

07-Feb-2014

Empire District Electric Co. (EDE)

Q4 2013 Earnings Call



CORPORATE PARTICIPANTS

Janet S. Watson

Secretary, Treasurer & Head-Investor Relations, Empire District Electric Co.

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

Laurie A. Delano

Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

OTHER PARTICIPANTS

Glen F. Pruitt

Analyst, Wells Fargo Securities LLC

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

Michael Goldenberg

Analyst, Luminus Management LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, thank you for standing by. Welcome to the Empire District Electric Fourth Quarter 2013 Earnings Conference Call. [Operator Instructions] I would now like to turn the conference over to Jan Watson. Please go ahead, ma'am.

Janet S. Watson

Secretary, Treasurer & Head-Investor Relations, Empire District Electric Co.

Thank you. Good afternoon, and thank you for joining us for Empire's fourth quarter 2013 earnings conference call. Brad Beecher, President and Chief Executive Officer; and Laurie Delano, Vice President and Chief Financial Officer, will discuss our fourth quarter and 2013 results and provide highlights and other key points.

Our press release announcing fourth quarter earnings was issued yesterday afternoon. Press release and a live webcast of this call are available on Empire website at empiredistrict.com. The replay of the call will be available on the Empire website for one year.

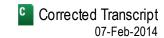
Today's discussion will include forward-looking information and the use of non-GAAP financial measures. Slide two of the slide deck presents the Safe Harbor statement which accompanies our presentation material. You should also refer to the information in our 2012 10-K, the quarterly 10-Qs and other SEC filings concerning factors that could cause future results to differ from this forward-looking information.

Also, the estimated earnings per share impact of individual items and the presentation of gross margins are non-GAAP presentations, and we would direct you to the fourth quarter earnings press release for further information on why we feel the non-GAAP presentation is beneficial for investors in understanding our financial results.

And with that, I will turn the call over to Brad Beecher.



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Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

Thank you, Jan. Good afternoon, everyone, and welcome. Today, we will discuss the financial results from the fourth quarter and 12 months ended periods December 31, 2013, as well as other recent events impacting the company. During the meeting yesterday, the board declared a quarterly dividend of \$0.255 per share payable March 17, 2014, to shareholders of record as of March 3, 2014. This represents a 4.56% annual yield at yesterday's closing price of \$22.35.

As shown on slide three, earnings for the year ended December 31, 2013, were \$63.4 million or a \$1.48 per share, compared to earnings of \$55.7 million or \$1.32 per share for 2012. Slide three also illustrates the strong growth in earnings we have experienced over the past several years. Our earnings level reflects our continued investment in infrastructure to reliably serve our customers.

We also received good news late last week that Moody's has upgraded our corporate credit rating to Baa1 from Baa2. Moody's upgraded several of our peers into a more favorable view of the relative credit supportiveness of the U.S. regulatory framework. In particular, their view includes better cost recovery provisions, reduced regulatory lag and a generally fair and open relationship between the utilities and regulators. Moody's specifically cited our constructive regulatory relationship and improved recovery of our operating costs.

We reported fourth quarter 2013 earnings of \$15.2 million or \$0.35 per share. This compares to the same period in 2012 when earnings were \$9.6 million or \$0.23 per share. The primary positive earning driver for the quarter was colder than normal weather, as December 2013 was the second coldest December in the past 10 years. The cold December weather lifted both quarter and annual earnings. Increased Missouri electric rates, which became effective April 1, 2013, also contributed to the quarter's earnings. Laurie will discuss these driving factors in more detail in her financial comments.

During the fourth quarter, our electric customer count eclipsed our pre-tornado numbers. We ended the year over 400 customers above the May 2011 count, and our yearly average count for 2013 was up about 900 customers from the 2012 count. On December 3, 2013, we filed for increased electric rates for our Arkansas customers. We are seeking to increase rates annually by about \$2.2 million or roughly 18%. We last changed rates in Arkansas in April 2011.

I will now turn the call over to Laurie for a discussion of our financial results.

