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Data Center
Missouri Public
Service Commission

Exhibit No.

Issue: Amortization Witness: Robert W. Sager

Type of Exhibit: Direct Testimony

Sponsoring Party: Empire District Electric

Case No.

Date Testimony Prepared: October 2007

Before the Public Service Commission of the State of Missouri

Direct Testimony

of

Robert W. Sager

October 2007

2006 Exhibit No. 22

Case No(s). FR-2008-6673

Date 5-12-08 Rptr 49

DIRECT TESTIMONY OF ROBERT W. SAGER THE EMPIRE DISTRICT ELECTRIC COMPANY BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION CASE NO.

1	0.	PLEASE STAT	E YOUR NAME A	AND BUSINESS	ADDRESS.
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- 2 A. Robert W. Sager, 602 Joplin Street, Joplin, Missouri 64801.
- 3 Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?
- 4 A. The Empire District Electric Company ("Empire" or "Company") is my employer. I
- 5 hold the position of Director of Financial Services.
- 6 Q. WHAT ARE YOUR RELEVANT QUALIFICATIONS AND PREVIOUS
- 7 WORK EXPERIENCES?
- 8 A. I am a licensed CPA with a bachelor of science degree in accounting from Pittsburg
- 9 State University, Pittsburg, Kansas. I have been employed by Empire since October
- of 2006. I worked for a regional public accounting firm, BKD, for approximately ten
- 11 years prior to coming to Empire. While at BKD, I was a senior manager providing
- auditing and consulting services to various corporations, including SEC filers.
- 13 Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.
- 14 A. I will discuss the regulatory plan amortization, which resulted from Commission
- 15 Case No. EO-2005-0263, and the amortization calculation which has been included
- in this case.
- 17 Q. WHAT IS YOUR UNDERSTANDING OF THE REGULATORY PLAN
- 18 **AMORTIZATION?**

- 1 A. I believe the intended purpose of the regulatory plan amortization provisions is to
- 2 determine whether rate relief calculated under traditional methods must be
- 3 supplemented in order to allow Empire to be rated at investment grade levels as
- 4 provided for in the regulatory plan.

5 Q. HOW DOES THE AMORTIZATION WORK?

- 6 A. The amortization is an amount built into rates in addition to those costs traditionally
- 7 recovered through rates. Concurrent with cost recovery, the Company records
- 8 amortization expense equal to the additional amortization costs billed to customers.
- As a result, the increase to revenues is offset by a non-cash expense so the Company
- does not recognize additional net income, but does have additional cash from the
- 11 amortization.

12 Q. IS THE AMORTIZATION CALCULATION IN THIS CASE CONSISTENT

- 13 WITH EMPIRE'S REGULATORY PLAN?
- 14 A. Yes. The regulatory plan amortization was not designed as a substitute for the timely
- recovery of prudently incurred costs. I believe that Empire has appropriately
- requested rate relief under traditional methods and under the Company's filing
- Empire is not requesting additional amortization because the calculation indicated
- that additional amortization was not necessary. Attached is Schedule RWS-1 which
- 19 provides that calculation.
- 20 Q. DOES THE LEVEL OF RATE RECOVERY OR AMORTIZATION
- 21 PROVIDE ASSURANCE THAT EMPIRE WILL HAVE INVESTMENT
- 22 GRADE CREDIT IN THE NEAR FUTURE?

A. No. While we take prudent and reasonable actions seeking to be assigned investment grade credit ratings by the agencies, we do not assign the ratings ourselves and cannot provide assurance that we will be assigned investment grade ratings. While I believe the amortization calculation is consistent with the regulatory plan, the amortization, if any, and its effect on our financial ratios by itself does not guarantee that Empire's ratings will be assigned at investment grade levels.

