

July 12, 2017

MOTION

I hereby move that the following motion be approved:

17-05. In accordance with Rule 2, Election of Officers, of the Public Utility Board RULES FOR ORDER OF BUSINESS, that Monique Trudnowski, Woodrow E. Jones, Jr., and Karen Larkin be nominated and elected Chair, Vice-Chair, and Secretary respectively.



## RESOLUTION NO. U-10935

1 A RESOLUTION related to the purchase of materials, supplies, equipment  
2 and the furnishing of services; authorizing the City officials to enter into  
3 contracts and, where specified, waive competitive bidding requirements,  
4 authorize sale of surplus property, or increase or extend existing  
agreements.

5 WHEREAS the City of Tacoma, Department of Public Utilities, requested  
6 bids/proposals for the purchase of certain materials, supplies, equipment and/or  
7 the furnishing of certain services, or proposes to purchase off an agreement  
8 previously competitively bid and entered into by another governmental entity, or  
9 for the sales of surplus, or desires to increase and/or extend an existing  
10 agreement, all as explained by the attached Exhibit "A," which by this reference  
11 is incorporated herein, and  
12

13 WHEREAS in response thereto, bids/proposals (or prices from another  
14 governmental agreement) were received, all as evidenced by Exhibit "A," and  
15

16 WHEREAS the Board of Contracts and Awards and/or the requesting  
17 division have heretofore made their recommendations, which may include  
18 waiver of the formal competitive bid process because it was not practicable to  
19 follow said process, or because the purchase is from a single source, or there is  
20 an emergency that requires such waiver, and/or waiver of minor deviations, and  
21 in the case of sale of surplus, a declaration of surplus has been made certifying  
22 that said items are no longer essential for continued effective utility service, as  
23 explained in Exhibit "A," and  
24  
25  
26



1 WHEREAS the Director requests authorization, pursuant to  
2 TMC 1.06.269 A, to amend contract amounts up to \$200,000 and to approve  
3 term extensions and renewals for all items contained in Exhibit "A;" Now,  
4 therefore,

5 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

6 That the Public Utility Board of the City of Tacoma hereby concurs and  
7 approves the recommendations of the Board of Contracts and Awards and/or  
8 the requesting division, and approves, as appropriate: (1) the purchase and/or  
9 furnishing of those materials, supplies, equipment or services recommended for  
10 acceptance; (2) the sale of surplus materials, supplies or equipment  
11 recommended for acceptance; (3) the Interlocal agreement that authorizes  
12 purchase off another governmental entity's contract; (4) the increase and/or  
13 extension of an existing agreement, and said matters may include waiver of the  
14 formal competitive bid process and/or waiver of minor deviations, all as set forth  
15 on Exhibit "A," and authorizes the execution, delivery and implementation of  
16 appropriate notices, contracts and documents by the proper officers of the City  
17 for said transactions, and (5) the administrative authority of the Director, per  
18 TMC 1.06.269 A., to amend contract amounts up to \$200,000 and to approve  
19 term extensions and contract renewals for all items in Exhibit "A."  
20

21 Approved as to form and legality:

22  
23   
24 Chief Deputy City Attorney

Chair

Secretary

25  
26 Clerk

Adopted



3628 South 35th Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.: U-10935

ITEM NO.: #1

MEETING DATE: JULY 12, 2017

**DATE:** June 26, 2017

**TO:** Board of Contracts and Awards

**SUBJECT:** 115kV Unitized Transmission Switches  
Budgeted from Tacoma Power's Capital Outlay Budget  
Request for Bids Specification No. PT17-0116F

**RECOMMENDATION:** Tacoma Power recommends a contract in the amount of \$306,890.58, plus sales tax, be awarded to the low bidder, **General Pacific, Inc., Fairview, OR**, for the purchase of 115kV Unitized Transmission Switches on an as needed basis. The recommendation is for an initial three-year contract term with the option for two one-year renewal periods. At this time no additional funding is requested for the optional renewal periods.

**EXPLANATION:** The contract will provide supply of three-phase, group operated (unitized), pole-mounted transmission disconnect switches. This equipment will be managed by the Power Warehouse as an inventory material. The forecasted usage includes requirements for new construction and aging asset replacement on Tacoma Power's 115kV class transmission system.

**COMPETITIVE SOLICITATION:** Request for Bids Specification No. PT17-0116F was opened on June 6, 2017. Eleven companies were invited to bid in addition to normal advertising of the project. Three responsive submittals were received. The table below reflects the amount of the initial contract term.

<u>Respondent</u>	<u>Location</u> <i>(city and state)</i>	<u>Submittal Amount</u> Plus sales tax
<b>General Pacific, Inc.</b>	<b>Fairview, OR</b>	<b>\$ 306,890.58</b>
United Sales Associates, Inc.	Lake Oswego, OR	\$ 316,250.00
Cleaveland / Price Inc.	Trafford, PA	\$ 438,518.00

Pre-bid estimate \$ 425,000.00

The recommended award is 28 percent below the pre-bid estimate.

**CONTRACT HISTORY:** New contract.

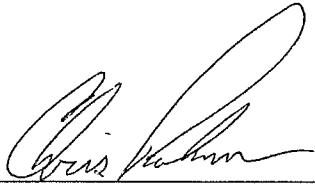
**FUNDING:** Funds for this contract are available in the Tacoma Power Capital Outlay Budget. Funding beyond the current biennium is subject to future availability of funds.

**SBE/LEAP COMPLIANCE:** Not applicable.

**PROJECT ENGINEER/COORDINATOR:**

Roberta Cox, Transmission & Distribution, 253-396-3156; Eric Dodgen, P.E., Transmission & Distribution, 253-502-8582.



A handwritten signature in black ink, appearing to read "Chris Robinson", written over a horizontal line.

Chris Robinson  
Power Superintendent/COO

Approved:

A handwritten signature in black ink, appearing to read "William A. Gaines", written over a horizontal line.

William A. Gaines  
Director of Utilities/CEO

cc: Jessica Tonka, Senior Buyer



3628 South 35th Street  
Tacoma, Washington 98409-3192

EXHIBIT "A"

RESOLUTION NO.: U-10935

ITEM NO.: #2

TACOMA PUBLIC UTILITIES

MEETING DATE: JULY 12, 2017

**DATE:** June 26, 2017

**TO:** Board of Contracts and Awards

**SUBJECT:** 15kV Pad-Mounted Switchgear  
Budgeted from Tacoma Power's Capital Outlay Budget  
Request for Bids Specification No. PT17-0038F

**RECOMMENDATION:** Tacoma Power recommends a contract in the amount of \$403,544.04, plus sales tax, be awarded to the second low bidder, **General Pacific, Inc., Fairview, OR**, for the purchase of 15kV Pad-Mounted Switchgear on an as needed basis. The recommendation is for an initial three-year contract term with the option for two one-year renewal periods. At this time no additional funding is requested for the optional renewal periods.

**EXPLANATION:** The contract will provide supply of 15kV Pad-Mounted Switchgear to be managed by the Power Warehouse as an inventory material. This equipment is intended to meet the switching and isolation requirements within Tacoma Power's underground three-phase distribution system. The forecasted usage includes requirements for new construction and aging asset replacement.

**COMPETITIVE SOLICITATION:** Request for Bids Specification No. PT17-0038F was opened on April 18, 2017. Eight companies were invited to bid in addition to normal advertising of the project. Two submittals were received. A third submittal arrived after the bid opening deadline and was not eligible for evaluation. The apparent low bid offered pricing for only three of the seven items requested. The specification document included a statement of intent to award a single supply contract to ensure consistency of equipment installation, operation, and maintenance. The second low bid offered pricing for all requested items. The table below reflects the amount of the initial contract term.

<u>Respondent</u>	<u>Location</u> (city and state)	<u>Submittal Amount</u> Plus sales tax
Anixter, Inc.	Portland, OR	\$ 60,353.00
<b>General Pacific, Inc.</b>	<b>Fairview, OR</b>	<b>\$ 403,544.04</b>

Pre-bid estimate \$ 430,000.00

The recommended award is 6 percent below the pre-bid estimate.

**CONTRACT HISTORY:** New contract.

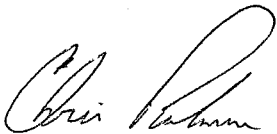
**FUNDING:** Funds for this contract are available in the Tacoma Power Capital Outlay Budget. Funding beyond the current biennium is subject to future availability of funds.

**SBE/LEAP COMPLIANCE:** Not applicable.

**PROJECT ENGINEER/COORDINATOR:**

Roberta Cox, Transmission & Distribution, 253-396-3156; Joseph Rempe, P.E., Transmission & Distribution, 253-502-8290.

Approved:



Chris Robinson  
Power Superintendent/COO



William A. Gaines  
Director of Utilities/CEO

cc: Jessica Tonka, Senior Buyer



3628 South 35<sup>th</sup> Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.:

ITEM NO.:

MEETING DATE:

U-10935

#3

July 12, 2017

**DATE:** June 30, 2017

**TO:** Board of Contracts and Awards

**SUBJECT:** Cushman No. 2 Generator Switchgear Replacement  
Budgeted from Power 2017 Construction Fund  
Request for Proposals Specification No. PG17-0107F

**RECOMMENDATION:** Tacoma Power recommends a contract be awarded to **AZZ Inc., Fulton, MO**, for the supply of 15kV metal-clad generator switchgear. The recommendation is for a one time purchase and the contract amount reflects a total award of \$597,038 plus sales tax.

**EXPLANATION:** This contract is for the supply of 15kV metal-clad switchgear at the Cushman No. 2 Hydroelectric Project. The switchgear is used to connect the generating units to the electrical grid.

**COMPETITIVE SOLICITATION:** Request for Proposals Specification No. PG17-0107F was opened May 30, 2017. Six companies were invited to bid in addition to normal advertising of the project. Six submittals were received. The specification allowed Respondents to provide the best solution for one or both of two options, given the requirements, physical constraints, and technology available. Proposals were evaluated based on total cost of ownership, Bidder's responsibility, delivery schedule, and compliance with the specification.

<u>Respondent</u>	<u>Location (city and state)</u>	<u>Evaluated Score</u>	<u>Option</u>
<b>AZZ Inc.</b>	<b>Fulton, MO</b>	<b>91.25</b>	<b>1</b>
Crown Technical Systems	Fontana, CA	87.43	1
Powergrid Solutions Inc.	Oshkosh, WI	77.74	1
CE Power Solutions	Cincinnati, OH	75.60	1
Eaton Corporation	Bellevue, WA	73.95	1
Powell Electrical Systems, Inc.	Houston, TX	69.30	2
Powell Electrical Systems, Inc.	Houston, TX	68.97	1

**CONTRACT HISTORY:** New contract.

**FUNDING:** Funds for this contract are available in the Power 2017 Construction Fund 4700-17CON.

**SBE/LEAP COMPLIANCE:** Not applicable.

**PROJECT ENGINEER/COORDINATOR:** David Wagner, Generation, 253-779-7781.

Chris Robinson  
Power Superintendent/COO

**APPROVED:**

William A. Gaines  
Director of Utilities/CEO

DW:rlm

Cc: Kimberly Ward, Senior Buyer, Finance/Purchasing  
Chris Mattson, Generation Manager  
Generation/Contract Services  
SBE/LEAP Coordinators

BIDDER	SCHEDULE A	SCHEDULE B (Commissioning & Training)	SCHEDULE C (Spare Parts)	TOTAL A & B	RESPONSIVE?	COST OF A1 ONLY (40%)	(TOTAL COST OF OWNERSHIP) TOTAL COST OF A & B (40%)	RESPONSIBILITY (25%)							DELIVERY SCHEDULE (10%)		COMPLIANCE			OVERALL RATING	RANKING
								EXPERIENCE (3)	JUDGMENT (2)	EFFICIENCY (3)	STABILITY (1.6)	PRODUCT QUALITY (30)	REFERENCES (20)	LOCAL TECH. SUPPORT (10)	TOTAL (100)	TOTAL (100)	COMPLETENESS (10)	COMPLIANCE (90)	TOTAL (100)		
POWERGRID SOLUTIONS	\$802,851.00	\$54,946.00	\$66,768.00	\$857,797.00	Y	63.94	62.46	8.00	8.00	6.00	16.00	20.00	15.00	10.00	83.00	8	80	88	77.74	3	
EE POWER SOLUTIONS	\$926,559.00	\$11,379.00	\$57,477.00	\$937,938.00	Y	55.21	57.13	8.00	6.00	6.00	16.00	20.00	20.00	10.00	86.00	5	80	85	75.60	4	
POWELL ELECTRIC SYSTEMS [OPTION 1]	\$625,170.00	\$72,590.00	\$26,880.00	\$697,760.00	Y	81.64	76.79	8.00	8.00	6.00	16.00	10.00	10.00	10.00	68.00	5	40	45	68.97	7	
POWELL ELECTRIC SYSTEMS [OPTION 2]	\$617,670.00	\$72,590.00	\$26,880.00	\$690,260.00	Y	82.64	77.63	8.00	8.00	6.00	16.00	10.00	10.00	10.00	68.00	5	40	45	69.30	6	
EATON CORPORATION	\$841,625.00	\$8,825.00	\$51,485.00	\$850,450.00	Y	60.89	63.00	8.00	8.00	8.00	16.00	20.00	15.00	10.00	85.00	10	60	70	73.95	5	
AZZ SWITCHGEAR SYSTEMS	\$516,948.00	\$18,867.00	\$8,943.00	\$535,815.00	Y	100.00	100.00	8.00	8.00	8.00	16.00	20.00	20.00	10.00	90.00	5	70	75	91.25	1	
CROWN TECHNICAL SYSTEMS	\$605,173.00	\$8,500.00	\$50,680.00	\$613,673.00	Y	84.08	87.31	8.00	8.00	8.00	16.00	20.00	20.00	10.00	90.00	5	75	80	87.43	2	

# CRITERIA FOR SCORING

- RESPONSIBILITY
  - EXPERIENCE - INCLUDES BIDDERS EXP.
  - JUDGMENT - INCLUDES TACOMA'S EXP. WITH THE BIDDER
  - EFFICIENCY - INCLUDES RESPONSIVENESS OF THE BIDDER
  - STABILITY - INCLUDES THE FINANCIAL STABILITY FO THE ORGANIZATION
  - PRODUCT QUALITY
  - REFERENCES - INCLUDES QUALITY OF PREVIOUS SERVICES, EXECUTION ETC.
  - LOCAL TECH. SUPPORT
  - DELIVERY SCHEDULE
  - COMPLIANCE AND COMPLETENESS
  - COMPLETENESS OF PROPOSAL
  - COMPLIANCE
- 10 PLUS YRS. EXPR - 8, 5 TO 10 YRS. EXPR - 4, LESS THAN 5 YRS. EXPR - 0
- EXCELLENT - 8, GOOD - 6, FAIR - 4, BAD - 2
- EXCELLENT - 8, GOOD - 6, FAIR - 4, BAD - 2
- STABLE FOR 10 PLUS YEARS - 16, 5 TO 10 YEARS - 12, LESS THAN 5 YEARS - 8
- EXCELLENT - 30, GOOD - 20, FAIR - 10, BAD - 0
- EXCELLENT - 30, GOOD - 20, FAIR - 10, BAD - 0
- EXCELLENT - 20, GOOD - 15, FAIR - 10, BAD - 0
- AVAILABILITY OF TECH SUPPORT AFTER SALES IN NORTH AMERICA - 10
- MEET SCHEDULE - 100 DON'T MEET SCHEDULE - 0

ALL REQUIREMENTS ARE MET - 10, ONE REQUIREMENT NOT MET - 8, 2 REQUIREMENT NOT MET - 5, MORE THAN 2 NOT MET - 0.

UP TO 10 POINT DEDUCTION EACH BASED ON IMPACT TO CITY



3628 South 35<sup>th</sup> Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"  
RESOLUTION NO.: U-10935  
ITEM NO.: #4  
MEETING DATE: JULY 12, 2017

**DATE:** June 30, 2017

**TO:** Board of Contracts and Awards

**SUBJECT:** Direct Negotiation of Professional Services  
Sockeye Eyed Egg Transfer from Puget Sound Energy's Baker Sockeye Hatchery

**RECOMMENDATION:** Natural Resources recommends a contract be awarded to **Puget Sound Energy**, for annual sockeye eyed egg transfers from Baker Hatchery to Saltwater Park Hatchery for 5 years in the amount of \$385,000, sales tax not applicable.

**EXPLANATION:** Article 417 of the Cushman FERC License and subsequent planning documents require Tacoma Power to introduce sockeye into Lake Cushman. In response, Tacoma Power built the Saltwater Park Sockeye Hatchery. The sockeye facility requires a source of eggs. The Baker sockeye is the only viable population available for Tacoma Power's Program. The Baker Sockeye Hatchery is owned and operated by Puget Sound Energy. Tacoma Power negotiated \$77,000 per year for the transfer of 500,000 eyed eggs for a 5 year period with an option to renew the agreement for an additional 5 years. Failure to secure the funds needed for the annual transfer of sockeye eggs to the Saltwater Park Hatchery will result in a delay in the introduction program and violate the terms of the current Cushman FERC License.

**COMPETITIVE ANALYSIS:** After an exhaustive review of sockeye programs within Washington State, only one sockeye program was determined to be of sufficient health to allow the transfer of eggs out of it's natal basin and into the Skokomish River. The Baker Sockeye hatchery program is managed by Puget Sound Energy. Puget Sound Energy is the only entity able to provide Tacoma Power the sockeye eggs needed to implement the required program.

**CONTRACT HISTORY:** In 2016, Tacoma Power entered into an interim agreement with Puget Sound Energy to purchase Sockeye Eggs from Puget Sound Energy to begin the Sockeye program at the Skokomish River. The total cost of the first contract was \$161,503 for which 67,500 was for the transfer of 250,000 eyed sockeye eggs and \$94,003 was for installation of incubation vessels at the Baker Hatchery. Incubation is necessary at the Baker Hatchery to verify eggs meet disease criteria set by the Washington Department of Fish and Wildlife prior to transporting to Tacoma Power Facilities. The new request of \$385,000 plus previous costs equals \$546,503.

**FUNDING:** Funds for this contract are available in the Saltwater Park Sockeye Salmon hatchery budget within Natural Resources. Funding beyond the current biennium is subject to future availability of funds.


**SBE COMPLIANCE:** SBE staff were not contacted. There are no SBE qualified vendors at this time.

**PROJECT COORDINATOR:** Keith Underwood Natural Resources Manager ext 8196.



Chris Robinson, Power Superintendent/COO

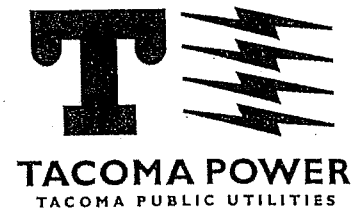
**AUTHORIZED:**



William A. Gaines, Director of Utilities/CEO

FL:rlm

cc: Patsy Best, Financial Manager, Finance/Purchasing  
Kimberly Ward, Senior Buyer, Purchasing  
SBE Coordinator



**DATE:** June 30, 2017

**TO:** William A. Gaines, Director of Utilities/CEO

**FROM:** Chris Robinson, Tacoma Power Superintendent/COO

**Subject:** Authorization of Direct Negotiation for Professional Services and Personal Services Over \$25,000, Excluding Architectural and Engineering Services  
Annual Fish and Habitat Surveys by Olympic National Park

For your review and recommendation.

In accordance with TMC 1.06.256 (B), Generation / Power requests a waiver of the competitive solicitation process and authorization to directly negotiate with **Puget Sound Energy**, for annual Sockeye Egg Transfer, in the amount of \$385,000 over 5 years plus applicable sales tax.

Direct negotiation approval constitutes a waiver of further competitive solicitation for amendments to the subject contract provided that any such amendment(s) shall be signed by personnel as authorized in the Delegation of Procurement Signature and Approval Authority memorandum. Contract totals shall not exceed \$200,000 without City Council or Public Utility Board approval as appropriate.

**EXPLANATION:**

Article 417 of the Cushman FERC License and subsequent planning documents require Tacoma Power to introduce Sockeye into Lake Cushman. In response, Tacoma Power built the Saltwater Sockeye Hatchery. The sockeye facility requires a source of eggs. The Baker Sockeye are the only viable population available for Tacoma Power's Program. The Baker Sockeye hatchery program is owned and operated by Puget Sound Energy. Tacoma Power negotiated \$77,000 per year for the transfer of 500,000 eyed eggs for a 5 year period with an option to renew the agreement for an additional 5 years.

**JUSTIFICATION FOR DIRECT NEGOTIATION:**

1. Explain why it's in the best interest of the city to waive the competitive solicitation process.

After an exhaustive review of sockeye programs within Washington State, only one sockeye program was determined to be of sufficient health to allow the transfer of eggs out of it's natal basin and into the Skokomish River. The Baker Sockeye hatchery program is managed by Puget Sound Energy. Puget Sound Energy is the only entity able to provide Tacoma Power the sockeye eggs needed to implement the required program. Failure to secure the funds needed for the annual transfer of sockeye eggs to the Saltwater Park Hatchery will result in a delay in the introduction program and violate the terms of the current Cushman FERC License.



2. Is this purchase based on a previous competitive solicitation conducted by the City or other agency? If yes, provide the contract information, specification number, etc., and explain the relationship of this request to the previous contract.

No.

3. Describe the screening efforts made to identify potential service providers.

An exhaustive review of sockeye programs in Washington State

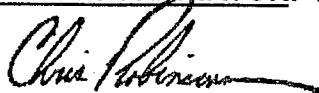
4. Describe the efforts made to assure that the City is receiving the lowest or best price possible.

Tacoma Power and Puget Sound Energy have conducted extensive negotiations, where the costs were scrutinized and risks were assessed, ending in the lowest cost achievable.

**FUNDING:** Funds for this purchase are available in the Saltwater Park Sockeye Fund in association .

**SBE COMPLIANCE:** The Department/Division did not check the City of Tacoma Small Business Enterprise (SBE) website for opportunities to contract with SBE firms.

**PROJECT COORDINATOR:** Keith Underwood, Natural Resources Manager, ext 8196.



Chris Robinson, Power Superintendent/COO

7-5-17  
Date

**AUTHORIZED:**



William A. Gaines, Director of Utilities/CEO

7/5/17  
Date

C: Kimberly Ward, Senior Buyer, Finance/Purchasing



3628 South 35th Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.: U-10935

ITEM NO.: #5

MEETING DATE: JULY 12, 2017

**DATE:** June 30, 2017  
**TO:** Board of Contracts and Awards  
**From:** William A. Gaines, Director of Utilities/CEO  
Tacoma Public Utilities  
**SUBJECT:** Direct Negotiation of Professional Services  
Contract with Unify, Inc. for a Technical Refresh of Telephony Systems  
Budgeted from Tacoma Power's 2017-2018 Capital Budget.

**RECOMMENDATION:** Tacoma Power, Utility Technology Services (UTS) recommends a contract be awarded to **Unify, Inc., Boca Raton, FL**, for upgrades and technical support to Tacoma Public Utilities' (TPU) telephony system, for \$1,300,000, plus sales tax and a term end date of December 31, 2018.

**EXPLANATION:** TPU's telephony system is comprised of multiple platforms providing a variety of support services across all departmental lines, which are in need of software and hardware upgrades. This contract supports three (3) 2017-2018 technology capital projects which consist of eight (8) components. Items 1-6 are technical upgrades, and 7-8 are new features:

1. Private Branch Exchange (PBX) Phone Switch - Installed in 2004 and includes all TPU phones, including remote locations. This is a version upgrade and Vendor will be assisting with migration to virtual platform. Contract amount \$348,000.
2. Voicemail Platform – Increase TPU employee experience and efficiency. Version upgrade with increased functionality. Includes user training for new web interface and migrating to virtual platform. Contract amount \$25,000.
3. Automatic Call Distribution (ACD) – Customer Service application that routes calls to next available customer service representative. Version upgrade with increased reporting capabilities built into new version. Vendor assistance migrating to virtual platform. Contract amount \$30,000.
4. Turret Trader Boards – Used by Tacoma Power Traders and System Dispatchers for command and control communications for power systems operations. Version upgrade, added redundancy, and implementation of new recording platform to meet compliance obligations. Contract amount \$126,000
5. Interactive Voice Response (IVR) platform – Customers first experience when calling the Utility, including payment, storm outage reporting and permit inspection scheduling. Version upgrade, and changes to call flows to enhance customer experience and increase usability. Contract amount \$343,000.
6. Verint call center workforce management system – Allows Customer Service to record and improve customer experience. Version upgrade and migration to virtual platform. Contract amount \$331,000.
7. Concierge – Customer Service Operator console, replacement of existing platform, better integration and less expensive than upgrade of current platform. Contract amount \$25,000.

8. OpenScape Alarm Response (OScAR) – TPU employee emergency notification system. This is a new feature. Improves communication and situational awareness during emergency events. Contract amount \$72,000.

**COMPETITIVE ANALYSIS:** It is not feasible to conduct a competitive process for the following reasons:

- The typical life-cycle of an enterprise telephony system is 10-20 years. The current system architecture was implemented in 2004.
- Staff evaluated the options and costs associated with replacing the current systems and estimate it would cost \$4-7 million. It was determined it would in the best interest of TPU to upgrade the current platform. Staff estimates this upgrade will extend the lifecycle of the current assets another five to 10 years.
- It is an industry practice for vendors such as Unify to protect their intellectual property and software rights. As a long-term direct customer, TPU has established a strategic partnership with Unify, ensuring timely technical support and system reliability.

**CONTRACT HISTORY:** This is a new contract; however, there is extensive supplier support history with Unify Inc. (formerly Siemens Communication Inc.) based on earlier competitive solicitations as outlined below.

August 11, 2004, as a result of RFP PG04-0371F, the Public Utility Board approved Resolution U-9911, authorizing a contract (460002000) to Siemens Communication Inc. (now Unify Inc.) in the amount of \$263,942.15, plus tax, to furnish and install a new HiPath 4000 PBX telephony system. The contract was administratively increased to expand and support the system throughout the next two years by \$125,292.34, to a cumulative total of \$389,234.49, plus tax.


October 22, 2008, as a result of RFP PT08-0298F, the Public Utility Board approved Resolution U-10244, authorizing a contract (4600005092) to Siemens Communication Inc. (now Unify Inc.) in the amount of \$393,6099.20, plus tax, for a new Interactive Voice Response (IVR) system. In May 2009 this contract was administratively increased by \$12,714.19 for additional licenses. This contract was further increased by \$60,400 to a cumulative total of \$466,813.39, plus tax, per resolution U-10367 on March 10, 2010.


March 15, 2012, as a result of RFP CS11-0546F, the Public Utility Board approved Resolution No. U-10525, authorizing a contract (4600008039) to Unify Inc. (formerly Siemens Communication Inc.), in the amount of \$883,140.79, plus tax, for new contact center applications, new automated call distribution system, and a contact center monitoring application.

**FUNDING:** Funds for this contract are available in the in Tacoma Power's 2017-2018 Capital Budget.. Funding beyond the current biennium is subject to future availability of funds.

**SBE COMPLIANCE:** SBE staff were contacted June 30, 2017. There are no SBE qualified vendors at this time.

**PROJECT COORDINATOR:** Aaron Anderson, Tacoma Power, UTS, Network & Communications Systems, 253-502-8912.

  
Chris Robinson  
Power Superintendent/COO

  
William A. Gaines  
Director of Utilities/CEO



3628 South 35th Street  
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

EXHIBIT "A"

RESOLUTION NO.: U-10935

ITEM NO.: #6

MEETING DATE: JULY 12, 2017

**DATE:** 6/14/2017

**TO:** Board of Contracts and Awards

**SUBJECT:** Seismic Evaluation of Hood Street Facilities, South Tacoma Pump Station and Water Operations Building  
Budgeted from Water 2013 Construction Bond Fund  
Request for Qualifications Specification No. WS17-0035F.

**RECOMMENDATION:** Tacoma Public Utilities / Water Supply recommends a contract be awarded to **CH2M HILL Engineers, Inc., Bellevue, WA**, for the seismic evaluation of Hood Street Facilities, South Tacoma Pump Station, and Water Operations Building to be completed by June 30, 2018 with a projected cumulative total contract amount of \$550,000.

**EXPLANATION:** The project objective is to hire a multi-disciplinary consulting firm with expertise in Geotechnical Engineering, Seismic and Structural Evaluations, and FEMA funding experience, to carry out the following tasks:

- Geotechnical explorations and analyses of the slopes in the vicinity of the Hood Street Facilities, Water Operations Building, and South Tacoma Pump Station to evaluate their performance in both static and seismic conditions;
- Structural analysis of the Hood Street Chlorination Building, Hood Street Hydro / Pump Station Building, Hood Street 10MG Reservoir, Water Operations Building, and South Tacoma Pump Station.

Utilizing dynamic analysis, the seismic evaluation will assess facilities' performance and resulting risks to the Tacoma Water system in select scenario earthquake events (such as Cascadia Subduction Earthquake, Deep Benioff Zone Earthquake, and the Tacoma Fault Scenario). The evaluations will also assess code prescribed ground motions, including site specific ground motions where warranted.

**COMPETITIVE SOLICITATION:** Request for Qualifications Specification No. WS17-0035F was opened March 21, 2017. Five companies were invited to bid in addition to normal advertising of the project. Three submittals were received.

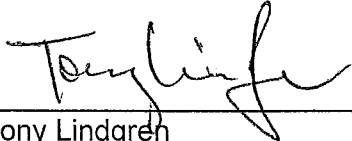
<u>Respondent</u>	<u>Location (city and state)</u>	<u>Rank</u>	<u>Evaluation Points</u>
CH2M HILL Engineers, Inc.	Bellevue, WA	1	114
Reid Middleton	Everett, WA	2	110
CDM Smith	Bellevue, WA	3	109

**CONTRACT HISTORY:** New contract.

**SBE/LEAP COMPLIANCE:** Not applicable.

**PROJECT ENGINEER/COORDINATOR:** Michel Peloquin, TPU Water Supply, (253) 502-8212.

Approved:



JCL Tony Lindgren  
Acting Superintendent

Approved:



William A. Gaines  
Director of Utilities/CEO

cc: Kimberly Ward Finance/Purchasing  
SBE Coordinator  
LEAP Coordinator

## PROFESSIONAL SERVICES CONTRACT

**THIS CONTRACT**, made and entered into effective this 12<sup>th</sup> day of July, 2017, by and between the **CITY OF TACOMA**, a municipal corporation of the State of Washington (hereinafter referred to as the "CITY"), and CH2M HILL Engineers, Inc., a Delaware State corporation (hereinafter referred to as "CONTRACTOR");

In consideration of the mutual promises and obligations hereinafter set forth, the Parties hereto agree as follows:

### 1. Scope of Services/Work

- A. The CONTRACTOR agrees to diligently and completely perform the services and/or deliverables described in Exhibit A attached hereto and incorporated herein.
- B. To the extent there is any discrepancy or conflict between and/or amongst the terms of this Contract, Exhibit A, RFQ and Contractor's Statement of Qualifications, the controlling terms for this Contract will be interpreted in the following order of precedence, with the first number being the most controlling, and the last number being the least controlling:
  - 1) Contract
  - 2) Exhibit A Scope of Work
- C. Changes to Scope of Work. The CITY shall have the right to make changes within the general scope of services and/or deliverables upon execution in writing of a change order or amendment hereto. If the changes will result in additional work effort by CONTRACTOR, the CITY will agree to reasonably compensate the CONTRACTOR for such additional effort up to the maximum amount specified herein or as otherwise provided by City Code.

### 2. Term

- A. All services shall be satisfactorily completed on or before June 30, 2018 or as otherwise specified in Exhibit B and this Contract shall expire on said date unless mutually extended in writing by the Parties.
- B. Neither party shall be considered to be in default in the performance of this Contract to the extent such performance is prevented or delayed by any cause which is beyond the reasonable control of the affected party and, in such event, the time for performance shall be extended for a period equal to any time lost as a result thereof. In the event CONTRACTOR is unable to proceed due to a delay solely attributable to CITY, CONTRACTOR shall advise CITY of such delay in writing as soon as is practicable.

### 3. Compensation and Payment

- A. The CITY shall compensate the CONTRACTOR for the services and deliverables performed under this Contract as follows:

**Check ONLY one:**

- ☐ On the basis of Time and Materials according to the rates and charges set forth in Exhibit .
- ☒ In accordance with Exhibit C.
- ☐ At the rate of \$            per hour.
- B.** The total price to be paid by CITY for CONTRACTOR'S full and complete performance of the Scope of Work hereunder shall not exceed \$550,000 without the written consent of the CITY. Said price shall be the total compensation for CONTRACTOR'S performance hereunder including, but not limited to, all work, deliverables, materials, supplies, equipment, subcontractor's fees, and all reimbursable travel and miscellaneous or incidental expenses to be incurred by CONTRACTOR.
- C.** The CONTRACTOR shall submit monthly invoices for services completed and/or deliverables furnished during the previous month. Upon CITY'S request, CONTRACTOR shall submit necessary and appropriate documentation, as determined by the CITY, for all invoiced services and deliverables.
- D.** Payment shall be made through the CITY'S ordinary payment process, and shall be considered timely if made within 30 days of receipt of a properly completed invoice.
- E.** The CITY may withhold payment to the CONTRACTOR for any services or deliverables not performed as required hereunder until such time as the CONTRACTOR modifies such services or deliverables in accordance with Section 5.B. and as further defined in the Scope of Work.
- F.** All payments shall be subject to adjustment for any amounts, upon audit or otherwise, determined to have been improperly invoiced.
- G.** In the event the CONTRACTOR incurs cost in excess of the sum authorized for service under this Contract, the CONTRACTOR shall pay such excess from its own funds, and the CITY shall not be required to pay any part of such excess, and the CONTRACTOR shall have no claim against the CITY on account thereof.

**4. Independent Contractor Status**

- A.** The services and deliverables shall be furnished by the CONTRACTOR as an independent Contractor, and nothing herein contained shall be construed to create a relationship of employer/employee or master/servant. No payroll or employment taxes of any kind shall be withheld or paid by the CITY with respect to payments to CONTRACTOR. The payroll or employment taxes that are the subject of this paragraph include, but are not limited to, FICA, FUTA, federal income tax, state personal income tax, state disability insurance tax and state unemployment insurance tax. By reason of CONTRACTOR's status as an independent Contractor hereunder, no workers' compensation insurance has been or will be obtained by the CITY on account of CONTRACTOR. CONTRACTOR may be required to provide the CITY proof of payment

of these said taxes and benefits. If the CITY is assessed or deemed liable in any manner for those charges or taxes, the CONTRACTOR agrees to hold the CITY harmless from those costs, including attorney's fees.

- B. The CONTRACTOR shall provide at its sole expense all materials, office space, and other necessities to perform its duties under this Contract, unless otherwise specified in writing herein.

## **5. Professional Services Warranty**

- A. The CONTRACTOR agrees that all services performed pursuant to this Contract shall be generally suitable for the use to which CITY intends to use said services and deliverables.
- B. In the performance of services under this Contract, the CONTRACTOR and its employees agree to exercise the degree of skill and care required by customarily accepted good practices and procedures followed by professionals/consultants rendering the same or similar type of service. All obligations and services of the CONTRACTOR hereunder shall be performed diligently and completely according to such professional standards.
- C. If the CONTRACTOR intends to rely on information or data supplied by the CITY, other CITY contractor's or other generally reputable sources without independent verification, such intent shall be brought to the attention of the CITY.

## **6. Contract Administration and Right to Audit**

- A. The Professional Engineer, Michel Peloquin, for the CITY shall have primary responsibility for contract administration and approval of services to be performed by the CONTRACTOR, and shall coordinate all communications between the CONTRACTOR and the CITY.
- B. The CONTRACTOR shall, at such times and in such form as the CITY may reasonably require, furnish the CITY with periodic status reports pertaining to the services undertaken pursuant to this Contract.
- C. Upon CITY's request, the Contractor shall make available to CITY all accounts, records, and documents related to the Scope of Work for CITY's inspection, auditing, or evaluation during normal business hours as reasonably needed by CITY to assess performance, compliance, and/or quality assurance under this Contract.

## **7. Records Retention**

The CONTRACTOR shall establish and maintain records in accordance with requirements prescribed by the CITY, with respect to all matters covered by this Contract. Except as otherwise authorized by the CITY, the CONTRACTOR shall retain such records for a period of six (6) years after receipt of the final payment under this Contract or termination of this Contract.



**8. Notices**

Except for routine operational communications, which may be delivered personally or transmitted by electronic mail or facsimile, all notices required hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first-class mail, postage prepaid, to the parties at the following addresses:

CITY	CONTRACTOR
City of Tacoma, Department of Public Utilities, Water Division Michel Peloquin Title: Professional Engineer Address: 3628 South 35 <sup>th</sup> Street Tacoma, WA 98409	CH2M HILL Engineers, Inc. Amy Carlson Title: Vice President Address: 1100 112 <sup>th</sup> , Ave NE Suite 500 Bellevue, WA 98004
Phone (253) 502-8212	Phone (425) 233-3184
Facsimile	Facsimile
E-mail: mpeloqui@cityoftacoma.org	E-mail: amy.carlson@ch2m.com

**9. Termination and Suspension**

- A. The CITY may terminate this Contract at any time, with or without cause, by giving ten (10) business days written notice to CONTRACTOR. In the event of termination, all finished and unfinished work prepared by the CONTRACTOR pursuant to this Contract shall be provided to the CITY. In the event CITY terminates this Contract due to the CITY's own reasons and without cause due to the CONTRACTOR's actions or omissions, the CITY shall pay the CONTRACTOR the amount due for actual work and services necessarily performed under this Contract up to the effective date of termination, not to exceed the total compensation set forth herein.
- B. The CITY may suspend this Contract, at its sole discretion, upon seven (7) business days written notice to the CONTRACTOR. Such notice shall indicate the anticipated period of suspension. Any reimbursement for expenses incurred due to the suspension shall be limited to the CONTRACTOR'S reasonable expenses and shall be subject to verification. The CONTRACTOR shall resume performance of services under this Contract without delay when the suspension period ends.
- C. Termination or suspension of this Contract by CITY shall not constitute a waiver of any claims or remaining rights the CITY may have against CONTRACTOR relative to performance hereunder.

**10. Taxes, Licenses and Permits**

- A. The CONTRACTOR acknowledges that it is responsible for the payment of all charges and taxes applicable to the services performed under this Contract, and the CONTRACTOR agrees to comply with all applicable laws regarding the reporting of income, maintenance of records, and all other requirements and obligations imposed pursuant to applicable law. If the CITY is assessed, made liable, or responsible in any manner for such charges or taxes, the CONTRACTOR agrees to hold the CITY harmless from such costs, including attorney's fees.

- B. In the event the CONTRACTOR fails to pay any taxes, assessments, penalties, or fees imposed by any governmental body, including a court of law, then the CONTRACTOR authorizes the CITY to deduct and withhold or pay over to the appropriate governmental body those unpaid amounts upon demand by the governmental body. It is agreed that this provision shall apply to taxes and fees imposed by City ordinance. Any such payments shall be deducted from the CONTRACTOR's total compensation.
- C. The CONTRACTOR, at its expense, shall obtain and keep in force any and all necessary licenses and permits. The CONTRACTOR shall obtain a business license as required by Tacoma Municipal Code Subtitle 6B.20 and shall pay business and occupation taxes as required by Tacoma Municipal Code Subtitle 6A.30.

## 11. Indemnification

- A. The CONTRACTOR shall indemnify, defend, and hold harmless the CITY, its officials, officers and employees from any and all claims, demands, damages, lawsuits, liabilities, losses, liens, expenses and costs arising out of claims by third parties for property damage or bodily injury, including death, to the proportionate extent caused by the negligence or willful misconduct of the CONTRACTOR, CONTRACTOR's employees, affiliated corporations, and subcontractors in connection with the subject matter of this Contract; provided that this provision shall not apply to the extent that damage or injury results from the fault of the CITY, or its officers, agents, or employees. The term "fault" as used herein shall have the same meaning as set forth in RCW 4.22.015, as that statute may hereafter be amended.
- B. The CONTRACTOR specifically assumes potential liability for actions brought by the CONTRACTOR'S own employees against the CITY and, solely for the purpose of this indemnification and defense, the CONTRACTOR specifically waives any immunity under the state industrial insurance law, Title 51 RCW. THE CONTRACTOR RECOGNIZES THAT THIS WAIVER WAS THE SUBJECT OF MUTUAL NEGOTIATION.
- C. This indemnification shall extend to and include attorneys' fees and the cost of establishing the right of indemnification hereunder in favor of the CITY. This indemnification shall survive the termination of this Contract.

## 12. Insurance

During the course and performance of the services herein specified, CONTRACTOR will maintain the following insurance coverage:

- A. Workers' Compensation and employer's liability -- statutory limits.
- B. Commercial General Liability -- \$1,000,000 per occurrence for personal injury, property damage; \$2,000,000 aggregate.
- C. Automobile public liability and property damage -- \$1,000,000 single limit combined for bodily injury and property damage.

- D. Professional liability or errors and omissions -- \$1,000,000 per claim for errors and omissions resulting in monetary loss normally covered by professional liability insurance.

Certificates of the above insurance coverage shall be delivered, within ten (10) days, to the CITY by CONTRACTOR'S insurance carrier or agent certifying the above insurance coverage items are in effect and will not be cancelled or materially changed without 30 days' written notice given to the CITY. The commercial general liability policy shall be on an occurrence basis and shall include an endorsement naming the CITY as an additional insured and stating that coverage under such policy is primary over and non-contributory with any insurance the CITY may maintain.

### **13. Nondiscrimination**

The CONTRACTOR agrees to take all steps necessary to comply with all federal, state, and City laws and policies regarding non-discrimination and equal employment opportunities. The CONTRACTOR shall not discriminate in any employment action because of race, religion, creed, color, national origin or ancestry, sex, gender identity, sexual orientation, age, marital status, familial status, veteran or military status, the presence of any sensory, mental or physical disability or the use of a trained dog guide or service animal by a disabled person. In the event of non-compliance by the CONTRACTOR with any of the non-discrimination provisions of this Contract, the CITY shall be deemed to have cause to terminate this Contract, in whole or in part.

### **14. Conflict of Interest**

No officer, employee or agent of the CITY, nor any member of the immediate family of any such officer, employee or agent as defined by City ordinance, shall have any personal financial interest, direct or indirect, in this Contract, either in fact or in appearance. The CONTRACTOR shall comply with all federal, state, and City conflict of interest laws, statutes and regulations. The CONTRACTOR represents that the CONTRACTOR presently has no interest and shall not acquire any interest, direct or indirect, in the program to which this Contract pertains which would conflict in any manner or degree with the performance of the CONTRACTOR'S services and obligations hereunder. The CONTRACTOR further covenants that, in performance of this Contract, no person having any such interest shall be employed. The CONTRACTOR also agrees that its violation of the CITY'S Code of Ethics contained in Chapter 1.46 of the Tacoma Municipal Code shall constitute a breach of this Contract subjecting the Contract to termination.

### **15. City ownership of Work/Rights in Data and Publications:**

- A. To the extent that CONTRACTOR creates any Work subject to the protections of the Copyright Act (Title 17 U.S.C) in its performance of this Contract, CONTRACTOR agrees to the following: The Work has been specially ordered and commissioned by CITY. CONTRACTOR agrees that the Work is a "work made for hire" for copyright purposes, with all copyrights in the Work owned by CITY. To the extent that the Work does not qualify as a work made for hire under applicable law, and to the extent that the Work includes material subject to copyright, CONTRACTOR hereby assigns to CITY, its successors and assigns, all right, title and interest in and to the Work, including but not

limited to, all patent, trade secret, and other proprietary rights and all rights, title and interest in and to any inventions and designs or developed during the course of CONTRACTOR'S creation of the Work. For any proprietary intellectual property embodied in the work but developed by the CONTRACTOR other than as part of the work under the Agreement. CITY shall receive a perpetual, royalty free, non-transferable, non-exclusive license to use the deliverables for the purposes for which they were intended. CONTRACTOR shall execute and deliver such instruments and take such other action as may be required and requested by CITY to carry out the assignment made pursuant to this section. Any documents, magnetically or optically encoded media, or other materials created by CONTRACTOR pursuant to this Contract shall be owned by CITY and subject to the terms of this sub-section. To the maximum extent permitted by law, CONTRACTOR waives all moral rights in the Work. The rights granted hereby to CITY shall survive the expiration or termination of this Contract

- B. The CONTRACTOR shall be solely responsible for obtaining releases for the performance, display, recreation, or use of copyrighted materials.

## **16. Public Disclosure**

- A. This Contract and documents provided to the CITY by CONTRACTOR hereunder are deemed public records subject to disclosure under the Washington State Public Records Act, Chapter 42.56 RCW (Public Records Act). Thus, the CITY may be required, upon request, to disclose this Contract and documents related to it unless an exemption under the Public Records Act or other laws applies. In the event CITY receives a request for such disclosure, determines in its legal judgment that no applicable exemption to disclosure applies, and CONTRACTOR has complied with the requirements of subsection B herein, CITY agrees to provide CONTRACTOR ten (10) days written notice of impending release. Should legal action thereafter be initiated by CONTRACTOR to enjoin or otherwise prevent such release, all expense of any such litigation shall be borne by CONTRACTOR, including any damages, attorneys fees or costs awarded by reason of having opposed disclosure. CITY shall not be liable for any release where notice was provided and CONTRACTOR took no action to oppose the release of information. Notice of any proposed release of information pursuant to Chapter 42.56 RCW, shall be provided to CONTRACTOR according to the "Notices" provision herein.
- B. If CONTRACTOR provides the CITY with records that CONTRACTOR considers confidential or proprietary, CONTRACTOR must mark all applicable pages of said record(s) as "Confidential" or "Proprietary." If CONTRACTOR fails to so mark record(s), then (1) the CITY, upon request, may release said record(s) without the need to satisfy the requirements of subsection A above; and (2) the CONTRACTOR expressly waives its right to allege any kind of civil action or claim against the CITY pertaining to the release of said record(s).