Laurie A. Delano

Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

Thank you, Brad, and good afternoon everyone. We are very pleased with our fourth quarter and annual results. As we review our 2013 earnings per share results of \$1.48 compared to our 2012 results of \$1.32, I'll continue to refer to our webcast presentation slide to talk about the various impacts year-over-year. As usual, the slides provide a consolidated non-GAAP basic earnings per share reconciliation for the year. Our press release also has this information included.

And to remind you, the earnings per share numbers throughout the call are provided on an after tax estimated basis. I'll briefly touch on our 2013 fourth quarter results before I discuss our annual results. From a heating degree day perspective, fourth quarter weather was about 10% colder than normal and more than 20% colder than the 2012 quarter.



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We estimate that the cold weather added between \$0.03 and \$0.04 per share to earnings on the electric side of the business for the quarter when compared to normal weather. On our gas segment business, the cold weather added about \$0.01 compared to normal. Our fourth quarter results also included lower operating maintenance and depreciation expenses than we had planned. And these items combined to push our final earnings per share results over the top of our 2013 annual guidance range.

Slide four provides a roll-forward of the 2012 fourth quarter earnings per share of \$0.23 to the 2013 quarter results of \$0.35 per share. When we look at the fourth quarter compared to last year, gross margin, which we define as revenues less fuel and purchase power, was up \$0.21. The callout box on slide four provides a breakdown of the various components of this earnings per share impact on gross margin.

We estimate the impact of the colder weather compared to last year increased revenue by about \$7.7 million, increasing margin by about \$0.08 per share when you combine the electric and gas segment impacts. Increased Missouri customer rates added approximately \$5.9 million to revenues, increasing margin about \$0.09 per share.

Increasing customer counts, non-volume fuel-related items and other revenues, primarily Southwest Power Pool transmission revenues, rounded out the remaining increase to margin during the quarter.

As you can see from the slide, the rate-related revenue increase which positively impacted gross margin was largely offset by increased operating maintenance, depreciation and amortization and property tax expenses, all of which combined decreased earnings about \$0.10 per share. Increased AFUDC and other income and deductions added about \$0.02 per share. And the dilutive effect of our stock issuances under our dividend reinvestment plan and stock purchase plans reduced earnings about \$0.01 during the quarter.

Turning to our annual results, as Brad mentioned earlier, our net income increased \$7.7 million or \$0.16 per share. Slide five provides a breakdown of the various components that resulted in this year-over-year earnings per share increase. Again, for those of you who don't have our slide presentation, this information is in our press release.

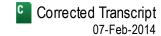
Consolidated gross margin increased \$33.5 million over 2012 adding \$0.49 per share. The callout box on slide five provides the estimated components of this increase. The increase in customer rates from our 2013 Missouri rate case effective April 1 of last year was the primary positive margin driver in 2013.

We estimate these new rates added \$24.6 to revenue or about \$0.37 per share to margin. The impact of the colder weather I discussed earlier combined with favorable first quarter 2013 weather and changes in year-over-year summer weather as well as other factors added an estimated \$3.1 million to revenue or about \$0.04 per share to margin. Increased customer counts added an estimated \$2.7 million year-over-year, increasing margin about \$0.03 per share.

As we've previously discussed, the \$3.4 million non-recurring upward adjustment we made in our estimate for unbilled revenues in the third quarter of 2012 negatively impacted revenues when comparing the two years, reducing margin by about \$0.05 per share. Electric fuel-related revenues were lower by about \$6.1 million compared to 2012. However, the decreased revenues were offset by a corresponding decrease in fuel expense. This item is not indicated in the callout box as there is no impact on margin.

Changes in off-system, water and miscellaneous revenues again primarily related to SPP transmission revenues and non-volume fuel-related items rounded out the remaining increase in electric segment revenues, adding a combined \$0.06 per share to margin.

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Our gas segment retail sales increased about 34% during 2013 compared to 2012, reflecting the colder weather during our heating season. Gas segment margin increased approximately \$3 million, adding about \$0.04 per share to margin.