7 Q. WHY DO YOU BELIEVE THAT TO BE THE CASE?

A. Comments from S&P's Corporate Ratings Criteria 2006 guidebook (page 42) may articulate this best. It states, "The ratio medians are purely statistical, and are not intended as a guide to achieving a given rating level. They are not hurdles or prerequisites that should be achieved to attain a specific debt rating. Caution should be exercised when using the ratio medians for comparisons with specific company or industry data because of differences in method of ratio computation, importance of industry or business risk, and the impact of mergers and acquisitions." They further state, "particular caution should be used when making cross—border comparisons, because of differences in accounting principles, financial practices, and business environments." To summarize, S&P is indicating that they assess companies as a whole and meeting certain financial ratios does not guarantee a certain credit rating.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

20 A. Yes, it does.



The Empire District Electric Company Calculation of Amortization to meet Financial Ratio Targets 9/25/2007

Additional Net Balance Sheet Investment Schedule D 73,114,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,144,157 73,145,157 73,144,157 73,145,157 73,144,157 73,145,157				Total Company	Juris Alloc
3		Additional Net Balance Sheet Investment	-		62,224,304
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7 Long-term Debt					
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11 Other Electric Operating Revenue	9	Interest Expense	L7 * L8 (+\$4,250,000 (TOPRs))		28,851,057
13 Operating and Maintenance Expense Schedule 223,288,01 378,149,29 15 Amortization Schedule M 35,522,39 15 Amortization Schedule M 35,522,39 15 Amortization Schedule M 35,522,39 15 Amortization Schedule M 31,522,39 17 Taxes Other than Income Taxes Schedule J 11,168,81 18 Federal and State Income Taxes Schedule J - Schedule J - Schedule J 22,454,29 18 Tealeral and State Income Taxes Schedule J -			` ,		375,139,158
13 Operating and Maintenance Expense Schedule J 33,522,38 14 Depreciation Schedule M 33,522,31 15 Amortization Schedule M 11,168,81 16 Interest on Customer Deposits Schedule M 11,168,81 16 Interest on Customer Deposits Schedule M 11,168,81 17 Taxes Other than Income Truces Schedule J Schedule J 12,484,29 18 Federal and State Income Taxes Schedule J Schedule J 12,484,29 18 Federal and State Income Taxes Schedule J Schedule J Schedule J 26,457,78 19 Total Electric Operating Exp Sum of L, 13-18 305,526,55 19 Total Electric Operating Exp Sum of L, 13-18 305,526,55 19 Total Electric Operating Exp Sum of L, 13-18 305,526,55 19 Total Electric Operating Exp Sum of L, 13-18 305,522,53 19 Total Electric Operating Exp Sum of L, 13-18 305,522,53 20 Operating Income - Electric L12 - L19 68,623,43 21 Operating Income - Electric L12 - L19 68,623,43 22 Depreciation L14 35,522,33 23 Amortization L14 35,522,33 24 Deferred Taxes Schedule L15 L15 L16,83 25 Funds from Operations (FFO) Sum of L0-24 89,097,77 26 Additional Financial Information Needed for Calculation of Ratios Schedule L25,334 -127,44 27 Capitalized Lease Obligations EDE Form 10-Q, p. 8 50,031,000 41,847,10 28 Short-term Debt Interest EDE Accounts 27+7-243 -152,334 -127,44 29 Short-term Debt Interest EDE Accounts 417,891+431,400 2,366,594 1,979,30 20 Cash Interest Paid Information Supplied by EDE Schedule Sched		· -			3,010,138