## **17. Duty of Confidentiality**

- A. CONTRACTOR acknowledges that unauthorized disclosure of information or documentation concerning the Scope of Work hereunder may cause substantial economic loss or harm to the CITY.

- B. Except for disclosure of information and documents to CONTRACTOR's employees, agents, or subcontractors who have a substantial need to know such information in connection with CONTRACTOR's performance of obligations under this Contract, the CONTRACTOR shall not without prior written authorization by the CITY allow the release, dissemination, distribution, sharing, or other publication or disclosure of information or documentation obtained, discovered, shared or produced pursuant to this Contract.
- C. The CONTRACTOR shall inform its employees, agents, and subcontractors of the confidentiality obligations under this Contract and instruct them so as to ensure such obligations are met. If so requested by the CITY, the CONTRACTOR further agrees to require all such individuals and entities performing services pursuant to this Contract to execute a Confidentiality and Non-Disclosure Agreement in a form acceptable to CITY.
- D. The CONTRACTOR shall not release any information or documentation concerning the work under this Contract or any part thereof for marketing, advertising, or other commercial activities or publication including, but not limited to, news releases or professional articles, without the prior written approval of the CITY. Any and all news releases, professional articles, marketing, advertising, publicity, or other commercial activities that describe or discuss the Scope of Services shall be reviewed and approved by the CITY prior to publication, disclosure and/or distribution. The CONTRACTOR may submit for review and approval a generic abstract describing the component parts of the completed Scope of Services ("Project Abstract"). After receiving written approval of the Project Abstract from the CITY, the CONTRACTOR may make minor insignificant changes to the Project Abstract and use all or parts of the Project Abstract in proposals.
- E. This Section shall survive for six (6) years after the termination or expiration of this Contract.
- F. CONTRACTOR shall ensure that the text of this Section is included in each subcontractor's contract pertaining to the Scope of Services hereunder.

## **18. Dispute Resolution**

In the event of a dispute pertaining to this Contract, the parties agree to attempt to negotiate in good faith an acceptable resolution. If a resolution cannot be negotiated, then the parties agree to submit the dispute to voluntary non-binding mediation before pursuing other remedies. This provision does not limit the CITY'S right to terminate authorized by this Contract.

## **19. Miscellaneous Provisions**

- A. Governing Law and Venue. Washington law shall govern the interpretation of this Contract. Pierce County shall be the venue of any mediation, arbitration or litigation arising out of this Contract.
- B. Assignment. The CONTRACTOR shall not assign, subcontract, delegate, or transfer any obligation, interest or claim to or under this Contract or for any of the compensation due hereunder without the prior written consent of the CITY.

- C. No Third Party Beneficiaries. This Contract shall be for the sole benefit of the parties hereto, and nothing contained herein shall create a contractual relationship with, or create a cause of action in favor of, a third party against either party hereto.
- D. Waiver. A waiver or failure by either party to enforce any provision of this Contract shall not be construed as a continuing waiver of such provisions, nor shall the same constitute a waiver of any other provision of this Contract.
- E. Severability and Survival. If any term, condition or provision of this Contract is declared void or unenforceable or limited in its application or effect, such event shall not affect any other provisions hereof and all other provisions shall remain fully enforceable. The provisions of this Contract, which by their sense and context are reasonably intended to survive the completion, expiration or cancellation of this Contract, shall survive termination of this Contract.
- F. Entire Agreement . This Contract and the attached Exhibits, as modified herein, contain the entire agreement between the parties as to the services to be rendered hereunder. All previous and contemporaneous agreements, representations or promises and conditions relating to the subject matter of this Contract are superseded hereby. The Parties hereto mutually acknowledge, understand and agree that the terms and conditions set forth herein shall control and prevail over any conflicting terms and conditions stated in any attachments hereto.
- G. Modification. No modification or amendment of this Agreement shall be effective unless set forth in writing and signed by the Parties.
- H. Authority to enter into this Contract. The undersigned Contractor representative, by his/her signature below, represents and warrants that he/she is duly authorized to execute this legally binding Contract for and on behalf of Contractor.

SAP Contract No. \_\_\_\_\_

**IN WITNESS WHEREOF** the parties hereto have accepted and executed this Contract as of the day and year first written above.

**CITY OF TACOMA**

**CH2M HILL ENGINEERS, INC.**

\_\_\_\_\_  
William A. Gaines  
Director of Utilities/CEO

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Acting Water Superintendent

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Andrew Cherullo  
Director of Finance

Tax ID: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
Deputy City Attorney

## Exhibit A – Scope of Work

# Seismic Evaluation of Hood Street Facilities, South Tacoma Pump Station, and Water Operations Building

CH2M HILL Engineers, Inc. (CONTRACTOR) agrees to furnish the City of Tacoma (CITY) the following services, as described herein, in conformance with the Professional Services Contract for this project. The anticipated schedule for this work is presented in Exhibit B. The budget for this work is presented in Exhibit C.

The task budget subtotals in Exhibit C identify the anticipated focus and level of effort; however, they do not represent not-to-exceed budget limits. The overall budget total for this Agreement, as presented in Exhibit C, and in Article 3.B. of the Professional Services Contract, shall be the not-to-exceed budget limit. Managing to the overall budget total shall be effected in recognition that some task budgets will be exceeded while others may be under-spent. Invoices shall be prepared and submitted on approximately a monthly basis and configured so that labor and expenses costs are grouped and tracked on a per-task and per-subtask basis (first subtask below each task), as presented in the scope below.

## Summary of Key Assumptions

- The scope and budget for the geotechnical field investigations and analysis tasks presented herein is based on the assumption that the Hood Street Facility Site and the associated lower slopes will be stable based on the analysis presented herein. If the results of the analysis related to the stability of the site are inconclusive – requiring more detailed and costly analysis, or if the results reflect an unstable site – a modification of the scope and budget for this project will be necessary.
- Similar to the approach related to the geotechnical field investigations and analysis tasks, the scope and budget for the structural seismic field reconnaissance and analysis tasks presented herein is based on the assumption that these approaches will be sufficient for evaluating the structures and developing mitigation approaches (if necessary). If the results of the analysis are shown to be inadequate – requiring more detailed and costly analysis, and/or more field investigation – a modification of the scope and budget for this work will be necessary.
- CONTRACTOR shall prepare and submit to CITY via email or other file-sharing software all deliverables as electronic PDF or Word documents. No hardcopies of deliverables shall be prepared or distributed by CONTRACTOR. It is understood that CITY shall print any hardcopies that it deems necessary for its internal review or other use.

## Overview of Scope

The CITY is considering seismic upgrade of facilities at the Hood Street Reservoir Site, the Water Operations Building, and the South Tacoma Pump Station. These facilities include:

- Hood Street Site
  - Hood Street Pump Station and Hydro Facility
  - Hood Street Chlorination Facility
  - Hood Street Reservoir
- Water Operations Building Site
  - Water Operations Building



- South Tacoma Pump Station Site
  - South Tacoma Pump Station

The CITY's decision whether or not to implement such upgrades will depend on the results of the seismic analysis, development and evaluation of mitigation alternatives (including Triple Bottom Line criteria), and CITY's implementation of its Business Case Analysis, which are to be completed as part of this project.

Follow-on work to this project, which may (at the sole discretion of CITY) be undertaken by CONTRACTOR via amendment to the existing Professional Services Contract, is anticipated to potentially include:

- Application for FEMA grant funding
- Targeted detailed seismic structural analysis in support of design
- Design of selected mitigation improvements
- Support during bidding and construction phases of the project

## Task 1. Chartering Meeting

CONTRACTOR's core project team shall attend a chartering workshop with CITY, at CITY offices, to present the scope of the project to key, invited CITY staff (as selected by CITY). CONTRACTOR's core project team includes: Project Manager, Structural Lead, Infraterra structural sub-consultant, Geotechnical Lead, and Alternatives Evaluation Lead. The purpose of the meeting is to inform CITY staff of the project, confirm concurrence with the scope of the project, and formally kick off the project. Meeting duration is anticipated to be up to two hours. Contractor shall present and discuss the scope of work and address CITY questions. Contractor shall present the scope outline via PowerPoint for the purpose of guiding the discussion for the group. Tabular information from this scope demonstrating the analysis to be completed, the cost methods to be used, and the alternatives to be evaluated will be presented. No other graphics will be developed for this presentation.

Prior to the meeting, the CONTRACTOR shall prepare an agenda for the meeting and submit to CITY's Project Manager for review and comment. CONTRACTOR shall revise the agenda for the meeting and submit to CITY's Project Manager for distribution to other CITY attendees.

CONTRACTOR shall prepare meeting notes summarizing topics discussed, key decisions, and issues raised by CITY staff. CONTRACTOR shall submit meeting notes to CITY's Project Manager for distribution to other stakeholders.

### Deliverables:

- Meeting agenda
- Meeting summary notes

## Task 2. Geotechnical Seismic Analysis

This task addresses each of the three facility sites for this project, including: Hood Street, Water Operations Building, and South Tacoma Pump Station. Specific subtasks of this task include review of existing data, field exploration of sites, geotechnical analysis, development of a geotechnical data report, and development of a geotechnical seismic technical memorandum.

In soils, foundation, groundwater, and other subsurface investigations, the actual characteristics may vary significantly between successive test points and sample intervals and at locations other than where

observations, exploration, and investigations have been made. Because of the inherent uncertainties in subsurface evaluations, changed or unanticipated underground conditions may occur that could affect total project cost and/or execution. These conditions and cost/execution effects are not the responsibility of CONTRACTOR.

## 2.1 Review of Existing Data

CONTRACTOR shall review and summarize the available prior geotechnical investigations provided by CITY for each of the three projects sites (Hood Street Reservoir, South Tacoma Pump Station, and Water Operations Building). Key sections, tables, and figures from these prior investigations will be incorporated into the two report documents to be prepared as part of this Task 2 (Geotechnical Data Report and Hood Street Slope Stability Analysis Report). CONTRACTOR shall incorporate data from these prior investigations, as applicable, into planning the borehole drilling locations, depth, and laboratory analyses to be completed as part of the Field Exploration for each of the sites.

## 2.2 Field Exploration

The following field exploration program tasks shall be conducted by CONTRACTOR. CONTRACTOR shall subcontract with a qualified drilling contractor to complete the field drilling work.

- Hood Street Site
  - Conduct geologic reconnaissance of existing slopes in the immediate vicinity of the reservoir. Site reconnaissance will include evaluation of site soil conditions, presence of natural or man-made exposures, evidence of slope stability/instability, and identification of specific locations of borings based on site access, location of existing utilities, and gaps in existing subsurface soil data.
  - Drill and sample two boreholes – one located at the top of the slope next to reservoir and one located near or at the toe of the slope. Each borehole is anticipated to be drilled to approximately 100 feet below the ground surface, or until refusal if that comes before 100 feet. Conduct utility locates and coordinate with CITY staff before field work. Results shall be used to develop input parameters for the slope stability model.
  - Install standpipe piezometer for monitoring of depth to groundwater in one of the two boreholes at this site. Monitor piezometers on a monthly basis for up to four months to identify groundwater conditions. Additional monitoring, if deemed necessary, will be conducted by CITY.
  - Conduct downhole shear wave velocity (Vs) test in one of the boreholes. Results from this test will be used for establishing IBC site class and for dynamic response analyses, if considered necessary for slope stability analysis.
  - Conduct laboratory tests to classify soil properties as part of characterization of the subsurface materials including development of representative grain-size and soil strength parameters. Results of these tests will be used to interpret anticipated behavior of subsurface soils during gravity and seismic loading.
- Water Operations Building Site
  - Discuss site access with CITY and identify the location for the single borehole.
  - Drill and sample single borehole to 100 feet below the ground surface or until refusal occurs if that comes before 100 feet. Conduct utility locates before field work.

- Install standpipe piezometer for monitoring depth to groundwater in the borehole. Monitor piezometers on a monthly basis for up to four months to identify groundwater conditions. Additional monitoring, if deemed necessary, will be collected by CITY.
- Conduct laboratory tests to classify soil types. Results of these tests will be used to interpret soil types and anticipated behavior during gravity and seismic loading.
- South Tacoma Pump Station Site
  - Discuss site access with CITY and identify the location of the single of borehole.
  - Drill and sample single boring to 100 feet below the ground surface or until refusal occurs if that comes before 100 feet. Conduct utility locates before field work.
  - Install standpipe piezometer for monitoring depth to groundwater in the borehole. Monitor piezometers on a monthly basis for up to four months to identify groundwater conditions. Additional monitoring, if deemed necessary, will be collected by CITY.
  - Conduct laboratory tests to classify soil types. Results of these tests will be used to interpret anticipated soil behavior during gravity and seismic loading.

## 2.3 Geotechnical Analysis

The following geotechnical analyses will be completed by CONTRACTOR.

- Hood Street Site:
  - Construct representative geologic section(s) based on integration of existing data, site topography, and results of the proposed new soil borings.
  - Conduct 2-D static slope stability analyses using idealized representations of the geologic sections to calculate factor of safety of existing slopes. Results of field exploration task (Task 2.2) will be used to develop the slope stability model. The analyses will include loading from reservoir in the stability analyses.
  - Obtain ground motions for 2,475 and 475 year return periods from the USGS hazard website for firm ground (soft rock) conditions. These ground motions will be adjusted for the appropriate site class using results of Vs measurement in Task 2.2, and tables in ASCE 7-10.
  - Perform pseudo-static slope stability analyses using the computer program Slide. Factors of safety will be computed for levels of ground shaking associated with the 2,475-yr ground motion return period. If the safety factor against sliding is low for this event, slope stability for the 475-yr return period ground motions will also be calculated. Adjustments will be made to account for repeated (cyclic) loading effects on soil strength. The cyclic loading effects account for different earthquake magnitudes associated with each design-level ground motion evaluated. Effects of loading from water reservoir will be included in the analyses.
  - Conduct simplified slope deformation analyses using Makdisi and Seed. Compare to simplified deformation estimates by others, such as Bray and Travarasou. Estimate slope movement for the combined ground shaking level and earthquake magnitude. Identify location of potential failure planes and associated potential effects of ground displacement on support of Hood Street Facilities (i.e., reservoir and buildings) at the top of the slope.
  - Evaluate impacts of estimated slope movement to facilities located at top of slope. Evaluate whether slope repair or structural mitigation measures can be implemented to address unacceptable factors of safety and estimated levels of displacement. Also assess if additional and more rigorous geotechnical and/or structural analyses are required.

- Water Operations Building Site
  - Develop ground motions associated with 2,475, 975, and 475 year return periods for the site based on firm ground (soft rock) condition using the USGS hazard website. Firm-ground motions will be adjusted for site class using tables in ASCE 7-10.
  - Provide support to structural designers during the seismic evaluation of the existing facility and the development of retrofit concepts.
- South Tacoma Pump Station Site
  - Obtain ground motions associated with 2,475 year return period for the site based on firm ground (soft rock) condition using the USGS hazard website. Firm-ground motions will be adjusted for site class using tables in ASCE 7-10.
  - Provide support to structural designers during the seismic evaluation of the existing facility and the development of retrofit concepts.

## 2.4 Geotechnical Data Report

CONTRACTOR shall prepare a Geotechnical Data Report that summarizes the results of the field exploration and laboratory testing for each of the three facility sites. The geotechnical data report shall include the borehole locations on a site plan, logs of the boreholes, and laboratory test results. Site plans will be developed as figures using scans from prior work on the sites or from site plans developed by CITY and provided to CONTRACTOR. In the event that CITY pursues design and construction of new facilities on any of the three sites or seismic rehabilitation that includes ground-disturbing activities, the Geotechnical Data Report will be suitable for distribution to potential bidders of that work.

The Geotechnical Data Report shall be developed as a book-marked PDF of up to 25 pages in length, including attachments and appendices. CONTRACTOR shall submit a draft of the Geotechnical Data Report via email (PDF as well as Word format) for CITY review and comment. The Geotechnical Data Report shall be finalized based on CITY review comments. CONTRACTOR shall submit to CITY the final, revised version of the Geotechnical Data Report via email.

### Deliverables:

- Draft Geotechnical Data Report
- Final Geotechnical Data Report

## 2.5 Geotechnical Seismic Analysis Technical Memorandum

CONTRACTOR shall prepare a Geotechnical Seismic Analysis Technical Memorandum that summarizes the results of the analysis completed as part of Task 2.3. The analysis is related primarily to the Hood Street Site and the stability of the northern slope but also includes the analysis to be completed at the South Tacoma Pump Station and Water Operations Building sites. This analysis presented in this technical memorandum will be based in part on the data presented in the Geotechnical Data Report. Therefore, the Geotechnical Data Report will be referenced in this technical memorandum.

CONTRACTOR shall prepare a draft of the technical memorandum for submittal via email as a PDF and Word file for CITY's review and comment. CITY shall review the draft technical memorandum and prepare review comments as hardcopy markups, electronic markups, and or a summary listing of comments. CITY shall review, adjudicate, and compile review comments into a single document for submittal to CONTRACTOR. CONTRACTOR shall revise and finalize the technical memorandum, as applicable, per CITY's comments. CONTRACTOR shall submit via email to CITY the final Word and PDF files of the technical memorandum.

#### Deliverables:

- Draft Geotechnical Seismic Analysis Technical Memorandum
- Final Geotechnical Seismic Analysis Technical Memorandum

## Task 3. Structural Seismic Analysis

This task addresses each of the five facilities included in this project, including: Hood Street Reservoir, Hood Street Pump Station and Hydro Building, Hood Street Chlorination Building, Water Operations Building, and South Tacoma Pump Station. Specific subtasks of this task include review of existing data, field examination of facilities, structural analysis, and development of a structural seismic analysis technical memorandum.

### 3.1 Review of Existing Data

CONTRACTOR shall review and summarize the available prior construction drawings and assessment documentation provided by CITY for the facilities in this project at each of the three projects sites (Hood Street Reservoir, Water Operations Building and South Tacoma Pump Station). Documents of interest include drawings, calculations, field notes, photos, studies and reports, and geotechnical investigations.

A summary of the review of these existing data documents, as well as references to these documents, shall be presented in the Structural Seismic Analysis Technical Memorandum to be developed as part of Task 3.4.

### 3.2 Field Examination of Facilities

The field reconnaissance shall assess general conformance of each facility with the available design or as-built drawings, identify and confirm systems that must remain operational after the earthquake, and evaluate the overall general condition of the structure. This field-gathered data shall inform the structural analysis to be completed as part of Task 3.3.

The examinations shall be visual and not include removal of non-structural finish work to expose structural elements. No destructive or non-destructive investigations or testing shall be undertaken. The wet wells at the Hood Street Pump Station and Hydro facility and the South Tacoma Pump Station facility will not be entered, nor will the Hood Street Reservoir.

CONTRACTOR's project team shall complete a field examination of each of the five facilities included in this project in a single day. CONTRACTOR's examination team shall include up to six members. CITY shall provide staff to enable CONTRACTOR's access to each of the facilities. CITY is expected to accompany CONTRACTOR's team throughout the course of the examination. To complete the field examinations in a single day, the start time shall be 7am at the South Tacoma Pump Station. Examination of the Hood Street facilities shall follow. The Water Operations Building shall be examined last. The field examination is anticipated to be completed by 4pm. CONTRACTOR's field examination team shall convene for a follow-up meeting directly following completion of the field examinations.

### 3.3 Structural Analysis

CONTRACTOR shall seismically analyze the five structures of this project to assess their seismic performance. The seismic analyses shall be based on selected performance criteria and earthquake hazard. The analyses shall incorporate structural seismic mitigation strategies to achieve the selected performance and earthquake hazard criteria. Mitigation strategies will be developed using approaches consistent with ASCE 41-13, Seismic Evaluation and Retrofit of Existing Building. These incorporated

seismic mitigation approaches shall be used to develop the mitigation alternatives developed and evaluated as part of Task 5. The seismic analyses to be performed are presented below in Table 1.

As stated above, no destructive or non-destructive investigations or testing will be undertaken at any of the facilities. Where existing conditions and structural detailing cannot be identified or confirmed in the field, conservative assumptions will be implemented in support of the seismic analysis. If these

**Table 1. Structural Seismic Mitigation Analyses**

Facility	Primary Performance Criteria (1)	Earthquake Hazard (1)
<b>Hood Street Site</b>		
Hood Street Pump Station / Hydro	Operational	2,475
Hood Street Chlorination Building	Immediate Occupancy	2,475
Hood Street Chlorination Building	Operational	2,475
Hood Street Reservoir	Operational	2,475
Hood Street Reservoir (2)	Operational	TBD
<b>Water Operations Building Site</b>		
Water Operations Building	Operational	2,475
Water Operations Building	Immediate Occupancy	975
Water Operations Building	Life safety	2,475
<b>South Tacoma Pump Station Site</b>		
South Tacoma Pump Station	Life Safety	2,475
South Tacoma Pump Station	Operational	2,475

**Notes:**

(1) Definitions:

- “Operational” = Very light damage, structure retains original strength with limited distress, continuous occupancy highly likely, important systems are operational, power and other utilities are available. Very low life safety risk.
- “Immediate Occupancy” = Light damage, continued occupancy likely, equipment and content secure but may not operate, generally less damage than new building designed to current codes. Low life safety risk.
- “Life Safety” = Moderate Damage and generally repairable, occupancy may need to wait for repairs, mechanical and electrical systems damaged, more damage and more life safety risk than new building designed to current codes.
- “Earthquake Hazard” = The earthquake hazards noted above are in terms of the mean return period (MRP) for design ground motions. These equate to a probability of exceedance as listed here:
  - 50% chance of exceedance in 50 years = 72 year MRP
  - 20% chance of exceedance in 50 years = 225 year MRP
  - 10% chance of exceedance in 50 years = 475 year MRP
  - 5% chance of exceedance in 50 years = 975 year MRP
  - 2% chance of exceedance in 50 years = 2,475 year MRP

(2) Seismic rehabilitation of wire-wrapped tanks has been well-defined over the years. Therefore, in the event that it is not technically or economically feasible to rehabilitate the Hood Street Reservoir to achieve Operational performance criterion at an earthquake hazard at 2,475 years, a standard structural rehabilitation approach will be incorporated to estimate the earthquake hazard level that enables achievement of the Operational performance criterion. It is assumed for the purpose of this analysis that excavating and re-wrapping is not a cost-effective, practical rehabilitation approach.

assumptions prove to be critical to the development of seismic mitigation improvements, and character and cost of the mitigation alternatives developed as part of Task 5, the scope and budget for this project may need to be modified in support of additional field investigation, which may include destructive testing (not included in the scope of this work).

CONTRACTOR shall model each of the five facility structures using either a simplified shear wall model or a finite element model to develop the lateral and vertical force distribution for seismic criteria

presented in Table 1. Structural elements critical to the lateral force resisting system within each structure will be identified along with the demand/capacity ratio of each element in the system to identify the most vulnerable elements and the degree of deficiency of each. Building deflections will be checked against code-specified deflection limits.

Pseudo-static analyses will be performed using ground motions from site-specific ground motions developed in Task 2. The scope and budget for this analysis methodology was based on the assumption that dynamic analyses will not be necessary. If more detail analyses (including dynamic analysis) are found to be necessary, CONTRACTOR shall approach CITY to assess whether or not to modify the scope and budget of the project to undertake more detailed analyses.

### 3.4 Structural Seismic Analysis Technical Memorandum

CONTRACTOR shall prepare a Structural Seismic Analysis Technical Memorandum that summarizes the results of the analyses presented in Task 3.3. The analysis description for each facility shall include narrative discussion, model output graphics, graphics and sketches presenting the structural mitigation elements, and tabular summaries. Analysis assumptions shall be documented with annotated drawings, photos, field notes, and narrative.

CONTRACTOR shall prepare a draft of the technical memorandum for submittal via email as a PDF and Word file for CITY's review and comment. CITY shall review the draft technical memorandum and prepare review comments as hardcopy markups, electronic markups, and or a summary listing of comments. CITY shall review, adjudicate, and compile review comments into a single document for submittal to CONTRACTOR. CONTRACTOR shall revise and finalize the technical memorandum, as applicable, per CITY's comments. CONTRACTOR shall submit via email to CITY the final Word and PDF files of the technical memorandum.

#### Deliverables:

- Draft Structural Seismic Analysis Technical Memorandum
- Final Structural Seismic Analysis Technical Memorandum

## Task 4. Findings Workshop

CONTRACTOR shall present the results of the findings from the geotechnical and structural seismic analyses from Tasks 2 and 3 to CITY in a workshop setting at CITY's office in the Tacoma Public Utilities Administration Building. Drafts of the Geotechnical Seismic Analysis and Structural Seismic Analysis technical memoranda shall be submitted to CITY for review at least one week in advance of the Findings Workshop.

The Workshop is anticipated to be up to 3 hours long and to be attended by CONTRACTOR's Project Manager and up to four other core CONTRACTOR team members (lead structural, Infraterra structural, geotechnical lead, alternatives evaluation lead). CONTRACTOR shall prepare a PowerPoint presentation for conveying the results and enabling questions and discussion among the group. In addition to presenting the results of the Task 2 and 3 work and enabling discussion, another key purpose of the workshop is to confirm the mitigation alternatives to be developed and evaluated as part of Task 5. This workshop will present an opportunity to potentially screen out mitigation alternatives that may no longer seem reasonable. If the results of Tasks 2 and 3 warrant any change (addition or deletion) in the mitigation alternatives to be developed and evaluated, these changes will be discussed during the workshop.

CONTRACTOR shall prepare an agenda for the meeting and submit to CITY's Project Manager for review and comment. CONTRACTOR shall revise the agenda for the meeting and submit to CITY's Project Manager for submittal to other CITY attendees.

CONTRACTOR shall prepare meeting notes summarizing key decisions, topics discussed, and issues raised by CITY staff. CONTRACTOR shall submit meeting notes to CITY's Project Manager for distribution to the wider group in attendance.

Deliverables:

- Meeting agenda
- Meeting notes

## Task 5. Mitigation Alternatives

This task addresses the mitigation alternatives that CITY will consider in developing its path forward with respect to enhancing seismic resiliency of the facilities included in this project. As part of this task, mitigation alternatives shall be developed (based in large part on the structural seismic analyses completed as part of Task 3), these alternatives shall be evaluated, and the results of this effort shall be summarized in a technical memorandum.

### 5.1 Develop Alternatives

CONTRACTOR shall develop up to sixteen separate mitigation alternatives. These mitigation alternatives, presented in Table 2, were identified for development and evaluation based on discussion between CITY and CONTRACTOR. Some of the mitigation alternatives include new building structures. These new building structures are assumed to be designed to be Operational for 2,475-year return period ground motions.

Development of the mitigation alternatives shall include narrative description, sketches and/or markups of existing facility drawings, and estimated initial capital costs (estimated initial capital costs developed as part of Task 5.2). The purpose of this development is to enable effective evaluation of the mitigation alternatives, selection of preferred mitigation alternative(s), and support CITY's internal process for soliciting concurrence and approval from its leadership for moving the alternative(s) into the next phase of project implementation.

Table 2. Alternatives to be Developed

Number	Description
<i>Hood Street Pump Station Building</i>	
1	Upgraded Hood Street Pump Station to be Operational for 2,475-year ground motions
2	New 35-mgd Hood Street Pump Station
3	New 50-mgd Hood Street Pump Station (1)
<i>Hood Street Chlorination Building</i>	
4	Upgraded Hood Street Chlorination Building to enable Immediate Occupancy for 2,475-year ground motions
5	Upgrade Hood Street Chlorination Building to be Operational for 2,475-year ground motions
6	New Hood Street Chlorination Building
<i>Hood Street Reservoir</i>	
7	Upgraded Hood Street Reservoir to be Operational for 2,475-year ground motions (including connecting piping)
8	Typical, practical, cost-effective structural seismic upgrades to improve seismic performance to be



Table 2. Alternatives to be Developed

Number	Description
	Operational after lesser-design earthquake event (to be determined during analysis) (2)
9	New pipe connection and isolation valve to Hood Street Pump Station on existing Wells Line supply to Hood Street Reservoir (3)
<i>Water Operations Building</i>	
10	Upgraded Water Operations Building to be Operational for 2,475-year ground motions
11	New, smaller building for WCC and EOC functions, only, <u>and</u> upgraded Water Operations Building to enable Immediate Occupancy for 975-year ground motions
12	New, large replacement building <u>and</u> upgraded Water Operations Building to Life Safety standard for 2,475-year ground motions (4)
13	New, larger, full-replacement building <u>and</u> demolish existing Water Operations Building
<i>South Tacoma Pump Station</i>	
14	Upgraded South Tacoma Pump Station to Life Safety standard for 2,475-year ground motions
15	Upgraded South Tacoma Pump Station to be Operational for 2,475-year ground motions
16	New, replacement South Tacoma Pump Station <u>and</u> demolish existing South Tacoma Pump Station

**Notes:**

(1) This alternative accounts for potentially demolishing or abandoning the South Tacoma Pump Station in the event the South Tacoma Pump Station mitigation alternatives are not cost-effective or attractive enough to warrant selection.

(2) Seismic rehabilitation of wire-wrapped tanks has been well-defined over the years. Therefore, in the event that it is not technically or economically feasible to rehabilitate the Hood Street Reservoir to achieve Operational performance criterion at an earthquake hazard at 2,475 years, a standard structural rehabilitation approach will be incorporated to determine the earthquake hazard that enables achievement of the Operational performance criterion. It is assumed for the purpose of this analysis that excavating and re-wrapping is not a cost-effective, practical rehabilitation approach.

(3) This mitigation alternative can be considered as a stand-alone improvement or combined for evaluation with either or both of the other two Hood Street Reservoir mitigation alternatives.

(4) This mitigation alternative includes a new building that is the same size as the new building planned and designed in the early 2000s to replace most of the functions of the existing Water Operations Building. The remaining, upgraded Water Operations Building would be re-purposed to house less-critical functions of CITY's water system operations.

CONTRACTOR shall develop sketches for each mitigation alternative. Structural seismic mitigation (location of proposed structural elements and general concept) shall be presented as "redline" markups of existing design or as-built drawings, as applicable and available.

Mitigation alternatives that include new or replacement facilities/buildings will be depicted with respect to their possible location as a rectangular red-line markup on an existing site plan or on a google aerial base map. For the Hood Street Pump Station, Hood Street Chlorination Building, and South Tacoma Pump Station these new buildings will be shown with the same square footage as the buildings they replace. No detail of these new facilities will be developed.

## 5.2 Estimated Total Project Costs

CONTRACTOR shall develop estimated total project costs (total initial capital costs) for each of the alternatives presented in Task 5.1 to enable cost to be included as a key evaluation criterion and to inform CITY's budgeting efforts. These total project costs shall include an estimate of construction costs as well as design, project management, project administration, and permitting costs. These cost estimates shall all be developed to an order-of-magnitude, Class 4 level in conformance with the AACE International Cost Estimate Classification System.

In providing opinions of cost, financial analyses, economic feasibility projections, and schedules for the project, CONTRACTOR has no control over cost or price of labor and materials; unknown or latent conditions of existing equipment or structures that may affect operation or maintenance costs; competitive bidding procedures and market conditions; time or quality of performance by operating personnel or third parties; and other economic and operational factors that may materially affect the ultimate project cost or schedule. Therefore, CONTRACTOR makes no warranty that CITY's actual project costs, financial aspects, economic feasibility, or schedules will not vary from CONTRACTOR's opinions, analyses, projections, or estimates.

The mitigation alternatives presented in Table 2 are comprised of several types of improvement elements, including: structural seismic rehabilitation, demolition of existing buildings, new buildings/facilities, and new pipeline connections. In most cases, the mitigation alternatives presented in Table 2 are comprised of a single improvement element. In others, they are comprised of two improvement elements. The cost estimating methods to be used for each of the mitigation alternatives is presented in Table 3. Descriptions of each cost estimating method are presented after Table 3.

Table 3. Summary of Capital Cost Estimating Methods

Number	Description	Cost Method
<i>Hood Street Pump Station Building</i>		
1	Upgraded Hood Street Pump Station to be Operational after 2,475-year event	Timberline
2	New 35-mgd Hood Street Pump Station	CPES
3	New 50-mgd Hood Street Pump Station	CPES
<i>Hood Street Chlorination Building</i>		
4	Upgraded Hood Street Chlorination Building to enable Immediate Occupancy after 2,475-year event	Timberline
5	Upgrade Hood Street Chlorination Building to be Operational after 2,475-year event	Timberline
6	New Hood Street Chlorination Building	CPES
<i>Hood Street Reservoir</i>		
7	Upgraded Hood Street Reservoir to be Operational after 2,475-year event (including connecting piping)	Timberline
8	Typical, practical, cost-effective structural seismic upgrades to improve seismic performance to be Operational after lesser-design earthquake event (to be determined during analysis)	Timberline
9	New pipe connection and isolation valve to Hood Street Pump Station on existing Wells Line supply to Hood Street Reservoir	Timberline
<i>Water Operations Building</i>		
10	Upgraded Water Operations Building to be Operational after 2,475-year event	Timberline
11	New, smaller building for WCC and EOC functions, only, <u>and</u> upgraded Water Operations Building to enable Immediate Occupancy after 975-year event	Cost Curves, Timberline
12	New, large replacement building <u>and</u> upgraded Water Operations Building to Life Safety standard after 2,475-year event	Cost Curves, Timberline
13	New, larger, full-replacement building <u>and</u> demolish existing Water Operations Building	Cost Curves

Table 3. Summary of Capital Cost Estimating Methods

Number	Description	Cost Method
<i>South Tacoma Pump Station</i>		
14	Upgraded South Tacoma Pump Station to Life Safety standard after 2,475-year event	Timberline
15	Upgraded South Tacoma Pump Station to be Operational after 2,475-year event	Timberline
16	New, replacement South Tacoma Pump Station <u>and</u> demolish existing South Tacoma Pump Station	CPES

**Timberline.** Timberline Estimating is a commercially available estimating system that is used by professional cost estimators to build “bottom-up” estimates. Estimates produced with Timberline are based on primary unit quantities with major assumptions about the associated work required for completion of the project component.

CONTRACTOR shall prepare capital costs using Timberline software for seismic-upgrade modifications to existing facilities or custom configurations of new facilities. Estimates produced in Timberline are considered Feasibility or Class 4 estimates as defined by the Association for the Advancement of Cost Engineering International (AACEI). Timberline estimates in this phase of the project are considered accurate to +50/-30 percent.

**Cost Curves.** Cost curve estimates include estimates based on typical values for project cost, comparisons to similar projects, and allowances based on judgement. Cost curve estimates are considered “order-of-magnitude” or Class 5 estimates as defined by AACEI. CONTRACTOR shall develop cost curve estimates for the new buildings associated with the Water Operations Building alternatives. Each of the three new-building improvement elements of the Water Operations Building alternatives shall be estimated based on the early 2000s contractor bids on the replacement Water Operations Building that was not constructed. These bids will be escalated to current year and adjusted based on a ratio of building square footage as applicable. Since the cost curve methodology used herein is based on such similar site-specific, actual-bid data, it will be considered accurate to +50/-30 percent, which matches the level of accuracy of the Timberline and CPES estimates.

**CPES.** CONTRACTOR shall use its proprietary Cost Parametric Estimating System (CPES) to estimate new pump station and new chlorination facility costs. CPES was developed by CONTRACTOR specifically for estimating the cost of municipal water infrastructure at an early stage of project evaluation with minimal development of design criteria and design basis. CPES incorporates data from real, actual projects of similar size and type. CPES estimates are considered Feasibility or Class 4 estimates as defined by AACEI. CPES estimates are considered accurate to +50/-30 percent.

## 5.3 Evaluation of Alternatives

CONTRACTOR shall develop an evaluation framework and facilitate evaluation of the mitigation alternatives developed in Task 5.1 and Task 5.2 (estimated capital costs). The evaluation framework shall be based on the Triple Bottom Line (TBL) approach conforming in spirit to what CITY has undertaken for prior evaluation processes. This evaluation process will be comprised of two primary activities. First, evaluation criteria will be developed in collaboration with CITY. Second, the alternatives will be quantitatively evaluated within the TBL framework established by CITY and CONTRACTOR as a group in a workshop setting.

### 5.3.1 Evaluation Criteria

CONTRACTOR shall identify and describe draft criteria for evaluation of the mitigation alternatives. The criteria shall be developed based on the City’s standard Triple Bottom Line (TBL) evaluation criteria

categories – environmental, social, and economic. These evaluation criteria shall also attempt to address risk associated with performing or not performing the work. CONTRACTOR shall coordinate with CITY to develop evaluation criteria that addresses the relative potential of each alternative with respect to securing FEMA funding. The evaluation criteria shall be proposed to align with the CITY's business case evaluation (BCE) framework to provide support for the BCE that will be prepared by the CITY based on the deliverables prepared as part of this project.

CONTRACTOR shall submit draft evaluation criteria via email to CITY for its review and comment. CITY shall adjudicate its comments internally in anticipation of a conference call with CONTRACTOR to address questions and/or discuss issues. CONTRACTOR shall revise the draft evaluation criteria based on City review comment and submit the revised criteria to CITY for its further review and comment in advance of the Evaluation Workshop.

Along with the revised evaluation criteria, CONTRACTOR shall develop and submit via email an evaluation matrix to City in tabular format for distribution to key City staff. The evaluation matrix shall include a proposed weighting scale for the evaluation criteria and ranking scale for the alternatives. The intention in providing the evaluation matrix in advance of the Evaluation Workshop is to enable CITY staff to pro-actively consider evaluation criteria weighting and alternative ranking to optimize efforts during the workshop.

Deliverables:

- Draft evaluation criteria
- Revised, final evaluation criteria
- Draft evaluation matrix with criteria weighting scale and alternative ranking scale for non-quantifiable items

5.3.2 Evaluation Workshop

CONTRACTOR shall facilitate an Evaluation Workshop with CITY to evaluate the mitigation alternatives. CITY and CONTRACTOR staff shall, as a group, review the revised evaluation criteria and matrix and make any further revisions desired by CITY. After finalizing the evaluation criteria, relative weighting of each evaluation criteria shall be assigned by the collective group based on an agreed-upon numerical weighting scale (i.e. 1 through 5). Once relative weighting of the criteria is established, relative ranking of each alternative based on an agreed-upon numerical scale (i.e. 1 through 5 or 1 through 10) will be completed by the group.

The result will be an evaluation process in alignment with CITY's TBL process. The purpose of this group evaluation approach is to ensure the process conforms to and reflects CITY's vision as well as CONTRACTOR's technical expertise that incorporates diverse perspectives. An important outcome of this approach is a transparent and defensible evaluation and alternative selection process.

CONTRACTOR shall document the results of the workshop with the completed evaluated matrices and supporting narrative describing key viewpoints and discussion that had significant impact in the evaluation results.

Deliverables:

- Completed evaluation matrix with criteria weighting scale and alternative ranking scale
- Meeting summary notes (final evaluation matrices and supporting narrative)

## Task 6. Seismic Evaluation Report

CONTRACTOR shall prepare a seismic evaluation report that will serve as the overall report that documents this project. The report shall document the activities of the entire project, including all tasks, and shall include the major deliverables of Tasks 2, 3, 5, and 7.

A preliminary draft of the report shall be developed and submitted prior to the Task 5.3.2 Evaluation Workshop. This draft will serve to provide the necessary and applicable project background for CITY review prior to the Evaluation Workshop. This draft shall include the yet-to-be completed evaluation matrices. The draft shall not include the results of Task 7, which won't be initiated until after the evaluation workshop and selection of the mitigation alternative(s). CONTRACTOR shall revise the preliminary draft based on CITY's internally-adjudicated review comments.

A final draft of the report shall be developed after completion of the Evaluation Workshop and completion of Task 7. This draft shall incorporate all of CITY's review comments on the preliminary draft as well as the results of the Evaluation Workshop and Task 6. CONTRACTOR shall revise the final draft based on CITY's internally-adjudicated review comments. The resulting document will be the final Seismic Evaluation Report that will be submitted by CONTRACTOR to CITY.

The Seismic Evaluation Report is anticipated to include the following main sections. Technical Memoranda from Tasks 2 and 3 and the Geotechnical Data Report from Task 2 shall be attached as appendices. The key results of these appendices shall be summarized in the main body of the report.

- Introduction and Background
- Geotechnical Seismic Analysis
- Structural Seismic Analysis
- Development of Mitigation Alternatives
- Evaluation of Mitigation Alternatives
- Assessment of FEMA Funding Eligibility
- Appendices

### Deliverables:

- Preliminary draft of Seismic Evaluation Report
- Final draft of Seismic Evaluation Report
- Final Seismic Evaluation Report

## Task 7. Assessment of FEMA Funding Eligibility

Upon completion of Task 5, CONTRACTOR shall qualitatively assess the FEMA eligibility of each of the selected alternatives (assumed to be no more than five total) and estimate the likelihood of obtaining FEMA funding. The purpose of this task is to provide guidance to CITY regarding whether or not to pursue FEMA grant funding as part of the next phase of project. Because of the uncertainty and high variability of obtaining FEMA grant funding, it will not be included as an evaluation criterion for selecting which mitigation alternative to implement. Quantitative benefit cost ratios will not be developed for this activity, nor will fragility curves be developed to support this activity.

As part of this task, CONTRACTOR shall present a brief summary of FEMA grant programs as a means of supporting the eligibility assessment and likelihood of obtaining funding. CONTRACTOR shall also summarize the Washington Emergency Management procedures and policies regarding submission and evaluation of FEMA grant applications.

The summary discussion developed as part of this task shall be presented in the Seismic Evaluation Report. CONTRACTOR's FEMA grant funding specialist shall attend a single meeting, in-person in Tacoma, with CITY to discuss the FEMA grant funding program and answer questions. CONTRACTOR's project manager and structural lead shall also attend this meeting. No formal presentation is planned as part of this presentation. CONTRACTOR shall develop a meeting agenda and meeting summary.

Deliverables:

- Meeting agenda
- Meeting notes

## Task 8. Project Management

CONTRACTOR's project manager shall manage CONTRACTOR's project team, task leads, overall execution of the project, and accurate accounting of the project budget. CONTRACTOR's project manager shall work with CONTRACTOR's project accountant to prepare and submit invoices on a monthly basis along with a monthly project status memo addressing and describing work covered by the invoice. Any significant project budget or accounting issues shall be addressed in the monthly status memo for CITY's review and consideration. CONTRACTOR shall prepare all of CONTRACTOR's internal, standard, required work-execution, quality control, health and safety, and budget control work products necessary to effectively execute the work.

The scope and budget for this task includes time for CONTRACTOR's project manager to meet regularly (as deemed necessary by CITY's project manager) by phone with CITY's project manager and to meet occasionally (up to three times over the course of the project) in person in Tacoma with CITY's project manager to provide continual status updates and coordination throughout the project. These meetings are in addition to other meetings/workshops/site visits identified in Tasks 1 through 7. No formal documentation of the content and results of these meetings shall be prepared.

Deliverables:

- Monthly invoice and budget summary spreadsheet
- Monthly status memo accompanying the invoice



Exhibit C - Labor and Expense Rates			
Seismic Evaluation of Hood Street Facilities, South Tacoma Pump Station, and Water Operations Building			
Task	Labor Subtotal	Expense Subtotal	Total
Task 1. Chartering Meeting	\$12,146	\$4,300	\$16,446
Task 2. Geotechnical Seismic Analysis		\$0	
2.1 Review of Existing Data	\$6,621	\$0	\$6,621
2.2 Field Exploration	\$33,197	\$57,000	\$90,197
2.3 Geotechnical Analysis	\$23,146	\$10,000	\$33,146
2.4 Geotechnical Data Report	\$11,514	\$0	\$11,514
2.5 Geotechnical Seismic Analysis Tech Memo	\$16,119	\$5,000	\$21,119
Task 3. Structural Seismic Analysis		\$0	
3.1 Review of Existing Data	\$13,368	\$2,000	\$15,368
3.2 Field Examination of Facilities	\$17,122	\$10,000	\$27,122
3.3 Structural Analysis	\$77,078	\$55,000	\$132,078
3.4 Structural Seismic Analysis Tech Memo	\$20,573	\$5,000	\$25,573
Task 4. Findings Workshop	\$11,188	\$5,300	\$16,488
Task 5. Mitigation Alternatives		\$0	
5.1 Develop Alternatives	\$33,997	\$0	\$33,997
5.2 Estimated Initial Capital Costs	\$19,993	\$0	\$19,993
5.3 Evaluation Criteria and Mitigation Workshop		\$0	
5.3.1 Evaluation Criteria	\$16,695	\$0	\$16,695
5.3.2 Mitigation Workshop	\$16,966	\$300	\$17,266
Task 6. Seismic Evaluation Report	\$21,532	\$0	\$21,532
Task 7. Assessment of FEMA Funding Eligibility	\$5,840	\$16,100	\$21,940
Task 8. Project Management	<u>\$22,870</u>	<u>\$0</u>	<u>\$22,870</u>
<b>Total</b>	<b>\$379,967</b>	<b>\$170,000</b>	<b>\$549,967</b>



# REQUEST FOR QUALIFICATIONS WS17-0035F

Seismic Evaluation of Hood Street Facilities, South Tacoma Pump Station, and Water Operations Building

## Evaluation Scoresheet

Qualifications will be evaluated on the following criteria:

Criteria	Points	CH2M	CDM Smith	Red Hill Works
Technical Qualifications and experience of key staff assigned – Project Manager	15	13	12	13
Technical Qualifications and experience of key staff assigned – Structural Engineer(s)	30	27	25	28
Technical Qualifications and experience of key staff assigned – Geotechnical Engineer(s)	20	18	17	17
Technical Qualifications and experience of key staff assigned – FEMA Lead	10	10	9	7
Record of firm/partners successful past performance on similar projects	15	12	14	15
Relevance and Suitability of the Project Approach to the Scope of Work	30	27	27	25
SBE Questionnaire	5	5	5	5
Total	125	114	109	110

Consensus

Name of Evaluator:

July 12, 2017

MOTION

I hereby move that the following motion be approved:

17-06. The Utility Board concurs with the decision of the Director of Utilities to tender to Indian Harbor Insurance Company, Tacoma Power's \$200,000 self-insured retained limit under Tacoma Power's insurance policy, together with a request that Indian Harbor Insurance Company immediately assume the handling of U.S. Oil & Refining Company's claim for damages, and provide for Tacoma Power's defense under its policy in the event of litigation arising from the outage of April 28, 2016.