Consolidated operating and maintenance expense increased. This drove a year-over-year earnings per share decrease of about \$0.18. The callout box on slide six provides a breakdown of this earnings per share impact. Our electric segment saw increased operating expenses of about \$11.1 million. As you all recall, the regulatory reversal of a gain on the sale of assets we made as part of our Missouri rate case settlement reduced earnings per share about \$0.02.

As I've discussed on previous calls, the largest individual increase within our transmission operation expenses, primarily related to increased SPP charges, this added expense reduced earnings about \$0.06 per share. We also experienced other smaller cost increases in production operations and maintenance, transmission system maintenance, labor and other areas. Most of these costs are offsetting the positive margin effect from our increased rates.

Continuing on with remaining earnings impacts, illustrated on slide six, as we have discussed previously, the loss we recorded for a regulatory disallowance related to construction prudency for our share of ownership of the Iatan plant reduced earnings \$0.03 per share.

Electric depreciation and amortization increased approximately \$8.3 million due to higher levels of plant in service and increased depreciation reset – rates, resulting from our April 1 Missouri rate case. This decreased earnings per share around \$0.13.

Increases in property taxes brought earnings down another \$0.03 per share. Increased AFUDC added about \$0.06 per share to earnings. This increase obviously reflects the ongoing construction of the air quality control system at our Asbury plant. And the dilutive effective of common stock issuances to our stock plans reduced earnings about \$0.02. At December 31, our retained earnings balance is \$67.6 million and we had about \$4 million of short-term debt outstanding at the end of 2013. At the end of January that number is at \$8 million.

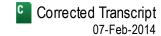
On slide seven, we have provided the historical and projected net plant in serv ice numbers that reflect our current capital expenditure plan as well as our historical look at our capital expenditures. These net plant in service numbers include AFUDC, exclude construction work-in-progress and our net of depreciation.

Our capital expenditure projections for the next five years remained unchanged from our previous call. And just to remind you, those projections excluding AFUDC are as follows: \$213.7 million in 2014; \$175.9 million in 2015; \$110.1 million in 2016; \$99.2 million in 2017; and \$95.9 million in 2018. The 2014 and 2015 expenditures reflect our ongoing costs for the Asbury environmental upgrade and the conversion of Riverton Unit 12 to a combined cycle. On the slide, we have also added our net plant levels, less deferred taxes, to approximate our rate base level.

To finance these projects, we expect to issue debt financing in the latter half of 2014 with the potential to issue additional debt or equity financing during 2015. Right now, we believe this late 2014 debt offering will be in the range of \$50 million, but could be subject to change based on the expenditure timing and other factors.

Our financing plan is built around maintaining a 50/50 debt equity capital structure. The addition of internal equity from our dividend reinvestment and stock purchase plans and our continued build of retained earnings is built into this plan.

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On December 13, we filed a \$200 million shelf registration statement to replace our \$400 million shelf registration that is expiring. The new shelf should carry us through 2016.

We announced in our press releasey esterday that we expect our full year 2014 earnings to be within the range of \$1.38 to \$1.50 per share. Slide eight illustrates the primary drivers of our guidance estimate. In developing our guidance, we assume 30-year average weather, modest growth as Joplin continues its rebuilding project, the Arkansas rate case filing that Brad mentioned earlier and another quarter of Missouri rates, which will be offset with the corresponding effect of increased O&M expenses.

Our customer and sales growth had been impacted over the past few years by the May 2011 tornado and the subsequent recovery and rebuilding efforts in the Joplin area. In addition, we have also experienced changes in customer usage patterns and efficiency trends.

These challenges and changes have made it a bit difficult to assess our sales compared to what we would expect to see on a weather normalized basis. As Brad mentioned earlier, we continue to see positive growth in the Joplin area with our customer count. We believe this growth is offsetting any decline in sales caused by energy efficiency trends.

This observation has led us to believe as we have discussed on our previous call that our weather normalized sales have been relatively flat over the pasty ear. After considering these factors, we still expect to see a modest positive sales growth. We expect this growth to be at a level of less than 1% per year over the next several years.

