

Tacoma Power Overview

Transportation & Utility Investor Forum



March 17, 2017

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Introduction

Who is Tacoma Power?

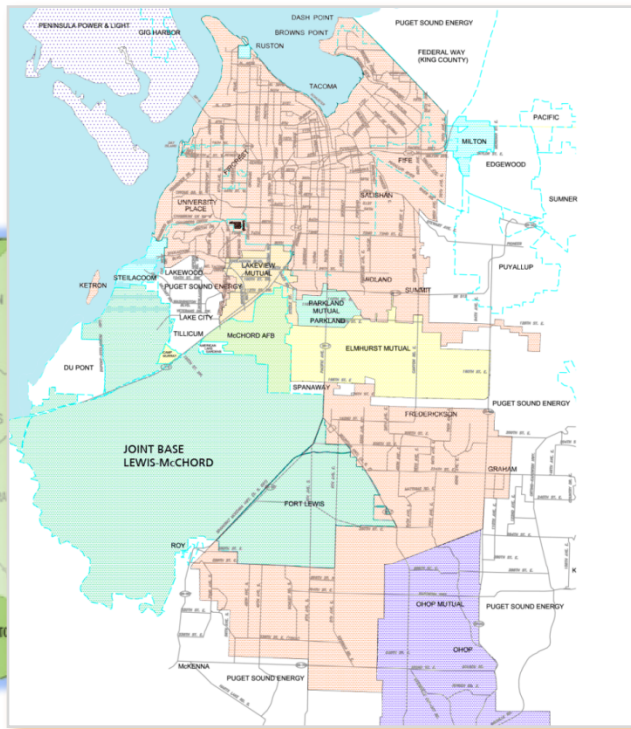
Municipal utility formed in 1893 providing retail electric and Telecommunications services to the greater Tacoma area.

One division of **Tacoma Public Utilities**

- Tacoma Power
- Tacoma Water
- Tacoma Rail

Quick Facts

- Service Area: 180 square miles
- Customers Served: 175,000
(54% in city limits and 46% outside)
- Fourth largest public power utility in WA
- Approximately 850 Employees
- Average residential cost: \$0.086/kWh

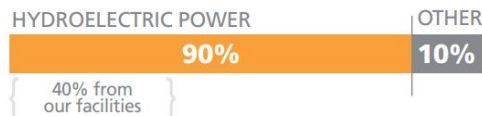


Introduction

How do we serve our customers?

60% Contracted Generation

Long-term Power supply contract with Bonneville Power Administration and Other Sources

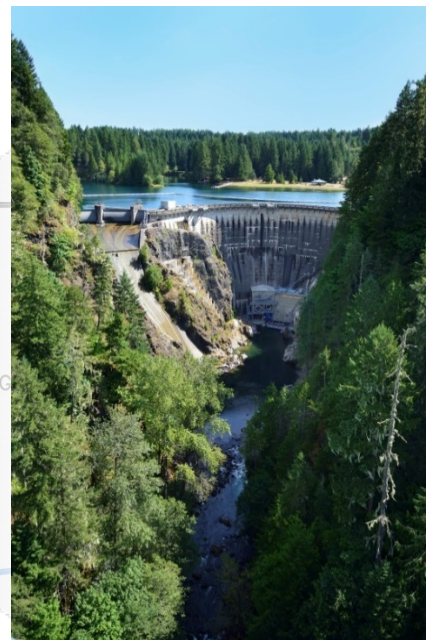


Quick Facts

- 5 transmission substations & 351 miles of transmission lines
- 49 distribution substations & 2,014 miles of distribution lines
- 23 BPA customer substations
- 8 generation switchyards
- Virtually carbon free power portfolio

40% Owned Generation

7 projects on 4 rivers in Western Washington



Customer Demographics

Who are our Customers?