## RESOLUTION NO. U-10936

A RESOLUTION related to the repeal, reenactment, and recodification of the City of Tacoma's Electrical Code, from Chapter 2.04 of the Tacoma Municipal Code to Chapter 12.06A.

WHEREAS the City of Tacoma, Department of Public Utilities, Light Division (d.b.a. "Tacoma Power"), recommends the Public Utility Board approve revisions to the 2015 Tacoma Electrical Code. Revisions include repeal, reenactment and recodification of the City of Tacoma's Electrical Code from Chapter 2.04 of the Tacoma Municipal Code ("TMC") to Chapter 12.06A. The sections of Chapter 2.04 will be re-numbered to reflect assignment to a new Chapter 12.06A, and

WHEREAS additional amendments to the Electrical Code will (1) clarify adoption and application of the current safety standards and practices contained in the 2017 edition of the National Electrical Code, (2) provide minor housekeeping changes to the code language, and (3) change references to Chapter 2.04 appearing in other parts of the TMC, and


WHEREAS repealing and recodifying the Electrical Code under Chapter 12.06A as part of Title 12 (City Utilities) ensures similar subject matter is grouped together in the TMC. Chapter 12.06 of Title pertains to electrical services and related requirements. The Electrical Code pertains to requirements for electrical service plan reviews, service, metering equipment installations, and electrical permits so it is logical to locate the Electrical Code in Title 12, following Chapter 12.06, under Chapter 12.06A, and



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WHEREAS Tacoma Power recommends that it is in the best interest of the customers of Tacoma Power and the citizens of Tacoma that proposed revisions to the Electrical Code be approved by the Board; Now, Therefore, BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the proposed revisions to the City of Tacoma's Electrical Code, Chapter 2.04 of the Tacoma Municipal Code are approved and the City Council is requested to concur in this action by adopting a new Ordinance that repeals the existing Chapter 2.04 of the Tacoma Municipal Code, and then reenacts and recodifies the Electrical Code under a new Chapter 12.06A of the Tacoma Municipal Code substantially in the form as on file with the Clerk and as approved by the City Attorney.

Approved as to form and legality:	_____
 _____	Chair
Chief Deputy City Attorney	Secretary
_____	Adopted _____
Clerk	

of July 12, 2017

**REQUEST FOR RESOLUTION**

Date June 26, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

## 1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Approve a resolution to repeal Tacoma Municipal Code (TMC) Chapter 2.04 Electrical Code in its entirety and to adopt a new Chapter entitled 12.06A Electrical Code.

## 2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Recommend that the Tacoma City Council approve revisions to the 2015 Tacoma Electrical Code. Amendments include repealing TMC Chapter 2.04 Electrical Code and adopting a new Chapter 12.06A Electrical Code as part of Title 12 (Utilities). The sections contained in Chapter 2.04 will be re-numbered to reflect assignment to a new Chapter 12.06A. Amendments will clarify adoption and application of the current safety standards and practices contained in the 2017 edition of the National Electrical Code (NEC), and provide minor housekeeping of language. Four references to Chapter 2.04 exist within various Sections of the TMC. These references will be amended to reflect the change from 2.04 to 12.06A as part of this Electrical Code update. Sections containing 2.04 references needing update are 2.01.060 O, 2.02.090 13, 2.02.540 b, and 2.05.010. See exhibits "C" through "J".

Revisions to the 2015 Tacoma Electrical Code were the combined efforts of Ward Groves (Deputy City Attorney), and James Hellman (Chief Electrical Inspector).

## 3. Summarized reason for resolution:

From time to time amendments to the Tacoma Electrical Code are necessary to improve its use and readability. The Tacoma Electrical Code, Chapter 2.04 of the Tacoma Municipal Code, was last modified in June of 2015. The Code was modified to reflect electrical provision changes found in the NEC, WAC, and RCW and to make other organizational and accuracy improvements.

Repealing Chapter 2.04 Electrical Code and adopting Chapter 12.06A Electrical Code as part of Title 12 (Utilities) ensures similar subject matter is grouped together in the TMC. The subject matter of Chapter 12.06 of Title 12 pertains to electrical service and related requirements. The subject matter of Chapter 12.06 of Title 12 pertains to electrical service and related requirements. The Electrical Code pertains to requirements for electrical service plan reviews, service and metering equipment installations, and electrical permits so it is logical to locate the Electrical Code in Title 12 identified as Chapter 12.06A.

Proposed amendments will provide customers one location within the TMC where they can acquire a greater understanding of Tacoma Power's requirements and customer responsibilities when applying for and receiving electrical service, purchasing electrical permits, and when performing electrical work in Tacoma Power's jurisdiction.

## 4. Attachments:


- Memo to Bill Gaines dated June 26, 2017
- Updated Electrical Code
- Existing Electrical Code with proposed changes
- Summary of changes

5. ☐ Funds available ☒ Proposed action has no budgetary impact6. Deviations requiring special waivers: ☒ None

Originated by:

  
Section Head

Requested by:

  
Division Head

Approved:

  
Director of Utilities



**TO:** Mayor and City Council  
**FROM:** William A. Gaines, Director of Utilities/CEO  
**COPY:** Elizabeth Pauli, City Manager, and City Clerk  
**SUBJECT:** Resolution/Ordinance – Electrical Code update – July 25, 2017  
**DATE:** June 26, 2017

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**SUMMARY:**

Tacoma Power seeks Council approval to repeal Tacoma Municipal Code (TMC) Chapter 2.04 Electrical Code in its entirety and adopt a new Chapter TMC 12.06A Electrical Code to include minor housekeeping of language.

**STRATEGIC POLICY PRIORITY:**

Updates to the Tacoma Electrical Code support the City of Tacoma's strategic goal to strengthen and support public safety. High levels of electrical safety are achieved through enforcement of the latest edition the National Electrical Code, the Washington Administrative Code, Chapter 296-46B, and the Revised Code of Washington, Chapter 19.28.

**BACKGROUND:**

From time to time amendments to the Tacoma Electrical Code are necessary to improve its use and readability. The Tacoma Electrical Code, Chapter 2.04 of the Tacoma Municipal Code, was last modified in June of 2015. The Code was modified to reflect electrical provision changes found in the National Electrical Code (NEC), Washington Administrative Code 296.46B, and the Revised Code of Washington 19.28, and to make other organizational and accuracy improvements.

Repealing Chapter 2.04 Electrical Code and adopting Chapter 12.06A Electrical Code as part of Title 12 (Utilities) ensures similar subject matter is grouped together in the TMC. The subject matter of Chapter 12.06 of Title 12 pertains to electrical service and related requirements. The Electrical Code pertains to requirements for electrical service plan reviews, service and metering equipment installations, and electrical permits so it is logical to locate the Electrical Code in Title 12 identified as Chapter 12.06A.

Four references to Chapter 2.04 exist within various Sections of the TMC. These references will be amended to reflect the change from 2.04 to 12.06A as part of this Electrical Code update. Sections containing 2.04 references needing update are 2.01.060 O, 2.02.090 13, 2.02.540 b, and 2.05.010. See exhibits "C" through "J".

Proposed amendments will provide customers a greater understanding of Tacoma Power's requirements and customer responsibilities when applying for and receiving electrical service, purchasing electrical permits, and when performing electrical work in Tacoma Power's jurisdiction.

Revisions to the 2015 Tacoma Electrical Code were the combined efforts of Ward Groves (Deputy City Attorney), and James Hellman (Chief Electrical Inspector).

**ISSUE:**

The 2015 Electrical Code, TMC Chapter 2.04, does not allow Tacoma Power the ability to administer and enforce provision changes found in the 2017 edition of the NEC that address electrical safety standards and practices. The separation of TMC 2.04 Electrical Code and TMC 12.06 Electric Energy and Rates does not provide customers a common location where they can find similar information necessary to obtain and maintain power. Adopting the proposed amendments will alleviate this issue and will provide customers one location within the TMC where they can find current information related to electrical service and installation requirements.

OR –

Continue utilizing the current Tacoma Electrical Code.

**RECOMMENDATION:**

Tacoma Power recommends Council approval of amendments to the Tacoma Electrical Code as approved by the Public Utility Board to go into effect September 1, 2017

**FISCAL IMPACT:**

If you are making a commitment on the City's behalf to receive or expend funds, then the fiscal impact section should be completed. If this does not apply, enter "There is no fiscal impact" and delete everything below this line. If you are unsure, please contact the Budget Office. If the action is to accept a donation, you do not need to complete the fiscal impact section, just note the estimated value of the donation in the background section.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** None

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** N/A

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

Explain how expenditures are to be covered and if budget modifications are required.

## “EXHIBIT A”

### Chapter 12.046A ELECTRICAL CODE

*(Repealed and reenacted by Ord. 27907; passed Jul. 20, 2010 and Ord. 28300; passed Jun. 30, 2015)*

#### Sections:

- 12.046A.010 Title.
- 12.046A.020 Purpose.
- 12.046A.030 Scope of chapter.
- 12.046A.035 Adoption.
- 12.046A.040 Standards for installations.
- 12.046A.050 Severability.
- 12.046A.060 Enforcement of chapter.
- 12.046A.070 Definitions.
- 12.046A.080 Duties of Chief Electrical Inspector.
- 12.046A.090 Effective date of chapter.
- 12.046A.100 Inspection of new electrical installations.
- 12.046A.110 Inspection of existing electrical installations.
- 12.046A.120 Final inspection and service approval.
- 12.046A.130 Temporary wiring.
- 12.046A.135 Metering installations and labeling.
- 12.046A.140 New electrical installations.
- 12.046A.145 Overhead service drops.
- 12.046A.150 Unlawful to alter existing wiring.
- 12.046A.155 Variance from Code requirements.
- 12.046A.160 Move-on housing.
- 12.046A.170 Fusing and equipment protection.
- 12.046A.180 Explanation of chapter requirements.
- 12.046A.190 Right of entry.
- 12.046A.200 Nonliability of City for damages.
- 12.046A.210 Permits required.
- 12.046A.220 Permits and inspections.
- 12.046A.230 Permit to owner – conditions and affidavit.
- 12.046A.240 Filing of drawings and specifications.
- 12.046A.250 Permit fees.
- 12.046A.260 Penalty fees and fee adjustments.
- 12.046A.270 Penalty and adjustment fee appeals.
- 12.046A.300 Protection of electrical workers.
- 12.046A.350 License requirements.
- 12.046A.360 Appeal process.
- 12.046A.370 Additional rules may be made by Director.
- 12.046A.380 Classification of occupancies and wiring methods.
- 12.046A.400 Violations – Notification – Penalties.

#### 12.046A.010 Title.

This Chapter shall be known as the Electrical Code of the City of Tacoma or alternatively the Tacoma Electrical Code.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

#### 12.046A.020 Purpose.

The purpose of this Code is the practical safeguarding of persons and property from electrical hazards arising from the use of electricity. This Code contains provisions that are considered necessary for safety. Compliance with this chapter and proper maintenance will result in an installation that is reasonably free from hazard, but not necessarily the most efficient, convenient, or adequate for good service or future expansion of electrical use. Additional guidance for efficient and convenient future expansion of electrical use and systems is found in the NEC.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)



## “EXHIBIT A”

### **12.046A.030 Scope of chapter.**

The provisions of this chapter shall apply to all electrical conductors and equipment installed, used, rented, offered for sale, or distributed for use in areas served by the City, by and through its Department of Public Utilities, Light Division, and its franchised entities, except as shown in Article 90.2(B) of the 2014~~7~~ National Electrical Code.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.035 Adoption.**

A. RCW and WAC adoption and incorporation by reference. Except as otherwise specified in this chapter, the City hereby adopts and incorporates into this chapter, the Tacoma Electrical Code, those provisions of the Revised Code of Washington (“RCW”) contained in Chapter 19.28, and the Washington Administrative Code (“WAC”), Chapter 296-46B, that relate to electrical installations including, but not limited to, methods of construction, repair, maintenance, use of materials, and approval of such installations intended to insure the safety of life and property.

B. NEC adoption. The City hereby adopts and incorporates into this chapter, the Tacoma Electrical Code, the provisions of the 2014~~7~~ National Electrical Code (“NEC”) in its entirety.

C. In the event any NEC, RCW or WAC provision adopted pursuant to this section is hereafter amended, said amended provision shall be deemed adopted and incorporated into this chapter as of the effective date of such amendment unless the amended provision establishes standards of electrical installations that are not equal to, higher, or better than that required by any other NEC, RCW or WAC provision then in effect. It is the intent of this section that, except as otherwise expressly required or provided under this chapter, the highest standard of electrical installations specified in the NEC, RCW and/or WAC is adopted and shall be enforced per the Tacoma Electrical Code.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.040 Standards for installations.**

A. All electrical installations shall be in conformity with the provisions of this Code and with approved electrical standards for safety to life and property. Where no specific standards are prescribed by this Code, conformity with the requirements or rules set forth in the current edition of the NEC, as amended by the WAC, shall be prima facie evidence of conformity with approved standards for safety to life and property. If any requirements or rules in this chapter are found to be not at an equal, higher, or better standard of materials, devices, appliances, and equipment than of those of the WAC, the requirements of the WAC will prevail. The current edition of the NEC shall mean the current edition of the NEC, as adopted by the City in Section 12.046A.035.

B. Additional City requirements applicable to the provisions of this Code are stated in the:

1. Tacoma Power Customer Service Policies, as promulgated or revised from time to time, on file with the Clerk of the Public Utility Board,
2. Tacoma Power Electric Service Handbook, as the same may be amended from time to time by the Light Division Superintendent or his/her designee, on file with Tacoma Power’s Electrical Inspection Office, and
3. Tacoma Power Transmission and Distribution Construction Standards, as the same may be amended from time to time by the Light Division Superintendent or his/her designee, on file with Tacoma Power’s Electrical Inspection Office.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.050 Severability.**

If any section, subsection, sentence, clause, or phrase of this chapter is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this chapter. The City Council hereby declares that it would have passed this chapter and each section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared unconstitutional.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.060 Enforcement of chapter.**

The Chief Electrical Inspector of the Light Division of the Department of Public Utilities, hereinafter called the Chief Electrical Inspector, shall be responsible for the enforcement of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## “EXHIBIT A”

### **12.046A.070**

#### **Definitions.**

“Building” means the structure, of any type or designation, at which work under the Electrical Permit will be performed and which is located at the Premises identified by site address on the application for the Permit.

“City” means the City of Tacoma, Department of Public Utilities, Light Division, doing business as Tacoma Power.

“Code” means this chapter of the Tacoma Municipal Code.

“Contractor” means the person, firm, or corporation performing the installation of electrical work pursuant to an Electrical Permit and licensed by the State of Washington. Also referred to herein as electrical contractor.

“Electrical Inspection Office” means the office within Tacoma Power charged with administration and enforcement of this Code under the immediate supervision of the Chief Electrical Inspector.

“Electrical Permit” or “Permit” means a fully paid, and neither expired nor terminated permit issued by Tacoma Power.

“Occupying” means moving furnishings, material, merchandise, or persons into a Building or Premises.

“Owner” means the legal owner of the Premises on which electrical work is installed or is to be installed.

“Permit Holder” means the person or entity that applies for and is issued an Electrical Permit. The Permit Holder shall be responsible for full compliance with the requirements of this chapter. When the Permit Holder is not the Owner of the Premises identified in the Permit application, but performs electrical work at the Premises for such Owner, the Permit Holder shall be deemed to be the authorized agent of the Owner for purposes of enforcement of this chapter and, therefore, such Owner shall be responsible for the acts or omissions of the Permit Holder including, but not limited to, correction of Code violations and the payment of fees or penalties arising under the Permit.

“Premises” means real property and all Buildings and other improvements located thereon.

“Service Point” means the point where the customer’s service conductors are connected to Tacoma Power’s service utility conductors.

“Stop Work Order” means a written notice posted by the electrical inspector ordering the electrical work to be suspended until the electrical inspector removes the notice.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.080**

#### **Duties of Chief Electrical Inspector.**

It shall be the duty of the Chief Electrical Inspector to see that the provisions of this chapter are enforced. The Chief Electrical Inspector shall, upon application, issue Permits for the installation or alteration of electrical wiring, devices, appliances, and equipment, and shall make inspections of electrical installations as provided in this chapter. The Chief Electrical Inspector may delegate appropriate inspection and enforcement duties prescribed by this chapter to electrical inspectors, assistants, and other persons duly qualified and regularly employed by the City.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.090**

#### **Effective date of chapter.**

Any electrical work for which a Permit was obtained before the date on which this chapter becomes effective may be installed and completed in accordance with the laws and regulations which were in effect at the time of issuance of any such Permit.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.100**

#### **Inspection of new electrical installations.**

A. Rough-in wiring or installation of electrical equipment not listed for use in wet locations shall only be installed in a structure or area of a structure that is completely free of exposure to the elements.

B. Requests for inspection must be made by the Permit Holder that installed electrical equipment no later than three business days after completion of the electrical/telecommunication installation or one business day after any part of the installation has been energized, whichever occurs first.

C. Electrical wiring shall not be covered or concealed until such wiring has been approved by Tacoma Power’s Electrical Inspection Office. Where an electrical installation is covered or concealed before approval, it shall be exposed for inspection. The City shall bear no liability for damages or costs resulting from exposing the electrical installation.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## “EXHIBIT A”

### **12.046A.110**

#### **Inspection of existing electrical installations.**

A. The Chief Electrical Inspector is hereby empowered to inspect all existing wiring, appliances, devices, and equipment coming within the scope of this chapter. When the installation of any such wiring, appliance, device, or equipment is determined to be in a dangerous or unsafe condition, the person, firm, or corporation owning, using, or operating the same shall be notified and shall make the necessary repairs or changes required to place such wiring, appliances, devices, or equipment in a safe condition, and have such work completed within 48 hours after notification thereof, or within such further reasonable time as may be allowed by Tacoma Power upon request.

B. The Chief Electrical Inspector is hereby empowered to disconnect or order the discontinuance of electrical service to such conductors or apparatus found to be in a dangerous or unsafe condition, or to have been installed without a Permit. He or she shall thereupon attach a notice, which states that such conductors or apparatus have been disconnected due to violation of the provisions of this chapter. It shall be unlawful to remove a notice of disconnect or to reconnect electrical equipment to an electrical power source without authorization from the Chief Electrical Inspector. Any person removing the notice, or reconnecting the equipment or wiring before approval to do so has been given, will be subject to the penalties outlined in this chapter.

C. Abandoned conductors, conduits, and electrical equipment shall be removed from structures unless it is de-energized, supported, capped, and enclosed or terminated by an acceptable method and tagged “For Future Use” at every accessible location.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.120**

#### **Final inspection and service approval.**

A. Final inspections are required on all Buildings before occupancy. Each unit of a multiple occupancy Building or complex must have a separate final electrical inspection approval before it is occupied. The Permit Holder is required to request a final inspection at the time the electrical installation is completed. A Permit Holder not complying with the requirements of this section shall be subject to the penalties outlined in this chapter.

B. Final approval will not be given until all fees owed on the project or Permit(s) are paid. When all fees are paid, and the electrical installation is complete and in compliance with this chapter the electrical inspector will sign and/or post a final inspection approval notice. Building permits requiring an electrical inspector’s signed approval shall be posted in a conspicuous location.

C. The Chief Electrical Inspector is hereby authorized to disconnect any electrical installation or equipment which has been connected before the approval for service has been given. He or she shall thereupon attach a notice which shall state that the wiring or apparatus has been disconnected due to violation of the provisions of this chapter. Any person removing the notice, or reconnecting the equipment or wiring before approval to do so has been given, will be subject to the penalties outlined in this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.130**

#### **Temporary wiring.**

Limited use of electricity for emergency or construction purposes may be granted. An Electrical Permit must be purchased and inspection approval must be given before energizing the electrical installation, except as provided in this chapter. Emergency installations shall be limited to a 30-day period. Temporary wiring for construction use is limited to the duration of construction. All use of electricity shall be metered.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.135**

#### **Metering installations and labeling.**

A. Meter height. No meter shall be installed at a height greater than six feet from the front working surface or grade to the mid-point of the meter glass and no lower than five feet from the front working surface or grade to the mid-point of meter glass, except as stated in subsections 1-4 below and as provided in the Tacoma Power Electric Service Handbook and in the Tacoma Power Transmission and Distribution Construction Standards shall apply to all electric meter installations.

1. Commercial multi-metering installed in a vertical configuration shall not be installed below 36 inches from the front working surface or grade to the mid-point of the meter.

2. Residential multi-metering installed in a vertical configuration shall not be installed below 28 inches from the front working surface or grade to the mid-point of the meter.

3. Listed service pedestals and packages containing integral meter sockets, installed according to the manufacturer’s instructions, are allowed to be at the height for which they are designed.



## “EXHIBIT A”

4. Special permission is granted by the Chief Electrical Inspector.

B. All meters in a multiple occupancy Building shall be accurately marked to identify the units they serve. Labels must be of sufficient durability to withstand removal from rubbing, fading, or environmental exposure. Label characters must be a minimum 1/2-inch tall and of a contrasting color or shade from the surface to which they are affixed so that they are easily readable.

C. No customer meter sockets will be placed on a pole owned and maintained by Tacoma Power. Meters shall be located on the first customer owned structure which will be the Service Point from Tacoma Power as further specified in the customer requirements found in the Tacoma Power Electric Service Handbook and Tacoma Power Transmission & Distribution Construction Standards.

D. The meter location shall not be concealed by materials, structures or vegetation of any kind and must be readily accessible. A level workspace, measuring no less than 3 feet by 3feet, must be maintained in front of the meter location at all times. Failure to meet these requirements may result in termination of service.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.140                      New electrical installations.**

All new or altered services, feeders, circuits, circuit extensions, and installations must meet requirements of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.145                      Overhead service drops.**

Overhead service drop clearances are the Owner's responsibility. These clearances must be free of any vegetation obstructions as further specified in the Tacoma Power Electric Service Handbook.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.150                      Unlawful to alter existing wiring.**

It shall be unlawful for any person to alter in any way any electrical wiring, or to permit such electrical wiring to be altered, unless done in conformity with the provisions of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.155                      Variance from Code requirements.**

A variance from the electrical installation requirements of this chapter may be granted by the Chief Electrical Inspector when it is assured that equivalent objectives can be achieved by establishing and maintaining effective safety. The variance request must be made in writing by the Permit Holder or designer, using a form provided by Tacoma Power's Electrical Inspection Office. A variance which has been granted shall be for a specific site and time and will not be considered as a precedent for other installations. All variances must be granted in writing.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.160                      Move-on housing.**

In addition to the requirements of WAC 296-46B-010, any structure which has been moved shall have its service upgraded to meet the requirements of this chapter and the NEC. Kitchen, bath, and laundry circuits shall comply with the NEC. AFCI protection, in compliance with the NEC, will be required, on all bedroom circuits.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.170                      Fusing and equipment protection.**

Fusing and equipment protection shall be in compliance with NEC Article 240.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.180                      Explanation of chapter requirements.**

A Tacoma Power electrical inspector may answer relevant questions concerning interpretation or application of adopted regulations and rules outlined in this Code. No electrical inspector shall lay out work or act in the capacity of an electrical installation consultant.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

“EXHIBIT A”

**12.046A.190 Right of entry.**

A Tacoma Power electrical inspector shall have the right to enter any and all Buildings and Premises which contain electrical wiring or apparatus, at any reasonable hour, for the purpose of inspecting or testing the installation of electrical wiring, electrical devices, and/or electric materials to determine Code compliance. Consent to such entry and inspection is a condition of continued electrical service.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

**12.046A.200 Nonliability of City for damages.**

This chapter shall not be construed to alter the responsibility or liability of any person owning, designing, operating, controlling, or installing any electrical wires, appliances, apparatus, construction, or equipment for damages to persons or property caused by a defect therein, nor shall the City, or any employee or agent thereof, be held as assuming any such liability by reason of the inspection or other examination authorized herein or the notice of approval issued by the electrical inspector.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

**12.046A.210 Permits required.**

An Electrical Permit shall be applied for and purchased before electrical equipment may be installed, altered, or repaired. An Electrical Permit is required for the installation, alteration, or maintenance of all electrical systems or equipment, including, but not limited to, when removal of a Tacoma Power owned electric meter is necessary to perform any electrical work.

Exceptions:

A. Like-in-kind replacement of a contactor, relay, timer, starter, electronic circuit board, or similar control component, household appliance, circuit breaker, fuse, residential luminaire, lamp, snap switch, dimmer, receptacle outlet, thermostat, heating element, luminaire ballast with an exact same ballast, component(s) of electric signs, outline lighting, skeleton lighting or skeleton neon tubing where the electrical system is not modified, 10 horsepower or smaller motor;

B. Induction detection loops described in WAC 296-46B-300(2) and used to control gate access devices;

C. Heat cable repair; and

D. Embedding pre-manufactured heat mats in tile grout where the mat is listed by an approved testing laboratory and comes from the manufacturer with pre-connected lead-in conductors. All listing marks and lead-in conductor labels must be left intact and visible for evaluation and inspection by the installing electrician and the electrical inspector.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

**12.046A.220 Permits and inspections.**

A. An Electrical Permit application shall be filled in completely and accurately before it will be accepted by Tacoma Power's Electrical Inspection Office. An application for an Electrical Permit signed by an electrical contractor or its representative shall serve as a certification by the electrical contractor, made under penalty of perjury, that said Contractor is the duly authorized agent of the Premises Owner where the electrical work is to be performed.

B. Electrical Permits shall expire one year after the date of issue or one year after the most recent inspection, whichever is later. The re-issuance of a Permit, if granted, may require additional fees.

C. The scheduling and timing of inspections shall be according to provisions set forth in the Tacoma Power Electric Service Handbook.

D. The Permit Holder is responsible for providing or arranging access to the work to be inspected.

E. The inspection site address shall be clearly visible from the street.

F. Electrical Code violations identified by the electrical inspector shall be posted at the work location. Violations shall be corrected within 15 days of notification unless a written request for extension is granted by the Chief Electrical Inspector.

G. Electrical Permits shall be required for each Building at which electrical work will be performed.

H. Electrical Permits are transferable, provided the original scope of work for the Permit has not changed and there has been no electrical work or inspection activity. The Permit transferee must present a statement and authorizing signature of approval from the Permit transferor. The transfer must take place at Tacoma Power's Electrical Inspection Office within one year of the original Permit issuance.

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I. Electrical Permits may be canceled by the Permit Holder. Upon such cancellation, Permit Holder shall be refunded the Electrical Permit fee prorated based on prior inspection activity, and less an administrative process fee. Tacoma Power may cancel an Electrical Permit if it determines the Permit Holder is not qualified to perform the Permitted work.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.230                      Permit to owner – conditions and affidavit.**

A. Electrical permits to perform electrical work on a new or existing Building owned by the Permit applicant and not intended for rent, sale, or lease may be issued to the applicant, provided that:

1. The applicant provides documentation that he or she is the Owner of the Building where electrical work is to be performed, such as a copy of a deed, along with evidence of identity;
2. The applicant signs an affidavit under penalty of perjury affirming the Building where the electrical work is to be performed is not for rent, sale or lease at the time of Permit application and that he or she does not intend to rent, sell or lease all or any part of the Building for at least twenty-four months after the final electrical inspection;
3. If the Building where the electrical work is to be performed is used as a residence by any person other than the applicant at the time of Permit application, or will be so used at any time during the twenty-four months following final electrical inspection, the applicant's affidavit must further affirm the applicant's residence at such Building and his or her intent to reside therein for at least two years after final inspection; and
4. The electrical work shall be done by the applicant and he or she, as well as any person(s) who gave assistance with the electrical installation, must be present during all inspections.

B. If it is apparent from the character of electrical work performed by or with the knowledge of the Owner, whether performed prior to or after Permit issuance, that the Owner and/or person assisting the Owner are not qualified to do the work under the Permit applied for or issued, an electrical inspector may require the work that is in violation of this chapter be changed, altered, or repaired by a licensed electrical contractor.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.240                      Filing of drawings and specifications.**

A. A completed plan review application shall be submitted with information required to complete the review process including, but not limited to, documentation specified in the Plan Review Application Instructions. Submitted plans shall be in accordance with WAC 296-46B-900 and must be stamped by a Professional Electrical Engineer registered with the State of Washington.

B. Electrical Permit applicants are required to submit electrical plans, load calculations, and specifications for work to be performed on:

1. Commercial and industrial services greater than 400 amps and downtown network services and feeders over 200 amps;
2. Residential services and feeders over 400 amps;
3. Commercial projects with a scope that covers more than 2,500 square feet;
4. All systems that have emergency generators (NEC Articles 517, 700, 701);
5. Systems operating over 600 volts; or
6. Schools, hospitals, institutions, and other projects as specified in the WAC.

C. Electrical plans must be submitted to Tacoma Power's Electrical Inspection Office for review, giving sufficient time to complete the review prior to beginning electrical construction. A Tacoma Power approved set of drawings must be on the job site for the electrical inspector's use. No inspection will be performed unless the approved plans are on the job site or special written permission is granted by the Chief Electrical Inspector or his designee. Where inspections are performed by Tacoma Power prior to plan approval, electrical materials or equipment may be required to be re-installed to meet the requirements of this chapter once plan review is complete. Electrical service will not be provided unless approved plans are on site and the electrical service equipment installation is approved.

D. Plan review fees are included in the commercial Permit fees. When no Permit has been purchased and the project has been canceled, or excessive time is required to review plans submitted with incomplete information or extensive errors, a fee of \$80 per hour will be charged. Shipping and handling fees of \$25 will be charged on all plans requested to be mailed back to the submitter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

# “EXHIBIT A”

## **12.046A.250 Permit fees.**

Current standard fees for connecting electrical services to the Tacoma Power system, as well as the Permit fees and any penalties previously assessed, must be paid before an Electrical Permit application will be processed. The Permit applicant is responsible to arrange for payment. Permit applications for which insufficient or no payment has been received will not be processed. Unpaid Permit applications will be discarded by Tacoma Power if payment has not been received within 10 business days of receipt of application. Unless otherwise noted, when multiple inspections are required, the Permit fee shall not be less than \$40 per 1/2 hour of inspection time. No inspection will be performed until the Permit application process is completed.

Current standard fees for Electrical Permits and inspections by Tacoma Power are as follows:

### **A. Residential.**

1. Table A. Single-family dwelling and mobile home services, and multifamily dwelling services, service changes, service upgrades, and solar photovoltaic (PV) systems fees, and feeder fees are set forth in Table A below, and include branch circuit wiring from the service(s) or feeder(s). All wiring by the same Permit Holder on residential occupancies single family dwellings of 400 amps/4000 sq. ft. or less is included under the fees from Table A unless otherwise noted below.

TABLE A			
Service/PV System/Feeder Ampacity and Square Footage	Permit Fees		
	Column 1	Column 2	Column 3
	Overhead Service <u>or PV installation</u> - up to 2 trips	Underground to Pole and Underground Service <u>or PV installations with underground wiring</u> - up to 4 trips	Feeder Only up to 2 trips
1-200A and up to 2500 sq. ft.	\$80	\$160	\$60
Up to 400A or up to 4000 sq. ft.	\$120	\$200	\$70
Over 400A or over 4000 sq. ft.	Use TABLE B		

2. Branch circuit alterations and repairs. The fee for 1 to 4 new circuits, circuit extensions, or alterations where the service or feeder is not modified, increased, relocated, or replaced.....\$50

Use Table A if a service feed-work is included.

Each additional circuit.....\$5

Fee includes two inspections.

3. Service and PV system alterations and repairs. Minor alterations and repairs to an electrical service or PV system, including, but not limited to, the repair or replacement of the service mast, service entrance conductors, weather head, service attachment bracket, meter socket, main breaker, PV array, or production meter socket.....\$40

See Table A if service panel, PV AC disconnect, or utility disconnect is repaired or replaced in combination with any of the above listed items.

Fee includes one inspection.

### **4. Low voltage.**

Single-family Dwellings—Fees for low voltage control panels and devices, such as fire alarm systems, data systems, intrusion alarms, HVAC systems, thermostats, and similar systems .....\$40

Fee includes one inspection.

5. Temporary services 1-200 amps single phase .....\$40

Fee includes one inspection.

Temporary services over 200 amps or three phase and systems with feeders ..... Table B

6. Residential swimming pool (In addition to any other fees listed). .....\$120

Fee includes three inspections.



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7. Generator transfer panel and equipment. .... \$60

Fee includes one inspection.

B. Commercial and industrial.

1. Table B. The Permit fee for all commercial and industrial work, ~~and any residential installation~~ multifamily dwelling installations, and single family dwellings exceeding 400 amps ~~or 4000 square feet~~ shall be derived from Table B. Proof of electrical work value must be submitted at the time of application. Proof may be established by presenting a signed contract or a priced itemization of the work to be performed. The electrical work value shall be the reasonably documented value of all labor, material, fittings, apparatus, and the like, whether actually paid for or not, supplied by the Permit Holder and/or installed by the Permit Holder as a part of, or in connection with, a complete electrical system, but which does not include the cost of utilizing equipment connected to the electrical system. If a signed contract or other substantial proof of value is not submitted at the time of Permit application, the value may be established by Tacoma Power’s Electrical Inspection Office using modern construction cost-estimating techniques. If the reported work value is determined by Tacoma Power’s electrical inspection office to be significantly less than what was reported at the time the Permit was purchased, the Permit fee amount will be increased to reflect the corrected actual value and a charge for the time to determine such value will be assessed to the Permit fee. A fee adjustment shall be made for all change orders and field changes that increase the value. All fees must be paid before final electrical inspection approval of the project.

TABLE B	
Value of Electrical Construction	Permit Fees
\$0-\$1,000	\$100 for the first \$1,000 or fraction thereof.
\$1,001-\$5,000	\$100 for the first \$1,000 plus \$4 for each additional \$100 or fraction thereof.
\$5,001-\$50,000	\$260 for the first \$5,000 plus \$2 for each additional \$100 or fraction thereof.
\$50,001-\$100,000	\$1,160 for the first \$50,000 plus \$1.50 for each additional \$100 or fraction thereof.
\$100,001-\$250,000	\$1,910 for the first \$100,000 plus \$9 for each additional \$1,000 or fraction thereof.
\$250,001-\$500,000	\$3,260 for the first \$250,000 plus \$8 for each additional \$1,000 or fraction thereof.
\$500,001-\$750,000	\$5,260 for the first \$500,000 plus \$7 for each additional \$1,000 or fraction thereof.
\$750,001-\$1,000,000	\$7,010 for the first \$750,000 plus \$6 for each additional \$1,000 or fraction thereof.
\$1,000,001-\$2,000,000	\$8,510 for the first \$1,000,000 plus \$5.50 for each additional \$1,000 or fraction thereof.
\$2,000,001-\$3,000,000	\$14,010 for the first \$2,000,000 plus \$5 for each additional \$1,000 or fraction thereof.
\$3,000,001-\$4,000,000	\$19,010 for the first \$3,000,000 plus \$4.50 for each additional \$1,000 or fraction thereof.
\$4,000,001-\$5,000,000	\$23,510 for the first \$4,000,000 plus \$4 for each additional \$1,000 or fraction thereof.
\$5,000,001-\$50,000,000	\$27,510 for the first \$5,000,000 plus \$3.50 for each additional \$1,000 or fraction thereof.
\$50,000,001-\$100,000,000	\$185,010 for the first \$50,000,000 plus \$3 for each additional \$1,000 or fraction thereof.
\$100,000,001 and up	\$335,010 for the first \$100,000,000 plus \$2.50 for each additional \$1,000 or fraction thereof.

2. Lighting retrofit projects limited to the exchange of fixtures and/or ballasts.

Minimum fee per 5,000 sq. ft. of Building ..... \$80

Each additional 1,000 sq. ft. or fraction of ..... \$8

3. Traffic signals.

Traffic signal and street lighting service only

(If street lighting is inspected by authorized cities or WSDOT) ..... \$80

All others ..... Table B

4. Signs.

Each sign or first field installed neon transformer ..... \$40

Each additional sign or field installed neon transformer ..... \$15

Fee includes one inspection.



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### 5. Carnival, circus, fair, trade shows, or similar events.

First ten of rides, generators, concessions, gaming shows, displays, or booths.....\$100

Each additional .....\$5

C. Low voltage—Commercial/Industrial. Fees for low voltage control panels and devices, such as fire alarm systems, data systems, intrusion alarms, HVAC systems, thermostats, communication systems, emergency control systems, and similar systems are as follows:

Minimum fee per 10,000 sq. ft. of Building .....\$80

Each additional 1,000 sq. ft. or fraction of .....\$8

D. Overtime: Overtime inspections including, but not limited to, call outs, weekend inspections, and after hours work must be scheduled with Tacoma Power’s Electrical Inspection Office a minimum of three business days in advance. In addition to the regular Permit fee, a fee for an overtime inspection is required as follows:

1. **Unscheduled:** Outside of an electrical inspector’s regular working hours, the minimum fee for an inspection shall be \$480 for the first two hours, portal to portal, plus \$160 for each hour thereafter. The fee must be paid the next business day.

2. **Scheduled:** Outside of an electrical inspector’s regular working hours, the minimum fee for an inspection shall be \$320 for the first two hours, portal to portal, plus \$160 for each hour thereafter. The fee of \$320 must be paid 48 hours in advance of the scheduled inspection, and any remaining fee must be paid the next business day.

3. Requested inspections that extend beyond the electrical inspector’s regular working hours shall be at the minimum rate of \$160 per hour, portal to portal.

E. Annual Permit. Pursuant to section 12.046A.350, annual Permits are available to commercial and industrial customers employing their own electrical maintenance staff. An annual Permit may be purchased in lieu of individual Permits for maintenance on each job performed. Annual Permits may be purchased by an electrical contractor to perform maintenance work at a commercial and industrial location if, at the time of application, a valid copy of the electrical contractor’s yearly maintenance contract with the customer is submitted to Tacoma Power and the term and nature of work under such contract is consistent, as determined in the sole discretion of Tacoma Power, with the term and purpose of the annual Permit.

Applications for annual Permits submitted without proof of required employment status or a valid maintenance contract will not be accepted. Work performed under an annual Permit is limited to the installation of not more than two new feeders; and/or circuits rated 100 amps or less, and the maintenance, repair, retrofit, or replacement of conductors and equipment. Annual Permits do not include the installation of new, exchanged, or upgraded service equipment, electrical work installed as part of new or added square footage, facility expansion, remodel, or where, except as noted above, load is increased. The annual Permit fee is calculated per Table C.

TABLE C	
Number of one-hour Inspection units	Fee
12	\$960
13-24	\$1,920
25-36	\$2,880
37-52	\$4,160

### F. Miscellaneous fees.

#### 1. Wrong meter address or location.

A Permit is required to correct or inspect incorrect meter addressing by the

Owner or Owner’s agent..... \$40 per 1/2 hour

Overtime rates may apply.

2. Miscellaneous inspection (other)..... \$40 per 1/2 hour

#### 3. Variance.

A processing fee for granting an electrical installation as outlined in Section 12.046A.155

of this chapter .....\$140

4. Required inspection on services off for one year or more .....\$40

Fee includes 1 inspection.

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An additional Permit, fees, and inspections may be required if electrical deficiencies exist on the Premises.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.260      Penalty fees and fee adjustments.**

The following-described penalties may be assessed, or the described fee adjustments may be determined appropriate, by order of the Chief Electrical Inspector:

- A. Trip fee (per trip) when permit holder notifies Electrical Inspections Office that work is ready for inspection when it is not, ..... \$40
- B. The Permit Holder gives an incorrect inspection site address ..... \$40
- C. Inspections required as a result of carelessness, neglect, faulty workmanship, or materials ..... \$40
- D. Failing to complete corrections within 15 days as required by this chapter ..... \$40
- E. Removal of Stop Work Order ..... \$40
- F. Tampering with Stop Work Order penalty fee ..... \$40
- G. Occupying a Building, living unit, or business space without final electrical approval ..... \$275
- H. Work performed without a Permit ..... 4X regular Permit fee

This provision does not pertain to emergency work where a permit is purchased the next business day.

- I. Failure to provide or arrange access for requested inspection ..... \$40
- J. Late charge for nonpayment of penalty fees ..... \$25
- K. Permit cancellation administrative process fee ..... \$40

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.270      Penalty and adjustment fee appeals.**

Penalty and Permit adjustment fees are due at the time of assessment unless the assessed party makes an appeal to the Chief Electrical Inspector within 15 business days pursuant to Section 12.046A.360. If payment or appeal is not made within the 15 days, an additional \$25 late fee will be assessed and inspection activity will be stopped until the fee and late charges are paid.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.300      Protection of electrical workers.**

All clearances per the State of Washington rules contained in WAC 296-155-428 must be maintained while working around overhead electrical lines.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.350      License requirements.**

A. Subject to subsections B and C, and except as otherwise provided in RCW 19.28.091 or in section 12.046A.230, no person or entity shall in any manner undertake to perform any electrical work involving the installation, maintenance, alteration, or repair of any electrical wiring, devices, appliances, or equipment for which a Permit is required by this chapter unless such person or entity has an unrevoked, unsuspended, and unexpired electrical contractors license issued by the State of Washington.

B. Employers with employee(s) that perform electrical work are exempt from the license requirements of this section, provided that:

1. The work performed is on the employer's Premises or other property; and
2. The work is not on the construction or remodel of a Building or other property intended for rent, sale, or lease.

C. Employees performing electrical work on the Premises or other property of their employer are exempt from the license requirements of this section, provided that:

1. The work is not on the construction or remodel of a Building or property intended for rent, sale, or lease; and
2. The employee performing the work is a regular, full time employee of the Owner of such Building or property.

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D. A licensed electrical contractor will be required to perform any electrical work for, or on behalf of, any person or entity that does not satisfy the licensing requirements of this section. If it is apparent from the character of the work performed that the person or entity performing work under any exemption in this section is not qualified to do the work under the Permit issued, or that the work is otherwise in violation of this chapter, an electrical inspector may require the work to be changed, altered, or repaired by a licensed electrical contractor.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.360                      Appeal process.**

A. Any decision of an electrical inspector regarding the requirements of, or fees and penalties imposed under this chapter, may be appealed in writing to the Chief Electrical Inspector. The appeal must be made within 15 business days of the initial decision. The Chief Electrical Inspector shall respond in writing within ten business days.

B. Any decision of the Chief Electrical Inspector may be appealed to the Light Division Superintendent or his/her designee. The appeal must be made in writing and within ten business days of the Chief Electrical Inspector's decision. The Light Division Superintendent or his/her designee shall make a decision on the appeal request within a reasonable time, which decision shall be in writing. Except for criminal and civil penalties imposed pursuant to section 12.046A.400 of this chapter, the written decision of the Light Division Superintendent or his/her designee is final and conclusive unless appropriate legal action is filed with the Pierce County Superior Court within 30 days of the issuance of said decision.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.370                      Additional rules may be made by Director.**

The Director of Utilities may make such rules and regulations governing the operation of this chapter as are not inconsistent with its provisions. The Director may grant reasonable minor adjustments in cases where the terms of this chapter place an injustice upon a customer if after written evidence has been presented to the Director it is shown that irregular circumstances of the customer's load, service and/or other conditions warrant such adjustment.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.380                      Classification of occupancies and wiring methods.**

A. 200 ampere service capacity shall be required for all new single-family and duplex residential units of 500 square feet or more. An entire service upgrade shall not be required when only replacing a meter base, or mast, or panel, unless the load requirement is greater than the rating of the existing service and/or specific electrical safety concerns associated with said equipment are detected.

B. Service entrance conductors for commercial occupancies shall have an ampacity not less than the rating of the service equipment they supply. For multiple-dwelling occupancies, the minimum service conductor ampacity shall not be less than the calculated service load.

C. Commissioning of all new Emergency Legally Required Standby, and/or Health Care systems fed by a 150 kw or larger generator shall be in compliance with NEC Sections 700, 701 and 517, respectively. A copy of the commissioning report shall be presented to the electrical inspector prior to the final electrical inspection

D. Customer-owned systems that are metered at 12.5 kV or higher, known as primary metered systems, shall be installed as outlined in NEC 215.2(B)(3) and Tacoma Power's Transmission & Distribution Construction Standards. Such systems must be designed and certified by a Washington State Registered Electrical Engineer and reviewed by Tacoma Power's Electrical Inspection Office. These systems must be tested per manufacturers' published instructions and certified as free of short circuits and ground faults prior to approval for energizing.

E. Each newly constructed or remodeled dwelling unit, as defined in NEC 100, shall be independently metered by Tacoma Power.

F. Use of Type SE cable is limited to feeders and branch circuits.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.046A.400                      Violations – Notification – Penalties.**

A. Any person, firm, or corporation that violates, disobeys, neglects, or refuses to comply with or resists or opposes the enforcement of any of the provisions of this chapter, or who persists in Occupying any building or structure, and/or maintaining operation of any equipment or appliances, in which the electrical wiring has been declared to be in violation of this chapter, after having been notified of such violation, shall be guilty of a misdemeanor and upon conviction thereof, shall be punishable by a fine not to exceed \$1,000, together with the cost of prosecution, or by imprisonment of not more than 90

## “EXHIBIT A”

days, or by both such fine and imprisonment. Each day such violation, disobedience, neglect, or refusal continues after notification of violation shall be deemed a separate offense and shall be subject to the penalty of this section. Such person, firm, or corporation shall be deemed to have been duly notified by posting of notification on the premises, equipment, or appliances by the electrical inspector or by the sealing out of the service, of circuits, of equipment, and/or of appliances by the electrical inspector, or by notification in writing by the electrical inspector, mailed to the Owner and/or occupant at the Premises involved.