This growth level includes the effect of the portfolio of demand side management programs we filed earlier this year, as required by the Missouri Energy Efficiency Investment Act or MEEIA. The impact of these programs if fully implemented is a reduction in sales of between 0.1% and 0.5% over the next several years.

As proposed in our MEEIA filing, this sales reduction would be offset by a corresponding revenue rider. We also expect expenses to increase in 2014 over the 2013 level, primarily due to increases in transmission operations, property tax and labor expense. Other factors that may impact earnings include variations in customer growth and usage projections including the ongoing redevelopment in the Joplin area and, as always, unanticipated or unplanned events that may impact operating and maintenance costs.

I'll now turn the discussion back to Brad.

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

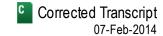
Thank you, Laurie. On the Missouri legislative front, we're supporting Missouri Legislative Solution, Senate Bill 702 to help reduce the impact of regulatory lag. In fact, Senate Bill 702 was voted out of the Senate Utilities Committee earlier this week. This solution would allow Empire and Kansas City Power & Light to defer costs associated with Power Pool access transmission project and Missouri property taxes for recovery in future rate cases. Empire customers would not be charged for these costs until plant is in service and costs are approved by the Missouri Public Service Commission in a general rate case proceeding.

We estimate regulatory lag was about \$3 million for property taxes in 2013. We estimate regulatory lag will be \$2 million to \$3 million in that transmission costs and about \$4 million to \$4.5 million for property taxes in 2014.

Work continues on several major construction projects in the area, including two substations that serve the Joplin growth. First, the Kodiak sub located at Crossroads Industrial Park is on schedule to be completed this month. It



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is needed to serve growth in the industrial park including the new \$80 million Blue Buffalo pet food facility. The Blue Buffalo facility spans about 425,000 square feet and is expected to employ about 150 workers.

Second, our Silver Creek sub that will serve southern Joplin, including the new Mer cy Hospital and other medical support facilities, is underway. The substation is expected to be operational in May, in time to supply the facility's needs as construction is completed and the testing phase begins.

Mercy is shooting for a March 2015 opening. Our Asbury air quality control system project is progressing on time for completion in early 2015. We have spent \$83.6 million on the project to date. We continue to estimate this project will be completed at a cost of between \$112 million and \$130 million.

As we announced in our last call, ground has been broken at our Riverton power plant site for the conversion of Unit 12 from a natural gas simple cycle unit to a combined cycle facility. Preliminary work is underway with completion slated for 2016at a cost of \$165 million to \$175 million. We have spent \$13.6 million to date on this project mainly on pre-engineering and site preparation.

School resumed after the holidays in new buildings for three Joplin schools, Irving Elementary, Soaring Heights Elementary and East Middle School. The new schools are designed with large open multipurpose areas, project rooms for messy projects, easily visible classrooms, safe rooms that serve the community, fiber optic technology throughout the buildings and brain-friendly colors.

Progress also continues on the Joplin High School and Franklin Technical Center, which were scheduled to be ready for opening day of school in August. Land has been acquired for a 150-unit senior transitional housing project and a library project. Prospects for a new grocery store in the 20th Street area are still being sought. And Commerce Bank, as announced, they will construct a new 12,500-square-foot bank headquarters at 20th in Connecticut.

We continue to see numerous apartment complexes under construction in the Tornado area. The Joplin Area Chamber of Commerce now reports that 530 businesses were damaged or destroyed in the May 22, 2011, tornado and 500 are back and operating. In addition, 140 new businesses have come to Joplin since the tornado. Many are small retailers and restaurants, but overall, these companies added about 500 new full-time jobs and more than 300 part-time jobs to the Joplin area. The City of Joplin also recently announced that 90% of the homes damaged or destroyed have been rebuilt or repaired or have permits to rebuild. Overall, we continue to see good progress in Joplin's recovery.

I will now turn the call back to the operator for your questions. Operator, I have now turned the call back for your questions.

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, we will now begin the question-and answer session. [Operator Instructions] And our first question is from Glen Pruitt with Wells Fargo. Please go ahead.

Glen F. Pruitt

Analyst, Wells Fargo Securities LLC

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Hey, guys. First of all, congratulations on a great quarter and year.