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15 Amortization Schedule 11.168.83 5.992.17 Taxes Other than thome Taxes Schedule 1 5.992.17 Taxes Other than thome Taxes Schedule 1 1.2484.29 22.645.78 12.484.29 22.645.78 17.81 12.484.29 22.645.78 17.81 12.484.29 22.645.78 17.81 12.484.29 22.645.78 17.81 12.484.29 22.645.78 17.81 1			Schedule J		223,288,019
16 Interest on Customer Deposits Schedule 1 12444_20 18 Federal and State Income Taxes Schedule J + Schedule D (rate increase) 26,463,78 19 Total Electric Operating Exp Sum of L. 13-18 305,726,55 20 Operating Income - Electric L12 - L19 66,22,74 21 Iess: Interest Expense L9 22,851,06 22 Depociation L14 33,522,39 23 Amortization L15 11,168,38 24 Deferred Taxes Schedule J L15 11,168,38 24 Deferred Taxes Schedule J 2,634,85 25 Funds from Operations (FFO) Sum of L20-24 89,097,77 27 27 27 27 27 27 27			Schedule M		35,522,399
17 Taxes Other than Income Taxes Schedule J Schedule D (rate increase) 26.43.78 18 Federal and State Income Taxes Schedule J + Schedule D (rate increase) 26.43.78 19 Total Electric Operating Exp Sum of L, 13-18 309.526.55 20 Operating Income - Electric L12 - L19 68.622.74 21 less: Interest Expense 1.9 22.881.05 22 Despeciation L14 3.85.22.33 23 Amortization L15 11.168.83 24 Deferred Taxes Schedule I 2.634.85 25 Funds from Operations (FFO) Sum of L20-24 89.097.77 26 Additional Financial Information Needed for Calculation of Ratios L16 Schedule I 2.634.85 27 Capitalized Lease Obligations EDE Accounts 227 + 243 -127.41 28 Short-term Debt Interest EDE Accounts 227 + 243 -127.41 29 Short-term Debt Interest EDE Accounts 417.891 + 431.400 23.66.004 13.979.30 31 AFUDC Debt (capitalized interest) EDE Form 10-Q, p, 8 3.970.000 3.20.46 32 Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations 22.876.700 24.606.34 32 Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations 23.94 32 Operating Lease Debt Equivalent Information Supplied by EDE St. 28 3.066.000 2.543.73 35 Purchase Power Debt Equivalent Information Supplied by EDE St. 29 3.066.000 3.2976.10 37 Operating Lease Debt Equivalent Information Supplied by EDE St. 29 3.066.000 3.2976.10 38 Interest Adjustments for Off-Balance Sheet Obligations 1.34 + 135 64.655.000 5.540.47 37 Operating Lease Debt Equivalent Information Supplied by EDE St. 29 80.000 3.2976.10 38 Interest Adjustments for Off-Balance Sheet Obligations 1.34 + 135 64.655.000 5.540.47 39 Present Value of Operating Leases L52 * 10% 6.333.900 5.297.61 40 Adjustment to Graph Lease L52 * 10% 6.333.900 5.297.61 41 Total OSB Debt Equivalent L53 * 10% 6.333.900 5.297.61 42 Adjustment Total Capital L4 + L27 + L28 + L36 89.633.44 43 Adjusted Total Debt O3000			Schedule M		11,168,836
18 Federal and State Income Taxes Schedule J + Schedule D (rate increase) 26,443,78 309,526,55			Schedule J		599,219
19 Total Electric Operating Exp Sum of L, 13-18 309,526,55			Schedule J		12,484,292