B. At the option of the City, in lieu of proceeding with criminal sanctions, violations of this chapter may result in a civil penalty of up to \$1,000 for each violation. A civil penalty may be imposed by written notice issued by the Chief Electrical Inspector or his or her designated assistant. The civil penalty shall be paid prior to final approval of the premises involved. Appeals of the civil penalty may be made by a party or firm adversely affected by filing a notice of appeal with the City Hearing Examiner within ten days of receipt of the notice of civil penalty. The decision of the Hearing Examiner is final and conclusive, and is only subject to review by the Pierce County Superior Court by filing appropriate legal action within 30 days of the issuance of the Hearing Examiner's final decision. If such fine or civil penalty remains unpaid more than 60 days after said amount has been imposed and all appeals thereof have been exhausted, or the time has expired for an appeal, then said amount may be transferred to the electric utility bill account for said person or firm, and the remedies for collection for electric utility shall apply.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

# TMC Chapter 2.04 - Tacoma Electrical Code

## Amendment Summary

Repeal Tacoma Municipal Code, Chapter 2.04 (Electrical Code) and adopt a new Chapter 12.06A (Electrical Code) to include minor housekeeping of language.

Items in *[brackets]* refer to former Chapter and Sections of the Tacoma Electrical Code

Section	Change	Reason
TMC 12.06A <i>[TMC 2.04]</i>	Changed numerical assignment of all sections in TMC 2.04 to 12.06A. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>To relocate the Tacoma Electrical Code, [Chapter 2.04] of the Tacoma Municipal Code (TMC) from Title 2 (Buildings) to TMC Title 12 (Utilities).</li> <li>Locating the Electrical Code within Title 12 (TMC 12.06A) provides customers a common location to find similar requirements related to obtaining and maintaining power.</li> </ul>
12.06A.035(B) <i>[2.04.035(B)]</i>	Identifies the 2017 edition of the National Electrical Code (NEC) as the newly adopted code. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>The NEC is updated on a three-year cycle. The 2017 edition of the NEC supersedes the 2014 edition NEC currently in use.</li> </ul>
*12.06A.250(A)(1) and Table A <i>[2.04.250.(A)(1) and Table A]</i>	Updated the application of Table A. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>Removed the term "multifamily dwelling services" from language in the description of fee coverage for Table A. This term is relocated to Section 12.06A.250(B)(1) as this work is considered commercial for permitting purposes.</li> <li>Added "or PV installations" to the description of work in Column 1.</li> <li>Added "or PV installations with underground wiring" to description of work for Column 2.</li> </ul>
12.06A.250(A)(2) <i>[2.04.250(A)(2)]</i>	Revised language describing the application of work covered by this Section. The language was published incorrectly during the codification process in 2015. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>The language "Use Table A if a service feed is included" should have read "Use Table A if service work is included."</li> <li>The feeder fee from Table A, Column 3 is now included in this Section. This change will simplify the fee structure for branch circuit and feeder installations by consolidating them into one fee.</li> </ul>
12.06A.250(B)(1) <i>[2.04.250(B)(1)]</i>	Added "multifamily dwelling" to the fees covered under Table B. Clarified that single family dwellings exceeding 400 Amps or 4000 square feet are covered under Table B. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>The addition of "multifamily dwelling" here coincides with language contained in the first bulleted item in *12.06A.250(A)(1) above.</li> </ul>
12.06A.250(E) <i>[2.04.250(E)]</i>	Clarified the extent of work allowed under an annual Permit. See "Exhibit A" & "Exhibit B".	<ul style="list-style-type: none"> <li>Businesses and contractors were performing work, normally covered under the Commercial Table B fee schedule, using an annual Permit. This practice results in insufficient fee collection and is an incorrect application of work allowed under and annual Permit.</li> </ul>
2.01.060 O. 2.02.090 13. 2.02.540 b. 2.05.010	Four references to existing Chapter 2.04 that exist within these Sections of the TMC will be updated to Chapter 12.06A. See "Exhibit C through Exhibit J"	<ul style="list-style-type: none"> <li>References to Chapter 2.04 are updated to from Chapter 2.04 to Chapter 12.06A.</li> </ul>

## “EXHIBIT B”

### Chapter 12.06A ELECTRICAL CODE

*(Repealed and reenacted by Ord. 27907; passed Jul. 20, 2010 and Ord. 28300; passed Jun. 30, 2015)*

#### Sections:

- 12.06A.010 Title.
- 12.06A.020 Purpose.
- 12.06A.030 Scope of chapter.
- 12.06A.035 Adoption.
- 12.06A.040 Standards for installations.
- 12.06A.050 Severability.
- 12.06A.060 Enforcement of chapter.
- 12.06A.070 Definitions.
- 12.06A.080 Duties of Chief Electrical Inspector.
- 12.06A.090 Effective date of chapter.
- 12.06A.100 Inspection of new electrical installations.
- 12.06A.110 Inspection of existing electrical installations.
- 12.06A.120 Final inspection and service approval.
- 12.06A.130 Temporary wiring.
- 12.06A.135 Metering installations and labeling.
- 12.06A.140 New electrical installations.
- 12.06A.145 Overhead service drops.
- 12.06A.150 Unlawful to alter existing wiring.
- 12.06A.155 Variance from Code requirements.
- 12.06A.160 Move-on housing.
- 12.06A.170 Fusing and equipment protection.
- 12.06A.180 Explanation of chapter requirements.
- 12.06A.190 Right of entry.
- 12.06A.200 Nonliability of City for damages.
- 12.06A.210 Permits required.
- 12.06A.220 Permits and inspections.
- 12.06A.230 Permit to owner – conditions and affidavit.
- 12.06A.240 Filing of drawings and specifications.
- 12.06A.250 Permit fees.
- 12.06A.260 Penalty fees and fee adjustments.
- 12.06A.270 Penalty and adjustment fee appeals.
- 12.06A.300 Protection of electrical workers.
- 12.06A.350 License requirements.
- 12.06A.360 Appeal process.
- 12.06A.370 Additional rules may be made by Director.
- 12.06A.380 Classification of occupancies and wiring methods.
- 12.06A.400 Violations – Notification – Penalties.

#### **12.06A.010 Title.**

This Chapter shall be known as the Electrical Code of the City of Tacoma or alternatively the Tacoma Electrical Code.  
(Ord. 28300 Ex. A; passed Jun. 30, 2015)

#### **12.06A.020 Purpose.**

The purpose of this Code is the practical safeguarding of persons and property from electrical hazards arising from the use of electricity. This Code contains provisions that are considered necessary for safety. Compliance with this chapter and proper maintenance will result in an installation that is reasonably free from hazard, but not necessarily the most efficient, convenient, or adequate for good service or future expansion of electrical use. Additional guidance for efficient and convenient future expansion of electrical use and systems is found in the NEC.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)



## **“EXHIBIT B”**

### **12.06A.030 Scope of chapter.**

The provisions of this chapter shall apply to all electrical conductors and equipment installed, used, rented, offered for sale, or distributed for use in areas served by the City, by and through its Department of Public Utilities, Light Division, and its franchised entities, except as shown in Article 90.2(B) of the 2017 National Electrical Code.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.035 Adoption.**

A. RCW and WAC adoption and incorporation by reference. Except as otherwise specified in this chapter, the City hereby adopts and incorporates into this chapter, the Tacoma Electrical Code, those provisions of the Revised Code of Washington (“RCW”) contained in Chapter 19.28, and the Washington Administrative Code (“WAC”), Chapter 296-46B, that relate to electrical installations including, but not limited to, methods of construction, repair, maintenance, use of materials, and approval of such installations intended to insure the safety of life and property.

B. NEC adoption. The City hereby adopts and incorporates into this chapter, the Tacoma Electrical Code, the provisions of the 2017 National Electrical Code (“NEC”) in its entirety.

C. In the event any NEC, RCW or WAC provision adopted pursuant to this section is hereafter amended, said amended provision shall be deemed adopted and incorporated into this chapter as of the effective date of such amendment unless the amended provision establishes standards of electrical installations that are not equal to, higher, or better than that required by any other NEC, RCW or WAC provision then in effect. It is the intent of this section that, except as otherwise expressly required or provided under this chapter, the highest standard of electrical installations specified in the NEC, RCW and/or WAC is adopted and shall be enforced per the Tacoma Electrical Code.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.040 Standards for installations.**

A. All electrical installations shall be in conformity with the provisions of this Code and with approved electrical standards for safety to life and property. Where no specific standards are prescribed by this Code, conformity with the requirements or rules set forth in the current edition of the NEC, as amended by the WAC, shall be prima facie evidence of conformity with approved standards for safety to life and property. If any requirements or rules in this chapter are found to be not at an equal, higher, or better standard of materials, devices, appliances, and equipment than of those of the WAC, the requirements of the WAC will prevail. The current edition of the NEC shall mean the current edition of the NEC, as adopted by the City in Section 12.06A.035.

B. Additional City requirements applicable to the provisions of this Code are stated in the:

1. Tacoma Power Customer Service Policies, as promulgated or revised from time to time, on file with the Clerk of the Public Utility Board,
2. Tacoma Power Electric Service Handbook, as the same may be amended from time to time by the Light Division Superintendent or his/her designee, on file with Tacoma Power’s Electrical Inspection Office, and
3. Tacoma Power Transmission and Distribution Construction Standards, as the same may be amended from time to time by the Light Division Superintendent or his/her designee, on file with Tacoma Power’s Electrical Inspection Office.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.050 Severability.**

If any section, subsection, sentence, clause, or phrase of this chapter is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this chapter. The City Council hereby declares that it would have passed this chapter and each section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared unconstitutional.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.060 Enforcement of chapter.**

The Chief Electrical Inspector of the Light Division of the Department of Public Utilities, hereinafter called the Chief Electrical Inspector, shall be responsible for the enforcement of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## **“EXHIBIT B”**

### **12.06A.070 Definitions.**

“Building” means the structure, of any type or designation, at which work under the Electrical Permit will be performed and which is located at the Premises identified by site address on the application for the Permit.

“City” means the City of Tacoma, Department of Public Utilities, Light Division, doing business as Tacoma Power.

“Code” means this chapter of the Tacoma Municipal Code.

“Contractor” means the person, firm, or corporation performing the installation of electrical work pursuant to an Electrical Permit and licensed by the State of Washington. Also referred to herein as electrical contractor.

“Electrical Inspection Office” means the office within Tacoma Power charged with administration and enforcement of this Code under the immediate supervision of the Chief Electrical Inspector.

“Electrical Permit” or “Permit” means a fully paid, and neither expired nor terminated permit issued by Tacoma Power.

“Occupying” means moving furnishings, material, merchandise, or persons into a Building or Premises.

“Owner” means the legal owner of the Premises on which electrical work is installed or is to be installed.

“Permit Holder” means the person or entity that applies for and is issued an Electrical Permit. The Permit Holder shall be responsible for full compliance with the requirements of this chapter. When the Permit Holder is not the Owner of the Premises identified in the Permit application, but performs electrical work at the Premises for such Owner, the Permit Holder shall be deemed to be the authorized agent of the Owner for purposes of enforcement of this chapter and, therefore, such Owner shall be responsible for the acts or omissions of the Permit Holder including, but not limited to, correction of Code violations and the payment of fees or penalties arising under the Permit.

“Premises” means real property and all Buildings and other improvements located thereon.

“Service Point” means the point where the customer’s service conductors are connected to Tacoma Power’s service utility conductors.

“Stop Work Order” means a written notice posted by the electrical inspector ordering the electrical work to be suspended until the electrical inspector removes the notice.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.080 Duties of Chief Electrical Inspector.**

It shall be the duty of the Chief Electrical Inspector to see that the provisions of this chapter are enforced. The Chief Electrical Inspector shall, upon application, issue Permits for the installation or alteration of electrical wiring, devices, appliances, and equipment, and shall make inspections of electrical installations as provided in this chapter. The Chief Electrical Inspector may delegate appropriate inspection and enforcement duties prescribed by this chapter to electrical inspectors, assistants, and other persons duly qualified and regularly employed by the City.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.090 Effective date of chapter.**

Any electrical work for which a Permit was obtained before the date on which this chapter becomes effective may be installed and completed in accordance with the laws and regulations which were in effect at the time of issuance of any such Permit.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.100 Inspection of new electrical installations.**

A. Rough-in wiring or installation of electrical equipment not listed for use in wet locations shall only be installed in a structure or area of a structure that is completely free of exposure to the elements.

B. Requests for inspection must be made by the Permit Holder that installed electrical equipment no later than three business days after completion of the electrical/telecommunication installation or one business day after any part of the installation has been energized, whichever occurs first.

C. Electrical wiring shall not be covered or concealed until such wiring has been approved by Tacoma Power’s Electrical Inspection Office. Where an electrical installation is covered or concealed before approval, it shall be exposed for inspection. The City shall bear no liability for damages or costs resulting from exposing the electrical installation.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)



## **“EXHIBIT B”**

### **12.06A.110 Inspection of existing electrical installations.**

A. The Chief Electrical Inspector is hereby empowered to inspect all existing wiring, appliances, devices, and equipment coming within the scope of this chapter. When the installation of any such wiring, appliance, device, or equipment is determined to be in a dangerous or unsafe condition, the person, firm, or corporation owning, using, or operating the same shall be notified and shall make the necessary repairs or changes required to place such wiring, appliances, devices, or equipment in a safe condition, and have such work completed within 48 hours after notification thereof, or within such further reasonable time as may be allowed by Tacoma Power upon request.

B. The Chief Electrical Inspector is hereby empowered to disconnect or order the discontinuance of electrical service to such conductors or apparatus found to be in a dangerous or unsafe condition, or to have been installed without a Permit. He or she shall thereupon attach a notice, which states that such conductors or apparatus have been disconnected due to violation of the provisions of this chapter. It shall be unlawful to remove a notice of disconnect or to reconnect electrical equipment to an electrical power source without authorization from the Chief Electrical Inspector. Any person removing the notice, or reconnecting the equipment or wiring before approval to do so has been given, will be subject to the penalties outlined in this chapter.

C. Abandoned conductors, conduits, and electrical equipment shall be removed from structures unless it is de-energized, supported, capped, and enclosed or terminated by an acceptable method and tagged “For Future Use” at every accessible location.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.120 Final inspection and service approval.**

A. Final inspections are required on all Buildings before occupancy. Each unit of a multiple occupancy Building or complex must have a separate final electrical inspection approval before it is occupied. The Permit Holder is required to request a final inspection at the time the electrical installation is completed. A Permit Holder not complying with the requirements of this section shall be subject to the penalties outlined in this chapter.

B. Final approval will not be given until all fees owed on the project or Permit(s) are paid. When all fees are paid, and the electrical installation is complete and in compliance with this chapter the electrical inspector will sign and/or post a final inspection approval notice. Building permits requiring an electrical inspector's signed approval shall be posted in a conspicuous location.

C. The Chief Electrical Inspector is hereby authorized to disconnect any electrical installation or equipment which has been connected before the approval for service has been given. He or she shall thereupon attach a notice which shall state that the wiring or apparatus has been disconnected due to violation of the provisions of this chapter. Any person removing the notice, or reconnecting the equipment or wiring before approval to do so has been given, will be subject to the penalties outlined in this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.130 Temporary wiring.**

Limited use of electricity for emergency or construction purposes may be granted. An Electrical Permit must be purchased and inspection approval must be given before energizing the electrical installation, except as provided in this chapter. Emergency installations shall be limited to a 30-day period. Temporary wiring for construction use is limited to the duration of construction. All use of electricity shall be metered.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.135 Metering installations and labeling.**

A. Meter height. No meter shall be installed at a height greater than six feet from the front working surface or grade to the mid-point of the meter glass and no lower than five feet from the front working surface or grade to the mid-point of meter glass, except as stated in subsections 1-4 below and as provided in the Tacoma Power Electric Service Handbook and in the Tacoma Power Transmission and Distribution Construction Standards shall apply to all electric meter installations.

1. Commercial multi-metering installed in a vertical configuration shall not be installed below 36 inches from the front working surface or grade to the mid-point of the meter.
2. Residential multi-metering installed in a vertical configuration shall not be installed below 28 inches from the front working surface or grade to the mid-point of the meter.
3. Listed service pedestals and packages containing integral meter sockets, installed according to the manufacturer's instructions, are allowed to be at the height for which they are designed.

## “EXHIBIT B”

4. Special permission is granted by the Chief Electrical Inspector.

B. All meters in a multiple occupancy Building shall be accurately marked to identify the units they serve. Labels must be of sufficient durability to withstand removal from rubbing, fading, or environmental exposure. Label characters must be a minimum 1/2-inch tall and of a contrasting color or shade from the surface to which they are affixed so that they are easily readable.

C. No customer meter sockets will be placed on a pole owned and maintained by Tacoma Power. Meters shall be located on the first customer owned structure which will be the Service Point from Tacoma Power as further specified in the customer requirements found in the Tacoma Power Electric Service Handbook and Tacoma Power Transmission & Distribution Construction Standards.

D. The meter location shall not be concealed by materials, structures or vegetation of any kind and must be readily accessible. A level workspace, measuring no less than 3 feet by 3 feet, must be maintained in front of the meter location at all times. Failure to meet these requirements may result in termination of service.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.140 New electrical installations.**

All new or altered services, feeders, circuits, circuit extensions, and installations must meet requirements of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.145 Overhead service drops.**

Overhead service drop clearances are the Owner's responsibility. These clearances must be free of any vegetation obstructions as further specified in the Tacoma Power Electric Service Handbook.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.150 Unlawful to alter existing wiring.**

It shall be unlawful for any person to alter in any way any electrical wiring, or to permit such electrical wiring to be altered, unless done in conformity with the provisions of this chapter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.155 Variance from Code requirements.**

A variance from the electrical installation requirements of this chapter may be granted by the Chief Electrical Inspector when it is assured that equivalent objectives can be achieved by establishing and maintaining effective safety. The variance request must be made in writing by the Permit Holder or designer, using a form provided by Tacoma Power's Electrical Inspection Office. A variance which has been granted shall be for a specific site and time and will not be considered as a precedent for other installations. All variances must be granted in writing.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.160 Move-on housing.**

In addition to the requirements of WAC 296-46B-010, any structure which has been moved shall have its service upgraded to meet the requirements of this chapter and the NEC. Kitchen, bath, and laundry circuits shall comply with the NEC. AFCI protection, in compliance with the NEC, will be required, on all bedroom circuits.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.170 Fusing and equipment protection.**

Fusing and equipment protection shall be in compliance with NEC Article 240.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.180 Explanation of chapter requirements.**

A Tacoma Power electrical inspector may answer relevant questions concerning interpretation or application of adopted regulations and rules outlined in this Code. No electrical inspector shall lay out work or act in the capacity of an electrical installation consultant.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## “EXHIBIT B”

### **12.06A.190 Right of entry.**

A Tacoma Power electrical inspector shall have the right to enter any and all Buildings and Premises which contain electrical wiring or apparatus, at any reasonable hour, for the purpose of inspecting or testing the installation of electrical wiring, electrical devices, and/or electric materials to determine Code compliance. Consent to such entry and inspection is a condition of continued electrical service.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.200 Nonliability of City for damages.**

This chapter shall not be construed to alter the responsibility or liability of any person owning, designing, operating, controlling, or installing any electrical wires, appliances, apparatus, construction, or equipment for damages to persons or property caused by a defect therein, nor shall the City, or any employee or agent thereof, be held as assuming any such liability by reason of the inspection or other examination authorized herein or the notice of approval issued by the electrical inspector.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.210 Permits required.**

An Electrical Permit shall be applied for and purchased before electrical equipment may be installed, altered, or repaired. An Electrical Permit is required for the installation, alteration, or maintenance of all electrical systems or equipment, including, but not limited to, when removal of a Tacoma Power owned electric meter is necessary to perform any electrical work.

Exceptions:

- A. Like-in-kind replacement of a contactor, relay, timer, starter, electronic circuit board, or similar control component, household appliance, circuit breaker, fuse, residential luminaire, lamp, snap switch, dimmer, receptacle outlet, thermostat, heating element, luminaire ballast with an exact same ballast, component(s) of electric signs, outline lighting, skeleton lighting or skeleton neon tubing where the electrical system is not modified, 10 horsepower or smaller motor;
- B. Induction detection loops described in WAC 296-46B-300(2) and used to control gate access devices;
- C. Heat cable repair; and
- D. Embedding pre-manufactured heat mats in tile grout where the mat is listed by an approved testing laboratory and comes from the manufacturer with pre-connected lead-in conductors. All listing marks and lead-in conductor labels must be left intact and visible for evaluation and inspection by the installing electrician and the electrical inspector.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.220 Permits and inspections.**

- A. An Electrical Permit application shall be filled in completely and accurately before it will be accepted by Tacoma Power's Electrical Inspection Office. An application for an Electrical Permit signed by an electrical contractor or its representative shall serve as a certification by the electrical contractor, made under penalty of perjury, that said Contractor is the duly authorized agent of the Premises Owner where the electrical work is to be performed.
- B. Electrical Permits shall expire one year after the date of issue or one year after the most recent inspection, whichever is later. The re-issuance of a Permit, if granted, may require additional fees.
- C. The scheduling and timing of inspections shall be according to provisions set forth in the Tacoma Power Electric Service Handbook.
- D. The Permit Holder is responsible for providing or arranging access to the work to be inspected.
- E. The inspection site address shall be clearly visible from the street.
- F. Electrical Code violations identified by the electrical inspector shall be posted at the work location. Violations shall be corrected within 15 days of notification unless a written request for extension is granted by the Chief Electrical Inspector.
- G. Electrical Permits shall be required for each Building at which electrical work will be performed.
- H. Electrical Permits are transferable, provided the original scope of work for the Permit has not changed and there has been no electrical work or inspection activity. The Permit transferee must present a statement and authorizing signature of approval from the Permit transferor. The transfer must take place at Tacoma Power's Electrical Inspection Office within one year of the original Permit issuance.

## “EXHIBIT B”

I. Electrical Permits may be canceled by the Permit Holder. Upon such cancellation, Permit Holder shall be refunded the Electrical Permit fee prorated based on prior inspection activity, and less an administrative process fee. Tacoma Power may cancel an Electrical Permit if it determines the Permit Holder is not qualified to perform the Permitted work.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.230 Permit to owner – conditions and affidavit.**

A. Electrical permits to perform electrical work on a new or existing Building owned by the Permit applicant and not intended for rent, sale, or lease may be issued to the applicant, provided that:

1. The applicant provides documentation that he or she is the Owner of the Building where electrical work is to be performed, such as a copy of a deed, along with evidence of identity;
2. The applicant signs an affidavit under penalty of perjury affirming the Building where the electrical work is to be performed is not for rent, sale or lease at the time of Permit application and that he or she does not intend to rent, sell or lease all or any part of the Building for at least twenty-four months after the final electrical inspection;
3. If the Building where the electrical work is to be performed is used as a residence by any person other than the applicant at the time of Permit application, or will be so used at any time during the twenty-four months following final electrical inspection, the applicant's affidavit must further affirm the applicant's residence at such Building and his or her intent to reside therein for at least two years after final inspection; and
4. The electrical work shall be done by the applicant and he or she, as well as any person(s) who gave assistance with the electrical installation, must be present during all inspections.

B. If it is apparent from the character of electrical work performed by or with the knowledge of the Owner, whether performed prior to or after Permit issuance, that the Owner and/or person assisting the Owner are not qualified to do the work under the Permit applied for or issued, an electrical inspector may require the work that is in violation of this chapter be changed, altered, or repaired by a licensed electrical contractor.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.240 Filing of drawings and specifications.**

A. A completed plan review application shall be submitted with information required to complete the review process including, but not limited to, documentation specified in the Plan Review Application Instructions. Submitted plans shall be in accordance with WAC 296-46B-900 and must be stamped by a Professional Electrical Engineer registered with the State of Washington.

B. Electrical Permit applicants are required to submit electrical plans, load calculations, and specifications for work to be performed on:

1. Commercial and industrial services greater than 400 amps and downtown network services and feeders over 200 amps;
2. Residential services and feeders over 400 amps;
3. Commercial projects with a scope that covers more than 2,500 square feet;
4. All systems that have emergency generators (NEC Articles 517, 700, 701);
5. Systems operating over 600 volts; or
6. Schools, hospitals, institutions, and other projects as specified in the WAC.

C. Electrical plans must be submitted to Tacoma Power's Electrical Inspection Office for review, giving sufficient time to complete the review prior to beginning electrical construction. A Tacoma Power approved set of drawings must be on the job site for the electrical inspector's use. No inspection will be performed unless the approved plans are on the job site or special written permission is granted by the Chief Electrical Inspector or his designee. Where inspections are performed by Tacoma Power prior to plan approval, electrical materials or equipment may be required to be re-installed to meet the requirements of this chapter once plan review is complete. Electrical service will not be provided unless approved plans are on site and the electrical service equipment installation is approved.

D. Plan review fees are included in the commercial Permit fees. When no Permit has been purchased and the project has been canceled, or excessive time is required to review plans submitted with incomplete information or extensive errors, a fee of \$80 per hour will be charged. Shipping and handling fees of \$25 will be charged on all plans requested to be mailed back to the submitter.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## “EXHIBIT B”

### 12.06A.250 Permit fees.

Current standard fees for connecting electrical services to the Tacoma Power system, as well as the Permit fees and any penalties previously assessed, must be paid before an Electrical Permit application will be processed. The Permit applicant is responsible to arrange for payment. Permit applications for which insufficient or no payment has been received will not be processed. Unpaid Permit applications will be discarded by Tacoma Power if payment has not been received within 10 business days of receipt of application. Unless otherwise noted, when multiple inspections are required, the Permit fee shall not be less than \$40 per 1/2 hour of inspection time. No inspection will be performed until the Permit application process is completed.

Current standard fees for Electrical Permits and inspections by Tacoma Power are as follows:

#### A. Residential.

1. Table A. Single-family dwelling and mobile home services, service changes, service upgrades, and solar photovoltaic (PV) system fees are set forth in Table A below, and include branch circuit wiring from the service(s). All wiring by the same Permit Holder on single family dwellings of 400 amps/4000 sq. ft. or less is included under the fees from Table A unless otherwise noted below.

TABLE A			
Service/PV System/Feeder Ampacity and Square Footage	Permit Fees		
	Column 1	Column 2	Column 3
	Overhead Service or PV installation - up to 2 trips	Underground to Pole and Underground Service or PV installations with underground wiring - up to 4 trips	Feeder Only up to 2 trips
1-200A and up to 2500 sq. ft.	\$80	\$160	\$60
Up to 400A or up to 4000 sq. ft.	\$120	\$200	\$70
Over 400A or over 4000 sq. ft.	Use TABLE B		

2. Branch circuit alterations and repairs. The fee for 1 to 4 new circuits, circuit extensions, or alterations where the service or feeder is not modified, increased, relocated, or replaced.....\$50

Use Table A if service work is included.

Each additional circuit .....\$5

Fee includes two inspections.

3. Service and PV system alterations and repairs. Minor alterations and repairs to an electrical service or PV system, including, but not limited to, the repair or replacement of the service mast, service entrance conductors, weather head, service attachment bracket, meter socket, main breaker, PV array, or production meter socket.....\$40

See Table A if service panel, PV AC disconnect, or utility disconnect is repaired or replaced in combination with any of the above listed items.

Fee includes one inspection.

#### 4. Low voltage.

Single-family Dwellings—Fees for low voltage control panels and devices, such as fire alarm systems, data systems, intrusion alarms, HVAC systems, thermostats, and similar systems .....\$40

Fee includes one inspection.

5. Temporary services 1-200 amps single phase .....\$40

Fee includes one inspection.

Temporary services over 200 amps or three phase and systems with feeders ..... Table B

6. Residential swimming pool (In addition to any other fees listed). .....\$120

Fee includes three inspections.

## “EXHIBIT B”

7. Generator transfer panel and equipment. .... \$60

Fee includes one inspection.

### B. Commercial and industrial.

1. Table B. The Permit fee for all commercial and industrial work, multifamily dwelling installations, and single family dwellings exceeding 400 amps or 4000 square feet shall be derived from Table B. Proof of electrical work value must be submitted at the time of application. Proof may be established by presenting a signed contract or a priced itemization of the work to be performed. The electrical work value shall be the reasonably documented value of all labor, material, fittings, apparatus, and the like, whether actually paid for or not, supplied by the Permit Holder and/or installed by the Permit Holder as a part of, or in connection with, a complete electrical system, but which does not include the cost of utilizing equipment connected to the electrical system. If a signed contract or other substantial proof of value is not submitted at the time of Permit application, the value may be established by Tacoma Power's Electrical Inspection Office using modern construction cost-estimating techniques. If the reported work value is determined by Tacoma Power's electrical inspection office to be significantly less than what was reported at the time the Permit was purchased, the Permit fee amount will be increased to reflect the corrected actual value and a charge for the time to determine such value will be assessed to the Permit fee. A fee adjustment shall be made for all change orders and field changes that increase the value. All fees must be paid before final electrical inspection approval of the project.

TABLE B	
Value of Electrical Construction	Permit Fees
\$0-\$1,000	\$100 for the first \$1,000 or fraction thereof.
\$1,001-\$5,000	\$100 for the first \$1,000 plus \$4 for each additional \$100 or fraction thereof.
\$5,001-\$50,000	\$260 for the first \$5,000 plus \$2 for each additional \$100 or fraction thereof.
\$50,001-\$100,000	\$1,160 for the first \$50,000 plus \$1.50 for each additional \$100 or fraction thereof.
\$100,001-\$250,000	\$1,910 for the first \$100,000 plus \$9 for each additional \$1,000 or fraction thereof.
\$250,001-\$500,000	\$3,260 for the first \$250,000 plus \$8 for each additional \$1,000 or fraction thereof.
\$500,001-\$750,000	\$5,260 for the first \$500,000 plus \$7 for each additional \$1,000 or fraction thereof.
\$750,001-\$1,000,000	\$7,010 for the first \$750,000 plus \$6 for each additional \$1,000 or fraction thereof.
\$1,000,001-\$2,000,000	\$8,510 for the first \$1,000,000 plus \$5.50 for each additional \$1,000 or fraction thereof.
\$2,000,001-\$3,000,000	\$14,010 for the first \$2,000,000 plus \$5 for each additional \$1,000 or fraction thereof.
\$3,000,001-\$4,000,000	\$19,010 for the first \$3,000,000 plus \$4.50 for each additional \$1,000 or fraction thereof.
\$4,000,001-\$5,000,000	\$23,510 for the first \$4,000,000 plus \$4 for each additional \$1,000 or fraction thereof.
\$5,000,001-\$50,000,000	\$27,510 for the first \$5,000,000 plus \$3.50 for each additional \$1,000 or fraction thereof.
\$50,000,001-\$100,000,000	\$185,010 for the first \$50,000,000 plus \$3 for each additional \$1,000 or fraction thereof.
\$100,000,001 and up	\$335,010 for the first \$100,000,000 plus \$2.50 for each additional \$1,000 or fraction thereof.

2. Lighting retrofit projects limited to the exchange of fixtures and/or ballasts.

Minimum fee per 5,000 sq. ft. of Building ..... \$80

Each additional 1,000 sq. ft. or fraction of ..... \$8

3. Traffic signals.

Traffic signal and street lighting service only

(If street lighting is inspected by authorized cities or WSDOT) ..... \$80

All others..... Table B

4. Signs.

Each sign or first field installed neon transformer ..... \$40

Each additional sign or field installed neon transformer..... \$15

Fee includes one inspection.

## “EXHIBIT B”

### 5. Carnival, circus, fair, trade shows, or similar events.

First ten of rides, generators, concessions, gaming shows, displays, or booths.....\$100

Each additional .....\$5

C. Low voltage—Commercial/Industrial. Fees for low voltage control panels and devices, such as fire alarm systems, data systems, intrusion alarms, HVAC systems, thermostats, communication systems, emergency control systems, and similar systems are as follows:

Minimum fee per 10,000 sq. ft. of Building .....\$80

Each additional 1,000 sq. ft. or fraction of .....\$8

D. Overtime: Overtime inspections including, but not limited to, call outs, weekend inspections, and after hours work must be scheduled with Tacoma Power’s Electrical Inspection Office a minimum of three business days in advance. In addition to the regular Permit fee, a fee for an overtime inspection is required as follows:

1. Unscheduled: Outside of an electrical inspector’s regular working hours, the minimum fee for an inspection shall be \$480 for the first two hours, portal to portal, plus \$160 for each hour thereafter. The fee must be paid the next business day.

2. Scheduled: Outside of an electrical inspector’s regular working hours, the minimum fee for an inspection shall be \$320 for the first two hours, portal to portal, plus \$160 for each hour thereafter. The fee of \$320 must be paid 48 hours in advance of the scheduled inspection, and any remaining fee must be paid the next business day.

3. Requested inspections that extend beyond the electrical inspector’s regular working hours shall be at the minimum rate of \$160 per hour, portal to portal.

E. Annual Permit. Pursuant to section 12.06A.350, annual Permits are available to commercial and industrial customers employing their own electrical maintenance staff. An annual Permit may be purchased in lieu of individual Permits for maintenance on each job performed. Annual Permits may be purchased by an electrical contractor to perform maintenance work at a commercial and industrial location if, at the time of application, a valid copy of the electrical contractor’s yearly maintenance contract with the customer is submitted to Tacoma Power and the term and nature of work under such contract is consistent, as determined in the sole discretion of Tacoma Power, with the term and purpose of the annual Permit.

Applications for annual Permits submitted without proof of required employment status or a valid maintenance contract will not be accepted. Work performed under an annual Permit is limited to the installation of not more than two new feeders or circuits rated 100 amps or less, and the maintenance, repair, retrofit, or replacement of conductors and equipment. Annual Permits do not include the installation of new, exchanged, or upgraded service equipment, electrical work installed as part of new or added square footage, facility expansion, remodel, or where, except as noted above, load is increased. The annual Permit fee is calculated per Table C.

TABLE C	
Number of one-hour Inspection units	Fee
12	\$960
13-24	\$1,920
25-36	\$2,880
37-52	\$4,160

### F. Miscellaneous fees.

#### 1. Wrong meter address or location.

A Permit is required to correct or inspect incorrect meter addressing by the Owner or Owner’s agent..... \$40 per 1/2 hour

Overtime rates may apply.

2. Miscellaneous inspection (other)..... \$40 per 1/2 hour

#### 3. Variance.

A processing fee for granting an electrical installation as outlined in Section 12.06A.155 of this chapter .....\$140

4. Required inspection on services off for one year or more .....\$40

Fee includes 1 inspection.

## “EXHIBIT B”

An additional Permit, fees, and inspections may be required if electrical deficiencies exist on the Premises.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.260     Penalty fees and fee adjustments.**

The following-described penalties may be assessed, or the described fee adjustments may be determined appropriate, by order of the Chief Electrical Inspector:

A. Trip fee (per trip) when permit holder notifies Electrical Inspections Office that work is ready for inspection when it is not, .....	\$40
B. The Permit Holder gives an incorrect inspection site address .....	\$40
C. Inspections required as a result of carelessness, neglect, faulty workmanship, or materials .....	\$40
D. Failing to complete corrections within 15 days as required by this chapter .....	\$40
E. Removal of Stop Work Order .....	\$40
F. Tampering with Stop Work Order penalty fee .....	\$40
G. Occupying a Building, living unit, or business space without final electrical approval .....	\$275
H. Work performed without a Permit .....	4X regular Permit fee

This provision does not pertain to emergency work where a permit is purchased the next business day.

I. Failure to provide or arrange access for requested inspection .....	\$40
J. Late charge for nonpayment of penalty fees .....	\$25
K. Permit cancellation administrative process fee .....	\$40

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.270     Penalty and adjustment fee appeals.**

Penalty and Permit adjustment fees are due at the time of assessment unless the assessed party makes an appeal to the Chief Electrical Inspector within 15 business days pursuant to Section 12.06A.360. If payment or appeal is not made within the 15 days, an additional \$25 late fee will be assessed and inspection activity will be stopped until the fee and late charges are paid.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.300     Protection of electrical workers.**

All clearances per the State of Washington rules contained in WAC 296-155-428 must be maintained while working around overhead electrical lines.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.350     License requirements.**

A. Subject to subsections B and C, and except as otherwise provided in RCW 19.28.091 or in section 12.06A.230, no person or entity shall in any manner undertake to perform any electrical work involving the installation, maintenance, alteration, or repair of any electrical wiring, devices, appliances, or equipment for which a Permit is required by this chapter unless such person or entity has an unrevoked, unsuspended, and unexpired electrical contractors license issued by the State of Washington.

B. Employers with employee(s) that perform electrical work are exempt from the license requirements of this section, provided that:

1. The work performed is on the employer's Premises or other property; and
2. The work is not on the construction or remodel of a Building or other property intended for rent, sale, or lease.

C. Employees performing electrical work on the Premises or other property of their employer are exempt from the license requirements of this section, provided that:

1. The work is not on the construction or remodel of a Building or property intended for rent, sale, or lease; and
2. The employee performing the work is a regular, full time employee of the Owner of such Building or property.



## “EXHIBIT B”

D. A licensed electrical contractor will be required to perform any electrical work for, or on behalf of, any person or entity that does not satisfy the licensing requirements of this section. If it is apparent from the character of the work performed that the person or entity performing work under any exemption in this section is not qualified to do the work under the Permit issued, or that the work is otherwise in violation of this chapter, an electrical inspector may require the work to be changed, altered, or repaired by a licensed electrical contractor.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.360 Appeal process.**

A. Any decision of an electrical inspector regarding the requirements of, or fees and penalties imposed under this chapter, may be appealed in writing to the Chief Electrical Inspector. The appeal must be made within 15 business days of the initial decision. The Chief Electrical Inspector shall respond in writing within ten business days.

B. Any decision of the Chief Electrical Inspector may be appealed to the Light Division Superintendent or his/her designee. The appeal must be made in writing and within ten business days of the Chief Electrical Inspector's decision. The Light Division Superintendent or his/her designee shall make a decision on the appeal request within a reasonable time, which decision shall be in writing. Except for criminal and civil penalties imposed pursuant to section 12.06A.400 of this chapter, the written decision of the Light Division Superintendent or his/her designee is final and conclusive unless appropriate legal action is filed with the Pierce County Superior Court within 30 days of the issuance of said decision.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.370 Additional rules may be made by Director.**

The Director of Utilities may make such rules and regulations governing the operation of this chapter as are not inconsistent with its provisions. The Director may grant reasonable minor adjustments in cases where the terms of this chapter place an injustice upon a customer if after written evidence has been presented to the Director it is shown that irregular circumstances of the customer's load, service and/or other conditions warrant such adjustment.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.380 Classification of occupancies and wiring methods.**

A. 200 ampere service capacity shall be required for all new single-family and duplex residential units of 500 square feet or more. An entire service upgrade shall not be required when only replacing a meter base, or mast, or panel, unless the load requirement is greater than the rating of the existing service and/or specific electrical safety concerns associated with said equipment are detected.

B. Service entrance conductors for commercial occupancies shall have an ampacity not less than the rating of the service equipment they supply. For multiple-dwelling occupancies, the minimum service conductor ampacity shall not be less than the calculated service load.

C. Commissioning of all new Emergency Legally Required Standby, and/or Health Care systems fed by a 150 kw or larger generator shall be in compliance with NEC Sections 700, 701 and 517, respectively. A copy of the commissioning report shall be presented to the electrical inspector prior to the final electrical inspection

D. Customer-owned systems that are metered at 12.5 kV or higher, known as primary metered systems, shall be installed as outlined in NEC 215.2(B)(3) and Tacoma Power's Transmission & Distribution Construction Standards. Such systems must be designed and certified by a Washington State Registered Electrical Engineer and reviewed by Tacoma Power's Electrical Inspection Office. These systems must be tested per manufacturers' published instructions and certified as free of short circuits and ground faults prior to approval for energizing.

E. Each newly constructed or remodeled dwelling unit, as defined in NEC 100, shall be independently metered by Tacoma Power.

F. Use of Type SE cable is limited to feeders and branch circuits.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

### **12.06A.400 Violations – Notification – Penalties.**

A. Any person, firm, or corporation that violates, disobeys, neglects, or refuses to comply with or resists or opposes the enforcement of any of the provisions of this chapter, or who persists in Occupying any building or structure, and/or maintaining operation of any equipment or appliances, in which the electrical wiring has been declared to be in violation of this chapter, after having been notified of such violation, shall be guilty of a misdemeanor and upon conviction thereof, shall be punishable by a fine not to exceed \$1,000, together with the cost of prosecution, or by imprisonment of not more than 90

## “EXHIBIT B”

days, or by both such fine and imprisonment. Each day such violation, disobedience, neglect, or refusal continues after notification of violation shall be deemed a separate offense and shall be subject to the penalty of this section. Such person, firm, or corporation shall be deemed to have been duly notified by posting of notification on the premises, equipment, or appliances by the electrical inspector or by the sealing out of the service, of circuits, of equipment, and/or of appliances by the electrical inspector, or by notification in writing by the electrical inspector, mailed to the Owner and/or occupant at the Premises involved.

B. At the option of the City, in lieu of proceeding with criminal sanctions, violations of this chapter may result in a civil penalty of up to \$1,000 for each violation. A civil penalty may be imposed by written notice issued by the Chief Electrical Inspector or his or her designated assistant. The civil penalty shall be paid prior to final approval of the premises involved. Appeals of the civil penalty may be made by a party or firm adversely affected by filing a notice of appeal with the City Hearing Examiner within ten days of receipt of the notice of civil penalty. The decision of the Hearing Examiner is final and conclusive, and is only subject to review by the Pierce County Superior Court by filing appropriate legal action within 30 days of the issuance of the Hearing Examiner's final decision. If such fine or civil penalty remains unpaid more than 60 days after said amount has been imposed and all appeals thereof have been exhausted, or the time has expired for an appeal, then said amount may be transferred to the electric utility bill account for said person or firm, and the remedies for collection for electric utility shall apply.

(Ord. 28300 Ex. A; passed Jun. 30, 2015)

## "EXHIBIT C"

### TMC SECTION 2.01.060 O

#### O. Exit Path Lighting.

General. Except within individual dwelling units, guest rooms, and sleeping rooms, exits shall be illuminated at any time the building is occupied, with light having intensity in accordance with the Building Code.

Sources of Power. The power supply for exit illumination shall normally be provided by the premises' wiring system. Emergency backup power or power on separate circuits shall be in accordance with the Building Code in effect at the time the lighting was installed.

Exit path shall be illuminated at all times the building or structure is occupied. Exit path lighting shall provide a minimum illumination at floor level in accordance with the Building Code. Where exit path lighting in existing buildings is missing or is required to be upgraded, it shall meet the following requirements:

Separate Sources of Power. The power supply for exit illumination shall normally be provided by the premises' wiring system. In the event of its failure, illumination shall be automatically provided from an emergency system for Group I, Divisions 1.1 and 1.2 Occupancies, and for all other occupancies where the exiting system serves an occupant load of 100 or more.

Emergency systems shall be supplied from storage batteries or an on-site generator set and the system shall be installed in accordance with the requirements of the Electrical Code, as codified in Chapter 12.046A of the Tacoma Municipal Code.

EXCEPTION: In auditoriums, theaters, concert or opera halls, and similar assembly uses, the illumination at floor level may be reduced during performances to lower levels allowed in the Building Code.

## "EXHIBIT D"

### TMC SECTION 2.01.060 O

#### O. Exit Path Lighting.

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Sources of Power. The power supply for exit illumination shall normally be provided by the premises' wiring system. Emergency backup power or power on separate circuits shall be in accordance with the Building Code in effect at the time the lighting was installed.

Exit path shall be illuminated at all times the building or structure is occupied. Exit path lighting shall provide a minimum illumination at floor level in accordance with the Building Code. Where exit path lighting in existing buildings is missing or is required to be upgraded, it shall meet the following requirements:

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Emergency systems shall be supplied from storage batteries or an on-site generator set and the system shall be installed in accordance with the requirements of the Electrical Code, as codified in Chapter 12.06A of the Tacoma Municipal Code.

EXCEPTION: In auditoriums, theaters, concert or opera halls, and similar assembly uses, the illumination at floor level may be reduced during performances to lower levels allowed in the Building Code.

"EXHIBIT E"

**2.02.090 Amendment to IBC Section 105.2 – Work exempt from permit.**

105.2 Work exempt from permit. Exemptions from permit requirements of this code shall not be deemed to grant authorization for any work to be done in any manner in violation of the provisions of this code or any other laws or ordinances of this jurisdiction. Permits shall not be required for the following:

Building:

1. One-story detached accessory structures used as tool and storage sheds, playhouses and similar uses, provided the floor area does not exceed 120 square feet (11 m<sup>2</sup>).
2. Fences not over 7 feet (1829 mm) high.
3. Oil derricks.
4. Retaining walls which are not over four feet (1219 mm) in height, measured from the bottom of the footing to the top of the wall, unless supporting a surcharge or impounding Class I, II or III-A liquids. A Fence supported by a retaining wall shall be considered a surcharge.
5. Water tanks supported directly on grade if the capacity is not greater than 5,000 gallons (18,925 L) and the ratio of height to diameter or width is not greater than 2:1.
6. Sidewalks and driveways not more than 30 inches (762 mm) above adjacent grade and on grade concrete patios with an aggregate area not exceeding 2,000 Sq. Ft. (185.81 sq-M), provided they are not over any basement or story below and are not part of an accessible route.
7. Painting, papering, tiling, carpeting, cabinets, counter tops, and similar finish work.
8. Temporary motion picture, television, and theater stage sets and scenery.
9. Prefabricated swimming pools accessory to a Group R-3 occupancy, as applicable in Section 101.2, which are less than 24 inches (610 mm) deep, are not greater than 5,000 gallons (18,925 L), and are installed entirely above ground.
10. Shade cloth structures constructed for nursery or agricultural purposes, not including service systems.
11. Swings and other playground equipment accessory to detached one- and two-family dwellings.
12. Window awnings in Group R-3 and U occupancies supported by an exterior wall which do not project more than 54 inches (1372mm) from the exterior wall and do not require additional support.
13. Non-fixed and movable fixtures, cases, racks, counters and partitions not over 5 feet 9 inches (1753 mm) in height.