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

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Thank you, Glen.

Laurie A. Delano

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Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

Thank you, Glen.

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Glen F. Pruitt

Analyst, Wells Fargo Securities LLC

Yes. So I have two questions. The first one is, looking at your CapEx guidance, it looks like it starts to tail off in the 2016 to 2018 time frames, just kind of gets to the point where your depreciation exceeds your spend then. Can you give me any color on any incremental possible projects that you have down the line or do you guys have anything on your viewfinder?

Laurie A. Delano

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Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

I think we're still assessing that what we're going to do in those out years with growth. And, Glen, actually, the way we're kind of looking at that right now is that that tail-off there and we're certainly cognizant of needing to keep our expenditures that at least the depreciation level, that gives our customers a little bit of a break out into the future from the increased rates that we've been hitting them pretty hard with. But our staff, our management team continues to look at opportunities for growth but we don't have anything definitive right in there at this time.

Glen F. Pruitt

Analyst, Wells Fargo Securities LLC

Okay. And one other quick follow-up question, not related, your stock issue program that you currently have, the \$7.5 million, how long do you intend to keep that going?

Laurie A. Delano

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Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

We just – we don't have anything in progress except our normal dividend reinvestment plan and stock purchase plan. I don't know if you're referring to the old dribble plan that we had. Are you referring to our dividend reinvestment plan?

Empire District Electric Co. (EDE) Corrected Transcript 07-Feb-2014 Q4 2013 Earnings Call Glen F. Pruitt Analyst, Wells Fargo Securities LLC Right. Yes, yes. Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co. Okay Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co. We would have no plans to change that. Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co. To change that. Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co. Dividend reinvestment program. Glen F. Pruitt Analyst, Wells Fargo Securities LLC Okay, okay. That's all I have. Thank you. Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co. Okay. Thank you. Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co. Thank you, Glen. **Operator:** Our next question is from Julien Dumoulin-Smith with UBS. Please go ahead. Julien Dumoulin-Smith Analyst, UBS Securities LLC Hi. Good afternoon. Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co. Hi. Julien. Laurie A. Delano

Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

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Hi, Julien.

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

Hey. So first quick question, you talked about having some sales growth here in your 2014 guidance. Could you talk to that a little bit more articulately just in terms of exactly what you're expecting and what's driving that change again? I know you went through sort of by project, but is there one of those that we should be tracking here in terms of timeline or what have you?

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

Julien, we've got, on a weather normalized basis, less than 1% of sales growth built into our 2014 forecast. And it really is no one project, it's all these schools that are coming on, it's the Mercy Hospital continuing to be complete. It's all the apartment complexes that are being built, and again, being offset somewhat by some energy efficiency trends through the rest of our business.

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

Got you. And could you just walk through a little bit more on the increases in property tax year-on-year? I mean, just if you think about O&M in 2014, you've talked about that being a headwind, just generally speaking, could you talk to explicitly the increases in transmission expenses and property taxes?

Laurie A. Delano
Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

Well, just may be give a little bit more color about the trend. I mean, if you think about 2014, first of all, we have another quarter of rates coming in there and really kind of another quarter of increased expenses that match those rates. And then you have the incremental expenses over and above what we're including in rates which, as Brad articulated, we think was about a \$3 million drag on property taxes in 2013 and then that's going to increase by another \$1 million, \$1.5 million in 2014, and then that extra amount that we're going to have for the transmission costs in the Southwest Power Pool, which he articulated in his comments.

Other than that, we haven't really made public or talked about any other detail, but — and then we've got labor costs that are also coming into play from just our union contracts and normal percentage increases in labor. So those are really the three things that are driving that.

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

Great. Excellent. Is there an overall percentage change that you guys are thinking about? If you would aggregate all those factors together and clearly ex of costs that are recoverable, just if we think about unrecoverable costs, what the O&M inflation would be year-on-year?

Laurie A. Delano

Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

Yes. I think we've incorporated that into our guidance. We don't really have a specific percentage.