Ten Largest Customers

In 2015, these 10 customers accounted for approximately 15% of revenues and 26% of retail energy sales

ENERGY SALES (MWh)



Customer	Business Description
Westrock CP LLC*	Pulp and Paper
Joint Base Lewis-McChord	Military Base
Praxair Inc.*	Industrial Gases
City of Tacoma	Government
Muticare Health System	Healthcare
US Oil & Refining	Oil Refining
Tacoma School District	Education
Pierce County	Government
State of Washington	Government
Puyallup Tribe of Indians	Government

* Contract Industrial Customers

Customers by Rate Class

Same residential rates inside and outside city of Tacoma

TACOMA CITY LIMITS



RESIDENTIAL



155,498

Customer Classes	% of 2015 Retail Revenue
Residential (A-1, A-2)	46.93%
Small General (B)	8.55%
General (G)	31.01%
High Voltage General (HVG)	5.91%
Contract Industrial (CP)	6.78%
Street & Traffic Lighting (H-1)	0.42%
Private Off-Street Lighting (H-2)	0.40%
2015 Total Retail Sales	\$315,205,817

Economic Growth

Washington Boom

Seattle/Tacoma Cost of Living Comparison

Cost of Living Indexes	Seattle	Tacoma
Overall	176.5	112.9
Food	110.2	100.7
Housing	314.5	121.5
Utilities	94	102.9
Transportation	113.3	106.9
Health	116.2	110.1
Miscellaneous	113.1	116

100=national average;

Data summary provided by bestplaces.net based on most recently available census data