Electrical: See TMC Chapter 12.046A.

"EXHIBIT F"

**2.02.090 Amendment to IBC Section 105.2 – Work exempt from permit.**

105.2 Work exempt from permit. Exemptions from permit requirements of this code shall not be deemed to grant authorization for any work to be done in any manner in violation of the provisions of this code or any other laws or ordinances of this jurisdiction. Permits shall not be required for the following:

Building:

1. One-story detached accessory structures used as tool and storage sheds, playhouses and similar uses, provided the floor area does not exceed 120 square feet (11 m<sup>2</sup>).
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3. Oil derricks.
4. Retaining walls which are not over four feet (1219 mm) in height, measured from the bottom of the footing to the top of the wall, unless supporting a surcharge or impounding Class I, II or III-A liquids. A Fence supported by a retaining wall shall be considered a surcharge.
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7. Painting, papering, tiling, carpeting, cabinets, counter tops, and similar finish work.
8. Temporary motion picture, television, and theater stage sets and scenery.
9. Prefabricated swimming pools accessory to a Group R-3 occupancy, as applicable in Section 101.2, which are less than 24 inches (610 mm) deep, are not greater than 5,000 gallons (18,925 L), and are installed entirely above ground.
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11. Swings and other playground equipment accessory to detached one- and two-family dwellings.
12. Window awnings in Group R-3 and U occupancies supported by an exterior wall which do not project more than 54 inches (1372mm) from the exterior wall and do not require additional support.
13. Non-fixed and movable fixtures, cases, racks, counters and partitions not over 5 feet 9 inches (1753 mm) in height.

Electrical: See TMC Chapter 12.06A.

"EXHIBIT G"

**2.02.540    Amendment to IRC Section R105.2 – Work Exempt From Permit, Building and Electrical Sections.**

The following additional exception shall be added to R105.2 – Building:

Building:

11. Reroofing of single family or duplex residential buildings, provided the existing roof coverings are removed prior to reroofing and the following conditions are met:

- a. The new roofing material does not exceed five (5) pounds per square foot, or
- b. For a vegetated roof, where it is the same weight as the previous roof and a vegetated roof was previously approved through a building permit.

The following amendment shall be made to R105.2 – Electrical:

Electrical: See TMC Chapter 12.046A.

(Ord. 28363 Ex. A; passed Jun. 14, 2016; Ord. 28327 Ex. A; passed Nov. 3, 2015; Repealed and reenacted by Ord. 28155 Ex. A; passed Jun. 11, 2013; Repealed and reenacted by Ord. 27890 Ex. A; passed Jun. 15, 2010)

"EXHIBIT H"

**2.02.540 Amendment to IRC Section R105.2 – Work Exempt From Permit, Building and Electrical Sections.**

The following additional exception shall be added to R105.2 – Building:

Building:

11. Reroofing of single family or duplex residential buildings, provided the existing roof coverings are removed prior to reroofing and the following conditions are met:

- a. The new roofing material does not exceed five (5) pounds per square foot, or
- b. For a vegetated roof, where it is the same weight as the previous roof and a vegetated roof was previously approved through a building permit.

The following amendment shall be made to R105.2 – Electrical:

Electrical: See TMC Chapter 12.06A.

(Ord. 28363 Ex. A; passed Jun. 14, 2016; Ord. 28327 Ex. A; passed Nov. 3, 2015; Repealed and reenacted by Ord. 28155 Ex. A; passed Jun. 11, 2013; Repealed and reenacted by Ord. 27890 Ex. A; passed Jun. 15, 2010)



"EXHIBIT I"

**Chapter 2.05**  
**SIGN CODE<sup>1</sup>**

*(Repealed and Reenacted by Ord. 27629, passed Jun. 26, 2007)*

Sections:

- 2.05.010 Signs, General.
- 2.05.275 Political Signs.

**2.05.010 Signs, General.**

Regulation of the location, size, appearance and number of signs shall be regulated by title 13, except as modified in TMC Chapters 1.42 and 13.07 which provide regulations for Landmarks Special Review Districts. The illumination and electrical aspects shall be regulated by the Electrical Code as adopted by TMC Chapter 12.046A. The energy regulations and illumination controls shall be in accordance with the Washington State Energy Code as adopted and amended by the City of Tacoma in TMC Chapter 2.10. The structural design and support of signs shall be in accordance with the Building Code as adopted and amended by the City of Tacoma in TMC Chapter 2.02.

(Ord. 27629 Ex. A; passed Jun. 26, 2007)

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<sup>1</sup> Sign regulations in zoning – See Sections 13.06.520 through 13.06.522. (Ord. No. 26934 § 3; passed Mar. 5, 2002)

"EXHIBIT J"

**Chapter 2.05**  
**SIGN CODE<sup>1</sup>**

*(Repealed and Reenacted by Ord. 27629, passed Jun. 26, 2007)*

Sections:

- 2.05.010 Signs, General.
- 2.05.275 Political Signs.

**2.05.010 Signs, General.**

Regulation of the location, size, appearance and number of signs shall be regulated by title 13, except as modified in TMC Chapters 1.42 and 13.07 which provide regulations for Landmarks Special Review Districts. The illumination and electrical aspects shall be regulated by the Electrical Code as adopted by TMC Chapter 12.06A. The energy regulations and illumination controls shall be in accordance with the Washington State Energy Code as adopted and amended by the City of Tacoma in TMC Chapter 2.10. The structural design and support of signs shall be in accordance with the Building Code as adopted and amended by the City of Tacoma in TMC Chapter 2.02.

(Ord. 27629 Ex. A; passed Jun. 26, 2007)

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<sup>1</sup> Sign regulations in zoning – See Sections 13.06.520 through 13.06.522. (Ord. No. 26934 § 3; passed Mar. 5, 2002)



## RESOLUTION NO. U-10937

A RESOLUTION relating to Tacoma Power; authorizing the issuance of up to \$90 million in tax-exempt revenue bonds.

WHEREAS the City of Tacoma, Department of Public Utilities, Power Division (dba "Tacoma Power"), regularly issues revenue bonds to finance construction and renovation of long-lived assets, and

WHEREAS Tacoma Power executed a \$100 million interim funding agreement with Wells Fargo ("Wells Fargo Agreement") to fund capital improvements and as of December 31, 2016, Tacoma Power has funded approximately \$80 million in capital expenditures under the Wells Fargo Agreement, and

WHEREAS Tacoma Power retained Montague DeRose and Associates, LLC as its Financial Advisor ("Financial Advisor") who has advised that it would be advantageous to issue electric system revenue bonds to fund long-term capital expenditures made under the Wells Fargo Agreement, and

WHEREAS these bonds will be sold through a negotiated sale process, and

WHEREAS, with the assistance of the City of Tacoma, Finance Department, the Financial Advisor and bond counsel (Orrick, Herrington & Sutcliffe, LLP), a bond ordinance and official statement are being prepared to give Tacoma Power the option to sell these tax-exempt bonds in August 2017, and



1 WHEREAS, pursuant to RCW 39.46.040(2) in the bond ordinance, the  
2 Council of the City of Tacoma will appoint the Director of Utilities and the  
3 Superintendent of Tacoma Power to approve the final terms and conditions for  
4 the sale of the bonds in the manner and upon the terms deemed most  
5 advantageous to the City, including, but not limited to, the amount, date(s),  
6 denominations, interest rate(s), payment dates, final maturity, redemption  
7 provisions and price, and  
8

9 WHEREAS the proposed financing has been reviewed by the Financial  
10 Advisor, bond counsel and staff, and they believe it to be in the City's best  
11 interest to approve the issuance and sale of Electric System Revenue and  
12 Refunding Bonds, Series 2017 in a total amount not to exceed \$90,000,000,  
13 within certain parameters as set forth in the attached form of ordinance, a copy  
14 of which is on file with the Clerk of the Board, and  
15

16 WHEREAS, pursuant to the Tacoma City Charter, the Board is required  
17 to initiate the incurrence of indebtedness and the issuance of bonds to the  
18 Council of the City of Tacoma, and  
19

20 WHEREAS the Board hereby recommends to the Council of the City of  
21 Tacoma that it is in the best interest of the customers of Tacoma Power and the  
22 citizens of Tacoma that the ordinance be approved by the Board and passed by  
23 the Council of the City of Tacoma to accomplish the purposes set forth above;  
24 Now, Therefore,

25 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

26 That the terms and conditions of the proposed ordinance, including



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delegating authority to the Director of Utilities and the Superintendent of Tacoma Power to conduct and approve the sale of such bonds in the manner and upon the terms most advantageous to the City, are approved, and the Council of the City of Tacoma is requested to concur in this approval by the passage of the ordinance at the earliest opportunity in the final form approved by the City Attorney.

Approved as to form and legality:

  
\_\_\_\_\_  
Chief Deputy City Attorney

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_

Request for Board meeting

CITY OF TACOMA  
DEPARTMENT OF PUBLIC UTILITIES

of July 12, 2017

**REQUEST FOR RESOLUTION**

Date: June 30, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Approve delegated sale of City of Tacoma, Washington, Department of Public Utilities, Light Division, Electric System Revenue Bonds. Final Par amount to be provided on sale date.

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Authorize the Superintendent of Tacoma Power and the Director of Tacoma Public Utilities to issue up to \$90 million of new Electric System Revenue Bonds, including confirming the acceptance of proposals for the purchase of Light Division Bonds (Series 2017), fixing the maturities and interest rates of such bonds, and directing the disposition of the proceeds thereof. Goldman Sachs will be in the role of Senior Manager and Citigroup Global Markets as Co-Manager.

3. Summarized reason for resolution:

The Public Utility Board approved Motion 16-11 on October 26, 2016 to accept and approve the Department of Public Utilities 2017/2018 budget. The budget provided for the issuance of Light Division revenue bonds for capital improvements and the bond ordinance is scheduled for City Council consideration on July 25, 2017. The bond proceeds will be used to reimburse funds for capital improvements during 2015/2016 biennium and the 2017/2018 biennium.

4. Attachments:

a. Memo from Chris Robinson to William A. Gaines dated June 30, 2017.

5. ☒ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:



Section Head

Requested by:



Division Head

Approved:



Director of Utilities



**TO:** Mayor and City Council  
**FROM:** William A. Gaines, Director of Utilities / CEO  
**COPY:** Elizabeth Pauli, City Manager  
**SUBJECT:** Resolution/Ordinance – Authorize Bond Ordinance for Electric System Revenue Bonds, Series 2017, in an amount not to exceed \$90,000,000 – July 25, 2017  
**DATE:** July 5, 2017

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**SUMMARY:**

Tacoma Power recommends approval and authorization of the Bond Ordinance for new Electric System Revenue Bonds, Series 2017, in an amount not to exceed \$90,000,000. These Bonds would be issued under the delegated authority of the Director of Utilities and the Power Superintendent. The purpose of the new issuance is to repay the Wells Fargo Drawdown Facility used to fund capital projects included in the adopted 2015/2016 and 2017/2018 capital budgets.

**STRATEGIC POLICY PRIORITY:**

The strategic policy priority is best aligned to this action is to “Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.” Issuing new Electric System Revenue Bonds allows Tacoma Power to take advantage of the current low interest rate environment while aligning the cost of long-lived capital projects with future debt service payments. Proceeds will reimburse both 2015/2016 capital expenditures funded with the Wells Fargo Agreement and 2017/2018 capital expenditures.

**BACKGROUND:**

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets to future ratepayers who are the beneficiaries of those assets.

In 2015, Tacoma Power executed a \$100 million interim funding agreement with Wells Fargo (Wells Fargo Agreement) to fund capital improvements. The Wells Fargo Agreement allows Tacoma Power to fund capital improvements during the biennium, utilizing variable interest rates. As of December 31, 2016, Tacoma Power has funded \$80,250,000 in capital expenditures with the agreement.

**ISSUE:**

Working with Tacoma Power’s financial advisor, Montague DeRose & Associates, the utility completed an RFP to select an underwriter for this transaction. Goldman, Sachs & Company and Citigroup Global Markets were selected as Senior Manager and Co-Manager, respectively. The utility has worked with Montague DeRose and these firms to compare numerous alternatives and develop a plan of finance to optimize the timing, structure, planned use of proceeds, and cash defeasances in relation to the utility’s future debt structure.

Tax-exempt municipal market rates remain near historic lows and Tacoma Power plans to issue up to \$90 million in new Electric System Revenue Bonds in August 2017. The utility plans to structure the new money Bonds to mature between 2022 and 2047. This allows the utility to take advantage of the current low interest rate environment while aligning the cost of long-lived capital projects with future debt service payments. Proceeds will reimburse both 2015/2016 capital expenditures funded with the Wells Fargo Agreement and 2017/2018 capital expenditures.



Lastly, Tacoma Power plans to use cash to defease up to \$28 million of outstanding 2013A debt payments to levelize future debt service payments. The proposed plan of finance will help Tacoma Power maintain stable rates.

In order to conduct this bond sale in the most efficient manner, Tacoma Power also seeks approval for the delegation of authority to the Director of Utilities and Power Superintendent to conduct this sale within limits defined by the Bond Ordinance

**ALTERNATIVES:**

Tacoma Power considered many alternatives to the proposed action and if the requested ordinances are not approved, an alternative will be brought forward for consideration. Some of the alternatives that were considered were what the appropriate size and timing of the 2017 Bond Issuance should be. We also considered the appropriate amount to defease from future Bond principal payments in order to levelize future debt service payments.

If Tacoma Power did not issue new Electric System Revenue Bonds to pay for capital improvements, Tacoma Power would need to increase near-term rate increase projections to pay for these costs from rate revenues collected in the next biennium.

**RECOMMENDATION:**

Tacoma Power recommends the City Council approve the issuance of up to \$90 million of new Electric System Revenue Bond proceeds under the delegated authority of the Director of Utilities and the Power Superintendent.

**FISCAL IMPACT:**

Tacoma Power will pay for issuance costs from the proceeds of the new Electric System Revenue Bonds being issued. This action is expected to have a positive impact on future rate increase projections.



**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Tacoma Power 2015 Bond Construction Fund	TBD	TBD	Not to exceed \$90 million
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Tacoma Power 2015 Bond Construction Fund	TBD	TBD	Not to exceed \$90 million
<b>TOTAL</b>			

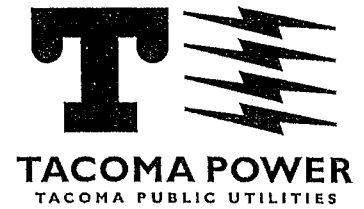
**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** Bond Proceeds will be used to fund Capital Projects approved in the 2015/2016 and 2017/2018 capital budget after paying for issuance costs. The exact amount will be determined after the issuance.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes



**DATE:** June 30, 2017  
**TO:** William A. Gaines, Director of Utilities/CEO  
**FROM:** Chris Robinson, Superintendent/COO *CR*  
**SUBJECT:** Electric System Revenue Bonds, Series 2017

Tacoma Power recommends the Public Utility Board approve the Resolution for the issuance of up to \$90 million of new Electric System Revenue Bonds (Series 2017) under the delegated authority of the Director of Utilities and the Power Superintendent. The purpose of the new issuance is to repay the Wells Fargo Drawdown Facility used to fund capital projects included in the adopted 2015/2016 and 2017/2018 capital budgets.

**BACKGROUND:**

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets to future ratepayers who are the beneficiaries of those assets.

In 2015, Tacoma Power executed a \$100 million interim funding agreement with Wells Fargo (Wells Fargo Agreement) to fund capital improvements. The Wells Fargo Agreement allows Tacoma Power to fund capital improvements during the biennium, utilizing variable interest rates. As of December 31, 2016, Tacoma Power has funded \$80,250,000 in capital expenditures with the agreement.

**2017 PLAN OF FINANCE:**

Working with Tacoma Power's financial advisor, Montague DeRose & Associates, the utility completed an RFP to select an underwriter for this transaction. Goldman, Sachs & Company and Citigroup Global Markets were selected as Senior Manager and Co-Manager, respectively. The utility has worked with Montague DeRose and these firms to compare numerous alternatives and develop a plan of finance to optimize the timing, structure, planned use of proceeds, and cash defeasances in relation to the utility's future debt structure.

Tax-exempt municipal market rates remain near historic lows and Tacoma Power plans to issue up to \$90 million in new Electric System Revenue Bonds in August 2017. The utility plans to structure the new money Bonds to mature between 2022 and 2047. This allows the utility to take advantage of the current low interest rate environment while

William A. Gaines

June 30, 2017

Page 2

aligning the cost of long-lived capital projects with future debt service payments. Proceeds will reimburse both 2015/2016 capital expenditures funded with the Wells Fargo Agreement and 2017/2018 capital expenditures.

Lastly, Tacoma Power plans to use cash to defease up to \$28 million of outstanding 2013A debt payments to levelize future debt service payments. The proposed plan of finance will help Tacoma Power maintain stable rates.

In order to conduct this bond sale in the most efficient manner, Tacoma Power also seeks approval for the delegation of authority to the Director of Utilities and Power Superintendent to conduct this sale within limits defined by the Bond Ordinance.

**RECOMMENDATION:**

Tacoma Power recommends the Public Utility Board approve the Resolution for the issuance of up to \$90 million of new Electric System Revenue Bond proceeds and defeasance of up to \$28 million in future debt service payments under the delegated authority of the Director of Utilities and the Power Superintendent.

APPROVED:



William A. Gaines

Director of Utilities/CEO

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2017 Bonds. See “TAX MATTERS.”*



**CITY OF TACOMA, WASHINGTON**

**\$XXX,XXX,000\***

**Electric System Revenue Bonds, Series 2017**

**DATED: Date of Delivery**

**DUE: January 1, as shown on the inside cover**

The City of Tacoma, Washington (the “City”), Electric System Revenue Bonds, Series 2017 (the “2017 Bonds”), will be issued as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the 2017 Bonds. Individual purchases of the 2017 Bonds will be made in the principal amount of \$5,000 each or any integral multiple thereof within a maturity. Purchasers of the 2017 Bonds will not receive certificates representing their interest in the 2017 Bonds purchased.

The 2017 Bonds will bear interest payable semiannually on each January 1 and July 1, commencing January 1, 2018, to the maturity or prior redemption date of the 2017 Bonds. The principal of and interest on the 2017 Bonds are payable in lawful money of the United States of America by the fiscal agent of the State of Washington (the “Bond Registrar”), currently U.S. Bank National Association to DTC, which is obligated to remit such principal and interest to its broker-dealer Participants for subsequent disbursement to Beneficial Owners of the 2017 Bonds. See Appendix B—“BOOK-ENTRY SYSTEM.”

The 2017 Bonds are subject to redemption by the City prior to their stated maturities as described under “DESCRIPTION OF THE 2017 BONDS—Optional Redemption” and “—Mandatory Redemption.”

The 2017 Bonds are being issued to finance and refinance capital improvements to the Electric System and to pay costs of issuance. See “PURPOSE AND APPLICATION OF 2017 BOND PROCEEDS.”

The 2017 Bonds are payable solely from a special fund of the City known as the Electric System Revenue Bond Fund and from the Revenues of the Electric System, after payment of Operating Expenses, on a parity with the outstanding Electric System Revenue Bonds and other Electric System Revenue Bonds hereafter issued on a parity therewith. See “SECURITY FOR THE 2017 BONDS.”

**The 2017 Bonds are not general obligations of the City, or the State of Washington, or a charge upon any general fund or other property of the City or the State of Washington not specifically pledged thereto by the Bond Ordinance, and neither the full faith and credit nor the taxing power of the City or of the State of Washington, nor any revenues of the City derived from sources other than the Electric System, are pledged to the payment thereof.**

*This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The 2017 Bonds are offered for delivery when, as, and if issued, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Pacifica Law Group LLP, Seattle, Washington. It is expected that the 2017 Bonds will be available for delivery at the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about **August \_\_\_\_, 2017.**

**Goldman, Sachs & Co., LLC**

**Citigroup**

# MATURITY SCHEDULES, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

## \$XXX,XXX,000\* ELECTRIC SYSTEM REVENUE BONDS, SERIES 2017

Due January 1 *	Amount *	Interest Rate	Yield **	Price	CUSIP No. ***
2017	\$				
2018					
2019					
2020					
2021					
2022					
2023					

\$XX,XXX,000\* \_\_\_\_% Term Bond due December 1, 20XX\*, yield of \_\_\_\_% \*\*, price of \_\_\_\_, CUSIP No. \_\_\_\_\_ \*\*\*

\$XX,XXX,000\* \_\_\_\_% Term Bond due December 1, 20XX\*, yield of \_\_\_\_% \*\*, price of \_\_\_\_, CUSIP No. \_\_\_\_\_ \*\*\*

\* Preliminary, subject to change.

\*\* Provided by the Underwriters. The City makes no representation as to the accuracy of such numbers.

\*\*\* Copyright © 2017, American Bankers Association. CUSIP numbers are included for convenience of reference only. CUSIP numbers are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by Standard & Poor's Global Market Intelligence. Neither the City nor the Underwriters assume any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson, or other person has been authorized by the City or the Underwriters to give any information or to make any representations in connection with the offering of the 2017 Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2017 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date hereof.

This Official Statement contains forecasts, projections and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City that such forecasts, projections and estimates will occur or be realized. Such forecasts, projections and estimates are not intended as representations of fact or as guarantees of results. As and when included in this Official Statement, the words “plan,” “expect,” “forecast,” “estimate,” “budget,” “project,” “intend,” “anticipate” and similar words identify forward-looking statements. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date they were prepared.

The 2017 Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exception contained in such act.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or owners of any of the 2017 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2017 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

**TACOMA PUBLIC UTILITIES**  
**3628 South 35<sup>th</sup> Street**  
**Tacoma, Washington 98409**  
**(253) 502-8512**

**MAYOR AND TACOMA CITY COUNCIL**

Marilyn Strickland, Mayor

Keith Blocker  
Marty Campbell  
Anders Ibsen  
Lauren Walker Lee

Joe Lonergan  
Conor McCarthy  
Ryan Mello  
Robert Thoms

**PUBLIC UTILITY BOARD**

Monique Trudnowski, Chair  
Woodrow Jones, Vice Chair  
Karin Larkin, Secretary  
Bryan Flint  
Mark Patterson

**DEPARTMENT OF PUBLIC UTILITIES, TACOMA POWER**

William A. Gaines, Director of Utilities, Chief Executive Officer  
Chris Robinson, Superintendent/Chief Operating Officer  
Dolores Stegeman, Transmission and Distribution Manager  
Chris Mattson, Generation Manager  
Clay Norris, Power Manager  
Tenzin Gyaltsen, Click! Network General Manager  
John Lawrence, Utility Technology Services Manager  
Bill Berry, Rates, Planning and Analysis Manager

**CERTAIN CITY ADMINISTRATIVE STAFF**

Elizabeth Pauli, City Manager  
Andrew Cherullo, Finance Director  
Teresa Sedmak, City Treasurer  
Bill Fosbre, City Attorney

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Seattle, Washington

**MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC  
Walnut Creek, California

**INDEPENDENT AUDITORS**

Moss Adams LLP  
Portland, Oregon

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**OFFICIAL STATEMENT**  
**CITY OF TACOMA, WASHINGTON**

**\$xxx,xxx,000\***  
**Electric System Revenue Bonds,**  
**Series 2017**

**INTRODUCTION**

The City of Tacoma, Washington (the “City” or “Tacoma”), a municipal corporation duly organized and existing under the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of \$xxx,xxx,000\* principal amount of its Electric System Revenue Bonds, Series 2017 (the “2017 Bonds”).

This introduction is qualified in its entirety by reference to the entire Official Statement, and a full review of the Official Statement should be made by potential investors. This Official Statement speaks only as of its date, and the information contained in it is subject to change.

The City is a municipal corporation under the Constitution and laws of the State. The Light Division, doing business as Tacoma Power (“Tacoma Power”), of the City’s Department of Public Utilities (the “Department”) operates the City’s electrical generation, transmission and distribution facilities and its telecommunication system (collectively, the “Electric System”). Tacoma Power is one of the largest municipally-owned utilities in the Pacific Northwest in terms of customers served and energy sold. In 2016, Tacoma Power served an average of 176,784 metered customers, had 838 employees and had operating revenues of approximately \$418.6 million. See “THE DEPARTMENT OF PUBLIC UTILITIES—TACOMA POWER.”

The 2017 Bonds are being issued in accordance with the Charter of the City, the applicable laws of the State, and Ordinance No. 28146, passed by the City Council on April 30, 2013, as supplemented and amended by Ordinance No. XXXX passed by the City Council on April 30, 2017 (collectively, the “Bond Ordinance”). Certain capitalized words and phrases used in this Official Statement not defined herein have the meanings given in the Bond Ordinance, unless the context shall clearly indicate that another meaning is intended. See Appendix A for certain definitions.

The 2017 Bonds are issued on a parity with the City’s outstanding Electric System Revenue Bonds, Series 2010B (Taxable Build America Bonds – Direct Payment) and Electric System Revenue Bonds, Series 2010C (Taxable Clean Renewable Energy Bonds – Direct Payment) (together, the “2010 Bonds”) and Electric System Revenue and Refunding Bonds, Series 2013A and 2013B (the “2013 Bonds,” and together with the 2010 Bonds, the “Outstanding Parity Bonds”) and any Future Parity Bonds issued pursuant to the Bond Ordinance and hereafter outstanding. The 2017 Bonds, the Outstanding Parity Bonds and Future Parity Bonds are referred to as the “Parity Bonds.” The aggregate principal amount of Parity Bonds outstanding as of February 1, 2017 was \$358,335,000. See “FINANCIAL INFORMATION—”.

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

All references herein to the 2017 Bonds and the Bond Ordinance are qualified in their entirety to the actual documents, copies of all of which will be available for inspection at the offices of the City.

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\* Preliminary, subject to change.

In the preparation of the projections in this Official Statement, the City has made certain assumptions with respect to conditions that may occur in the future. While the City believes these assumptions are reasonable for the purpose of the projections, they are dependent upon future events, and actual conditions may differ from those assumed. To the extent actual future events or conditions differ from those assumed by the City or provided to the City by others, the actual results will vary from those projected.

## DESCRIPTION OF THE 2017 BONDS

### General Terms

The 2017 Bonds will be dated and bear interest from the date of their initial delivery and will be issued in registered form in the denominations of \$5,000 or any integral multiple thereof within a single maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The fiscal agent of the State (currently U.S. Bank National Association, Seattle, Washington) will act as Bond Registrar for the 2017 Bonds.

The 2017 Bonds will be issued in the aggregate principal amount of \$xxx,xxx,000\* and will mature on the dates and in the principal amounts and will bear interest, payable semiannually on each January 1 and July 1, commencing January 1, 2018, to the maturity dates or prior redemption thereof, at the respective rates as set forth on the inside cover page hereof.

So long as Cede & Co. is the registered owner of the 2017 Bonds, principal of and interest on the 2017 Bonds are payable by wire transfer by the Bond Registrar to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the 2017 Bonds. See Appendix B—"BOOK-ENTRY SYSTEM."

### Optional Redemption

The 2017 Bonds maturing in years 20\_\_ through 20\_\_, inclusive, are not subject to redemption prior to maturity. The 2017 Bonds maturing on and after January 1, 20\_\_, are subject to redemption at the option of the City on and after \_\_\_\_, 20\_\_, in whole or in part at any time within one or more maturities selected by the City at a redemption price of par plus accrued interest, if any, to the date of redemption without premium.

### Mandatory Redemption

The 2017 Bonds maturing in the year 20\_\_ and 20\_\_ are Term Bonds and are subject to mandatory redemption at a redemption price of par plus accrued interest, if any, to the date of redemption, without premium, on January 1 in the years and principal amounts as follows:

Year (January 1)	Principal Amount
------------------	------------------

(1)

(1) Maturity.

If the City optionally redeems or purchases 2017 Bonds that are Term Bonds, the par amount of the 2017 Bonds that are Term Bonds so redeemed or purchased shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds, as determined by the City.

---

\* Preliminary, subject to change.

### **Partial Redemption**

Any 2017 Bond that is subject to optional or mandatory redemption may be redeemed in part in denominations of \$5,000 and integral multiples thereof. If less than all of the outstanding principal amount of any 2017 Bond is to be redeemed, the portion thereof to be redeemed shall be selected by DTC in accordance with its applicable procedures. If a 2017 Bond ceases to be held in book-entry form, the portion to be partially redeemed shall be selected randomly in such manner as the Bond Registrar shall determine.

### **Notice of Redemption**

The City shall cause notice of any intended redemption of 2017 Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of each 2017 Bond to be redeemed at the address appearing on the Bond Register on the 15<sup>th</sup> day of the month preceding the redemption date. This requirement shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by the owner of any 2017 Bond.

Interest on 2017 Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of redemption is rescinded as set forth below, or money sufficient to effect the redemption is not on deposit in the Electric System Revenue Bond Fund (the "Bond Fund") or in an escrow account established to carry out a refunding or defeasance of the redeemed 2017 Bonds. While a 2017 Bond is registered in the name of Cede & Co., as nominee of DTC, notice of redemption shall be given in accordance with the City's Letter of Representations with DTC.

In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the optional redemption of those 2017 Bonds by giving a notice of rescission to the affected registered owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and a 2017 Bond for which the notice of optional redemption has been rescinded shall remain outstanding.

### **Purchase for Cancellation**

The City reserves the right to purchase any or all of the 2017 Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

### **Book-Entry System**

When issued, the 2017 Bonds will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee of DTC. DTC will act as securities depository for the 2017 Bonds. Individual purchases will be made in book-entry form only through DTC, and purchasers will not receive physical certificates representing their interests in the 2017 Bonds purchased. For information about DTC and its book-entry system, see Appendix B—"BOOK-ENTRY SYSTEM." So long as Cede & Co. is the registered owner of the 2017 Bonds, as nominee of DTC, references herein to the "registered owners" or "bondowners" shall mean Cede & Co. and shall not mean the beneficial owners of the 2017 Bonds.

If DTC resigns as the securities depository and no substitute can be obtained, or if the City has determined that it is in the interests of the beneficial owners of the 2017 Bonds that they be able to obtain bond certificates, the ownership of the 2017 Bonds may be transferred to any person as described in the Bond Ordinance and the 2017 Bonds no longer will be held in fully immobilized form. New bond certificates then will be issued in appropriate denominations and registered in the names of the Beneficial Owners.

## Additional Information Concerning the City

The City regularly prepares a variety of publicly-available reports, including audits, budgets and related documents. Such reports are not incorporated herein by this reference. An investor may obtain a copy of any such report, as available from the City.

Additional information regarding this Official Statement may be obtained by contacting the following:

Rates, Planning, and Analysis Manager  
Tacoma Power  
3628 South 35<sup>th</sup> Street  
Tacoma, WA 98373  
(253) 502-8294  
[PowerFinance@cityoftacoma.org](mailto:PowerFinance@cityoftacoma.org)

## PURPOSE AND APPLICATION OF 2017 BOND PROCEEDS

The 2017 Bonds are being issued to provide funds (a) to pay for and reimburse the City for certain capital improvements to the Electric System included in the 2015-2016 and 2017-2018 Capital Improvement Program (including through the refinancing of Subordinate Obligations); (b) to fund a deposit to the Reserve Account; and (c) to pay the costs of issuance of the 2017 Bonds. Included in the 2015-2016 and 2017-2018 Capital Improvement Program are projects involving additions, replacements and improvements to the distribution, transmission, smart grid, telecommunications related to power operations, power supply, utility technology and general plant systems, facilities and equipment and for conservation programs. For a description of the Electric System's capital improvement program, see "CAPITAL IMPROVEMENT PROGRAM."

## Sources and Uses

The following table shows the estimated sources and uses of the 2017 Bond proceeds:

Sources of Funds	2017 Bonds
Par Amount of the 2017 Bonds	\$
[Net] Original Issue Premium/Discount	
Total	\$
Uses of Funds	
Project Costs	\$
Reserve Account Deposit	
Issuance Expenses <sup>(1)</sup>	
Total	\$

- (1) Issuance expenses include underwriters' discount, legal fees, financial advisor's fees, rating agency fees, and other costs incurred in connection with the issuance of the 2017 Bonds.

## SECURITY FOR THE 2017 BONDS

### Pledge

Under the Bond Ordinance, the 2017 Bonds are special limited obligations of the City payable from and secured solely by (i) Net Revenues of the Electric System and (ii) the money and investments, if any, credited to the Electric System Revenue Fund (the "Revenue Fund") and the Bond Fund (which includes the Reserve Account) and the income therefrom.

Pursuant to the Bond Ordinance, the City has pledged as security for the payment of the principal of, premium, if any, and interest on the 2017 Bonds, subject only to the provisions of the Bond Ordinance restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Ordinance: (i) the

proceeds of the sale of the 2017 Bonds to the extent held in funds established by the Bond Ordinance, (ii) Net Revenues, and (iii) the money and investments, if any, credited to the Revenue Fund and the Bond Fund, and the income therefrom.

All Parity Bonds shall be equally and ratably payable and secured under the Bond Ordinance without priority by reason of date of adoption of the ordinance providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, or by the liens, pledges, charges, trusts, assignments, and covenants made in the Bond Ordinance, except as otherwise expressly provided or permitted in the Bond Ordinance.

“Net Revenues,” is defined in the Bond Ordinance to mean for any period, the excess of Revenues over Operating Expenses for such period, excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; (b) insurance and condemnation proceeds; (c) income from investment of money on hand in any construction fund and other investment income restricted to a particular purpose inconsistent with its use for the payment of debt service; and (d) any other extraordinary, non-recurring income or contribution.

“Revenues” is defined in the Bond Ordinance to mean all income (including investment income), receipts and revenues received by the City through the ownership and operation of the Electric System (including any income derived by the City through the ownership and operation of any facilities that may hereafter be purchased, constructed, or otherwise acquired and operated by the City as a separate utility system, which income is available after meeting all requirements of the obligations of such separate system and is paid into the Revenue Fund) “Revenues” do not include investment income restricted to a particular purpose inconsistent with its use for the payment of debt service, including investment income derived pursuant to a plan of debt refunding.

“Operating Expenses” is defined in the Bond Ordinance to mean the City’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses included in the Uniform System of Accounts and includes, without limiting the generality of the foregoing, (a) all costs of purchased Power and Services required under contracts existing as of the date of passage of the Bond Ordinance to be taken by the City for the account of the Electric System, and otherwise all costs of purchased Power and Services to the extent, but only to the extent, that the City is not obligated to make payment therefor unless the City is receiving Power and Services in return for such payment and (b) costs of Contract Resource Obligations upon satisfaction of the requirements established by the Bond Ordinance. “Operating Expenses” include payments to the City for services rendered to the electric utility by other departments or offices of the City but do not include any extraordinary, non-recurring expenses, any costs or expenses for new construction, interest, amortization, any allowance for depreciation or any taxes payable to the City (or payments in lieu of taxes) upon the properties or earnings of the Electric System or the earnings of any separate electric utility system derived from payments by the Electric System.

“Power and Services” is defined in the Bond Ordinance to mean energy, capacity, reserves and services, excluding the purchase of ownership of generating capability.

### **Outstanding Parity Bonds**

The 2017 Bonds are issued on a parity with the outstanding 2010 Bonds and 2013 Bonds (collectively, the “Outstanding Parity Bonds”) and any Future Parity Bonds issued pursuant to the Bond Ordinance and hereafter outstanding. The 2017 Bonds, the Outstanding Parity Bonds and Future Parity Bonds are referred to as the “Parity Bonds.” The aggregate principal amount of Parity Bonds outstanding as of February 1, 2017 is \$358,335,000. See ‘PURPOSE AND APPLICATION OF 2017 BOND PROCEEDS.’

**Tacoma Power  
Outstanding Parity Bonds  
As of February 1, 2017**

Authorizing Ordinance	Bonds Dated	Principal Amount Issued	Principal Amount Outstanding	Final Maturity
27889	July 27, 2010	187,255,000 <sup>(1)</sup>	171,255,000	1/1/2035
28146	May 13, 2013	217,230,000 <sup>(2)</sup>	187,080,000	1/1/2042

(1) Includes A, B, and C series bonds

(2) Includes A and B series bonds

**Limited Obligations**

THE 2017 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE GENERAL OBLIGATIONS OF THE CITY OR OF THE STATE OF WASHINGTON, OR ANY POLITICAL SUBDIVISION OF THE STATE OF WASHINGTON, OR A CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY OR OF THE STATE OF WASHINGTON, OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF WASHINGTON, NOT SPECIFICALLY PLEDGED THERETO BY THE BOND ORDINANCE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR OF THE STATE OF WASHINGTON, OR ANY POLITICAL SUBDIVISION OF THE STATE OF WASHINGTON, NOR ANY REVENUES OF THE CITY DERIVED FROM SOURCES OTHER THAN THE ELECTRIC SYSTEM OF THE CITY, OR ANY OTHER MONEYS OR PROPERTY OF THE CITY, ARE PLEDGED TO THE PAYMENT THEREOF.

Washington State law provides that the owner of a bond, such as the 2017 Bonds, the payment of which is pledged from a special fund, such as the Bond Fund, has a claim only against that fund and proportionate amounts of revenue pledged to that fund. Under Washington State law, any bond owner may bring an action to compel a city to set aside and pay into the special fund the amount that a city is obligated to set aside and pay therein if funds are sufficient and it has otherwise failed to do so.

**Rate Covenant and Debt Service Coverage Covenant**

The City has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that will be fair and adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Parity Bonds for which the payment otherwise has not been provided, for all payments the City is obligated to make into the Bond Fund and for the proper operation and maintenance of the Electric System, including payment of all Contract Resource Obligations included in the Electric System's Operating Expenses, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts that the City may now or hereafter become obligated to pay from the Revenues by law or contract. See "Contract Resource Obligations" below for conditions qualifying such obligations as Operating Expenses.

The City also has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year. Solely for purposes of this calculation, there is added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the General Account in the Revenue Fund and deposited in the Rate Stabilization Fund. See "Rate Stabilization Fund" below.

The calculation of the coverage requirement set forth above, and the City's compliance therewith, may be made without regard to changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted

accounting principles or otherwise, then a default relating to the coverage requirement shall not be considered an Event of Default if the coverage requirement would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of the Bond Ordinance.

### **Rate Stabilization Fund**

Tacoma Power has previously established by ordinance, and will maintain, a Rate Stabilization Fund as a means of managing potential volatility in Rates and augmenting reserve policies. Funds are intended to mitigate the need for large changes in rates from one year to the next. The Fund also may be used as a rate stabilization account for purposes of the ordinances authorizing Tacoma Power debt and provides that amounts withdrawn from the Fund are deducted from revenues in the year they are deposited into the Fund and counted as revenues in the year withdrawn from the Fund. The balance in the Rate Stabilization Fund can be counted towards satisfaction of the debt service coverage requirement under the Bond Ordinance when funds are repatriated from the Rate Stabilization Fund. See “—Rate Covenant and Debt Service Coverage Covenant,” above. The current balance in the Rate Stabilization Fund is \$48,000,000. The City policy is to review the adequacy of the fund’s balance annually and make the necessary adjustments.

### **Debt Service Reserve Account(s) - UPDATE**

The Bond Ordinance does not require the establishment of a debt service reserve account in connection with any given series of Parity Bonds. The City previously established a pooled Reserve Account in the Bond Fund with respect to the 2010 Bonds and the 2013 Bonds. The Reserve Account Requirement with respect to any Future Parity Bonds shall be an amount, if any, set forth in the Supplemental Ordinance authorizing the issuance thereof. The Supplemental Ordinance authorizing such Future Parity Bonds may provide a separate Reserve Account for such bonds or that such Future Parity Bonds be secured by a common Reserve Account, including the Reserve Account for the 2010 Bonds and the 2013 Bonds [2017 Bonds].

The Reserve Account Requirement with respect to the 2010 Bonds and the 2013 Bonds is equal to the lesser of: (i) maximum Annual Debt Service on such Parity Bonds and (ii) 125% of the average Annual Debt Service on such Parity Bonds. [To come – description of 2017 reserve requirement.]

In the event of the issuance of any Future Parity Bonds secured by the Reserve Account, the ordinance authorizing the issuance of such Future Parity Bonds shall provide (i) for payments into the Reserve Account from the proceeds of such Future Parity Bonds or from any other money lawfully available therefor, and/or (ii) for approximately equal monthly payments into the Reserve Account from the money in the Revenue Fund, in such amounts and at such times so that by no later than five years from the date of issuance of such Future Parity Bonds or by the final maturity established for such series of Future Parity Bonds, whichever occurs first, there will be credited to the Reserve Account an amount equal to the Reserve Account Requirement.

Pursuant to the Bond Ordinance, the City may obtain Qualified Insurance or a Qualified Letter of Credit (as such terms are defined in the Bond Ordinance) for specific amounts required to be paid out of the Reserve Account. The Bond Ordinance does not require that the initial ratings of the providers of such Qualified Insurance or Qualified Letters of Credit be maintained subsequent to the issuance thereof. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years' notice. In the event of any cancellation, the Reserve Account shall be funded by approximately equal monthly payments from the money in the Revenue Fund so that by no later than five years from the date of such cancellation or by the final maturity of the related series of Parity Bonds, whichever occurs first, there will be credited to the Reserve Account an amount equal to the Reserve Account Requirement.

In calculating the Reserve Account Requirement with respect to the 2010 Bonds and the 2013 Bonds [2017 Bonds]: (i) the City may deduct from the interest portion of Annual Debt Service the direct payments the City is expected to receive in respect of any Parity Bonds for which the federal government is then obligated to provide the City with a direct payment of a portion of the interest from the interest thereon, and (ii) in the case of Variable Rate Interest Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest during such period at the Maximum Interest Rate for such bonds; provided that, if on such date of calculation the interest rate on

such bonds shall then be fixed for a specified period, the interest rate used for such specified period for the purposes of the foregoing calculation shall be such actual interest rate.

As of December 31, 2016, the value of cash and investments the City had on deposit in the Reserve Account was \$4,981,885. In addition, the City obtained, for the benefit of the Reserve Account, a reserve surety policy with Financial Security Assurance ("FSA"), now known as Assured Guaranty Municipal Corporation ("Assured"), with a policy limit of \$24,279,910. Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Service ("S&P") currently rate Assured "A2 (stable)" and "AA- (stable)," respectively. The reserve surety policy from Assured applies to all Parity Bonds secured by the common Reserve Account and expires on January 1, 2020. The City expects to provide for full funding the reserve fund by the expiration of the surety policy with either cash, a reserve surety policy, or a Qualified Letter of Credit.

If there is a deficiency in the Interest Account, Principal Account, or Bond Retirement Account in the Bond Fund, the City shall promptly make up such deficiency from the Reserve Account by the withdrawal of cash therefrom and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date, the City shall then draw from any Qualified Letter of Credit or Qualified Insurance in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide.

Any deficiency created in the Reserve Account by reason of any withdrawal for payment into the Interest Account, the Principal Account or the Bond Retirement Account must be made up from money in the Revenue Fund, after payments are made under any reimbursement agreement with respect to a Qualified Letter of Credit or Qualified Insurance (as those terms are defined in Appendix A).

The City has retained the right under the Bond Ordinance to obtain Qualified Insurance or a Qualified Letter of Credit in lieu of specific amounts required to be on deposit in the Reserve Account, neither of which may be subject to cancellation on less than five years' notice. Upon notice of cancellation, the City is obligated to fund the Reserve Account as if the Parity Bonds had been issued on the date of such notice.

Investments in the Reserve Account are valued at their market value as of the last business day of each Fiscal Year and may be valued on each June 30 by the City. Any insufficiency must be made up by the transfer from the Revenue Fund of an amount necessary to satisfy the Reserve Account Requirement. If money and Permitted Investments in the Reserve Account exceed the Reserve Account Requirement, such excess may be transferred to the Revenue Fund.

#### **No Acceleration**

The Parity Bonds are not subject to acceleration upon the occurrence of an Event of Default. The inability to accelerate the Parity Bonds upon an Event of Default could give rise to conflicting interests between owners of earlier and later maturing Parity Bonds. The nature and extent of any such variance would depend in part upon the nature and duration of any default. The City thus would be liable only for principal and interest payments as they became due, and the bond owners may be required to seek a separate judgment for each payment, if any, not made. Any such action for money damages would be subject to any limitations on legal claims and remedies against public bodies under Washington law. Amounts recovered would be applied to unpaid installments of interest prior to being applied to unpaid principal and premium, if any, which had become due.

#### **Contract Resource Obligations**

The City has retained the right under the Bond Ordinance to create and incur Contract Resource Obligations. Contract Resource Obligations are payable from Revenues as an Operating Expense and thus prior to the payment of debt service on the Parity Bonds. The City does not have any Contract Resource Obligations.



A Contract Resource Obligation is defined in the Bond Ordinance to mean an obligation of the Electric System to pay the following costs, whether or not Power and Services are available to the Electric System in return for such payment:

(i) costs associated with generation, transmission or distribution facilities (including any common undivided interest therein) acquired, purchased or constructed by the City, and declared by the City to be a separate utility system, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate electric utility system, or

(ii) costs associated with the purchase of Power and Services under a contract.