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Julien Dumoulin-Smith

Analyst, UBS Securities LLC

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Got you. All right. Excellent. And then could you speak really quickly around the legislation, if you will, specifically just to make sure I understand it? Is this a deferral mechanism that we're talking about here and it would be trued up in the next rate case, is that the way to think about the mechanics of it?

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

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Yes, Julien. That's exactly how you should think about it. Today, it is very tightly defined to be only property tax, only transmission. And today, as the legislation exists, it's only for companies that have less than 1 million customers, which means it would exclude Ameren. Ameren already recovers their transmission costs through their fuel adjustment clause, but what the legislation would enable us to hang up as a regulatory asset on our balance sheet costs over and above what were included on our rates and then the commission could look at those costs in the next rate case and then amortize them over the next few years.

It's still very early in the legislative process. There are still, I think, a lot of changes that could come to this bill relating to property tax, relating to transmission. There is yet another piece of legislation that would allow us to hang up depreciation on new plant as it goes into service that is still being bantied around. And so, there are still a lot of things that could happen here surrounding this legislation. But clearly, we're trying to address regulatory lag in Missouri. And it's important to all three of the electric utilities in Missouri.

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

Got you. And just a quick clarification on that. As of last year, if you look at the bill that was contemplated, it has a variety of other things attached to it ultimately at the end of the day. Is that your expectation here that this thing might be altered, if you will, for lack of a better description, and have some more adders or tacked in there? Or do you think it's likely that this thing remains fairly clean in terms of the ultimate goal and effect of the legislation?

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

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So my personal expectation is everything that goes through a legislative process is hard fo ught and hard won. And as it goes to the Senate, it goes through the Senate, it could change. As it finally gets pushed to the House, it could change. As it gets pushed to Conference Committee, it could change. And so there are a lot of competing interests from both consumers and utilities that could alter the look of this bill by the time it would get through the entire process.

Julien Dumoulin-Smith

Analyst, UBS Securities LLC

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Got you. And then, lastly, if you could talk quickly about the regulatory outlook. I mean is there an ability, if this fails, to go back to the commission for perhaps an accounting order to recover some of these costs or defer them at a minimum?

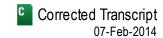
Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

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As you probably know, Kansas City Power & Light has requested an AAO surrounding some of these transmission costs. The commission has not issued in order in that case yet, but that could be forthcoming and could be an

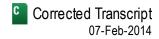
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avenue that we could pursue. Ameren has been recovering their transmission costs through their fuel adjustment clause. That was appealed through the judicial system. And my understanding is that, as of yesterday, the Supreme Court in Missouri declined to hear that appeal. So that should improve our likelihood of being able to recover our transmission costs through the fuel adjustment clause when we file a rate case here later in 2014.

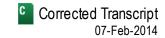
Julien Dumoulin-Smith Analyst, UBS Securities LLC	Q
Great. Well, thank you very much for all that.	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
Thanks, Julien.	
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
Thanks, Julien.	
Operator : Our next question is from Michael Goldenberg with Luminus Man	agement. Please go ahead.
Michael Goldenberg Analyst, Luminus Management LLC	Q
Hey, guys. Congratulations on a nice quarter.	
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
Hey, thank you, Michael.	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
Thank you, Michael.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
I have a question on your sales. Obviously, December was very strong and so was into more detail, how much of the guidance was impacted by strong January an affected the rest of the year?	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
Yes. We wouldn't think that it really had much impact. You had a strong – are year?	you talking about January of last
Michael Goldenberg Analyst, Luminus Management LLC	Q
No. January of this year.	

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Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
No. We didn't lay that into your guidance because we're using a full year of normal weather for that.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
But was January strong versus expectations?	
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
It was significantly colder in Missouri than normal. So, we haven't got January books closed yet, so I' pressed to tell you what it is.	m hard -
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co. Yes.	A
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
But it was significantly colder in Missouri, in the Midwest, than normal.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
But is most of that benefit felt on the gas side or some of it on the electric as well?	
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
I would think you would think about it much like our fourth quarter results. We had more impact from we the electric side than on the gas on an earnings per share basis.	eather on
Michael Goldenberg Analyst, Luminus Management LLC	Q
Is that because more homes are electric heated, or some are?	
Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
That's correct. That's correct.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
Is that true for all of Midwest?	
Bradley P. Beecher President & Chief Executive Officer, Empire District Flactric Co.	A

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No. It's a little bit unique to our service territory. There is really only one pipeline that serves Southwest Missouri, a pipeline called Southern Star Central. And it runs up Interstate 44, and so there are a lot of communities that are either served by propone or electric heat. And as you know, propone costs have been high and so - but there is a lot of electric heathere that makes us a little bit unique vis-à-vis some of our counterparts in the rest of Missouri.