19 Total Electric Operating Exp Sum of L. 13-18 309,526,55			Schedule J + Schedule D (rate increase)		<u>26,463,788</u>
22 1 1521 1522 1523	19	Total Electric Operating Exp	Sum of L. 13-18	_	309,526,552
22 Depreciation	20	Operating Income - Electric	L12 - L19		68,622,744
22 Amortization	21	less: Interest Expense	1.9		-28,851,057
23 Amortization	22	Depreciation	Ll4		35,522,399
25 Funds from Operations (FFO) Sum of L20-24 S9,097,77	23	Amortization	L 15		11,168,836
26	24	Deferred Taxes	Schedule J		2,634,852
27 Capitalized Lease Obligations	25	Funds from Operations (FFO)	Sum of L20-24	_	89,097,774
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31 AFUDC Debt (capitalized interest) EDE Form 10-Q, p. 4 3,970,000 3,320,46	29	Short-term Debt Interest	EDE Accounts 417.891 + 431.400	2,366,504	1,979,320
32 Adjustments Made by Rating Agencies for Off-Balance Sheet Obligations 33 Debt Adj for Off-Balance Sheet Obliga 40 Adjusting Lease Debt Equivalent Information Supplied by EDE/S&P 3,066,000 2,564,37 35 Purchase Power Debt Equivalent Information Supplied by EDE 63,339,000 52,976,10 36 Total OSB Debt Adjustment L34 + 135 66,405,000 55,540,47 37 Operating Lease Deprec Adjustment Information Supplied by EDE/S&P 896,000 749,40 38 Interest Adjustments for Off-Balance Sheet Obligations 39 Present Value of Operating Leases L52 * 10% 306,600 256,43 256,400 256,43 257,610 256,400 256,43 257,610	30	Cash Interest Paid	Information Supplied by EDE	28,767,000	24,060,431
33 Debt Adj for Off-Balance Sheet Obligs 34 Operating Lease Debt Equivalent Information Supplied by EDE/S&P 3,066,000 2,564,37 59 Purchase Power Debt Equivalent Information Supplied by EDE 63,339,000 52,976,10 36 Total OSB Debt Adjustment L34 + 135 66,405,000 55,540,47 37 Operating Lease Deprice Adjustment Information Supplied by EDE/S&P 896,000 749,40 38 Interest Adjustments for Off-Balance Sheet Obligations 39 Present Value of Operating Leases L52 * 10% 306,600 256,43 40 Purchase Power Debt Equivalent L33 * 10% 6,333,900 5,297,61 41 Total OSB Interest Adjustment L33 * 10% 6,333,900 5,297,61 42 Ratio Calculations 43 Adjusted Interest Expense L9 + 1.29 + 1.55 36,384,42 44 Adjusted Total Debt 6730/07 L6 + 1.7 + 1.27 + 1.28 + 1.36 484,510,94 45 Adjusted Total Debt 6730/06 Same as 1.65, but for prior year 399,854,96 46 Adjusted Total Capital 1.4 + 1.27 + 1.28 + 1.36 82,633,44 47 Adj. FFO interest Coverage (1.25 + 1.30 + 1.31 + 1.41)/(1.9 + 1.31 + 1.41) 48 Adj. FFO as a % of Average Total Debt (1.25 + 1.37)/(avg. of 1.44 + 1.45) 0.203 49 Adj. Total Debt to Total Capital L44/(1.46 *** 50 Changes Required to Meet Ratio Targets 51 Adj. FFO interest Coverage (1.51 - 1.47) * 1.43 1.264,28 52 Interest Adjustment to Meet Target (1.51 - 1.47) * 1.43 1.264,28 53 Interest Adjustment to Meet Target (1.51 - 1.47) * 1.43 1.264,28 54 Interest Adjustment to Meet Target (1.51 - 1.47) * 1.44 55 Debt Adjustment to Meet Target (1.51 - 1.47) * 1.46 *** 56 Debt Adjustment to Meet Target (1.57 - 1.49) * 1.46 57 Adj. Total Debt to Total Capital Target (1.57 - 1.49) * 1.46 58 Debt Adjustment to Meet Target (1.57 - 1.49) * 1.46 59 Total Capital Adjustment to Meet Target (1.57 - 1.49) * 1.46 50 Changes Required to Meet Target (1.57 - 1.49) * 1.46 51 Total Capital Adjustment to Meet Target (1.57 - 1.49) * 1.46 52 FOO Adjustment to Meet Target (1.57 - 1.49) * 1.46 53 Debt Adjustment to Meet Target (1.57 - 1.49) * 1.46 54 Debt Adjustment to Meet Target (1.57 - 1.49) * 1.46 55 Debt Adjustment to Meet Target (1.57 - 1.49) * 1.46 56 Deferred Inco	31	AFUDC Debt (capitalized interest)	EDE Form 10-Q, p. 4	3,970,000	3,320,468