The City may declare that the costs associated with any separate utility system shall constitute a Contract Resource Obligation and may be included in the Electric System's Operating Expenses; provided, however, no Contract Resource Obligation constituting the costs of a separate utility system for the retail distribution of electric power and energy may be included in the Electric System's Operating Expenses.

A Contract Resource Obligation may be included in the Electric System's Operating Expenses if at the time the Contract Resource Obligation is incurred:

(a) No Event of Default has occurred and is continuing;

(b) There shall be on file with the City Clerk a certificate of an Engineer (as such term is defined in the Bond Ordinance) stating that the average annual Net Revenues for the period beginning with the first Fiscal Year following the earlier of (1) the date to which interest is capitalized or (2) the date of initial operation of the facilities to be financed and ending with the fifth full Fiscal Year after such date shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer; and

(c) There shall be on file with the City Clerk an opinion of the Engineer (as such term is defined in the Bond Ordinance) to the effect that;

(1) If the Contract Resource Obligation is to be utilized to supply power and energy, (A) the additional source of power and energy is sound from a power supply planning standpoint and is technically and economically feasible in accordance with prudent utility practice; and (B) the estimated cost is reasonable; or

(2) If the Contract Resource Obligation is to be utilized to supply transmission capability, (A) the transmission capability will be necessary within a reasonable time after the estimated date of commercial operation of the transmission facilities; and (B) the estimated cost is reasonable.

### **Future Parity Bonds**

The City may issue Future Parity Bonds payable from the Bond Fund on an equal lien with the 2017 Bonds and the Outstanding Parity Bonds and any Future Parity Bonds for:

(i) any lawful purpose of the City related to the Electric System, including acquiring, but not limited to, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, repairs, replacements and capital improvements to the Electric System, and

(ii) the purpose of providing funds, with any other available funds, for retiring at or prior to their maturity or maturities any or all of the outstanding Parity Bonds of any series or any reimbursement obligation made pursuant to a Parity Bond Ordinance, including the payment of any redemption premium thereon, and, if deemed necessary

by the City, for paying the interest to accrue thereon to the date fixed for their retirement and any expenses incident to the issuance of such Future Parity Bonds.

Future Parity Bonds may be issued in such denominations, bear interest at such fixed or variable rates payable on such dates and mature on such date or dates in such year or years as the City shall determine by ordinance. Future Parity Bonds may include Capital Appreciation Bonds, Deferred Income Bonds and Option Bonds.

The City may issue additional Future Parity Bonds only upon compliance with the following conditions:

A. Except as to Future Parity Bonds issued for purposes of (ii) immediately above, at the time of the issuance of those Future Parity Bonds, there is no deficiency in the Bond Fund, and no Event of Default has occurred and is continuing.

B. There shall be on file with the City Clerk either:

(i) A certificate of an appropriate financial officer of the City stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the authentication and delivery of the Future Parity Bonds then proposed to be issued were not less than 125% of the maximum Annual Debt Service in any future Fiscal Year on all outstanding Parity Bonds and the bonds then proposed to be issued, or (provided, that (x) in the event that any adjustment in the rates, fees and charges collected by the City for the services of the Electric System shall be effective at any time on or prior to the date of authentication and delivery of the Future Parity Bonds then proposed to be issued, such officer shall reflect in the certificate the Net Revenues he or she estimates would have been collected in such 12-month period if such new rates, fees, and charges had been in effect for the entire 12-month period, and (y) with respect to any Variable Interest Rate Bonds outstanding on the date such certificate is delivered, such officer shall estimate the debt service based upon such assumptions as such officer shall consider reasonable and set forth in such certificate),

(ii) A certificate of an Engineer stating that the average annual Net Revenues for the period beginning with the first Fiscal Year following the earlier of (x) the date to which interest has been capitalized, or (y) the date of initial operation of the facilities to be financed by such Future Parity Bonds, and ending with the fifth Fiscal Year after such date shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer or Certified Public Accountant in accordance with the Bond Ordinance.

C. If Future Parity Bonds are being issued for purposes of retiring outstanding Parity Bonds or any reimbursement obligation, the City Clerk shall have on file either:

(i) a certificate of an appropriate financial officer of the City showing that the maximum Annual Debt Service in any Fiscal Year thereafter shall not be increased by more than \$5,000 by reason of the issuance of such Future Parity Bonds, or

(ii) either of the certificates described under by paragraph B above. Such Future Parity Bonds shall not be delivered unless the proceeds of such Future Parity Bonds, together with any other money that has been made available for such purposes, and the principal of and the interest on the investment thereof, shall be sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, and the expenses incident to the issuance of such Future Parity Bonds.

### **Flow of Funds**

The City has covenanted under the Bond Ordinance to pay or cause to be paid all Revenues into the Revenue Fund as promptly as practicable after receipt thereof. The Revenues in the Revenue Fund are required by the Bond Ordinance to be held by the City in trust for the equal and ratable benefit of owners of the Parity Bonds and holders of reimbursement obligations ranking on a parity of lien with the Parity Bonds subject to application thereof in

accordance with the Bond Ordinance. The City is further required by the Bond Ordinance to hold the Revenue Fund separate and distinct from all other funds of the City.

The City by ordinance has previously created in the Revenue Fund two accounts to be known as the General Account and the Operating Account. The Revenues paid into the Revenue Fund shall first be credited to the General Account and thereafter applied and used only for the following purposes and in the following order of priority:

First, to make all payments required to be made into the Operating Account to pay Operating Expenses;

Second, to make all payments required to be made into the Interest Account in the Bond Fund for the payment of accrued interest on the next interest payment date;

Third, to make all payments required to be made into the Principal Account in the Bond Fund for the payment of the principal amount of Serial Bonds next coming due, and into the Bond Retirement Account in the Bond Fund for the mandatory redemption of Term Bonds;

Fourth, to make all payments required to be made pursuant to a reimbursement agreement in connection with a Qualified Letter of Credit, Qualified Insurance or other equivalent credit facility, unless such payments are contractually obligated to be paid under Third above, provided that if there is not sufficient money to make all payments under reimbursement agreements the payments will be made on a pro rata basis;

Fifth, to make all payments required to be made into the Reserve Account in the Bond Fund for the Parity Bonds;

Sixth, to make all payments required to be made into any special fund created to pay and secure the payment of any revenue bonds, warrants or other revenue obligations of the City having a lien upon Net Revenues and money in the Reserve Fund and accounts therein junior or inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds;

Seventh, to pay any taxes (or payments in lieu of taxes) upon properties or earnings of the Electric System payable to the City;

Eighth, to deposit into the Rate Stabilization Fund the amounts budgeted or appropriated to be deposited therein; and

Ninth, for any lawful purpose of the City related to the Electric System, including capital improvements to the Electric System.

### **Reimbursement Obligations**

In the event that the City elects to meet the Reserve Account Requirement as to any issue of Parity Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.

In the event that the City elects additionally to secure any issue of Option Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds; provided that the payments due under such reimbursement agreement are such that if such reimbursement obligation were a series of Future Parity Bonds, such bonds could be issued in compliance with the applicable provisions of the Bond Ordinance. See "Future Parity Bonds," above.

## **Subordinate Obligations**

The Bond Ordinance permits the Electric System to incur debt obligations which are payable from Revenues, after the payment of Operating Expenses, on a basis junior and subordinate to the Parity Bonds. The City adopted a master bond ordinance in 2015 (the “Master Subordinate Ordinance”) authorizing and setting forth the terms and provisions of Subordinate Revenue Bonds of the Electric System (“Subordinate Obligations”). The terms of the Master Subordinate Ordinance are substantially similar to the Bond Ordinance.

Pursuant to the Master Subordinate Ordinance, the City entered into two agreements in 2015 with separate banks providing for the issuance of Subordinate Obligations – the first is intended as a short-term borrowing facility, and the second as a standby liquidity facility. The first facility with Wells Fargo Bank is in an authorized maximum principal amount at any time outstanding of \$100,000,000. The second facility with Key Bank is in an authorized maximum principal amount at any time outstanding of \$50,000,000. The outstanding balance under the first facility as of December 31, 2016, was \$80,250,000, a portion of which is to be refinanced from proceeds of the 2017 Bonds. See “PURPOSE AND APPLICATION OF 2017 BOND PROCEEDS.” The City has not drawn on the second facility and does not expect to unless exigent circumstances were to arise.

## **Permitted Investments**

Money held in the Revenue Fund, the Rate Stabilization Fund, the Construction Fund and the Bond Fund (and the accounts therein) may be invested in Permitted Investments, as defined in Appendix A. For a description of the funds and accounts created by the Bond Ordinance, see Appendix A.

## **Derivative Products**

The City may enter into Derivative Products on a parity with the Parity Bonds upon complying with certain conditions. See Appendix A—“SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND ORDINANCE—Derivative Products.” At this time the City has no Derivative Products.

## **Contingent Payment Obligations**

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation by the City to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events beyond the direct control of the City. These agreements may include interest rate swaps and other similar agreements, agreements with respect to the delivery of electric energy or other energy, letter of credit agreements, and other financial and energy hedging transactions. Such contingent payments or posting of collateral may be conditioned upon the future credit ratings of the City and/or other parties, maintenance by the City of specified financial ratios, future changes in energy prices, and other factors. The amount of any such payments or posting of collateral could be substantial. Some such payments may be characterized as Operating Expenses, and thus may be payable from Revenues prior to the payment of debt service on the Parity Bonds. Other such payments may be payable on a parity with debt service on the Parity Bonds, including any “scheduled and specified payments” with respect to Derivative Products. The City has entered into an agreement with the Bonneville Power Administration (“BPA”) that includes such contingent payment obligations. The agreement includes obligations on the part of the City to post collateral or a letter of credit contingent upon the occurrence or nonoccurrence of certain future events, such as credit rating downgrades. The City may enter into future agreements with such requirements. See Appendix A—“SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND ORDINANCE—Derivative Products” and “POWER SUPPLY RESOURCES AND COST OF POWER—Long-Term Purchases of Power Supply—BPA Purchases.”

## **Additional Terms of the Bond Ordinance[; Springing Amendments]**

The Bond Ordinance sets forth provisions related to amending the Bond Ordinance, with and without the consent of owners of Parity Bonds, and provisions related to the rights and responsibilities of a Bondowners Trustee. See Appendix A for a summary of certain provisions related amendments, the Bondowner Trustee, and other terms of the 2017 Bonds.

[revise to reflect the nature of any springing amendments included in the Bond Ordinance, if there will be any] The Bond Ordinance also includes including certain springing provisions that will take effect after the 2010 Bonds [and] the 2013 Bonds are no longer outstanding. The outstanding 2010 Bonds and 2013 Bonds have final maturity dates of January 1, 2035 and January 1, 2042, respectively. The City retains the right at any time to defease and/or redeem the outstanding 2010 Bonds and 2013 Bonds. As a result, the springing amendments contained in the Bond Ordinance may become effective while the 2017 Bonds are outstanding. By purchase of the 2017 Bonds, the owners of the 2017 Bonds shall be deemed to have consented to these springing amendments.] ]

## **THE CITY**

The City of Tacoma was incorporated in 1884 and utilizes the council-manager form of government. The administration of the City's affairs is governed by the City's Charter, pursuant to which the City has relatively broad powers. The City Council is the legislative body of the City. The City Council is composed of a Mayor and eight Council Members, five of whom are elected from districts which have been apportioned according to population. The three remaining positions are "at large" positions, nominated and elected City-wide. The Council Member positions are four year terms with overlapping terms to allow for the election of four Council Members every two years. The Mayor is elected City-wide for a four year term and is the presiding officer of the City Council. Council Members, including the Mayor, can serve no more than 10 consecutive years as a member of the City Council, Mayor or combination thereof.

The City Council appoints a City Manager who is the chief executive officer of the City. The City Manager is responsible to the City Council for the administration of all departments of the City with the exception of the Department of Public Utilities.

The City Manager appoints a Finance Director who supervises the financial and purchasing functions of the City, including the City's accounting system. The Finance Director is responsible for preparing the City's Comprehensive Annual Financial Report ("CAFR") in accordance with generally accepted accounting principles applicable to governmental entities such as the City and in compliance with requirements of the State Auditor's Office. The Finance Director is responsible for the payment of principal and interest on all bonds issued by the City, including the Parity Bonds.

The City Manager appoints a City Treasurer who is responsible for the receipt, custody and disbursement of all City funds, including funds of Tacoma Power. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by law and by the Finance Director. The Government Performance and Finance Committee, composed of the Mayor and three council members, is responsible for the financial management and policies of the City.

## **THE DEPARTMENT OF PUBLIC UTILITIES-TACOMA POWER**

### **Overview**

The City Charter provides for a Department of Public Utilities (the "Department") governed by a five member Public Utility Board (the "Board"). The Board is responsible for general utility policy, and its members are appointed by the Mayor and confirmed by the City Council. The Department's budget is presented to the Board for review and approval and then forwarded to the City Council for approval and inclusion in the City's budget. The Board meets twice monthly.

The Department consists of the Light Division ("Tacoma Power"), Water Division ("Tacoma Water"), and Belt Line Railroad Division ("Tacoma Rail"). The Board has supervision and control over most Department business. In the case of budgets, rates, bond issues, and additions and betterments to a utility system and system expansions, actions approved by the Board must also be approved by the City Council.

The Board appoints the Director of Utilities who is the chief executive officer of the Department. The Board must evaluate the performance of the Director annually and reappoint the Director every two years subject to

reconfirmation by the City Council with the next reconfirmation scheduled for 2017. The Director, with the concurrence of the Board, has the power to appoint division superintendents.

Utility rates and charges are initiated by the Board and adopted by the City Council, and are not subject to review or approval by any other governmental agency.

The City Charter provides that the revenues of utilities owned and operated by the City shall never be used for any purposes other than the necessary operating expenses thereof, including a reasonable gross earnings tax imposed by the City Council for the benefit of the general fund of the City, interest on and redemption of the outstanding debt thereof, the making of additions and betterments thereto and extensions thereof, and the reduction of rates and charges for supplying utility service to consumers. The funds of any utility may not be used to make loans to or purchase the bonds of any other utility, department, or agency of the City. See “Taxes Imposed on Tacoma Power”.

### **Tacoma Power - General**

Tacoma Power is organized into six business units:

- **Generation** operates and maintains Tacoma Power’s four hydroelectric generating projects (Cowlitz, Cushman, Nisqually and Wynoochee) and the associated recreational facilities, fish hatcheries and other project lands.
- **Power Management** manages, schedules and directs the power supply portfolio which includes Tacoma Power-owned generation and power supply contracts. Power Management markets bulk and ancillary power supply services, performs power trading activities, plans for and acquires conservation resources, and is responsible for compliance with various state, regional and federal regulatory mandates.
- **Transmission and Distribution** plans, constructs, operates and maintains the transmission and distribution systems including substations, the underground network system, revenue metering facilities and all overhead transmission and distribution systems.
- **Rates, Planning and Analysis** plans for and manages the retail rate process, financial planning activities, operations and capital budget development and monitoring, strategic asset management, construction project management, strategy management, and energy risk management analysis and modeling.
- **Click! Network** plans, constructs, operates and maintains a hybrid fiber coaxial (“HFC”) telecommunications network that supports the operation of Tacoma Power’s electrical transmission and distribution system, provides retail cable TV, and wholesale high-speed Internet and data transport services to resellers.
- **Utility Technology Services** (“UTS”) addresses existing and emerging technology requirements essential to managing Tacoma Power’s computing systems. This includes supporting and enhancing utility system operations, communications, metering, cyber security, relevant smart grid applications, and the information technology strategic planning. UTS unifies the planning, design, deployment and maintenance of operational computer systems, system interfaces and communication infrastructure used by Tacoma Power to sustain and improve system reliability and security. UTS is responsible for all matters related to Tacoma Power’s compliance with the North American Electric Reliability Corporation (“NERC”) Reliability Standards and manages Tacoma Power’s Internal Reliability and Compliance Program.

Tacoma Power, which served an average of approximately 176,784 customer accounts in 2016, is one of the largest municipally-owned utilities in the Pacific Northwest. In 2016, it had 838 employees and operating revenues of approximately \$418.6 million. Tacoma Power was formed in 1893 when the City purchased the water and electric utility properties of the former Tacoma Water and Light Company. Tacoma Power is the fourth largest municipally-owned power utility in the State. In 1912, the City constructed its first hydroelectric generation facility on the Nisqually River. Since then it has acquired generating capacity to meet the growing needs of its customers through a variety of arrangements. In 2016 the four hydroelectric generating projects owned by Tacoma Power produced approximately 42% of Tacoma Power’s resource portfolio. Tacoma Power’s remaining power supply is purchased pursuant to power purchase contracts and market purchases. See “POWER SUPPLY RESOURCES AND COST

OF POWER.” Tacoma Power owns and operates 351 miles of transmission facilities and 2,014 miles of distributions lines to serve its retail loads and provides wholesale transmission to ten small utilities. See “TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE.”

The following table summarizes selected operating and financial data regarding Tacoma Power as of December 31, 2016.

**Tacoma Power**  
**Selected Operating and Financial Data**  
**Calendar Year 2016**

Average Number of Customer Accounts .....	176,784
Energy Sales in Megawatt-Hours (Retail) .....	4,627,528
Operating Revenues .....	\$418,614,388
Gross Investment in Utility Plant .....	\$2,004,204,782
Net Investment in Utility Plant .....	\$1,033,409,064
Total Municipal Equity .....	\$821,995,693
Net Current Assets .....	\$289,162,319
Ratio of Current Assets to Current Liabilities .....	4.0:1.2
Long-Term Debt to Total Capitalization <sup>(1)</sup> .....	35.76%
Parity Bond Debt Service Coverage .....	2.94x

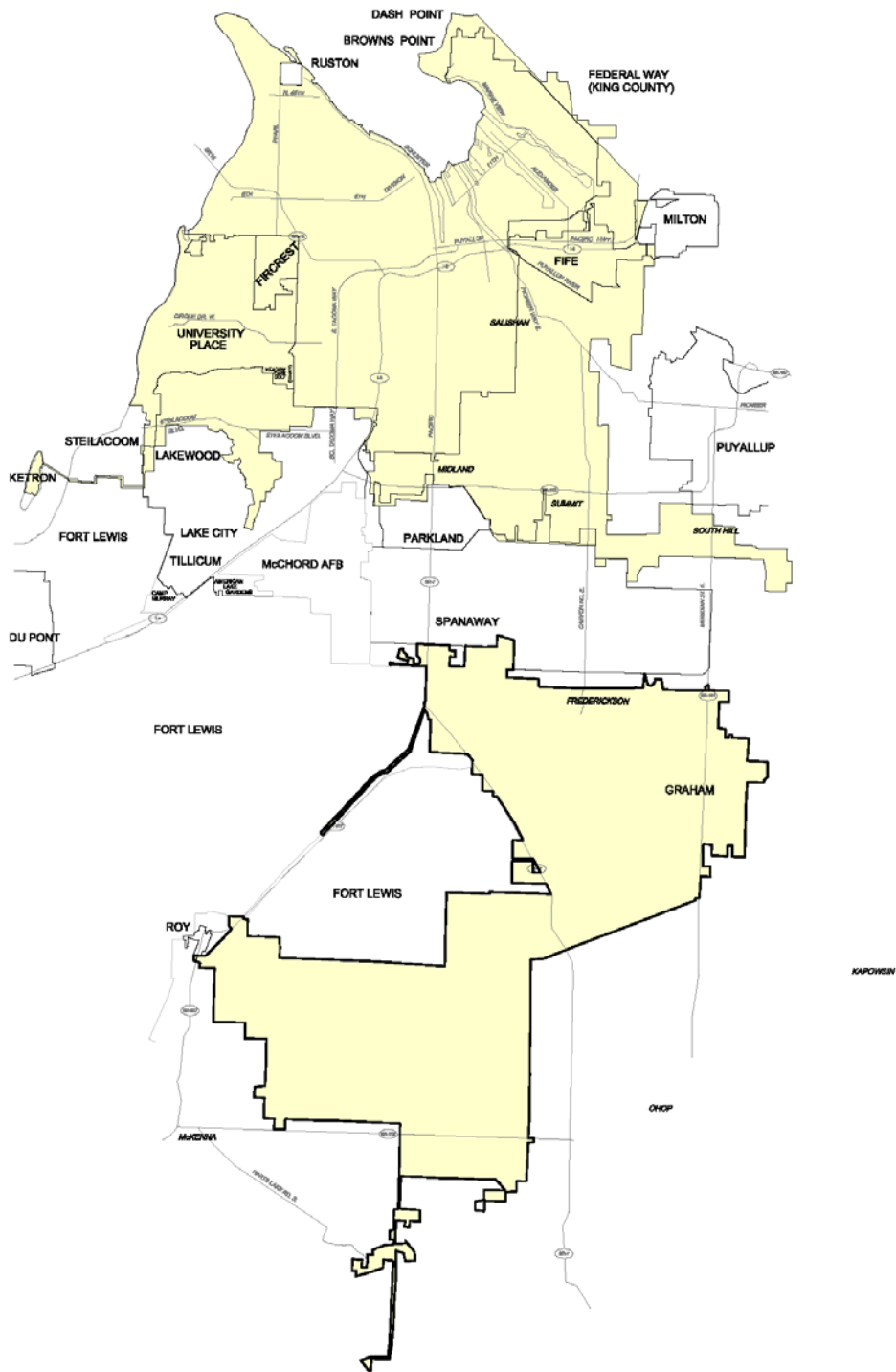
(1) Ratio of long-term debt to long-term debt plus equity.

Source: City of Tacoma

**Service Territory and Map**

Tacoma Power’s service area consists of approximately 180 square miles, including the entire 43 square miles comprising the City of Tacoma. Tacoma Power provides electric service within its service area and indirectly serves other portions of the Tacoma metropolitan area through sales to Joint Base Lewis-McChord, the Town of Ruston and several other customers. The area that bounds Tacoma Power’s service area is served by several cooperative utility companies, two municipal utilities, and Puget Sound Energy Company. The City Charter prohibits the City Council from granting any franchise to sell or supply electricity within the City as long as the City is engaged in supplying electricity. Click! Network currently provides a variety of commercial telecommunications services to the electric customers of Tacoma Power within the cities of Tacoma, University Place, Fircrest, Lakewood and Fife and portions of unincorporated Pierce County under agreements between those jurisdictions and Tacoma Power. A map showing Tacoma Power’s service area follows.

# TACOMA POWER SERVICE AREA



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## Strategic Plan

Tacoma Power's principal planning objective is to ensure that the utility has sufficient power supplies to meet customer demand. Given its reliance on hydro-based generating resources, Tacoma Power plans based on adverse water conditions to preserve available power supply, even in unusual periods of low precipitation. This conservative planning approach at times provides Tacoma Power with a power supply in excess of demand. This benefits the utility because this additional energy is sold into the wholesale power market at a price typically in excess of the cost to acquire or generate it. Power that is sold into the wholesale market offsets the revenue the utility needs to recover from its retail customers.

Tacoma Power is committed to providing low cost, environmentally responsible and reliable electricity service. This commitment is grounded by the utility's long-standing strategy of managing and maintaining a power supply portfolio with significant hydroelectric generation, both owned by the utility and committed to the utility under long-term contracts.

## Security Issues

In addition to security as mandated by NERC Critical Infrastructure Protection standards (see "TRANSMISSION, DISTRIBUTION AND TELECOMMUNICATIONS INFRASTRUCTURE—Transmission Reliability"), Tacoma Power uses best practices for securing utility operational networks and systems. These practices include isolating command and control systems from the Internet; network surveillance; and overseeing physical access. Tacoma Power has defined processes, measures and controls that guard the reliability of its systems and protect it from cyber threats.

## Management

Brief descriptions of the backgrounds of key officials of the Department and Tacoma Power follow.

**William A. Gaines**, Director of Utilities, assumed his position in October 2007, after serving as Superintendent/Chief Operating Officer of Tacoma Power for a year. Mr. Gaines, an experienced executive with approximately 36 years in the utility industry, came to Tacoma Power from Seattle City Light, where he served as Power Supply and Environmental Affairs Officer and as Power Management Executive. He spent much of his career as an executive officer at Puget Sound Energy, where he served as Vice President for Engineering and Contracting and as Vice President for Energy Supply. Mr. Gaines is active in regional industry groups including the Public Power Council, Pacific Northwest Utilities Conference Committee and Western Systems Power Pool (WSPP), and sits on the Board of the Tacoma/Pierce County Chamber of Commerce and the Pierce County Economic Development Board. Mr. Gaines received a B.S. degree in Electrical Engineering from Washington State University and an M.B.A. from the University of Puget Sound. He also attended the executive development program at Stanford University.

**Chris Robinson**, Superintendent/Chief Operating Officer, assumed his position in May 2015. He joined Tacoma Power in 2001 and became Power Manager in April 2010, after having previously served as Assistant Power Section Manager of Energy Resource Planning. Prior to his tenure with Tacoma Power, Mr. Robinson worked with various electrical utility clients as a private-sector consultant. He received his M.S. in Resource Economics from the University of Maine, and his B.A. in Economics and B.A. in Political Science from Rutgers University.

**Dolores Stegeman**, Transmission and Distribution Manager, joined the City in 1991 as a civil engineer working in the Power Management group. Prior to her appointment in Transmission & Distribution, she held a variety of positions in Resource Operations and Trading, including assistant manager, analyst and scheduler. Dolores has modeled river flows and reservoir levels, generated operations and financial reports and represented Tacoma Power in legal cases as high as the federal level. Dolores was appointed interim Transmission & Distribution manager in 2013, and permanently appointed in 2014. She received her B.S. in Civil Engineering from St. Martin's University and her M.B.A. from the University of Washington.

**Chris Mattson**, Chris Mattson assumed the position of Generation Manager at Tacoma Power in 2017. Mr. Mattson joined Tacoma Power in 1995 and served in various engineering positions before becoming Production Engineering Manager in 2012. He received his B.S. and M.S. in Electrical Engineering from the University of Washington and is a registered Professional Engineer.

**Clay Norris**, Power Manager, joined Tacoma Power as Power Manager in June of 2015. Previously, Mr. Norris served as Director of Stakeholder Relations at the Northwest Energy Efficiency Alliance, Division Director of Power Resources at Eugene Water and Electric Board, Senior Vice President of Planning and Marketing at ElectriCities of North Carolina, and in various roles at Illinois Power. He received a M.B.A. from the University of Illinois - Springfield, a B.S. in Electrical Engineering from Missouri University of Science and Technology, and a B.A. in Math and Physics from Illinois College.

**Tenzin Gyaltsen**, Click! Network General Manager, assumed his current position in October 2011. He was previously employed at the City of San Bruno, California, for eight years, serving as its Cable Television Director. Prior to that Mr. Gyaltsen held operations management positions at Charter Communications, Inc. and at Fanch Communications, Inc. He has over 20 years of experience in the cable telecommunications industry. Mr. Gyaltsen received a B.S. degree in Accounting from Metropolitan State College of Denver and an M.B.A. from the University of Colorado at Denver.

**John Lawrence**, Utility Technology Services Manager, was appointed to his current position in 2012. He joined Tacoma Power in 1987, and in 2009 accepted the role of leading Tacoma Power's Reliability and Compliance office. In 2012, Tacoma Power combined Smart Grid and Reliability and Compliance business units into one section called Utility Technology Services which is now led by Mr. Lawrence. Since 1998, he has held positions as Assistant Transmission and Distribution Manager of Construction and Maintenance, Assistant Transmission and Distribution Manager of Planning and System Operations, and interim Transmission and Distribution Manager. Mr. Lawrence has 36 years of experience in the Transmission and Distribution Electrical industry and is a graduate of Willamette University's Graduate School of Management's Utility Management program.

**Bill Berry**, Rates, Planning and Analysis Manager, assumed his current position in 2012. He was previously employed at the San Francisco Public Utilities Commission as Assistant General Manager for Business Services with responsibility for Customer Service, Finance, Information Technology Services, Human Resources, and Commercial Land Management. Earlier in his career, Mr. Berry served as Vice President for Corporate Finance with the New York Power Authority and also as a Senior Vice President in the Public Power and Water group at Lehman Brothers. He received his B.A. in Political Science from Williams College.

## **Labor Relations**

Tacoma Power has approximately 833 employees, of which 530 are represented by unions. The majority of employees are represented by the International Brotherhood of Electrical Workers (IBEW) Local 483, one of twelve labor organizations that represent City employees. The current three-year agreement for the Tacoma Power collective bargaining unit expired on March 31, 2017. The terms of the prior agreement remain in effect for one year after the expiration date while negotiations for a successor contract are underway. Tacoma Power has experienced only one limited labor stoppage since 1974, a 15-day work stoppage by a clerical unit in 1992. Management of Tacoma Power promotes responsive and respectful labor relations that are beneficial both to its business operations and to its employees.

## **ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES**

### **Tacoma Power Customers**

Tacoma Power serves six classes of retail electricity customers: Residential; Small General; General, including other industrial and large commercial customers; High Voltage General; Contract Industrial, comprised of two large industrial customers; and Other (principally municipal). Tacoma Power's relatively low-cost resource base and its

access to preference power from BPA permit the rates it charges to be lower than almost all Western Washington investor-owned and municipally-owned utilities. See the table entitled “Comparative Monthly Electric Bills” under “Rates” below.

**Residential Customers.** In 2016, Tacoma Power supplied electric energy to 157,540 residential customer accounts with a total usage of 206 aMW (39% of total retail sales). Tacoma Power received approximately \$152.8 million in revenue (47.7% of total retail revenues) from this class in 2016. The following table provides billing history for the residential class.

**Tacoma Power  
Summary of Residential Usage—2012-2016**

Year	Number of Customer Accounts	MWh Billed (1000 kWh)	Revenue	Annual kWh per Customer	Annual Revenue per Customer	Average Annual Cost (cents per kWh)
2012	150,306	1,891,357	\$140,108,770	12,583	\$932	7.41
2013	152,633	1,906,519	\$148,479,187	12,491	\$973	7.79
2014	153,541	1,846,972	\$149,751,516	12,029	\$975	8.11
2015	155,496	1,757,385	\$147,936,446	11,302	\$951	8.41
2016	157,540	1,810,757	\$152,830,273	11,494	\$970	8.44

Source: Tacoma Power

**Small General Customers.** Small non-residential customers, including retail, restaurant and other small businesses, consumed 36 aMW (6.8% of total retail sales) in 2016 and accounted for \$27.7 million in revenues (8.6% of total retail revenues). There were 15,688 Small General customers in 2016.

**General Customers.** This class includes medium and large commercial and industrial users. Tacoma Power had 2,634 General customers in 2016. Total retail sales for the group were approximately 175.8 aMW (33.4% of total retail sales) in 2016 and accounted for approximately \$98 million in revenues (30.6% of total retail revenues).

**High Voltage General Customers.** Tacoma Power serves two military bases and four industrial companies as the High Voltage General customer class. This class includes the Fort Lewis Army Post and the McChord Air Force Base, now known as Joint Base Lewis-McChord. All customers in this class are served at transmission level voltage. In 2016, Fort Lewis Army Post used 29.7 aMW and McChord Air Force Base used 8.8 aMW of electrical energy, ranking them among Tacoma Power’s ten largest retail customers. Total sales in 2016 for the High Voltage General class were approximately 46.9 aMW (8.9% of total retail sales) and \$17.9 million (5.6% of total retail revenues), of which the two military bases accounted for 38.5 aMW (7.3% of total retail sales) and \$14.3 million (4.5% of total retail revenues).

**Contract Industrial Customers.** Tacoma Power currently serves two Contract Industrial customers that together accounted for 11% of retail energy sales and 6.7% of retail revenue in 2016. One of these customers manufactures paper products and the other industrial gases. These customers are served under contracts that specify contract demand quantities and include notice provisions for changes in these quantities.

**Other Customers.** Tacoma Power’s other electricity customers primarily consist of street lighting, traffic signals, and private off-street lighting. In 2016, there were 914 customers in this class with consumption of 4.4 aMW and \$2.7 million in revenues.

**Largest Customers.** The following table lists Tacoma Power’s 10 largest electric system customers based on revenue in descending order of percentage of revenues. In 2016, these 10 customers accounted for approximately 17% of revenues and 24.9% of retail energy sales. No single customer represents more than 9% of Tacoma Power’s load. See “High Voltage General Customers” and “Contract Industrial Customers.”

**Tacoma Power's 10 Largest Electric System Customers—2016**

<u>Customer</u>	<u>Business Description</u>	<u>Percent of Retail Revenue</u>
Westrock CP LLC*	Pulp and Paper	5.0%
Fort Lewis Army Post	Military Base	3.5
Praxair*	Industrial Gases	1.7
City of Tacoma	Government	1.4
McChord Air Force Base	Military Base	1.0
Tacoma School District	Education	1.0
Multicare Health System	Healthcare	1.0
Pierce County	Government	0.9
U.S. Oil & Refining	Oil Refining	0.7
Puyallup Tribe of Indians	Government	0.7
Total		16.9%

\*Contract Industrial customers.

Source: Tacoma Power

## Energy Sales and Revenues

The following table shows Tacoma Power's electric system customers, energy sales and revenues for the period 2012 through 2016. Historical annual total energy sales, excluding contractual sales for resale, in the period 2012-2016 averaged 4.7 million MWh. The table does not include revenues from Click! Network.

<b>Tacoma Power</b>					
<b>Customers, Energy Sales and Revenues from Electric Sales<sup>(1)</sup></b>					
	2012	2013	2014	2015	2016
<b>Average Number of Customer Accounts</b>					
Residential	150,306	152,633	153,541	155,496	157,540
Small General <sup>(2)</sup>	15,079	15,248	15,361	15,488	15,688
General <sup>(3)</sup>	2,751	2,728	2,731	2,670	2,634
High Voltage General <sup>(4)</sup>	6	6	6	6	6
Contract Industrial <sup>(5)</sup>	2	2	2	2	2
Other <sup>(6)</sup>	864	889	890	897	914
Total Customers	169,016	171,506	172,531	174,558	176,784
<b>Energy Sales (MWh)</b>					
Residential	1,891,357	1,906,519	1,846,972	1,757,385	1,810,757
Small General <sup>(2)</sup>	306,835	311,846	315,888	309,650	316,086
General <sup>(3)</sup>	1,539,352	1,543,321	1,561,200	1,553,902	1,541,704
High Voltage General <sup>(4)</sup>	467,930	463,730	451,539	421,453	411,578
Contract Industrial <sup>(5)</sup>	504,874	543,450	516,644	507,201	508,674
Other <sup>(6)</sup>	37,940	37,895	37,695	37,757	38,729
Subtotal	4,748,287	4,806,761	4,729,936	4,587,347	4,627,528
<b>Sales for Resale</b>	3,136,927	2,244,963	2,842,694	1,917,685	2,731,076
Total Energy Sales	7,885,214	7,051,724	7,572,632	6,505,032	7,358,604
<b>Revenue From Energy Sales</b>					
<b>Retail Sales:</b>					
Residential	\$140,108,770	\$148,479,187	\$149,751,516	\$147,936,446	\$152,830,273
Small General <sup>(2)</sup>	23,499,735	25,110,481	26,594,512	26,956,060	27,703,400
General <sup>(3)</sup>	85,531,256	90,073,119	95,711,871	97,745,514	98,041,673
High Voltage General <sup>(4)</sup>	18,410,083	19,283,029	19,333,330	18,628,248	17,892,033
Contract Industrial <sup>(5)</sup>	18,870,807	19,804,613	21,150,771	21,356,911	21,462,712
Other <sup>(6)</sup>	2,330,455	2,436,472	2,502,840	2,582,638	2,653,140
Subtotal Retail Sales	\$288,751,106	\$ 305,186,903	\$ 315,044,840	\$ 315,205,817	\$ 320,583,231
Change in Unbilled <sup>(7)</sup>	\$ 4,615,802	\$ 1,651,808	\$ (666,186)	\$ 677,091	\$ (840,476)
Sales for Resale: <sup>(8)(9)(10)</sup>	\$ 53,532,081	\$ 64,210,259	\$ 82,796,740	\$ 50,380,147	\$ 54,506,535
Total Revenue From Energy Sales	\$346,898,989	\$371,048,970	\$397,175,394	\$366,263,055	\$374,249,290

(1) Years ending December 31. Totals may not add due to rounding.

(2) Small commercial.

(3) Medium and large commercial and industrial.

(4) Industrial customers and military bases served at transmission level voltage.

(5) Contract industrial customers served at transmission level voltage.

(6) Street Lighting and Traffic Signals and Private Off-Street Lighting.

(7) Change from year-to-year in the amount of electric service consumed but not yet billed as of year-end. The unbilled revenue is an estimate based on the number of bills sent out in November and December. The number of bills sent out fluctuates due to inclement weather conditions, meter reading assignments, and information technology related items.

(8) Sales for Resale: 2012 through 2014 water conditions were well above normal, and 2015 through 2016 water conditions were near normal; but all years reflect lower secondary market prices.

(9) See "POWER SUPPLY RESOURCES AND COST OF POWER—Wholesale Energy Market Purchases and Sales."

(10) This amount is not reduced by the transfer in the Financial Statements to the Rate Stabilization Account in the amounts of \$12,000,000 in 2012.

Source: Tacoma Power

## Electric Rates

Unlike investor-owned utilities that can charge rates to recover costs plus a return earned by the investors, Tacoma Power is a municipal utility that establishes rates to only recover costs. Tacoma Power establishes rates with the goal of minimizing rate impacts to customers while maintaining the safety and reliability of the power system. Tacoma Power has been able to maintain low rates in comparison to State and national averages, while at the same time providing electric service revenues covering all operating and maintenance expenses, debt service and a portion of capital additions and improvements made to the Electric System. The rates are established by the Public Utility Board and are subject to approval by the City Council.

Tacoma Power's rates and charges are free from the jurisdiction and control of the Washington Utilities and Transportation Commission and Federal Energy Regulatory Commission ("FERC"). Rates generally are set to provide revenues sufficient to pay a 3.8734% tax levied on Tacoma Power's gross revenues by the State and a 7.5% (8% for Click! Network) tax levied on Tacoma Power's gross revenues by the City, the latter of which is payable on a basis subordinate to debt service on Parity Bonds. See "SECURITY FOR THE 2017 BONDS—Flow of Funds."

Tacoma Power's services, including rates for those services, are designed to meet customer needs and provide the flexibility needed to respond to changing conditions in the electric utility industry. The rate setting policy provides that rates for new non-traditional energy-related services may be set at times other than the general rate-setting process. In 2000, Tacoma Power launched Evergreen Options, a green power program that offers customers the opportunity to support renewable power. In 2002, the State began requiring all but very small utilities in the State to offer green pricing programs for retail customers. Tacoma Power's Evergreen Options program complies with this law. The program is currently supplied by renewable energy credit purchases from Bonneville Environmental Foundation and 3Degrees. Starting late in 2017, revenue from the Evergreen Options voluntary program will also fund financial grants to nonprofit entities for the construction of local renewable energy projects.

Costs that Tacoma Power incurs to provide services are recovered primarily through the rates it charges to its customers. Services or rates designed to meet the needs of one group of customers are required to be accomplished without negative impacts to other Tacoma Power customers. Since 2012, Tacoma Power has had the rate and surcharge increases listed in the following table.

### Rate Adjustments and Surcharges

Date	Average Rate Adjustment
April 1, 2012	5.8%
April 1, 2013	4.2%
April 1, 2014	4.2%
April 1, 2015	3.0%
April 1, 2016	0.0%
April 1, 2017	5.9%
April 1, 2018	5.9%

*Source: Tacoma Power*

The average revenue per kWh sold and average monthly bills at selected consumption levels for typical residential, commercial and industrial customers of Tacoma Power, based on rates presently in effect, are shown below. In addition, both revenue and bill information representing a typical load factor for a Contract Industrial customer is presented.

**Tacoma Power**  
**Typical Revenue and Monthly Bills**  
**at Selected Usage Levels**

	Average Revenue (cents per kWh)	Monthly Bill
<u>Residential</u> <sup>(1)</sup>		
500 kWh per month	10.4¢	\$ 56
1,000 kWh per month	9.0	96
2,000 kWh per month	8.4	176
<u>Small General</u> <sup>(2)</sup>		
7,500 kWh per month (30 kW)	8.1¢	\$ 617
12,300 kWh per month (49 kW)	8.0	997
<u>General</u> <sup>(3)</sup>		
200,000 kWh per month (500 kW)	6.3¢	\$ 13,249
400,000 kWh per month (1,000 kW)	6.3	26,436
1,800,000 kWh per month (5,000 kW)	6.5	122,972
<u>High Voltage General</u> <sup>(4)</sup>		
912,500 kWh per month (5,000 kW at 25% load factor)	6.4¢	\$ 63,283
11,497,500 kWh per month (21,000 kW at 75% load factor)	4.7	580,584
<u>Contract Industrial</u> <sup>(5)</sup>		
26,280,000 kWh per month (40,000 kW at 90% load factor)	3.7¢	\$1,045,751

- (1) Rates in the City based on 4.24 cents per kWh for energy, 3.44 cents per kWh for delivery, and a basic monthly charge of \$13.50 per customer (not including collectively metered apartments).
- (2) Rates in the City based on 4.35 cents per kWh for energy, 3.46 cents per kWh for delivery, and a basic monthly charge of \$20.75 per customer (not including unmetered services).
- (3) Rates based on 4.30 cents per kWh for energy, \$7.96 per kW for delivery and a basic monthly charge of \$56 per customer.
- (4) Transmission level voltage rates based on 3.83 cents per kWh for energy, \$4.51 per kW for delivery and a basic monthly charge of \$850 per customer.
- (5) Tacoma Power currently serves two large Contract Industrial customers under specific contracts established to meet those customers' needs. Contract Industrial rates are based on 3.07 cents per kWh for power supply energy, \$4.33 per kW for power supply demand, \$4.00 per kW for delivery and a basic monthly charge of \$1,870 per customer.

Source: Tacoma Power



A table comparing monthly electric bills (for selected customer classifications and usage levels) of major public and private utilities to those of Tacoma Power is shown below. The amounts shown are based on specific rate schedules for each utility.

	Comparative Monthly Electric Bills <sup>(1)</sup> As of April 16, 2017						System Average Rates As of Year End 2016
	Residential		Small General <sup>(2)</sup>		General <sup>(2)</sup>		System Average
	(1,000 kWh)	(2,000 kWh)	(10 kW, 2,000 kWh)	(10 kW, 2,000 kWh)	(150 kW, 50,000 kWh)	(150 kW, 50,000 kWh)	(cents/kWh)
	Summer Season	Winter Season	Summer Season	Winter Season	Summer Season	Winter Season	
<b>Tacoma Power</b>	<b>\$ 90</b>	<b>\$167</b>	<b>\$177</b>	<b>\$177</b>	<b>\$3,398</b>	<b>\$3,398</b>	<b>6.09</b>
Other Northwest Municipalities:							
City of Eugene, OR	109	210	235	235	4,292	4,292	8.33
City of Seattle, WA	118	238	194	194	4,054	4,054	7.29
Washington State Public Utility Districts:							
Clark Public Utilities	94	175	179	179	3,264	3,529	7.79
Cowlitz County	89	160	199	199	3,887	3,887	7.62
Grant County <sup>(3)</sup>	66	114	122	122	2,074	2,074	4.05
Lewis County	87	144	165	165	2,886	2,886	5.70
Snohomish County	103	205	189	189	4,308	4,308	7.88
Private Companies: <sup>(3)(4)</sup>							
Pacific Power <sup>(5)</sup>	100	215	218	218	4,530	4,530	7.63
Portland General Electric	125	257	243	243	4,509	4,509	9.30
Puget Sound Energy	183	371	227	233	4,846	5,347	9.29
Avista Utilities <sup>(5)</sup>	97	212	269	269	5,610	5,610	8.83

(1) Computed from the rate schedules provided by the utilities listed. There are some variations in rate schedules and rate classification of the various utilities.

(2) Assumes power delivered is three-phase where available. Delivery voltage varies.

(3) Includes an effective 6% tax levied by a city or town for comparison purposes only. Actual taxes for municipalities may vary from this

(4) Residential bills include credits under BPA's Residential Exchange Program.

(5) Based on rates applicable in the State of Washington.