Michael Goldenberg

Analyst, Luminus Management LLC

Okay. So it's very Empire District-specific, not even Missouri-specific?

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

Laurie A. Delano

Vice President-Finance & Chief Financial Officer, Empire District Electric Co.

And keep in mind, our gas segment is small when you look at - we only have 40,000-some customers. So if you are comparing the impact on the gas segment versus the electric segment, obviously, you have to keep that in mind.

Michael Goldenberg

Analyst, Luminus Management LLC

Got you. And then as far as hospital coming back online, I think you said 2015, but is this coming back in stages? I think you mentioned that the hospitals are going to be completed in 2015, but is that...

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

I think there is actually a picture of the hospital in our slides. May be not -yes, there is, on page nine of our slides. And as you can see, it is completely enclosed. They are still heating at this point with temporary heat. But there is a lot of lights on out there. So we are starting to see some of the sales, but actually - the impacts of the lighting, but inside of that building show, you see there, there isn't much finished yet. So it will really ramp up as they really start getting real heat, real lights, real medical equipment operating. So - but we are starting just now starting to see some of the impacts of the lighting and auxiliary load.

Michael Goldenberg

Analyst, Luminus Management LLC

So it's going to happen gradually between now and sometime in 2015?

Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

That would be my expectation.

Michael Goldenberg

Analyst, Luminus Management LLC

And you've embedded an expectation of that coming back gradually into your guidance megawatt hour sales increase?

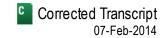
Empire District Electric Co. (EDE) Q4 2013 Earnings Call Bradley P. Beecher

Corrected Transcript 07-Feb-2014

Bradley P. Beecher President & Chief Executive Officer, Empire District Electric Co.	A
We have.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
Got it. Okay. And I was just wondering if you had any updates on previously stated?	your financing plans. So everything is as
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	А
Yes. As I mentioned in the call, I mean, our plan right now is to issue prof debt financing towards the end of this year and then look at what we debt and equity that would need to be. So that's where we are at this	would need beyond that and what mix of
Michael Goldenberg Analyst, Luminus Management LLC	Q
Are you saying no equity in 2014, or you are not saying that?	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
That is our plan right now to issue debt only in 2014.	
Michael Goldenberg Analyst, Luminus Management LLC	Q
Got it.	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
And what we're doing there is we're looking at how we're building equit stock purchase plans and targeting that $50/50$ capital structure as we're	
Michael Goldenberg Analyst, Luminus Management LLC	Q
Understood. Thank you very much.	
Laurie A. Delano Vice President-Finance & Chief Financial Officer, Empire District Electric Co.	A
Thank you.	
Operator: [Operator Instructions] And I am seeing no questions at the	e moment. Please continue with any closing

remarks.

Q4 2013 Earnings Call



Bradley P. Beecher

President & Chief Executive Officer, Empire District Electric Co.

Thank you. Empire remains a high-quality, pure-play, regulated electric and natural gas utility. We manage a favorable energy supply portfolio consisting of reliable, diverse, low-cost, regulated assets. Our experienced management team also works to ensure constructive regulatory relationships with regulators at both the state and federal level. We continue our low-risk growth plan and maintain our commitment to renewable energy and reduce emissions.

Before we close, I remind you that Laurie and I will be attending UBS's 2014 Natural Gas and Electric Utilities Conference in Boston on March 4. Thank you for joining us today. Enjoy the weekend.

Operator: Ladies and gentlemen, that does conclude the conference call for today. Thanks again for your participation. You may now disconnect.

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