34 Operating Lease Debt Equivalent			f-Balance Sheet Obligations		
35 Purchase Power Debt Equivalent			Information Supplied by EDE/S&P	3.066.000	2.564.372
36 Total OSB Debt Adjustment					
37 Operating Lease Deprec Adjustment Information Supplied by EDE/S&P 896,000 749,40					
38 Interest Adjustments for Off-Balance Sheet Obligations 39 Present Value of Operating Leases L52 * 10% 306,600 256,43 40 Purchase Power Debt Equivalent L53 * 10% 6,333,900 5,297,61 41 Total OSB Interest Adjustment L39 + L40 6,640,500 5,554,04 42 Ratio Calculations 43 Adjusted Interest Expense L9 + L29 + L55 36,384,42 44 Adjusted Total Debt 6/30/07 L6 + L7 + L27 + L28 + L36 484,510,94 45 Adjusted Total Debt 6/30/06 Same as L65, but for prior year 399,854,96 46 Adjusted Total Capital L4 + L27 + L28 + L36 892,633,44 47 Adj. FFO Interest Coverage (L25 + L30 + L31 + L41)/(L9 + L31 + L41) 3.2 48 Adj. FFO as a % of Average Total Debt (L25 + L37)/(avg. of L44 + L45) 0.203 49 Adj. Total Debt to Total Capital L44/L46 *** 50 Charges Required to Meet Ratio Targets 1.25 * (I/L51 - 1) - I/L47 - 1) 629,71 54 Adj. FFO as a % of Average Total Debt 55 FFO Adjustment to Meet Target L25 * (I/L51 - 1) - I/L47 - 1) 629,71 54 Adj. FFO as a % of Average Total Debt 1.25 * (I/L54 - I/L48) 1.25 * (I/L54 - I/L4	37	Operating Lease Deprec Adjustment			749,405
40 Purchase Power Debt Equivalent L53 * 10% 6,333,900 5,297,61 41 Total OSB Interest Adjustment L39 + L40 6,640,500 5,554,04 42 Ratio Calculations	38	Interest Adjustments for Off-Balance Sheet O			
1 Total OSB Interest Adjustment	39	Present Value of Operating Leases	L52 * 10%	306,600	256,437
42 Ratio Calculations 43 Adjusted Interest Expense L9 + L29 + L55 36,384,42 44 Adjusted Total Debt 6/30/07 L6 + L7 + L27 + L28 + L36 484,510,94 45 Adjusted Total Debt 6/30/06 Same as L65, but for prior year 399,854,94 46 Adjusted Total Capital L4 + L27 + L28 + L36 892,633,44 47 Adj. FFO Interest Coverage (L25 + L30 + L31 + L41)/(L9 + L31 + L41) 3.2 48 Adj. FFO as a % of Average Total Debt (L25 + L37)/(avg. of L44 + L45) 0.203 49 Adj. Total Debt to Total Capital L44/L46 ** 50 Changes Required to Meet Ratio Targets L44/L46 ** 51 Adj. FFO Interest Coverage Target 3.2 52 FFO Adjustment to Meet Target (L51 - L47) * L43 -1,264,28 53 Interest Adjustment to Meet Target L25 * (1/L51 - 1) - 1/L47 - 1) 629,71 54 Adj. FFO as a % of Average Total Debt 0.15 -1,264,28 55 Debt Adjustment to Meet Target (L54 - L48) * (Avg of L44 + L45) -3,621,50 55 FFO Adjustment to Meet Target L25 * (1/L54 - 1/L48) -3,621,50 56 Debt Adjustment to Meet Target L25 * (1/L54 - 1/L48) -3,621,50 57 Adj. Total Debt to Total Capital Target L44/L57 - L46			L53 * 10%	6,333,900	5,297,611
43 Adjusted Interest Expense			L39 + L40	6,640,500	5,554,048