Source: Tacoma Power and individual utilities

## POWER SUPPLY RESOURCES AND COST OF POWER

### Power Supply Overview

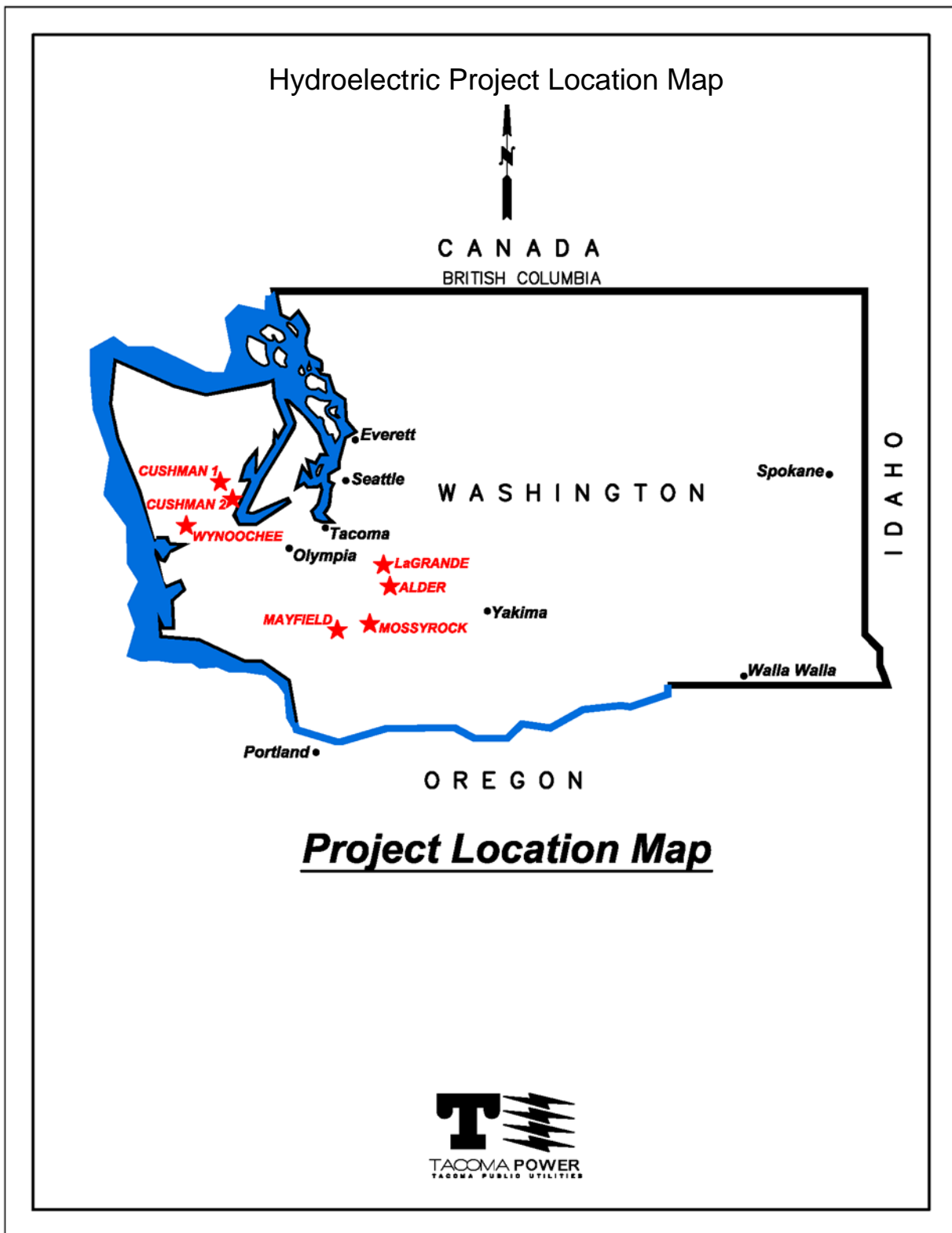
Tacoma Power's power supply portfolio is made up of generating facilities owned by Tacoma Power and power supply contracts with BPA, Columbia Basin Hydro Power ("CBHP") and Grant County Public Utility District No. 2 ("Grant PUD"). See "2016 Tacoma Power Resources" table below. Tacoma Power generating facilities do not include natural gas or coal fired facilities.

Tacoma Power's owned hydroelectric resources provided approximately 42% of the utility's total energy supply in 2016. These resources provide a stable, low-cost base for Tacoma Power's portfolio. The reservoirs at the hydroelectric projects have significant storage capacity, which enables Tacoma Power to manage flow releases to maximize the value of hydroelectric generation. Tacoma Power participates in the wholesale market to match resources to its customer loads. For 2016, the cost at which Tacoma Power's own hydroelectric resources and purchased resources provided energy averaged approximately 0.99 cents per kWh. See "2016 Tacoma Power Resources" table below.

Tacoma Power's largest long-term contract is with BPA, which provided 433 aMW in 2016 (approximately 51% of the total portfolio). In December 2008, Tacoma Power signed a new long-term contract with BPA beginning October 2011 and running through September 2028. The energy provided under this contract varies with river flows and can range from 400 aMW to 550 aMW per year (based on 80 years of historical inflow data). The cost of this energy can vary annually based upon the amount of energy received and as a result of BPA rate changes. If Tacoma Power's load forecast drops, the amount of purchases from BPA correspondingly declines. Other long-term contracts and short-term purchases provided the rest of Tacoma Power's supply resources in 2016.

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Below is a map showing the locations of Tacoma Power's hydroelectric projects.



## **Integrated Resource Plan**

Every two years Tacoma Power prepares or updates an Integrated Resource Plan (“IRP”). The IRP considers Tacoma Power’s current and projected balance of loads and resources based on a detailed assessment of demand forecasts; existing supply and transmission resources; market price forecasts; conservation and load management opportunities; and environmental considerations. The IRP identifies the generation resource portfolio that is designed to balance and minimize utility costs and risks. These risks include, for example, the regulatory risks imposed by the State’s renewable portfolio standard. See “Other Resource Issues—*Washington State Initiative 937*.” Regular IRP updates allow Tacoma Power to account for changes in the electric power industry, shifting market conditions, the emergence of new technologies, new regulatory mandates and other factors that are likely to affect Tacoma Power’s resource strategies. The current IRP was created in 2015 and adopted by the Board in 2016. The 2015 IRP determined that Tacoma Power has sufficient supply resources to serve retail load through the next ten years. Other than conservation, Tacoma Power does not expect to need to acquire new generation resources to serve its retail load in the foreseeable future.

## **Wholesale Energy Market Purchases and Sales**

Tacoma Power sells power in the wholesale energy market when owned and contracted resources exceed load. Tacoma Power makes purchases from the wholesale energy market when required to meet load obligations. Due to its conservative planning assumptions, under most water conditions Tacoma Power expects to be a net seller into the wholesale electricity market. In 2016, a higher than normal year in terms of both precipitation and streamflows in the watersheds where Tacoma Power’s owned resources are located, Tacoma Power sold 2,731,083 MWh of surplus power. This compares to wholesale purchases in that same year of 263,105 MWh.

Tacoma Power’s wholesale market activities are limited to purchasing power to meet native loads, optimizing the value of Tacoma Power’s power supply portfolio, and selling energy during times of surplus, consistent with the utility’s forecast of reservoir water levels. Tacoma Power does not speculate in the wholesale power market. Actual revenues for any given year are a function of market prices, loads and water availability for generation, which are, in turn, dependent upon the weather.

## **Energy Risk Management**

Tacoma Power continues to enhance its Energy Risk Management processes in order to achieve its strategic objectives in a changing wholesale energy market. Tacoma Power completed benchmarking current practices against Committee of Chief Risk Officers (“CCRO”) standards, confirming strengths and identifying opportunities to improve operational efficiency. Energy Risk Management staff are reviewing and updating the Energy Risk Management Policy and procedures to further meet CCRO standards and streamline processes. Additionally, staff is in the process of completing a new risk model to allow for better analysis and understanding of the risks associated are with various commercial strategies.

The on-going focus of the Energy Risk Management function is to oversee risk control processes, to reduce the variance in the value of the wholesale power portfolio, to improve portfolio risk analytics and to promote a risk-reducing hedging strategy. The Energy Risk Management Policy authorizes the use of instruments for hedging, requires that Tacoma Power actively manage and review counterparty credit risk, specifies trading authority guidelines and restrictions, and contains other controls and tools to manage risk. Tacoma Power uses hedging to manage loads and resources and does not engage in market speculation.

## Resource Mix

Tacoma Power primarily acquires its power from hydroelectric resources. The resource mix varies slightly from year to year depending upon available water resources and equipment maintenance schedules. During 2016, energy was obtained from the sources identified in the following table.

### 2016 Tacoma Power Resources

	Available Energy (MWh)	Portion of Total	Cost (cents/kWh)
City-Owned Generation			
Hydroelectric Projects <sup>(1)(2)</sup>			
Nisqually	630,483	8.4%	0.906
Cushman	507,618	6.7	1.278
Cowlitz	1,989,438	26.5	0.990
Wynoochee <sup>(3)</sup>	37,209	0.5	0.247
Hood Street	4,029	0.0	4.276
Subtotal	3,167,690	42.1	1.014
Portfolio Energy Purchases			
Grant PUD (Priest Rapids)	26,975	0.4	-0.300
BPA <sup>(4)</sup>	3,807,370	50.6	2.990
CBHP <sup>(5)</sup>	253,625	3.4	2.528
Portfolio Market Purchases	263,105	3.5	1.657
Subtotal Portfolio Purchases	4,351,075	57.9	2.862
Total All Energy Resources <sup>(6)</sup>	7,518,765	100.0%	2.083
Portfolio Resource Summary			
City-Owned General Resources (O&M, Debt Service & Overhead)	3,167,690	42.1%	1.014
Portfolio Energy Purchases	4,351,075	57.9	2.862
Total Portfolio Resources	7,518,765	100.0%	2.083

- (1) The Nisqually River Project consists of the Alder and LaGrande plants, the Cushman Hydroelectric Project consists of Cushman No. 1 and Cushman No. 2 and the Cowlitz River Project consists of the Mayfield and Mossyrock plants.
- (2) Fully loaded costs including direct production operation and maintenance costs, an allocation of administration and general expenses, in-lieu-of taxes related to the projects, FERC fees, and are net of park revenues and BPA billing credits and excludes transmission.
- (3) Wynoochee costs are offset by BPA's billing credits program. See "City-Owned Generating Resources-Wynoochee River Project."
- (4) BPA's costs do not include transmission.
- (5) Columbia Basin Hydro Power.
- (6) Excludes Conservation Costs and Miscellaneous Power Costs. See "Cost of Power—Cost of Power to Serve Tacoma Power's Retail Customers" table.

Source: Tacoma Power

## 2016 and 2017 Power Resources

In 2016 and 2017 to-date, Tacoma Power's resource portfolio included the same power resources as in prior years. In 2016, Tacoma Power's owned hydroelectric resources produced 3,167,690 MWh as a result of stream flows that were 111% of normal. The BPA Slice Contract provided Tacoma 3,807,370 MWh in 2016, as a result of stream flows that were 99% of normal. The January through July 2017 forecast is 126% of normal stream flows for Tacoma Power's owned hydroelectric resources and 135% of normal stream flows for the Federal System.

### Power Resources

The table below shows Tacoma Power's resources to meet its power requirements from 2012 through 2016.

	2012	2013	2014	2015	2016
Energy Requirements					
Energy Sales <sup>(1)</sup>	7,903,059	7,046,017	7,589,975	6,520,491	7,376,222
System Losses <sup>(2)</sup>	239,251	233,372	203,437	239,169	167,936
Total Energy Requirements	8,142,310	7,279,389	7,793,412	6,759,660	7,544,158
Peak Demand (kW) <sup>(3)</sup>	922,917	980,000	1,011,846	872,039	881,140
Energy Resources:					
Owned:					
Alder	274,568	222,438	247,866	191,613	251,585
LaGrande	424,584	350,494	387,255	319,979	378,898
Cushman No. 1	108,798	97,143	132,172	107,411	185,318
Cushman No. 2	152,951	142,385	226,337	165,046	322,300
Mayfield	904,605	715,592	823,149	622,213	785,807
Mossyrock	1,418,377	1,077,383	1,288,537	1,007,917	1,203,631
Wynoochee	38,148	24,404	14,272	12,680	37,209
Hood Street	4,029	3,503	2,281	1,890	2,942
Subtotal Owned Resources	3,326,060	2,633,342	3,121,869	2,428,749	3,167,690
Energy Purchases:					
Priest Rapids	37,355	31,567	20,715	25,360	26,975
BPA	4,167,447	3,756,763	3,845,666	3,674,140	3,807,370
Grant PUD	255,564	254,570	272,846	258,679	253,625
Subtotal Energy Purchases	4,460,366	4,042,900	4,139,227	3,958,179	4,087,970
Total Energy Resources	7,786,426	6,676,242	7,261,096	6,386,928	7,255,660
Portfolio Market Purchases	262,626	519,190	444,264	293,059	263,105
Plus Interchange In (Out)	93,258	83,957	88,052	79,673	25,393
Net Energy Resources <sup>(4)</sup>	8,142,310	7,279,389	7,793,412	6,759,660	7,544,158

(1) Includes sales of secondary energy, which varies from year-to-year based on availability of streamflows and market conditions.

(2) Excludes Tacoma Power's usage.

(3) Reflects sales to customers, Tacoma Power use and system losses.

(4) Firm energy required to meet the load requirements of Tacoma Power.

Source: Tacoma Power

The table below shows a summary of the electric generating resources currently available to Tacoma Power during years with median and extremely low (critical) water inflows, including resources from electric generating facilities owned by Tacoma Power and resources available to Tacoma Power through long-term contractual arrangements.

### Tacoma Power Resource Capability

Hydroelectric		Nameplate Capacity (kW)	87-year Median Annual Energy Production (MWh) <sup>(1)</sup>	Critical Period Average Annual Energy Capability (MWh) <sup>(2)</sup>
Project	River			
Alder	Nisqually	50,000	237,921	136,633
LaGrande	Nisqually	64,000	361,130	219,684
Cushman No. 1	Skokomish	43,200	118,300	74,591
Cushman No. 2	Skokomish	81,000	183,281	100,632
Mayfield	Cowlitz	162,000	758,435	403,066
Mossyrock	Cowlitz	300,000	1,179,336	582,719
Wynoochee	Wynoochee	12,800	33,288	31,505
Hood Street <sup>(3)</sup>		0	3,106	3,106
Subtotal		713,000	2,874,797	1,551,936
Contractual Arrangements				
Share of Priest Rapids Project <sup>(4)</sup>		5,400	21,450	21,526
Columbia Basin Hydro <sup>(5)</sup>		--	236,836	236,836
BPA <sup>(6)</sup>		356,000	3,864,870	3,297,288
Subtotal		361,400	4,123,156	3,555,650
Total		1,074,400	6,997,953	5,107,586

(1) All project generation except Wynoochee and Hood Street is based on the median inflows for the period October 1929 through September 2015. Wynoochee median generation is based on the inflows for the period 1957 through 2012. Annual 16-year average Hood Street generation is shown.

(2) Critical inflows are the lowest recorded annual inflows for Tacoma Power's System (Cowlitz, Nisqually, and Cushman) and Tacoma Power's BPA Slice Contract and are based on water year October 2000 through September 2001.

(3) Tacoma Water Hood Street Reservoir has a generator installed which feeds from McMillin Reservoir. Tacoma Power does not realize capacity from this generator.

(4) Tacoma Power's expected share of output based on the 76-year study period from January 1929 through December 2004. See "Long-Term Purchases of Power Supply—*Priest Rapids Hydroelectric Project*."

(5) Output of five low-head hydroelectric plants located on irrigation canals in eastern Washington. These plants are available for operation during the March-through-October irrigation season each year.

(6) The BPA Contract is comprised of approximately 50% Block and 50% Slice. The Block portion remains relatively static each year, slowly increasing as Tacoma Power's loads increase. The Block contract energy shown is for calendar year 2013. The Slice portion represents a percentage share of BPA's Federal hydroelectric system ("Federal System" output and varies with the hydro conditions. Slice median values represent the Slice share during median conditions for Tacoma Power's resource portfolio (the combination of Tacoma Power's System plus Tacoma Power's BPA Slice Contract). Slice critical conditions are for the lowest conditions for Tacoma Power's resource portfolio and are based on wateryear from October 2000 through September 2001. Slice capacity is 356 MW (assuming 2.97% of the Federal System capacity of 12,000 MW)

Source: Tacoma Power

### Tacoma Power-Owned Generating Resources

Tacoma Power-owned generating resources include four hydroelectric projects: Nisqually, Cowlitz, Cushman and Wynoochee.

A 40-year FERC license was obtained for the Nisqually Project in 1997 and a new 35-year license was issued for the Cowlitz River Project in 2003. See "*Cowlitz River Project*." A 40-year license was issued for the Cushman Project in 1998; however, Tacoma Power appealed the license. In January 2009 Tacoma Power entered into a multi-party settlement agreement and submitted it to FERC as the basis for an amendment to the 1998 license. On July 15, 2010, FERC issued an amended 50-year license for the Cushman Project that was back-dated to 1998 and will expire in 2048. See "*Cushman Hydroelectric Project*."

***Cowlitz River Project.*** The largest of Tacoma Power’s hydroelectric projects, the Cowlitz River Project, consists of two coordinated hydroelectric plants, Mayfield and Mossyrock. Both are located on the Cowlitz River in Lewis County on the western slope of the Cascade Mountains, approximately 48 miles south of Tacoma.

Mossyrock dam consists of a double curvature concrete arch dam structure, 365 feet high above riverbed and 1,648 feet in length, with a spillway section controlled by four tainter gates. The dam creates Riffe Lake, a reservoir with a nominal capacity of 1,685,100 acre-feet having 52 miles of shoreline. Water flows are conveyed to the Mossyrock powerhouse via three 20.5-foot diameter steel penstocks approximately 285 feet in length. The Mossyrock powerhouse contains two Francis turbine/generators with a total nameplate rating of 304 MW. One turbine/generator unit was rebuilt in 2008 and 2009 and the second unit was rebuilt in 2010. As designed, provision was made at Mossyrock for the future addition of a third turbine/generator unit. No current plans exist for the installation of this unit.

Mayfield dam, located approximately 13.5 miles downstream of the Mossyrock dam, was initially placed into operation with three generating units in 1963. A fourth unit was added in 1983. The dam includes a concrete arch and gravity dam, 200 feet high and 850 feet long, with a controlled spillway having five tainter gates. The dam creates a reservoir with a nominal capacity of 133,700 acre-feet having 33.5 miles of shoreline. Project water is conveyed to the Mayfield powerhouse via a 37-foot diameter power tunnel, 854 feet long, and four 18-foot diameter power penstocks. The Mayfield powerhouse contains four Francis turbine/generator units with a total nameplate rating of 162 MW.

The output of both plants is transmitted to Tacoma Power via 230 kV transmission lines owned and operated by BPA under the terms of a fixed price transmission contract with BPA that expires on December 31, 2021. Subject to certain conditions, Tacoma Power can renew the contract for an additional 30 years (to December 31, 2051). See “TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE—Cowlitz Exchange.”

**FERC License.** The original license for the Cowlitz River Project was issued by FERC in 1951. In 2003, a 35-year license was issued by FERC. Tacoma Power filed an application for a new license in 1999 and filed a comprehensive agreement among Tacoma Power, federal and state agencies, tribes and conservation groups in 2000. The new license is based on that agreement, which was the result of more than five years of study and negotiation, and describes fisheries, recreation, cultural resources, wildlife and water quality programs that Tacoma Power will provide. Numerous implementation plans required in the license have been developed, reviewed by agencies and approved by FERC and implemented.

**Fisheries Issues.** The Cowlitz River Project, on a tributary of the Columbia River, is affected by the 1998 listing of Lower Columbia River steelhead and the 1999 listing of Lower Columbia River Chinook and Columbia River Chum salmon, the 2005 listing of Lower Columbia River Coho salmon and potentially by the 2010 listing of Pacific eulachon/smelt under the Endangered Species Act (“ESA”). A program to reintroduce Chinook, Coho and steelhead is occurring in the Upper Cowlitz Basin above Lewis County Public Utility District’s Cowlitz Falls dam. This is a trap and haul program that transports the fish around the Cowlitz dams.

Key issues in the Cowlitz River Project license implementation include collection of downstream migrating juvenile salmon and development of a Fisheries and Habitat Management Plan (“FHMP”). The downstream juvenile fish collector was constructed and operational for fish migration in 2017. A performance goal of 95% collection efficiency or 75% with best available technology is included in the license for downstream collection. The implementation of the FHMP is being coordinated with resource agencies including strategies for restoring wild stocks, retaining a sport fishery and evaluating upstream passage triggers. Tacoma Power completed an ecological analysis of fish habitat in the basin in collaboration with regulatory agencies and relicensing stakeholders. As a part of relicensing, federal consultation has occurred under the ESA and a favorable biological opinion was issued for the project in 2004 and amended into the license in 2004.

***Cushman Hydroelectric Project.*** The Cushman Hydroelectric Project consists of two separate concrete arch dams. Both dams are located on the North Fork of the Skokomish River in Mason County, Washington, approximately 36 miles northwest of the City. Cushman No. 1, whose construction created the Lake Cushman Reservoir, was



completed in 1926 with an installed generating capacity of 36 MW. The dam is 1,111 feet long and 235 feet high. Cushman No. 1 was upgraded in 1987 and 1988, increasing the total project nameplate rating to 50 MW.

Cushman No. 2 was constructed in 1930 with two identical Francis generating units, each rated at 27 MW. In 1952, a third 27 MW Francis turbine/generator unit was added at Cushman No. 2, resulting in a total installed nameplate rating of 81 MW. The concrete arch dam is 460 feet long and 175 feet high. The powerhouse is connected to the dam via a power tunnel 17 feet in diameter and 2.5 miles long.

The North Fork powerhouse at the base of Cushman No. 2 dam was completed in 2013 with two Francis generating units each rated at 1.8 MW. This powerhouse is used to pass the required minimum flows into the North Fork Skokomish River, and includes an upstream adult fish collector and a fish handling system and tram to provide for both upstream and downstream transportation of fish.

Project power is transmitted to Tacoma Power via two Tacoma Power-owned 110 kV sub-transmission lines, known as the Potlatch lines. The Potlatch lines are each 43 miles long, span the Tacoma Narrows strait of Puget Sound, and terminate at Tacoma Power's Pearl Street Substation. When Tacoma Power installed the 6,200 foot span across the Tacoma Narrows in 1926, it was the longest electrical crossing in the world. The Tacoma Narrows transmission span replacement was completed in 2006. See "TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE."

FERC License. Cushman Nos. 1 and 2 are operated under a single FERC license. The Cushman Project's initial FERC license, issued in 1924, expired in 1974. In 1974, the City applied for a new long-term project license. The project operated under the terms of an automatically renewed annual license granted by FERC until a 40-year license was issued by FERC in 1998. Certain terms of this license were challenged by the Skokomish Tribe and certain environmental agencies. A Settlement Agreement ultimately was negotiated and submitted to FERC in 2009. In 2010, FERC issued an amended 50-year license for the Cushman Project, which will expire in 2048, and that includes terms of the Settlement Agreement.

Fisheries Issues. Four fish species listed as threatened under the ESA, Hood Canal Summer Chum salmon, Bull trout, Puget Sound Chinook salmon and Puget Sound steelhead, occur in waters influenced by the Cushman Project. In the project Settlement Agreement, Tacoma Power agreed to build both up and downstream fish passage and two small fish hatcheries. The fish facilities are constructed and operational as of 2016.

***Nisqually River Project.*** The Nisqually River Project consists of two separate hydroelectric plants, Alder and LaGrande, located on the Nisqually River on the western slope of the Cascade Mountains, approximately 30 miles southeast of Tacoma. The Alder plant, constructed in 1945, includes a continuous concrete arch dam that is 285 feet high and 1,600 feet long, including a spillway section controlled by four tainter gates and a powerhouse containing two identical Francis turbine/generator units having a total installed nameplate rating of 50 MW. Alder dam creates a reservoir with a nominal capacity of 232,000 acre-feet having 28 miles of shoreline.

The LaGrande plant consists of a concrete gravity dam 192 feet high and 710 feet in length, which creates a small reservoir of 2,700 acre-feet and includes a gated spillway and powerhouse. Having been in operation since 1912, the LaGrande plant was not originally licensed, as it was constructed prior to the adoption of the Federal Water Power Act in 1920. The original plant included four identical Francis turbine/generator units with a total installed nameplate rating of 24 MW. The plant was upgraded in 1944 with the construction of a new dam and the addition of a Francis turbine/generator unit with a nameplate rating of 41 MW.

Project power is transmitted to Tacoma Power via two Tacoma Power-owned 110 kV sub-transmission lines, known as the LaGrande lines. The LaGrande lines compose both double circuit (56 circuit miles) and single circuit (11 circuit miles) design, with one line terminating at Mountain Substation and the other line terminating at Canyon Substation.. Tacoma Power entered into an agreement with BPA to upgrade the capacity of a portion of these sub-transmission lines and to install a switching station that would enhance reliability for Tacoma Power customers in that area. Construction of the Canyon Substation and the Mountain Substation was completed in 2011. See "TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE."

The original license for the Nisqually River Project was issued by FERC in 1944. In 1997, Tacoma Power received a new 40-year license from FERC. The plans for all license requirements have been approved by FERC and the majority have been implemented.

Hydroelectric projects on the Nisqually River were built at a recognized historic natural barrier to fish migration. Puget Sound Chinook salmon and steelhead trout use the river below the dams, but upstream passage was not an issue for the relicensing of the Nisqually River Project. Tacoma Power also manages 3,500 acres of forestland, including a 7.5 mile-long corridor of protected habitat along the Nisqually River below the dams.

In 2003, the Nisqually River Project received the first of three consecutive annual awards for Outstanding Stewardship of America's Rivers from the National Hydropower Association for environmental activities associated with the project. The project has been certified since 2003 by the Low Impact Hydropower Institute as a low impact hydroelectric project. The Nisqually River Project was the eighth facility in the nation to earn this certification.

***Wynoochee River Project.*** The Wynoochee River Project consists of a concrete gravity dam, with earthen embankments, 175 feet high and 672 feet in length, which creates a reservoir of 70,000 acre-feet and includes two gated sluiceways, two gated spillways, and a powerhouse. The Wynoochee River Project supports a variety of purposes in addition to generation, including water supply, flood control, recreation, enhancement of fisheries and irrigation.

The powerhouse was constructed in 1993 and contains a single Kaplan turbine, which, with its associated generator, has a nameplate capacity of 12.8 MW. The project's generation is transmitted to BPA's grid over Grays Harbor County Public Utility District's transmission system under a contractual arrangement that expires in September 2037, and the power then continues over BPA's grid to Tacoma Power.

Tacoma Power entered into a billing credit agreement concerning the Wynoochee Project with BPA that extends until July 31, 2037. In 1993, all BPA wholesale customers who had firm power sales contracts were eligible to apply for billing credit for a qualified resource. With billing credits, BPA's customers may obtain credits against the customer's power bills, or cash, for developing and operating resources where the output of the resource will serve the customer's load, thus reducing the customer's purchase of BPA power. BPA benefits because its need to acquire new resources to meet load growth is reduced. The billing credit agreement facilitated Tacoma Power's development of the Wynoochee Project and, therefore, reduced Tacoma Power's BPA power purchases.

***Hood Street Project.*** Tacoma Power owns a small generator installed at Tacoma Water's Hood Street Reservoir. The project generates an average of 2,474 MWh annually and began operation in 1990.

## **Dam Safety**

Tacoma Power's dam safety program requires an extensive inspection program with the inspections being performed by various groups. Once a day all of Tacoma Power's dams are inspected by project personnel with more in depth inspections occurring on a weekly and monthly basis. Additionally, approximately once per year each dam is inspected by engineers from FERC and every five years the dams are inspected by an independent engineering consultant following the requirements of the Code of Federal Regulations 18, Part 12, Subpart D (Part 12D). These independent consultants have specific engineering expertise and are preapproved by the FERC. The following table lists when the last annual FERC and Part 12D Inspections were performed along with a column showing when the next Part 12D Inspection Report is scheduled for submittal:

<b>FERC Project #</b>	<b>Project Name</b>	<b>Last Annual FERC Inspection</b>	<b>Last Part 12D Inspection Report</b>	<b>Next Part 12D Inspection Report</b>
460	Cushman Hydroelectric Project	August 30, 2016	June 2012	June 2017
1862	Nisqually Hydroelectric Project	February 18, 2016	June 2013	June 2018
2016	Cowlitz River Project	May 26, 2016	December 2013	December 2018
6842	Wynoochee Hydroelectric Project	February 17, 2016	December 2012	December 2018

The FERC also requires that Tacoma Power maintains fully developed Emergency Action Plans (“EAPs”) for each of Tacoma Power’s hydro projects. These EAPs include the emergency contact information for the emergency management agencies (“EMAs”) of the cities, counties, state and federal government located downstream of the projects that would be impacted by an uncontrolled release of the reservoir. The EAPs also contain inundation maps highlighting the impacts of a complete, nearly instantaneous failure of the dams for use by the EMAs in developing their evacuation plans. These EAPs are updated annually and are completely reissued every five years to the 45 outside agencies.

Tacoma Power has also recently taken additional actions at Mossyrock to lower the risk of having an uncontrolled release of the reservoir by proposing to keep Riffe Lake approximately 30-feet lower than the historic normal. This adjustment was necessary because of recent developments concerning the region’s understanding of the seismic hazards and how these changes would adversely impact the spillway structure. By keeping the reservoir at a lower level, the risk of an uncontrolled release through the spillway structure is reduced. Tacoma Power is currently evaluating the latest seismicity ratings with FERC and developing plans to further mitigate this risk. It is anticipated that Riffe Lake will be kept at the lower operating level for several years while seismic analysis and mitigation options are developed.

### **Long-Term Purchases of Power Supply**

**BPA Purchases.** The Bonneville Power Administration (BPA) was created by the Bonneville Project Act of 1937, and is a revenue-financed federal agency under the United States Department of Energy (the “DOE”). BPA’s central mission is to operate and maintain a reliable regional transmission grid and to market electricity at cost from federally owned and contracted facilities to Northwest utilities. BPA markets power from the Federal Columbia River Power System (the “Federal System”) composed of 31 federal hydroelectric projects, one non-federal nuclear project, and several non-federally-owned hydroelectric and wind projects in the Pacific Northwest, and from various contractual rights. The Federal System has firm peak generating capacity of approximately 20,000 MW and a firm energy capability of approximately 8,800 aMW (77,100,000 MWh annually). The federal projects are built and operated by the United States Bureau of Reclamation and the Corps of Engineers and are located primarily in the Columbia and Snake River Basins. The Federal System currently produces more than one-third of the region’s energy requirements. BPA’s transmission system includes over 15,000 circuit miles of transmission lines, provides about 75% of the Pacific Northwest’s high-voltage bulk transmission capacity and serves as the main power grid for the Pacific Northwest.

Bonneville is required by law to meet certain energy requirements in the region and is authorized to acquire power resources and take other actions to enable it to carry out these purposes. This includes the requirement for Bonneville to provide power to preference customers, like Tacoma Power, so the utility can meet its total customer load and load growth, less its owned or purchased resources from non-federal generators. In doing so, Bonneville must give preference and priority to public body and cooperative utilities before offering to serve non-preference entities. Since 1937, Bonneville has always met its power marketing obligations to supply federal power to serve the firm power needs of its regional power customers. This currently includes more than 125 publicly-owned and cooperatively-owned utilities (or “preference customers”) for resale to consumers in the Pacific Northwest. BPA also sells electric power to a small number of Federal agencies and has the authority, but not the obligation, to sell to Direct Service Industry customers. Its service area covers over 300,000 square miles and has a population of about 12 million.

**BPA Power Sales Contract.** Tacoma Power and other municipally-owned utilities and cooperatives are “public preference” customers of BPA pursuant to federal legislation, which requires BPA to give preference and priority to public agencies and cooperatives in the distribution and marketing of federal power. In 2008 Tacoma Power executed a Power Sales Agreement with BPA, effective October 1, 2011, through September 30, 2028 (the “BPA Agreement”). The contract is for a “Block-Slice” product. The Block component provides a set amount of energy delivered in flat monthly “blocks” based on Tacoma Power’s historical monthly load. The Slice component represents a percentage “slice” of the output of the Federal System. The monthly Block energy ranged from 142 aMW in August to 228 aMW in December of 2016. As a purchaser of the Slice product, Tacoma Power pays its percentage share of BPA’s actual operating costs. Tacoma Power’s Slice percentage is 2.97%, which is equivalent to approximately 210 aMW under critical water conditions. After the end of each fiscal year, BPA “true up” the difference between its actual costs and the budget for the year through an adjustment charge or credit. The total amount of energy provided under the BPA contract varies with river flows. Based upon 80 years of historical river flows, Tacoma Power’s annual energy from BPA (Block plus Slice) can range from a minimum of 400 aMW to a maximum of 550 aMW.

The cost of power under the BPA Agreement is established through the BPA long-term rate methodology (the “Tiered Rates Methodology”) for determining power rates bi-annually during the term of those contracts. The base amount of firm power that Tacoma Power and other preference customers may purchase under BPA’s lowest cost rate (“Tier 1” rate) is limited to a pro-rata share of the estimated output of the Federal System in a critical water year. Retail utility requirements in excess of the base amount is the retail utility’s responsibility and can be satisfied under separate market-based contracts with BPA or other non-federal providers. Any purchases by preference customers from BPA above the base amount of power would be sold at a higher rate (“Tier 2” rate) reflecting the market cost to BPA of obtaining additional power to meet such incremental loads. Tier 1 power is limited to the output and capacity of the existing Federal System. BPA established for each preference customer a contractually defined level of access to power available at the Tier 1 rate.

Under Tacoma Power’s BPA Agreement, Tacoma Power will receive a minimum of approximately 400 aMW at Tier 1 rates, which corresponds to the sum of Tacoma Power’s Block component plus its Slice Component in a critical water year. Tacoma Power has a right to purchase energy from BPA at Tier 2 rates under a future power sales contract. The quantity of Tier 2 energy Tacoma Power could purchase would increase as electric system load grows. At this time Tacoma Power does not expect to purchase Tier 2 power from BPA to serve any future load growth at least through 2028.

Under the BPA Agreement, BPA has the right to require that Tacoma Power post collateral if BPA determines it is necessary to secure Tacoma Power’s payments under that Agreement. Conditions that would require Tacoma Power to post collateral under the BPA Agreement include a downgrade of Tacoma Power’s unenhanced senior debt to below investment grade, or any material changes to Tacoma Power’s financial condition that may adversely impact their ability to make payments under the Agreement. The collateral required is an amount equal to twelve times the greatest monthly amount billed or forecasted to be billed to Tacoma Power by BPA under the Agreement. BPA has not required Tacoma Power to post collateral and Tacoma Power does not expect to be required to post collateral in the future.

For a discussion of Tacoma Power’s transmission contracts with BPA, see “TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE.”

**BPA Rates.** BPA is required by federal law to recover all of its costs through the rates it charges its customers. The U.S. Treasury provides a portion of BPA’s capital funding, and BPA is required to make annual payments to the U.S. Treasury to repay such borrowings. BPA is committed to a rate design that builds and maintains financial reserves sufficient for the agency to achieve a 95% probability of making its U.S. Treasury payments in full and on time. The power sales contracts with preference customers contain Cost Recovery Adjustment Clauses (“CRAC”) that permit rates to be adjusted upward if BPA’s net reserves fall below a certain threshold. Under its current power contracts, BPA conducts a rate case every two years. The first rate case under the “Tiered Rates Methodology” was conducted in 2010 with rates effective October 1, 2011. In 2016 Tacoma Power’s average unit cost for BPA power was \$29.96/MWh. The current Block rate is \$30.68/MWh and the monthly Slice rate is \$2.06 million per month per percentage share of the Federal System. New BPA rates go into effect every October in odd years.

There are any number of factors that have impacted and could impact BPA's cost-of-service and rates, including federal legislation, BPA's obligations regarding its outstanding federal debt, BPA's other capital-related funding obligations, the number of customers, water conditions, fish and other environmental regulations, capital needs of the Federal System, and regional transmission issues.

***Bonneville Residential Exchange Program.*** The Northwest Power Act of 1981 (the "Northwest Power Act") provides that a municipal or investor-owned utility may offer power to Bonneville, and Bonneville must purchase power from the utility, at the utility's average system cost. In exchange, Bonneville sells an equivalent amount of power to the utility for purchase by its residential and small farm customers at Bonneville's established Priority Firm ("PF") Exchange Rate. This is referred to as the "Residential Exchange Program." The PF Exchange Rate is established periodically by Bonneville as part of its rate case. Benefits are settled financially with no energy exchanged.

Over the years there have been numerous legal challenges. In 2011, the parties reached a settlement agreement (the "2011 Settlement Agreement"), which provides an agreed basis and certainty for how the Residential Exchange Program is treated in Bonneville's rates through 2028.

***Bonneville and Columbia River Treaty.*** The Columbia River Treaty (the "CRT") is an international treaty between Canada and the United States of America. Ratified in 1964, the CRT named two "entities" to implement the CRT — a "U.S. Entity" and a "Canadian Entity." The U.S. Entity, created by the President, consists of the Administrator of Bonneville (chair) and the Northwestern Division Engineer (member) of the U.S. Army Corps of Engineers. The Canadian Entity, appointed by the Canadian Federal Cabinet, is the British Columbia Hydro and Power Authority (B.C. Hydro). Canada and the United States each have the option to terminate many of the CRT provisions by providing a 10-year advance written notice.

The CRT called for the construction and operation of three large dams in the upper Columbia River basin in British Columbia, Canada, and gave the U.S. an option to build a fourth dam in Montana with a reservoir that extends into Canada. The operation of CRT dams was designed to provide flood control and hydropower benefits to both countries, which made other benefits possible. These benefits included dams that doubled the amount of Columbia River basin reservoir storage, which helped transform annual river and stream flows by storing the spring runoff for release during the fall and winter months, or even in subsequent years. This helped eliminate major flood damage for all but the most extreme events. The dams constructed in the Columbia River basin as a result of the CRT provided power generation, flood control, navigation and irrigation benefits.

The CRT flood control operations, which provide significant benefits to the United States, will expire in September 2024. Terms and conditions for ongoing flood control will need to be renegotiated, regardless of whether or not the CRT is terminated. In addition, U.S. operations of the Columbia River system for fisheries management have significantly reduced the original downstream power benefits provided under the CRT.

Leading up to 2014, the U.S. Entity engaged in a multi-year effort and collaborated and consulted with the region's sovereign states, federally recognized tribes, and a variety of stakeholders to evaluate the regional cost and benefits of the CRT after 2024. At the conclusion of this effort, the U.S. Entity issued a Regional Recommendation to the United States Department of State in December 2013. This recommendation identified potential modifications to the CRT post 2024, and outlined a general set of principles. The recommendation requested that the U.S. government make a decision by mid-2014 to proceed with a renegotiation of the CRT with Canada and also requested that the U.S. government complete that effort no later than 2015. To date, the U.S. Interagency Policy Committee has completed their review of the Regional Recommendation, but there is no word on when the U.S. State Department will make a final decision on next steps. The long-term resolution of the CRT post-2024 is unknown at this time.

***Priest Rapids Hydroelectric Project.*** Tacoma Power purchases power from the Priest Rapids Hydroelectric Project under several long-term agreements with Grant PUD. The Priest Rapids Hydroelectric Project is composed of two dams, Priest Rapids and Wanapum, located on the Columbia River with an installed capacity of 1,893 MW. The terms of the current agreements are for the remaining term of the new 44-year FERC license, from April 1, 2008, to March 31, 2052. The agreements provide that each power purchaser has the right to purchase its proportionate share of Priest Rapids generation in excess of the actual and prospective needs of Grant PUD for the same proportionate share of project costs. Tacoma Power's future purchase quantity and costs will be affected by Grant PUD loads,

water conditions, and FERC license operating requirements. Tacoma Power is obligated to pay its share of the costs of the facility whether or not it receives any power.

Forecasted annual average generation available to Tacoma Power during the remaining term of the agreements is estimated to be approximately 2.5 aMW. Tacoma Power also receives a portion of the revenues from periodic auctions of 30% of the project power, which share totaled \$2.1 million in 2016.

**Columbia Basin Hydro Power.** The City and the City of Seattle have entered into power purchase agreements with three Columbia Basin Irrigation Districts (South, East and Quincy) for the acquisition of the output of five low-head hydroelectric projects that were constructed along irrigation canals in eastern Washington. Tacoma Power has five separate power purchase agreements for the output of these projects, each one lasting 40 years. The contracts were structured to assure that underlying debt service payments and operation and maintenance would be paid by purchasers plus additional incentive payments made only for delivered power. Power deliveries under the contracts began between 1982 and 1986 when the respective projects were placed in service, and will end on corresponding dates for each project between 2022 and 2026. These projects are operated by Columbia Basin Hydro Power (“CBHP”) and utilize water released during the irrigation season and thus have no winter peak capability. The total installed capacity of all five projects is approximately 130 MW, with a total average annual energy production of approximately 480,000 MWh. Tacoma Power receives 50% of the actual output of the projects.

## Conservation

Tacoma Power’s 2015 Integrated Resource Plan indicates that energy conservation is Tacoma Power’s best and least-cost energy resource. As a result, Tacoma Power developed an expansive energy conservation program for residential, commercial and industrial customers. The table below summarizes conservation program costs over the most recent five years. The program costs include all direct costs of acquiring conservation.

**Tacoma Power Conservation Program**

	2012	2013	2014	2015	2016
Energy Savings (MWh)*	65,713	68,812	61,799	66,137	47,742**
Program Costs (\$000)	14,770	14,881	12,863	13,947	13,632

\*The numbers represent first year energy savings resulting from conservation acquisitions. Energy conservation measures on average last 13 years and have a levelized cost of \$31/MWh.

\*\*Lower 2016 conservation savings are due, in part, to Tacoma Power’s success at having largely exhausted the relatively easy, and lower-cost energy conservation opportunities.

Source: Tacoma Power

The majority of conservation is acquired through:

- **Mass Market Programs.** These include residential lighting, fixtures, appliances, weatherization, and heating equipment. These use “deemed” savings assumptions set by Regional Technical Forum (“RTF”), a committee of the Northwest Power and Conservation Council that serves the States of Washington, Oregon, Idaho and Montana. The RTF is staffed by regional experts using publically available savings data. Its assumptions factor for a number of variables such as energy take back effects and the life of conservation measures. The RTF is broadly recognized as reliable by regional utility regulators, boards and other decision makers.
- **Site Specific Engineered Projects.** These are targeted for the more complex commercial and industrial programs. These projects require a rigorous measurement and verification protocol. Nameplate data from equipment manufacturers, energy usage, equipment run times, production and other data are recorded by engineers before and after installations.

Finally, Tacoma Power is committed to conservation programs that are cost-effective and achieve the expected results. The utility regularly evaluates the impact of conservation programs through econometric analyses of utility billing data to retrospectively assess actual energy savings.

## Net Metering-Distributed Generation

Washington state law (RCW 80.60) allows the “net metering” of customer owned generation units of up to 100kW in size. This allowance ends once the cumulative generating capacity of all net metering systems equals 0.5 percent of the utility's peak demand during 1996. In addition, to support certain types of customer-owned generation technologies (e.g., wind and solar) Washington State Law provides production incentives of up to \$0.54/kWh and the federal government provides tax credits of up to 30% of the initial system cost. However, customers of Tacoma Power have been relatively slow to take up these technologies. To increase access to solar generation Tacoma Power constructed four 275kW community solar projects in 2016 and sold the output of those projects to Tacoma Power customers. The following table shows the number of installed systems and the production of electricity for 2012 through 2016.

**Production Cost to Serve Tacoma Power's Retail Customers**  
(\$000 unless otherwise indicated)

	2012	2013	2014	2015	2016
Customer Roof-Top Solar Systems	55	86	114	168	272
Customer Roof-Top Solar Production (kWhs)	176,722	281,187	405,605	615,261	984,418
Community Solar Systems	0	0	0	0	4
Community Solar Production (kWhs)	0	0	0	0	336,376

Source: Tacoma Power

## Cost of Power

The following table shows the production cost from resources Tacoma Power has used to meet its energy requirements for 2012 through 2016.

### Production Cost to Serve Tacoma Power's Retail Customers (\$000 unless otherwise indicated)

	2012	2013	2014	2015	2016
Cost of Energy from:					
City-Owned Resources <sup>(1)</sup>					
Alder	\$ 1,818	\$ 1,548	\$ 1,720	\$ 2,165	\$ 2,430
LaGrande	2,167	2,210	2,618	2,277	3,283
Cushman No. 1	1,395	1,400	1,558	1,767	2,531
Cushman No. 2	3,580	2,330	3,593	2,935	3,956
Mayfield	5,971	5,850	7,035	7,508	8,039
Mossyrock	7,379	6,721	7,130	8,765	11,651
Wynoochee <sup>(2)</sup>	(453)	(385)	244	883	92
Hood Street	45	33	157	295	126
Conservation (Net) <sup>(3)</sup>	7,632	9,225	10,507	11,027	13,202
Subtotal Division-Owned Resources	\$ 29,534	\$ 28,932	\$ 34,562	\$ 37,622	\$ 45,310
Purchased Energy <sup>(4)</sup>					
Priest Rapids	\$ (1,595)	\$ (2,205)	\$ (2,286)	\$ (660)	\$ (81)
BPA <sup>(5)</sup>	104,626	105,729	104,270	112,366	113,824
Grant PUD	5,360	5,441	6,047	6,395	6,413
Subtotal Purchased Energy	\$ 108,391	\$ 108,965	\$ 108,031	\$ 118,101	\$ 120,156
Cost of Principal Resources	\$ 137,925	\$ 137,897	\$ 142,593	\$ 155,723	\$ 165,466
Average Cost of Principal Resources (cents/kWh) <sup>(1)</sup>	1.77	2.07	1.96	2.44	2.28
Other Power Costs					
Portfolio Market Purchases	\$ 2,963	\$ 12,785	\$ 12,225	\$ 6,755	\$ 4,360
Renewable Energy Certificates	999	1,275	1,132	1,459	2,307
Miscellaneous Power Costs <sup>(6)</sup>	3,207	3,614	3,936	3,999	5,476
Subtotal Other Power Costs	\$ 7,169	\$ 17,674	17,293	12,213	12,143
Cost of Resources	\$ 145,094	\$ 155,571	\$ 159,886	\$ 167,936	\$ 177,609
Average Cost of Resources (cents/kWh) <sup>(1)</sup>	1.78	2.14	2.05	2.48	2.35
Less Revenues from Sales for Resale and Sales of Surplus Energy <sup>(7)</sup>	\$ 53,532	\$ 64,210	82,797	50,380	54,507
Net Cost of Resources to Tacoma Power's Retail System	\$ 91,562	\$ 91,361	77,089	117,556	123,102
Average Net Cost of Resources to serve Tacoma Power's Retail System (cents/kWh) <sup>(1)</sup>	1.93	1.90	1.63	2.56	2.66

(1) Represents operation and maintenance costs, excludes depreciation, debt service, capital expenditures, and transmission costs and overhead.