Tacoma's cost of living is 36% lower than Seattle

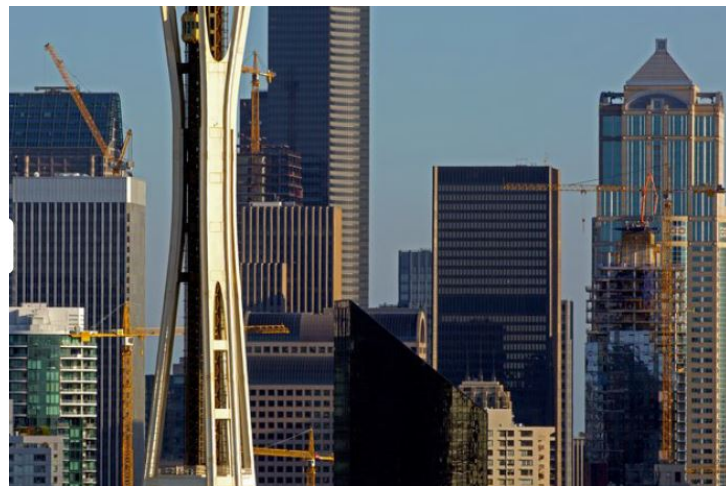
Housing is 61% more affordable

640 new housing units in 2016, 1,200 planned for 2017

The Seattle Times

Seattle skyline is tops in construction cranes — more than any other U.S. city

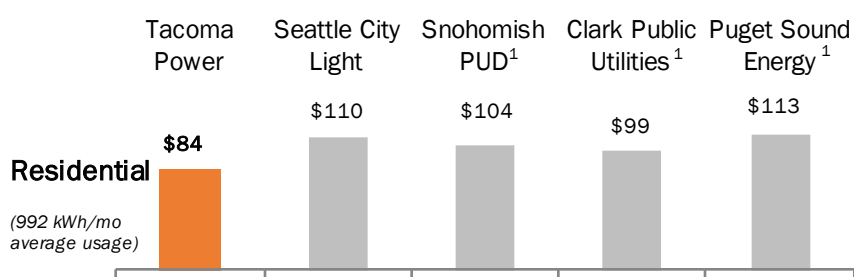
October 2016



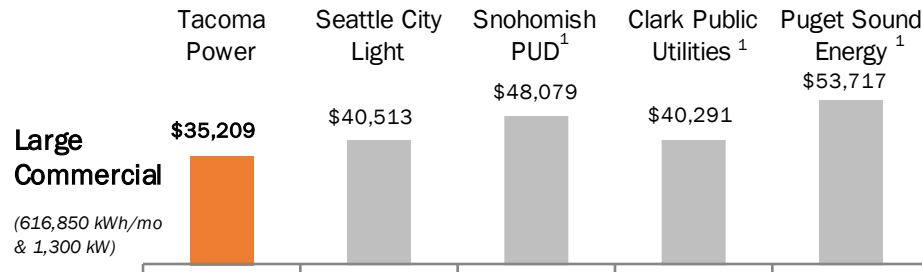
Rate Information

Low and Competitive Rates

Our rates remain lower than many of our peers



1. Includes an effective 6% tax levied by a city or town for comparison purposes only.



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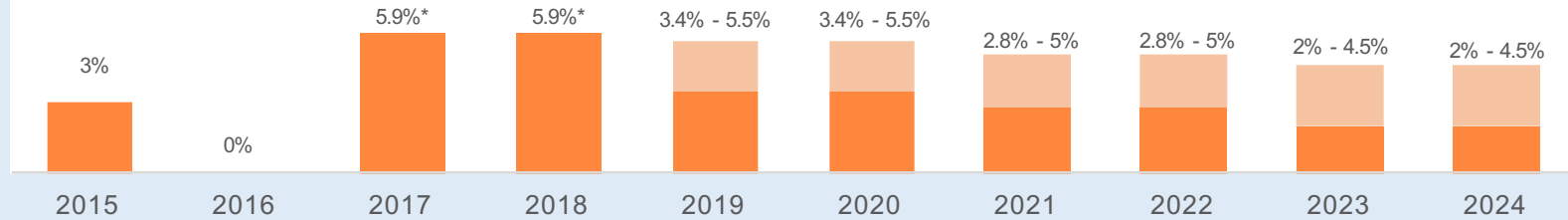
Rate Information

Stable and Predictable Rate Increases

Projected Rate Increases

This forecast is subject to change, and is dependent upon actual financial performance in future years

Additional shading in future years represents uncertainty associated with revenues and expenses, mostly due to potential for adverse or critical water conditions.



* Proposed and pending approval

Projected Capital Improvements

Steady Capital Investments

Continued investment in the safe and reliable operation of the utility

Funding Source	2015/2016*	2017/2018	2019/2020
Debt Financed	\$98,265,000	\$108,655,000	\$107,707,200
Revenue Financed	\$50,065,000	\$81,830,000	\$71,804,800
Total Capital	\$148,330,000	\$190,485,000	\$179,512,000

*Actuals

Major Capital Projects

- Conversion of City Street Lights to LEDs
- Automated Metering Infrastructure
- Cowlitz and Cushman License Implementation Projects
- Dam Modernization and Safety Improvements
- Fish Hatchery and Habitat Improvements
- Power Transformer, Cable, and Pole Replacements



Financial Overview

Ratings & Financial Metrics

S&P Affirmed our AA rating with a stable outlook in October 2016

	Tacoma Power 2014	Tacoma Power 2015	Tacoma Power 2016*
Adjusted Debt Service Coverage (adjusted)	1.84x	2.01x	2.32x
Days Cash on Hand	335	215	240
Debt Ratio	36%	26%	26%

*Unaudited

	Moody's	S&P	Fitch
<i>Investment Grade</i>	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
<i>Non-Investment Grade Speculative</i>	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	
	Caa2	CCC	
	Caa3	CCC-	CCC
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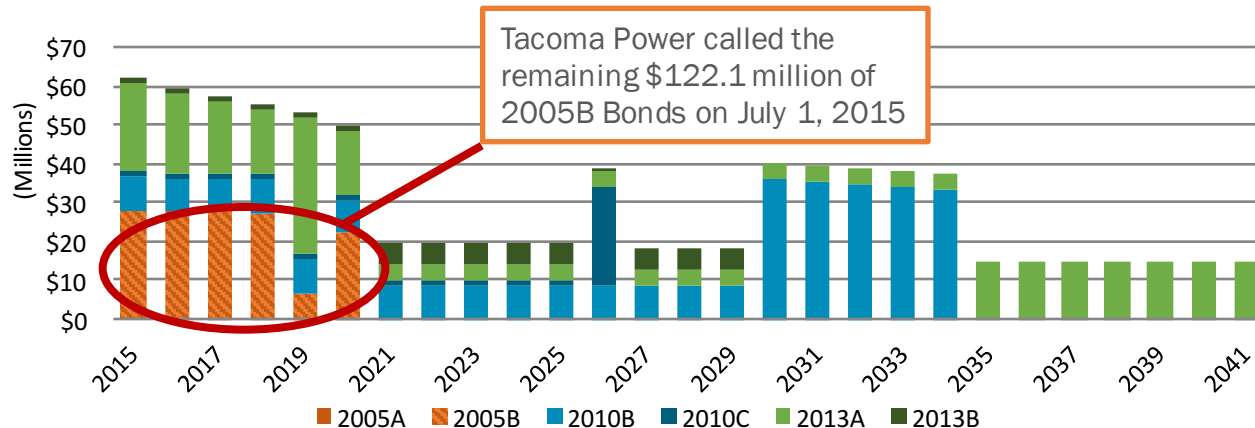
— Target — Current Tacoma Power Rating