44 Adjusted Total Debt 6/30/07 45 Adjusted Total Debt 6/30/06 5ame as L65, but for prior year 399,854,96 46 Adjusted Total Capital 1.4 + L27 + L28 + L36 892,633,44 47 Adj. FFO laterest Coverage 48 Adj. FFO as a % of Average Total Debt 49 Adj. Total Debt to Total Capital 40 Changes Required to Meet Ratio Targets 50 Changes Required to Meet Ratio Target 51 Adj. FFO Interest Coverage 52 FFO Adjustment to Meet Target 53 Interest Adjustment to Meet Target 54 Adj. FFO as a % of Average Total Debt 55 FFO Adjustment to Meet Target 56 L25 * (I/L51 - L) - I/LA7 - L) 57 Adj. FFO as a % of Average Total Debt 58 Debt Adjustment to Meet Target 59 Debt Adjustment to Meet Target 50 L25 * (I/L54 - I/L48) 51 L25 * (I/L54 - I/L48) 52 Debt Adjustment to Meet Target 53 Debt Adjustment to Meet Target 54 Debt Adjustment to Meet Target 55 Debt Adjustment to Meet Target 56 Debt Adjustment to Meet Target 57 Adj. Total Debt to Total Capital Target 58 Debt Adjustment to Meet Target 59 Total Capital Adjustment to Meet Target 60 Amortization and Revenue Needed to Meet Targetet Ratios 61 FFO Adj Needed to Meet Target Ratios 62 Effective Income Tax Rate 63 Deferred Income Taxes 64 L62/(1 - L62)					
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47 Adj. FFO Interest Coverage (L25 + L30 + L31 + L41)/(L9 + L31 + L41) (29 + L31 + L31 + L31) (29 + L31 + L31) (29 + L31 + L31 + L31) (29 + L31 + L31 + L31) (29 + L31 + L31) (2	,	•			399,854,960
48 Adj. FFO as a % of Average Total Debt (L25 + L37)/(avg. of L44 + L45) 0,203 49 Adj. Total Debt to Total Capital L4/(L46 ** * 50 Changes Required to Meet Ratio Targets 51 Adj. FFO Interest Coverage Target (L51 - L47) * L43 -1,264,28 53 Interest Adjustment to Meet Target (L51 - L47) * L43 -1,264,28 54 Adj. FFO as a % of Average Total Debt 0,15 55 FFO Adjustment to Meet Target (L54 - L48) * (Avg of L44 + L45) -3,621,50 56 Debt Adjustment to Meet Target (L55 * (I/L54 - I/L48) -3,621,50 57 Adj. Total Debt to Total Capital Target (L57 - L49) * L46 ** * 59 Total Capital Adjustment to Meet Target (L57 - L49) * L46 59 Total Capital Adjustment to Meet Target L4/L57 - L46 ** 60 Amortization and Revenue Needed to Meet Targeted Ratios 61 FFO Adj Needed to Meet Target Ratios 62 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62)					892,633,446
49 Adj. Total Debt to Total Capital L44/L46 **					3.23
50 Changes Required to Meet Ratio Target 3.2 51 Adj. FFO Interest Coverage Target (L51 - L47) * L43 -1,264,28 52 FFO Adjustment to Meet Target L25 * (I/L51 - 1) - I/L47 - 1) 629,71 53 Interest Adjustment to Meet Target L25 * (I/L51 - 1) - I/L47 - 1) 0.15 54 Adj. FFO as a % of Average Total Debt 0.15 55 FFO Adjustment to Meet Target (L54 - L48) * (Avg of L44 + L45) 3,621,50 56 Debt Adjustment to Meet Target L25 * (I/L54 - I/L48) 18,416,90 57 Adj. Total Debt to Total Capital Target (L57 - L49) * L46 ** ** ** 58 Debt Adjustment to Meet Target (L57 - L49) * L46 ** ** ** 59 Total Capital Adjustment to Meet Target L44/L57 - L46 ** ** ** 60 Amortization and Revenue Needed to Meet Targeted Ratios C1 FFO Adj Needed to Meet Target Ratios C2 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62) *** ** ** ** ** ** **					0.2032
Standard			LA4/LA0		****
