated EPS after tax increase (decrease)



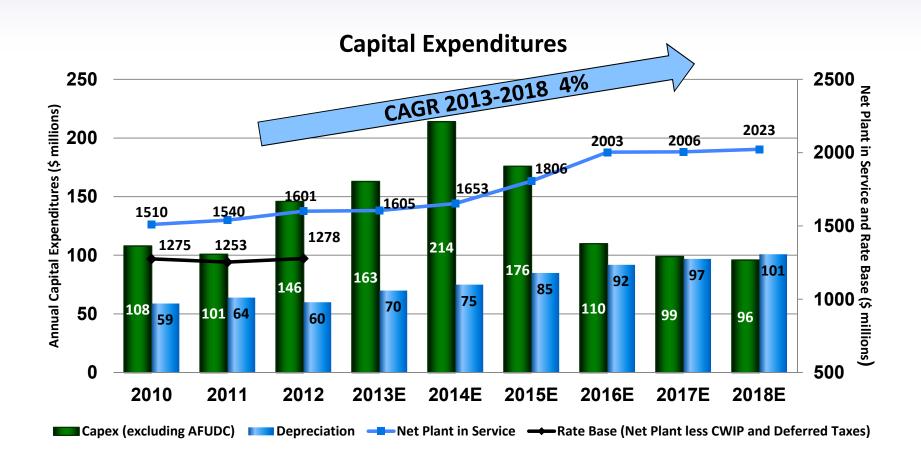
### **September 2013 TME Earnings Reconciliation**

## **Consolidated EPS after tax increase (decrease)**



#### Capital Expenditures

(excluding AFUDC)



#### **New Substation Construction**



New Kodiak substation (serving Crossroads Industrial Park)



New Silver Creek substation (serving southern Joplin and Mercy Hospital)

### **Riverton Unit 12 Combined Cycle Expansion**



Ground breaking for Riverton Combined Cycle Expansion – October 2013

Planned Riverton Addition (Artist Rendition)

# Asbury Plant Air Quality Control System Construction



Scrubber, baghouse and chimney construction progressing

#### **Mercy Hospital Construction Update**



"Above shows the latest aerial of the project site. We are over half way through the project schedule with 21 months behind us and have 18 months to complete. The aerial shows the progress of the roadwork, the on site loop road, parking and the overall building status. The utility plant is the first to complete with a start-up date of February 2014."

Mercy Health Joplin, October 2013 (with permission)

## Joplin Rebuilding / Redevelopment



## Regulatory

#### Missouri Energy Efficiency Investment Act (MEEIA) filing

- Filed request October 30 with MPSC for approval to implement portfolio of demand-side management programs
- Demand-Side Investment Mechanism (DSIM) allows for recovery of program costs and shared benefits from demand-side savings

#### Missouri Public Service Commission

- Robert S. Kenney (D) Chairman
- Stephen M. Stoll (D)
- Daniel Y. Hall (D) Appointed 9/27/2013, yet to be confirmed, replacing Terry M. Jarrett (R)
- William P. Kenney (R)
- Vacant position

## **Long-Term Strategy**

- Remain high quality, pure-play, regulated electric and gas utility
- Manage favorable energy supply portfolio
- Ensure constructive regulatory relationships
- Experienced management team
- Continue low-risk rate base growth plan

Making lives better every day with reliable energy and service.