2015 Financing Plan Impact

Using cash to reduce debt service

Conservative Budgeting Practices

1. Tacoma Power budgets conservatively, assuming water conditions with a historical probability likely to occur 1 out of 4 years
2. Cash Reserves in excess of financial targets can be used to reduce outstanding debt or fund capital projects

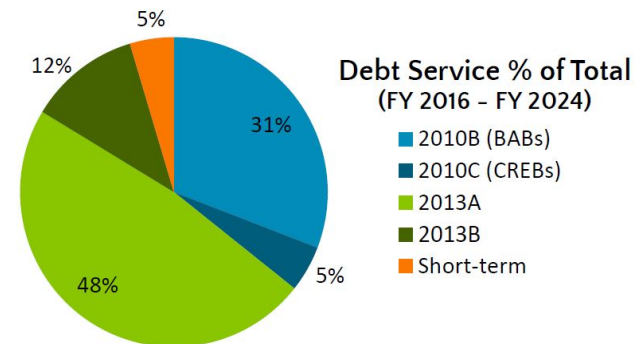
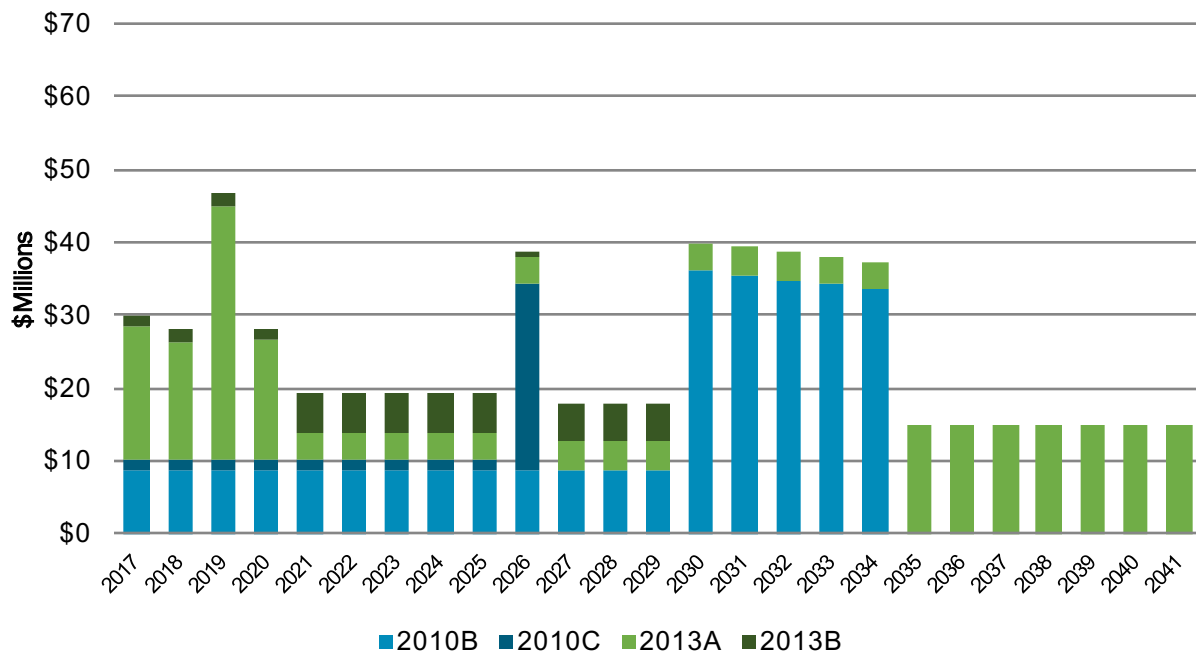


Positive Impacts for Customers

- 24% overall debt reduction
- \$14 million in interest savings
- Additional flexibility for future issuances

Financial Overview

Annual Debt Service Requirements



Short-term Debt

\$100 million Note Purchase Agreement with Wells Fargo

\$25 million Revolving Credit Agreement with Key Bank

Additional Information

Contact Us

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