52 FFO Adjustment to Meet Target					2 20
53 Interest Adjustment to Meet Target L25 * (I/L51 - 1) - I/L47 - 1) 629,71 54 Adj. FFO as a % of Average Total Debt 0.15 55 FFO Adjustment to Meet Target (L54 - L48) * (Avg of L44 + L45) -3,621,50 56 Debt Adjustment to Meet Target L25 * (I/L54 - I/L48) 18,416,90 57 Adj. Total Debt to Total Capital Target L25 * (I/L54 - I/L48) 18,416,90 58 Debt Adjustment to Meet Target (L57 - L49) * L46 ** ** 59 Total Capital Adjustment to Meet Target L44/L57 - L46 ** ** 60 Amortization and Revenue Needed to Meet Targeted Ratios 61 FFO Adj Needed to Meet Target Ratios Maximum of L52, L55 or zeto 62 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62) 64 Adj. FFO as a % of Average Total Debt 65 Ostal Capital Adjustment to Meet Target Ratios Capital Adjustment to Meet Targeted Ratios 66 Amortization and Revenue Needed to Meet Targeted Ratios 67 Adj. Needed to Meet Target Ratios 68 Ostal Capital Adjustment to Meet Target Ratios 69 Amortization and Revenue Needed to Meet Targeted Ratios 60 Amortization and Revenue Needed to Meet Targeted Ratios 61 Adj. Total Debt to Total Capital Adjustment to Meet Targeted Ratios 62 Amortization and Revenue Needed to Meet Targeted Ratios 62 Amortization and Revenue Needed to Meet Targeted Ratios 63 Ostal Capital Adjustment to Meet Target Ratios 64 Amortization and Revenue Needed to Meet Targeted Ratios 65 Ostal Capital Adjustment to Meet Target Ratios 66 Ostal Capital Adjustment to Meet Target Ratios 67 Ostal Capital Adjustment to Meet Target Ratios 68 Ostal Capital Adjustment to Meet Target Ratios 69 Ostal Capital Adjustment to Meet Target Ratios 70 Ostal Capital Adjustment to Meet Target Ratios 71 Ostal Capital Adjustment to Meet Targe			(I.51 - I.47) * I.43		
S4 Adj. FFO as a % of Average Total Debt 0.15					629,716
55 FFO Adjustment to Meet Target (L54 - L48) * (Avg of L44 + L45) -3,621,50 56 Debt Adjustment to Meet Target L25 * (I/L54 - I/L48) 18,416,90 57 Adj. Total Debt to Total Capital Target **			(MADE: 1) - MATE - 15		0.195
56 Debt Adjustment to Meet Target L25 * (I/L54 - 1/L48) 18,416,90 57 Adj. Total Debt to Total Capital Target **			(L54 - L48) * (Avg of L44 + L45)		-3,621,503
57 Adj. Total Debt to Total Capital Target					18,416,906
58 Debt Adjustment to Meet Target (L57 - L49) * L46 ** ** ** ** ** ** **					
59 Total Capital Adjustment to Meet Target L44/L57 - L46 ** 60 Amortization and Revenue Needed to Meet Targeted Ratios 61 FFO Adj Needed to Meet Target Ratios Maximum of L52, L55 or zero 62 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62)			(L57 - L49) * L46		** **
60 Amortization and Revenue Needed to Meet Targeted Ratios 61 FFO Adj Needed to Meet Target Ratios Maximum of L52, L55 or zero 62 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62)			` '		**
62 Effective Income Tax Rate Schedule G3 0.383 63 Deferred Income Taxes L61 * L62/(1 - L62)	_				
63 Deferred Income Taxes L61 * L62/(1 - L62)	61	FFO Adj Needed to Meet Target Ratios	Maximum of L52, L55 or zero		-
` ' '	62	Effective Income Tax Rate	Schedule G3		0.3839
64 Total Amortization Reg for FFO Adj L61 - L63			L61 * L62/(1 - L62)		0
<u></u>	64	Total Amortization Req for FFO Adj	L61 - L63		0