

To establish cash funding targets for the WTD Capital Program, we are proposing to use the Original Cost Depreciation funding method. The first step is to identify total forecasted depreciation in the 10-year Financial Forecast, please see Example-Original-Cost-Depreciation.docx for a high-level example of this process. The second step is to take total depreciation and redistribute it across the 10-year forecast, this is 'Rate Smoothing'. Rate Smoothing is done to create gradual rate transitions between years instead of spikes and total cash funding is roughly the same before and after smoothing. The benefit of using Original Cost Depreciation and then applying smoothing is more rate stability, future rates will trend closer to forecasts.

Cash-Funding Calculations	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
Step 1: Generate total cash target for 10-Year Financial Forecast - Annual target not used in 10-Year Financial Forecast											
Cash Target: Forecasted Annual Depreciation*	\$ 183,410,720	\$ 190,073,205	\$ 197,688,015	\$ 203,907,262	\$ 214,718,153	\$ 229,356,655	\$ 248,774,847	\$ 269,493,476	\$ 276,344,519	\$ 295,405,177	\$ 2,309,172,028
Forecasted Annual CIP	\$ 327,671,945	\$ 406,349,620	\$ 468,977,099	\$ 533,929,949	\$ 656,045,720	\$ 805,273,189	\$ 911,717,010	\$ 923,779,663	\$ 854,207,563	\$ 855,914,422	\$ 6,743,866,180
Cash-Funding Ratio Before Smoothing	56.0%	46.8%	42.2%	38.2%	32.7%	28.5%	27.3%	29.2%	32.4%	34.5%	34.2%
Step 2: Generate annual cash targets for smooth rate changes in 10-Year Financial Forecast - Distribute Step 1 cash target across 10-Year Financial Forecast - Annual target used in 10-Year Financial Forecast											
Cash Target to Achieve Smooth Rate Increases*	\$ 190,094,473	\$ 198,654,330	\$ 200,751,996	\$ 218,785,192	\$ 228,960,770	\$ 236,173,237	\$ 232,449,070	\$ 241,297,454	\$ 252,244,018	\$ 287,430,178	\$ 2,286,840,718
Forecasted Annual CIP	\$ 327,671,945	\$ 406,349,620	\$ 468,977,099	\$ 533,929,949	\$ 656,045,720	\$ 805,273,189	\$ 911,717,010	\$ 923,779,663	\$ 854,207,563	\$ 855,914,422	\$ 6,743,866,180
Cash-Funding Ratio After Smoothing	58.0%	48.9%	42.8%	41.0%	34.9%	29.3%	25.5%	26.1%	29.5%	33.6%	33.9%

Smoothing targets average cash-funding over 10 years (~34%)

*Initial cash target and smoothed cash target will be slightly different due to timing of debt in the 10-Year Financial Forecast