(2) Historical costs of the Wynoochee Project were offset by the trust fund until the fund was exhausted, and by BPA's Billing Credit Program.

(3) Historical costs do not include the Fort Lewis program.

(4) Excludes transmission costs.

(5) Includes Residential Exchange Credits received from BPA starting in 2008.

(6) Miscellaneous costs associated with energy production and energy interchange.

(7) This amount is not reduced by the transfer in the Financial Statements to the Rate Stabilization Fund in the amount \$12,000,000 in 2012.

Source: Tacoma Power



## **CERTAIN FEDERAL AND STATE LAWS AND REGULATIONS AFFECTING TACOMA POWER**

### **Washington State's Renewable Portfolio and Conservation Standards**

In the fall of 2006, voters in the State approved Initiative Measure 937 ("Initiative 937"), codified as the Energy Independence Act, chapter 19.285 RCW, requiring electric utilities with over 25,000 customers in the State to accomplish all cost-effective conservation and, by 2020, use certain eligible renewable resources to serve at least 15% of their retail loads. Specifically, Initiative 937 requires such utilities to: (i) estimate the cost-effectiveness of conservation programs using methodologies consistent with the approach of the Northwest Power and Conservation Council ("NWPPCC"); (ii) every two years, calculate and document 10-year conservation potential; (iii) produce detailed analyses of how energy will be conserved through end-user programs, production and distribution efficiencies, co-generation and/or distributed generation; (iv) use eligible renewable resources to serve 3%, 9% and 15% of the utility's retail loads by 2012, 2016 and 2020, respectively; and (v) report annual compliance with the law's requirements. Eligible renewable resource types include wind, solar energy, geothermal energy, landfill gas, wave, ocean or tidal power, gas from sewage treatment facilities, specific biodiesel fuels, biomass energy and incremental hydroelectric power (power produced as a result of efficiency improvements at existing hydroelectric facilities). Incremental hydropower is the only form of hydro-related energy designated as an approved renewable. The legislation imposes significant penalties for non-compliance—\$50 for every MWh the utility falls short of its conservation or renewable resource targets.

To satisfy the renewables target for a given compliance year, a qualifying utility may elect to serve an increasing percentage of its load with certain eligible renewable generation or RECs ("target method"). A utility may also "bank" or "carryover" the RECs generated by the renewable resources in its portfolio the year prior to, the year of, and the year after, the compliance target year. For example, a utility can apply the RECs generated in 2015 by its renewable resource to the utility's 2016 compliance requirement.

Tacoma Power is required to obtain "eligible" renewable resources equal to at least 9% of their load through 2019 and 15% thereafter. The types of resources that qualify as eligible renewable include "wind", "solar", "geothermal", "Renewable Energy Credits" and "Incremental Hydro"; but all other hydroelectric resources are excluded. Utilities are subject to a penalty of \$50 for each megawatt hour they fall short of meeting the renewable resource requirement.

Tacoma Power's 2015 IRP determined that the preferred approach to comply with the Initiative's renewable mandate was a combination of incremental hydro projects and the acquisition of RECs. Tacoma Power has entered into several long-term contracts to acquire approximately over 350,000 RECs annually through 2019. These contracts, coupled with several Tacoma Power-owned incremental hydro-generation projects, plus RECs provided through Tacoma Power's power contract with BPA have helped Tacoma Power to slightly exceed the current 9% renewable mandate. As allowed by the Energy Independence Act, Tacoma Power carries over excess RECs for use in the following compliance year. By 2020, Tacoma Power expects that it will need to acquire an additional 180,000 MWhs of renewable resources or RECs to meet the 15% renewable mandate.

In 2015, Tacoma Power assessed its conservation potential and established a biennial target of achieving 9.4 aMW of conservation savings for the 2016-2017 compliance biennium. During 2016, Tacoma Power actually acquired 5.5 aMW of conservation and projects it will exceed its biennial target by the end of 2017. Very early analysis of the 2018-2019 conservation potential suggests that Tacoma's target may drop as low as 6 aMWs. Tacoma Power has never failed to exceed its mandatory conservation targets.

In accordance with Initiative 937 reporting requirements, the City submits its annual filings with the Washington State Department of Commerce by June 1 each year. This report consists of: (i) total owned and acquired renewable resources as of January 1 of the target year; and (ii) the actual conservation achievements for the two-year period, compared to the adopted target.

## Endangered Species Listings

Environmental stewardship is identified in Tacoma Power's mission statement as an important element of its responsibility. Tacoma Power implements intradepartmental programs to comply with existing regulations. Seven species of fish potentially affected by Tacoma Power facilities have been listed by National Marine Fisheries Service as threatened under the ESA. The ESA makes it illegal to harm a listed species. A species may be jeopardized or "taken" when actions occur that harm members of the species or elements of its essential habitat. Tacoma Power does not expect these listings to cause major changes to operations; however, the full outcome of the listings is impossible to predict. Both the federal government and private citizens can file legal actions to remedy or prevent perceived violations of the ESA. Section 10 of the ESA does allow permits to be issued for certain "take" actions that are being undertaken for the purposes of scientific research or to enhance survival of the species pursuant to an individually approved "Habitat Conservation Plan." Section 7 of the ESA provides for consultation by the federal agencies charged with implementing the ESA on projects obtaining federal funds or federal licenses and covers "indirect take" attributed to Tacoma Power facilities. For a discussion of the impact of these listings on Tacoma Power's projects, see "City-Owned Generating Resources—*Cowlitz River Project*," "*Nisqually River Project*," and "*Cushman Hydroelectric Project*." Finally, Section 4(d) of the ESA allows certain categories of activities defined by federal rule to be conducted without "take" liability. In 2001, Tacoma Power obtained coverage under this provision for a wide variety of its utility maintenance activities by adopting and implementing the federally approved Regional Road Maintenance Endangered Species Act Program Guidelines.

## Climate Change Legislation

Policy initiatives to address climate change have an uncertain future at the national and regional levels. The federal Clean Power Plan has been "stayed" by the U.S. Supreme Court and it is unknown whether additional carbon control measures will be pursued on the federal level. In the State, a 2016 citizen's initiative to implement a new carbon tax failed with 59% of voter cast against the initiative. Nevertheless, the State Governor included a carbon tax in his budget proposal for the 2018-2019 fiscal year.

Tacoma Power's power supply portfolio is virtually carbon-free (90.5% hydroelectric, 5.3% nuclear and 1.2% wind in 2014). Tacoma Power's owned resources are exclusively hydro-generation facilities; similarly hydro-generation facilities produce nearly all the electricity Tacoma Power receives through the BPA and Grant PUD contracts, along with a small amount of nuclear. Because so little carbon is associated with the electricity that Tacoma Power delivers to retail customers, federal or state initiatives to reduce carbon emissions should minimally impact Tacoma Power's resource costs. Moreover, Tacoma Power could benefit if, as is reasonable to expect, these initiatives lead to higher wholesale market prices and, in turn, higher utility revenues from sales of carbon-free surplus energy.

## TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE

### Transmission Access

#### *FERC Order 890*

FERC Order 890, first issued in 2006 and revised in 2007, affects the way transmission is planned by the electric utility industry. Its goal is to prevent discrimination by owners of transmission facilities against utilities and power producers desiring transmission service. Order 890 strengthens the open access transmission tariff ("OATT") standards, reduces opportunities for the exercise of market power, makes it easier to detect abuses, facilitates enforcement efforts and increases transparency in the areas of planning and transmission system use.

#### *FERC Order 1000*

In 2011, FERC issued Order 1000, which amended the transmission planning and cost allocation requirements established in Order 890. FERC issued Order 1000A in 2012, to include clarifications in response to petitions for rehearing filed on the original Order 1000. FERC subsequently issued Order 1000B, affirming its basic determinations in Order 1000 and Order 1000A in response to petitions for rehearing filed on Order 1000A. Collectively, these Orders are referred to as "Order 1000." With respect to transmission planning, Order 1000

(i) requires that each jurisdictional utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (ii) requires that each jurisdictional utility transmission provider amend its OATT to describe procedures that provide for the consideration of transmission needs driven by public policy requirements in the local and regional transmission planning process; (iii) removes from FERC-approved tariffs and agreements a federal right of first refusal for certain new transmission facilities; and (iv) improves coordination between neighboring transmission planning regions for new interregional transmission facilities.

Order 1000 also requires each jurisdictional utility transmission provider to participate in a regional transmission planning process that has (i) a regional cost allocation method for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation; and (ii) an interregional cost allocation method for the cost of certain new transmission facilities that are located in two or more neighboring transmission planning regions and are jointly evaluated by the regions in the interregional transmission coordination procedures required by Order 1000. Each cost allocation method must satisfy six cost allocation principles specified by FERC.

Participation in regional transmission planning efforts is voluntary for non-jurisdictional utility transmission providers. Tacoma Power is not a jurisdictional utility but it is a “transmission provider” for purposes of Order 890 and Order 1000.

## **Regional Transmission**

### ***Regional Transmission Planning***

BPA owns and operates a high voltage transmission system comprising approximately 75% of the bulk transmission capacity in the Pacific Northwest. Tacoma Power depends on BPA for the vast majority of its regional transmission needs. While Tacoma Power is not FERC jurisdictional, it is nonetheless interested in the development of a robust transmission network throughout the Pacific Northwest.

Tacoma Power is a member of ColumbiaGrid, a non-profit membership corporation formed in 2006 to improve the operational efficiency, reliability, and planned expansion of the Pacific Northwest transmission grid. ColumbiaGrid itself does not own transmission, however, the high-voltage transmission systems owned by the ColumbiaGrid members make up a substantial transmission network. It is one of four regional planning organizations within the WECC Interconnection; the other three are the Northern Tier Transmission Group (NTTG), WestConnect, and the California ISO.

ColumbiaGrid provides grid expansion planning to its members based on a single-utility concept for the combined transmission grids of its planning parties. The goal of grid expansion planning is to determine reasonable solutions, or mitigations, of transmission grid issues pertaining to serving load and complying with reliability standards. The members look to ColumbiaGrid’s grid expansion planning process to coordinate and support the development of multi-party transmission projects within the ColumbiaGrid region.

ColumbiaGrid currently has eight members: Avista Corporation, Bonneville Power Administration, Chelan County PUD, Grant County PUD, Puget Sound Energy, Seattle City Light, Snohomish PUD, and Tacoma Power.

Over the last year, discussions have taken place regarding the possibility of combining ColumbiaGrid and NTTG into a single regional planning organization. Although the various planning organizations are required to coordinate activities, such a merger could help to create an even more efficient planning organization as it would cover the large area of the WECC region now encompassed separately by ColumbiaGrid and NTTG.

### ***Puget Sound Area Transmission Initiatives***

Changing generation patterns and loads within the metropolitan Puget Sound area, regional transmission outages, and BPA’s obligation to return energy to Canada under the Columbia River Treaty, have occasionally created transmission congestion which has impacted Tacoma Power. Coordinated actions to re-dispatch local generation and a memorandum of understanding citing investment and cost-sharing responsibilities was signed by BPA, Seattle

City Light and Puget Sound Energy in December 2011. These actions have averted the need to drop customer load in the Puget Sound area. The City is not a party to this agreement.

### **Transmission Reliability**

In March 2007, FERC issued Order 693, which addresses mandatory reliability standards for utilities. The North American Electric Reliability Corporation (“NERC”) was tasked with developing reliability standards for the electric industry and for ensuring those standards are met. All users, owners and operators of the bulk power system are required to identify functions they perform and register the information with the NERC or their regional reliability organization. In Tacoma Power’s case, this is the Western Electricity Coordinating Council (“WECC”).

Tacoma Power’s Internal Compliance Program (“ICP”) has developed over the years and continues to evolve as the NERC’s Reliability Standards continue to change. Tacoma Power actively monitors and participates in the balloting process for the NERC Reliability Standards. Tacoma Power is committed to a culture of compliance and strives for continuous improvement throughout its ICP. Tacoma Power’s ICP outlines the roles and responsibilities for compliance, includes documented processes, and describes the steps taken to ensure compliance and the reliable operation of the Bulk Electric Power System as required by federal laws and regulations, and applicable NERC standards as approved by FERC.

Tacoma Power’s Reliability & Compliance Office consists of five functional areas to carry out its responsibility to facilitate compliance with NERC Reliability Standards: 1) Operations and Planning, 2) Critical Infrastructure Protection, 3) Internal Controls, 4) Document and Records Management, and 5) Cyber Security Awareness and Training. A Governance Committee comprised of Tacoma Power senior managers, the Superintendent, and a representative from the Legal department provides oversight to Tacoma Power’s Reliability & Compliance Program. This helps ensure a culture of compliance is reflective across the entire organization and there is engagement at all levels. The Utility Technology Services Manager is responsible for the Reliability & Compliance program and is also designated the CIP Senior Manager for Tacoma Power reporting directly to the Power Superintendent.

Tacoma Power utilizes internal auditors for on-going assessments. Tacoma Power also utilizes outside consultants in preparation for audits conducted by WECC. Tacoma Power audits its compliance with a large number of NERC Reliability Standards at least once every three years. The objective of the internal audits is to gather evidence to determine compliance with the Reliability Standards and identify where any potential risks may exist within the compliance program.

In 2016, WECC conducted a Reliability & Compliance Internal Controls Evaluation (“ICE”) on Tacoma Power’s Reliability & Compliance Program. This evaluation is used to assess whether the controls and measures Tacoma Power uses to ensure compliance with the NERC Reliability Standards are adequate. The results of the evaluation along with any findings identified during the WECC On-Site Audit are used to establish WECC’s Compliance Oversight Plan (“COP”) for Tacoma Power. WECC implemented Tacoma Power’s COP in November of 2016 which has resulted in a significant reduction in the number of Reliability Standards and Requirements Tacoma Power will be required to self-certify on and the scope of future audits.

A significant revision to the CIP requirements (Version 5/6), and over 20 new or revised O&P standards became effective on July 1, 2016. Tacoma Power personnel vetted each of these standards through the new Standard Change Organizational Review and Evaluation (“SCORE”) process to ensure compliance. The SCORE process takes each new or revised standard and evaluates the impact (low, medium, or high) based on the risk and the resources necessary for implementation. This evaluation also assists in building a work schedule for completing any necessary work and assessing compliance prior to the enforcement date(s).

### **Tacoma Power-Owned Transmission**

Tacoma Power owns, operates, and maintains a total of 351 circuit miles of transmission facilities: 44 circuit miles of high voltage (230 kV) facilities and 307 circuit miles of sub-transmission (115 kV) facilities, which are used to integrate generation, serve retail loads and provide wholesale transmission service. Key facilities include:

- Cowlitz Lines: 19 miles of 230 kV transmission integrate Tacoma Power's Mayfield and Mossyrock hydroelectric generation at the Cowlitz River Project into BPA's transmission grid. Tacoma Power takes delivery of this power at its Cowlitz and Northeast, Southwest, and Canyon Substations.
- Potlatch Lines: 43 miles of double circuit (86 circuit miles) 115 kV sub-transmission facilities integrate Tacoma Power's hydroelectric generation at the Cushman Project into Tacoma Power's 115 kV sub-transmission system.
- LaGrande Lines: 28 miles of double circuit (56 circuit miles) and 11 miles of single circuit 115 kV sub-transmission facilities integrate Tacoma Power's Alder and LaGrande hydroelectric generation at the Nisqually River Project into Tacoma Power's 115 kV sub-transmission system.
- Four major transmission substations, eight hydroelectric facility switchyards, six transmission switching substations and 23 load-service points to other utilities.
- Starwood Line: 2 miles of 115 kV Transmission interconnects Tacoma 115 kV sub-transmission system to Puget Sound Energy's 115 kV sub-transmission system.

### **Wholesale Transmission Service**

Tacoma Power uses portions of its transmission system to provide wholesale transmission service to BPA for delivery of BPA power to nine municipally-owned Pierce County utilities and a portion of the Lewis County Public Utility District (PUD).

In 2000, Tacoma Power reaffirmed its policy to provide non-discriminatory access to its 230 kV and 115 kV system through the adoption by the Board of a new wholesale transmission tariff.

In 2012, Tacoma Power updated the terms and conditions of its transmission tariff to be more in alignment with the FERC *pro forma* Open Access Transmission Tariff. At this same time, the rates included in Tacoma Power's tariff were also updated. This tariff was approved and adopted by both the Board and the City Council. In September 2012, Tacoma Power and BPA executed a replacement one-year transmission service agreement for the continued provision of wholesale transmission service to BPA. Currently, the parties have in place under the tariff, a mixture of network integration transmission service agreements with a term through 2028, and point-to-point transmission service agreements that expire in 2018. The intent is to replace the point-to-point agreements with network agreements once all necessary arrangements are in place.

In August 2009, in response to a request for transmission service from Iberdrola Renewables (now known as Avangrid Renewables), Tacoma Power and Iberdrola Renewables entered into a 12-year service agreement pursuant to the Tacoma Power transmission tariff for the provision of wholesale transmission service over the Tacoma Power transmission system from the St. Paul Substation to the BPA transmission system. This service is needed for the delivery of power from WestRock's biomass generating unit.

Finally, Lewis County PUD receives transmission service for delivery of its Cowlitz Falls generation over Tacoma Power's facilities to BPA. The agreement was entered into in 1993 (before the wholesale transmission tariff was developed), and has a term concurrent with Lewis County PUD's FERC hydro licenses.

### ***Third AC Intertie Capacity***

In 1994, Tacoma Power entered into a long-term capacity ownership agreement with BPA to annually purchase 41 MWs of transmission on BPA's Third AC Intertie. The Third AC Intertie is an expansion of the existing California-Oregon Intertie, and links the Northwest power grid with the Southwest power grid. Tacoma Power has currently assigned the 41 MWs of capacity to a third party through September 30, 2021. Tacoma Power maintains contract ownership of the 41 MWs of capacity through the life of the facilities.

### ***Point-to-Point Transmission Contract***

Tacoma Power has a Service Agreement for Point-to-Point Transmission point-to-point transmission contract with BPA. It that includes long-term service reservations to transmit the transfer of 801 MWs of power from BPA and Tacoma Power resources to Tacoma Power as well as transfer from Tacoma Power resources across the BPA transmission system. When the contracted transmission is not fully utilized due to reduced generation levels at Tacoma Power projects, the contract reservations can be used redirected as permitted by the BPA Open Access Transmission Tariff and Transmission Business Practices to move power to and from other points of integration receipt and delivery on the BPA transmission system. The reservations individual transmission contracts that comprise Tacoma Power's Point-to-Point Contract with BPA have varying expiration dates ranging from September 1, 2022 to September 10, 2037.

### ***Cowlitz Exchange***

In 1966, Tacoma Power entered into a long-term transmission exchange agreement with BPA. The contract specifies that BPA must make available at the City's point of delivery, currently Cowlitz Substation in Tacoma, power generated by the Cowlitz Project. In 2001, Tacoma Power exercised its contractual right to extend this agreement through December 31, 2021 and has an option to extend the contract for an additional 30 years. Terms and conditions under the contract extension remain unchanged. Only the cost factors used in determining payment amounts to BPA are to be adjusted to reflect the current direct operation and maintenance costs.

### **Retail Power Distribution**

Tacoma Power owns, operates and maintains approximately 1,178 miles of overhead and 836 miles of underground distribution facilities to serve its customers. This includes both 12.5 kV and 13.8 kV distribution lines, which are fed from 49 distribution substations, and 12 dedicated-load substations.

### **System Planning**

Tacoma Power achieves its commitment to reliable energy delivery through system planning and reliability centered maintenance programs in its transmission and distribution system business.

Annually, Tacoma Power assesses the sufficiency of its transmission network over a range of generation and load scenarios to assure reliability and sufficiency of transmission service commitments. Every two years Tacoma Power conducts a collaborative facilities planning process. Additionally, every six years Tacoma Power examines the need for changes to the transmission and distribution system over a 16-year period and publishes the results in its Transmission and Distribution Horizon Plan. Tacoma Power published its most recent Horizon Plan in December 2016. Tacoma Power implements technology enhancements, capacity additions, and renewal and replacement projects, following the strategic priorities established through these planning processes.

### **Asset Management**

A formal Asset Management program was initiated in 2009 to evaluate and recommend the gradual replacement of aging system components including substation power transformers. An enhanced focus on asset management is currently underway with an increase in resources devoted to this effort. Tacoma Power has implemented several examples of reliability, renewal, or capacity projects. Transmission capacity is annually evaluated for reliability and capacity performance, with the results being optimized with incremental upgrades to the network. Distribution circuits are being improved to allow tighter regulation of the voltage and achieve the resulting energy conservation. Power quality improvements are in progress that will reduce momentary interruptions and reduce maintenance of interrupting equipment. The Feeder Sectionalizing program began in 1999 with the purpose of reducing restoration time and the number of impacted customers. The Underground Cable Replacement program began in 2003 to proactively replace direct-buried cable systems with conduit and cables to reduce outage impact and frequency. Other ongoing substation equipment replacement programs include high voltage oil circuit breakers, high voltage fuses, and battery systems. Additionally, Tacoma Power's Distribution Substation Modernization Project includes include protective relay upgrades and communications to microprocessor-based substation devices, which will

provide valuable system information directly to the power system dispatchers through Tacoma Power's Supervisory Control and Data Acquisition and Energy Management System.

### **Construction and Maintenance**

Tacoma Power has a number of established preventive and predictive maintenance programs and continues to develop more. For example, the substation predictive maintenance program can identify substation equipment requiring corrective action before a failure occurs through utilization of infrared, Doble testing, oil sample testing, and dissolved gas analysis. Tacoma Power owns and maintains approximately 49,000 power poles. The Pole Replacement program strategy is to test and treat 9% of the poles annually maintaining an 11-year cycle. Tacoma Power also performs tree trimming around its distribution and transmission lines, maintaining two and four year trimming cycles along with programs to replace dangerous trees with utility friendly trees.

### **Telecommunications Infrastructure**

Approximately 1,500 miles of fiber and coaxial cable have been constructed in the cities of Tacoma, University Place, Fircrest, Lakewood and Fife, and portions of unincorporated Pierce County, providing Tacoma Power with a state-of-the-art telecommunication system with which it supports transmission and distribution operations, advanced metering, and retail and wholesale commercial services. The network currently covers approximately 66% of the households in Tacoma Power's service territory.

The network consists of a hybrid fiber-optic coaxial ("HFC") system, which delivers two-way signals for cable TV, cable modem Internet services, and advanced metering. In addition, SONET ("Synchronous Optical Network") and Gigabit Ethernet technologies are used to support communications across Tacoma Power's transmission and distribution system and to carry out data transport services for commercial customers. The network was designed and constructed to meet high telecommunications standards, containing a redundant backbone and redundant service loops, which seek to ensure uninterrupted signal transport in the event of a network break. A network surveillance system allows Tacoma Power to monitor the system at all times.

***Commercial Telecommunication Services.*** Launched in 1998 under the brand name Click! Network, Tacoma Power provides three commercial telecommunication services to customers of Tacoma Power: retail cable television, wholesale broadband transport and wholesale high-speed Internet over cable modem. Click! Network is one of several providers of telecommunications services in the Tacoma area.

Cable television is Click! Network's primary retail business. Click! currently has approximately a 15% share of a very competitive local cable television market. Cable TV products available to both residential and business customers include broadcast television, digital and high-definition channels, digital video recording capability, TiVo with access to over-the-top ("OTT") content such as Netflix, Hulu, YouTube and Pandora, TVEverywhere, and a wide variety of video-on-demand services. Video-on-demand services include local programming tied to schools, colleges, local governments and community organizations strengthening Click!'s brand identity in the communities served.

Under wholesale Master Service Agreements, seven telecommunications carriers provide high capacity last mile data transport circuits to their customers utilizing Click! Network's telecommunications infrastructure. The seven telecommunications carriers provide SONET data services ranging from DS-1 lines to OC-48 lines and customized Metro Ethernet circuits to meet data transport and web access needs of large and small businesses in the Tacoma area.

Also under wholesale Master Service Agreements, two qualified locally based Internet Service Providers ("ISPs") provide high-speed Internet services via cable modems to their customers utilizing Click! Network's telecommunications infrastructure. The ISPs provide a variety of speed packages to meet the needs of the residential and business consumers in the Tacoma area. As part of the contract, the two ISPs also provide customer service, cable modem installation, customer premise equipment and technical support services to their Internet customers.

Click! commercial revenues for 2016 were \$26.6 million. Click! ended 2016 with 17,468 cable TV customers, 23,344 wholesale high-speed Internet service customers, and 173 wholesale broadband transport circuits.

Click! also continues to provide the City of Tacoma I-Net services to approximately 190 sites to keep the cost of telecommunications low for many governmental entities.

Click! Network implemented a 12.9% Cable TV service rate increase effective March 1, 2017. An additional Cable TV rate increase is planned for March 1, 2018. These Cable TV rate increases are expected to generate approximately \$7.7 million in additional revenue. A major portion of additional revenue will be used to cover increases in programming costs.

### CAPITAL IMPROVEMENT PROGRAM

Tacoma Power has funded its past capital improvement programs from contributions in aid of construction, proceeds of Parity Bonds and subordinate lien revenue bonds, and Revenues of the Electric System. The actual amounts spent during the past five years, together with the sources of funds used, are displayed in the table below.

**Historical Sources of Capital Improvement Funds**  
((\$000))

Source of Funds	2012	2013	2014	2015	2016
Bond Proceeds	\$ 51,730	\$ 35,723	\$ 58,834	\$ 58,003	\$ 50,995
Contributions in Aid of Construction <sup>1</sup>	(4,716)	(3,735)	(3,029)	(4,777)	(3,293)
Cash Reserves	16,643	23,656	21,160	19,301	30,536
Total	\$63,657	\$55,644	\$ 76,965	\$ 72,527	\$ 78,238

(1) Customer contributions to fund capital projects.

Source: Tacoma Power

Tacoma Power has a long-term goal to finance an average of 50% of its normal capital requirements from net operating revenues with the balance from contributions and borrowed funds. However, due to varying water conditions, the amount of the capital facilities program, and periodic cash defeasance of outstanding bonds, the amount actually financed from net operating revenues varies from year to year. From 2012 to 2016, Tacoma Power financed an average of 66% of its capital improvements from borrowed funds. Tacoma Power's policy is to fund major projects with borrowed funds.



Tacoma Power has prepared a capital improvement program designed to meet its needs through 2021. The table below shows Tacoma Power's estimates of project expenditures and sources of funds.

<b>Projected Capital Improvement Program (\$000)</b>					
	2017	2018	2019	2020	2021
<b>Project Expenditures</b>					
Power Supply	\$23,562	\$23,562	\$21,112	\$21,113	\$11,665
Transmission and Distribution	29,695	29,696	33,629	33,630	33,809
Utilities Technology	15,976	15,976	11,231	11,231	8,881
Telecommunications	3,069	15,159	2,555	2,555	2,480
Conservation	10,925	10,925	10,675	10,675	9,975
General Plant	5,965	5,964	10,553	10,553	7,951
<b>Total Project Expenditures</b>	<b>\$89,192</b>	<b>\$101,282</b>	<b>\$89,755</b>	<b>\$89,757</b>	<b>\$74,761</b>
<b>Sources of Funds</b>					
Net Revenues	34,870	46,960	34,902	35,903	29,904
[Future] Bond Proceeds <sup>(1)</sup>	54,322	54,322	53,853	53,854	44,857
<b>Total Sources of Funds</b>	<b>\$89,192</b>	<b>\$101,282</b>	<b>\$89,755</b>	<b>\$89,757</b>	<b>\$74,761</b>

<sup>(1)</sup> Includes estimated 2017 Bond proceeds

Source: Tacoma Power

## FINANCIAL INFORMATION

### Management Discussion of Historical Operating Results

The table below, entitled "Operating Results and Debt Service Coverage," presents a summary of Tacoma Power's revenues, expenses and income available for debt service and general utility purposes for the calendar years 2012 through 2016. Tacoma Power's customer base increased from 169,012 customers in 2012 to 176,784 customers in 2016. Energy sales to metered customers decreased during the period, from 4,748,287 MWh in 2012 to 4,571,159 MWh in 2016.

Tacoma Power's total operating revenues increased by \$30.7 million (7.9%) for the period 2012 through 2016. Bulk power sales are impacted by precipitation, weather patterns, and market conditions and can vary significantly on an annual basis. Revenues from these sales increased \$974 thousand from 2012 to 2016. In 2009, market prices declined significantly. In subsequent years, surplus water conditions helped mitigate low prices in the market.

While operating revenues increased \$30.7 million over the past five years, Tacoma Power's operating expenses also increased by \$45.4 million. Power supply costs increased by \$27.4 million between 2012 and 2016. In recent years, there have been increases in power supply costs due to rate changes with BPA and an investments in capital projects such as fish facility improvements and license implementation. Administrative and general expenses decreased \$13.0 million from 2012 to 2016. In 2015 Tacoma Power conducted a review of administration and general expenses and determined that a portion of costs that were assigned to administration and general expense should be reclassified to non-administrative groups.

Tacoma Power had the following number of days cash on hand: 308 in 2012, 303 in 2013, 325 in 2014, 208 in 2015 and 224 in 2016.

GASB 68, Accounting and Financial Reporting for Pensions, resulted in an increase in expense of \$10.0 million in 2016. This expense was allocated across the Power sections as follows: Administrative and General \$2.9 million, Distributions \$2.9 million, Maintenance \$1.4 million, Generation \$1.0 million, Telecommunications \$0.8 million, Other \$0.7 million, and Transmission \$0.4 million.

**Tacoma Power**  
**Operating Results and Debt Service Coverage**  
**2012-2016**

	2012	2013	2014	2015	2016
Operating Revenues					
Sales of Electricity to Metered Customers <sup>(1)</sup>	\$293,366,908	\$306,838,711	\$314,378,654	\$315,882,908	\$319,742,755
Revenues from Contractual Sales for Resale <sup>(9)</sup>	53,532,081	64,210,259	82,796,740	50,380,147	54,506,535
Other Operating Revenue <sup>(2)</sup>	40,983,752	43,413,115	44,070,713	44,363,160	44,365,098
Total Operating Revenue	\$387,882,741	\$414,462,085	\$441,246,107	\$410,626,215	\$418,614,388
Total MWh Sales to Metered Customers	4,748,287	4,806,761	4,781,826	4,719,955	4,571,159
Average Unit Price (cents/kWh)	6.18	6.38	6.60	6.88	6.99
Operating Expenses					
Power Supply Costs <sup>(3)</sup>	\$136,993,876	\$146,154,382	\$149,386,488	\$156,909,442	\$164,420,402
Transmission	23,191,324	24,482,324	25,066,531	24,460,596	32,641,454
Distribution	30,499,896	25,247,343	31,524,323	22,939,410	35,415,371
Telecommunications	18,717,683	18,863,702	19,631,153	25,304,001	26,059,166
Customer/Consumer Services <sup>(4)</sup>	18,342,402	18,906,687	22,430,934	23,609,956	27,585,681
Operating Taxes <sup>(5)</sup>	17,494,729	19,562,858	19,276,216	19,993,833	19,727,313
Administrative & General <sup>(6)</sup>	39,712,445	42,904,285	46,701,615	45,977,299	26,668,314
Operating Expenses <sup>(7)</sup>	\$284,952,355	\$296,121,581	\$314,017,260	\$319,194,537	\$332,517,701
Other Income					
Current Fund Interest <sup>(8)</sup>	\$ 5,792,255	\$ 1,891,270	\$ 3,758,359	\$ 1,782,079	\$ 2,382,116
Other Non-Operating Revenue (Expense)	6,560,486	2,487,882	2,039,019	1,272,507	4,759,405
Total Other Income	\$ 12,352,741	\$ 4,379,152	\$ 5,797,378	\$ 3,054,586	\$ 7,141,521
Revenue Available for Debt Service & General Utility Purposes <sup>(9)</sup>	\$ 115,283,127	\$ 122,719,656	\$133,026,225	\$ 94,486,264	\$ 93,238,208
Net Debt Service on Bonds	\$ 56,532,001	\$ 52,407,971	\$ 58,741,411	\$ 37,155,035	\$ 31,755,810
Net Debt Service Coverage	2.04	2.34x	2.26x	2.54	2.94
Income Available for General Utility Purposes	\$58,751,426	\$ 70,311,685	\$ 74,284,814	\$ 57,331,229	\$ 61,482,398
City Gross Earnings Tax (Subordinate to Debt Service)	\$24,615,790	\$ 25,441,619	\$ 26,860,649	\$25,481,823	\$ 30,460,098

(1) Includes unbilled revenues.

(2) Includes rentals and leases from electrical properties, wheeling and service fees, and telecommunications revenues.

(3) Includes electric power production costs as well as purchased power costs and interchange power costs. Excludes net conservation costs.

(4) Primarily customer service expense and conservation program cost fluctuations, which occur between years because of timing of BPA reimbursements and because of the process for handling advance grant offsets.

(5) Primarily Washington utility and business operations tax, but also includes some county in lieu of taxes as well as some school support and some fire protection district payments.

(6) Administrative and general expenses decreased \$19.3 million in 2016 mostly due to the results of a study that found that costs assigned to administrative and general expense should be reclassified to non-administrative groups, such as transmission and distribution.

(7) For purposes of the debt service calculation, depreciation and City gross earnings taxes are excluded from Tacoma Power's operating expenses.

(8) Includes interest earnings from current funds and customer and contractor deposits.

(9) These amounts are reduced by the transfer of \$12,000,000 in 2012.

Source: City of Tacoma

## Debt Service Coverage

Tacoma Power is required by its bond covenants to maintain debt service coverage of 1.25 times actual Annual Debt Service. As shown below, debt service coverage over the past five years has exceeded the 1.25 times requirement. For purposes of the debt service calculation, depreciation and City gross earnings taxes are excluded from Tacoma Power's operating expenses, although these costs appear as operating expenses on Tacoma Power's audited financial statements attached as Appendix D.

The Board has adopted a policy of minimum debt service coverage of 1.50 assuming water conditions that have historically been exceeded 75% of the time (adverse water). Over the period from 2012 to 2016, debt service coverage has ranged from a low of 2.4 times in 2012 to a high of 2.94 times in 2016.

### Total Tacoma Power Debt Service Requirements [Still Needs Updating]

After issuance of the 2017 Bonds, the debt service requirements of the Outstanding Parity Bonds and the 2017 Bonds [note that we revised the language to only refer to Parity Bonds, not other obligations payable from Net Revenue, such as subordinate lien obligations] are estimated to be as follows

Tacoma Power Electric System Revenue Bonds Debt Service Requirements <sup>(1)</sup>				
Fiscal Year	Outstanding Bonds <sup>(2)(3)(4)</sup>	2017 Bonds		Total
		Principal(3)	Interest	
2017	\$			
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
Total	\$			

(1) Column totals may not add due to rounding.

(2) Excludes subordinate lien obligations payable from Net Revenues.

(3) Each fiscal year's debt service requirement includes interest that accrues in that year and principal due in that year.

(4) Does not include the federal direct payments on the 2010B Bonds and the 2010C Bonds.

Federal sequestration, which became effective on March 1, 2013, is expected to reduce Tacoma Power's federal subsidy for a portion of the interest on Tacoma Power's Electric System Revenue Bonds, Series 2010B (Taxable Build America Bonds – Direct Payment) (the “2010B Bonds”) and Electric System Revenue Bonds, Series 2010C (Taxable Clean Renewable Energy Bonds – Direct Payment) (the “2010C Bonds”). The Internal Revenue Service has announced that the reduction is likely to be 6.8%, which equals \$172,027 for the July 1, 2016 interest payment. The exact impact will depend on how various Federal agencies respond to mandated expenditure reductions and the duration of sequestration.

## Liquidity

### *Cash and Temporary Investments and Special Funds*

As of December 31, 2016, Tacoma Power's cash and equity in pooled investments totaled \$214.4 million, and special funds totaled \$43 million. Tacoma Power's cash balances are a “deposit” with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP. The TIP operates like a demand deposit account in that all City departments, including Tacoma Power, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents. Special funds have been established in accordance with bond resolutions, agreements and laws. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds and customer deposits. Cash and equity in pooled investments and special funds for each of the years 2012 through 2016 are summarized in the table below.

### **Electric System Cash, Temporary Investments and Special Funds (\$000s)**

<b><u>Year</u></b>	<b><u>Cash and Equity in Pooled Investments</u></b>	<b><u>Special Funds<sup>(1)</sup></u></b>
2012	\$261,384,910	\$120,626,987
2013	\$257,668,097	\$172,585,222
2014	\$287,949,952	\$116,119,394
2015	\$193,804,373	\$73,481,305
2016	\$214,474,287	\$43,107,806

<sup>(1)</sup> Balance includes the Rate Stabilization Account, which totaled \$36.2 million in 2012, and \$48.0 million in 2013 through 2016. In 2012, Tacoma Power transferred \$100 million from cash and temporary investments to a Debt Management Reserve, which is treated as a special fund in 2012, 2013 and 2014.

Source: City of Tacoma

## Investments

The City's Investment Committee is composed of the Mayor, the Finance Director and the City Treasurer. The City Treasurer invests City funds, including Tacoma Power's funds. Among the investments permitted by State law and the Investment Committee's policy are banker's acceptances of the top 50 world banks as published by American Banker, U.S. Treasury bills, certificates, notes and bonds, certain U.S. Government agency securities, commercial paper with the highest rating by at least two nationally recognized rating agencies, repurchase agreements with the market value of collateral exceeding the dollar amount of the repurchase agreement by 2% over the term of the agreement, reverse repurchase agreements, the State Local Investment Pool (described below), and municipal securities.

As of December 31, 2016, the City's cash and investments on a fair value basis, including Tacoma Power funds, totaled \$891.million, not including City pension funds. The portfolio was distributed in various types of investment instruments in the following percentages:

**City Investments**  
**(As of December 31, 2016)**

Bank Interest-Bearing Accounts	0.47%
LGIP	10.23
U.S. Treasuries	17.42
Municipal Securities	7.29
Federal Home Loan Mortgage Assn (Freddie Mac)	16.12
Federal Farm Credit Bank (Farm Credit)	8.53
Federal Home Loan Bank (Home Loan)	26.49
Federal National Mortgage Assn (Fannie Mae)	13.45
Total	100.00%

*Source: City of Tacoma*

**State Local Investment Pool.** The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), which invests between \$7 and \$11 billion on behalf of more than 530 cities, counties and special taxing districts. In its management of LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These principles are, in order of priority, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) the attainment of the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The pool is restricted to investments with maturities of one year or less, and the average life typically is less than 90 days. Investments permitted under the LGIP's guidelines include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified Washington State depositories.

**Authorized Investments for Bond Proceeds.** In addition to the eligible investments discussed above, bond proceeds may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with average maturities of less than four years; municipal securities rated in one of the U.S. Government four highest categories, including subcategories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories of a nationally recognized rating agency. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030).

## **Financial Policies**

Tacoma Power has formally adopted certain minimum thresholds as a guide to financial management and rate setting. These thresholds are included in the Electric Rate and Financial Policy and are periodically reviewed and approved by the Board and City Council after any modification. These thresholds include setting rates at levels to provide projected cash balances equivalent to at least 90 days of current budgeted expenditures inclusive of current revenue-funded capital expenditures and the gross earnings tax, assuming water conditions that have historically been exceeded 75% of the time (adverse water). In addition, Tacoma Power has a policy of setting retail rates to maintain a debt service coverage ratio of at least 1.5 times based on Net Revenues, including surplus power sales, under adverse water conditions and 1.8 times based on Net Revenues under average water conditions.

The Board and City Council approved an amended Electric Rate and Financial Policy in April 2015 to provide guidance in the use of long- and short-term debt to finance capital projects; provide clarification pertaining to the

use of financial metrics; and provide additional requirements pertaining to the funding of the Rate Stabilization Fund.

The current Electric Rate and Financial Policy also specifies that rates will be based on cost-of-service within a customer class, restrictions on the term of debt, financing of approximately 50% of non-major capital projects with current revenue and financing of long term major projects primarily through debt. See “CAPITAL IMPROVEMENT PROGRAM.”

### **Budgetary Process**

The Tacoma Power biennial operating and capital budgets are proposed by the Board and subject to approval by the City Council. Under the City Charter, the City Council has budgetary control at the fund level. Expenditures may not exceed budgeted appropriations at the fund level. Tacoma Power is a “fund” for accounting purposes. The City Manager and Director of Utilities, as appropriate, may authorize transfers within funds. The City Council, however, must approve any amendments that increase the total expenditures for a given fund.

### **Auditing**

Accounting systems and budgetary controls are prescribed by the Office of the State Auditor in accordance with RCW 43.09.200 and RCW 43.09.230. State statutes require annual accounting audits for cities to be conducted by the Office of the State Auditor. The City complies with the systems and controls prescribed by the Office of the State Auditor and establishes procedures and records which are intended to assure the reliability of the City’s financial reporting.

The State Auditor is required by law to examine the affairs of cities at least once every two years. The City, including Tacoma Power and other City utilities, is audited annually. The examination includes, among other things, the financial condition and resources of the City, whether the relevant laws and Constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor’s examinations are required to be filed in the office of the State Auditor and in the finance department of the City.

The audited financial statements of Tacoma Power for fiscal years 2015 and 2016 prepared by the City of Tacoma Finance Office and audited by Moss Adams LLP are contained in Appendix D. Moss Adams LLP, Tacoma Power’s independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures related to this Official Statement.

### **Taxes Imposed on Tacoma Power**

State law and the City Charter allow the City to impose a gross earnings tax not exceeding 8% upon the revenues of Tacoma Power, unless approved by a vote of the citizens. Voters of the City recently approved an increase in the gross earnings tax rate from 6% to 7.5% on all Tacoma Power revenues until 2025, excluding cable television revenues which are taxed at 8%. Payment of the gross earnings tax to the City is subordinate to the payments required to be made by Tacoma Power into any fund or funds previously or subsequently created for the payment of the principal of, and interest on, Tacoma Power’s electric revenue bonds. The City Charter provides that the tax on City-operated utilities shall not be disproportionate to the taxes the utility would pay if it were privately owned.

Tacoma Power also pays an excise tax imposed by the State, generally at the rate of 3.8734% of gross revenues, with certain exceptions. Tacoma Power further makes certain payments-in-lieu-of-taxes on property owned by Tacoma Power that is outside the City limits, and pays miscellaneous fees, licenses, and sales and use taxes to the State and other municipalities. Most of these taxes and payments (other than to the City) are Operating Expenses of the Electric System.

## Retirement System

Substantially all employees of Tacoma Power are covered by a contributory retirement plan administered by the City's Employee Retirement System ("TERS"), an actuarially funded system administered by the City. The following information is provided on a City-wide basis. Additional information is available on the TERS website at [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement) (which website is not incorporated herein by this reference).

TERS is a cost-sharing, multiple- employer defined benefit pension retirement plan covering the majority of the City employees, and three Member Public Agencies. TERS' membership from the City excludes uniformed law enforcement officers and fire fighters, as well as railroad employees, who are covered by retirement plans operated by other entities. The Board of Administration of TERS administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code. The Board of Administration of TERS consists of nine members, including the Mayor, City Administrator, Finance Director, designee of the Director of Utilities, three employees and one retiree. Contribution rates are recommended by the Board and set by the City Council. As of December 31, 2016, there were 2,331 retirees and beneficiaries receiving benefits, 516 vested terminated employees entitled to future benefits, and 2,963 active members in TERS.

Tacoma Power is current in all payments to the Retirement System. Further details about the plan are provided in Note 10 in Appendix D—"2015 AND 2016 AUDITED FINANCIAL STATEMENTS."

Contributions City-wide totaled \$43.7 million in 2016 (\$23.6 million in employer contributions and \$20.1 million in employee contributions) and totaled \$42.4 million in 2015 (\$22.7 million in employer contributions and \$19.7 million in employee contributions). Tacoma Power contributed \$9.3 million in 2016 (2.9% of Operating Expenses) and \$9.3 million in 2015 (2.5% of Operating Expenses). The contribution rate for Tacoma Power's covered payroll is currently set at 20% of gross wages for 2017 (10.80% paid by Tacoma Power and 9.20% paid by employees).

The most recent actuarial valuation of TERS was completed as of January 1, 2017 by Milliman (the "Milliman Report"). Assumptions include investment earnings of 7.00%, wage growth of 3.75% and price inflation of 2.75%. TERS' 2016 market value investment return of 8.7% was less than the 7.00% assumed investment return. For the three- year and five-year periods ending December 31, 2016 TERS earned returns of 5.5% and 9.1%, respectively, which exceeded both the policy benchmark over both periods and the actuarial rate of return over the five-year timeframe. According to the Milliman Report, TERS' funding ratios decreased slightly on an Actuarial Value of Assets ("AVA") basis to 96.2% after having increased over each of the previous four years. The projected amortization period of the Unfunded Actuarial Accrued Liability ("UAAL") increased from 21.3 years as of the 2016 Milliman Report to 31.6 years as of the 2017 Milliman Report. The Funding Ratio on an actuarial value basis decreased from 97.4% to 96.2%, since only one fourth of the gain from 2016 was recognized. However, the Funding Ratio based on the fair value of assets remained steady at 93.9% on both January 1, 2015 and January 1, 2016.

### TERS Valuations (Millions of \$)

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
01/01/2007	\$1,021.3	\$895.8	\$(125.5)	114.0%	\$175.0	(71.7)%
01/01/2009	1,097.3	1,002.3	(95.0)	109.5	197.4	(48.1)
01/01/2011	1,074.8	1,132.9	58.1	94.9	219.6	26.5
01/01/2012	1,068.3	1,185.5	117.2	90.1	219.4	53.4
01/01/2013	1,187.1	1,306.6	119.5	90.9	210.6	56.7
01/01/2014	1,297.0	1,400.0	103.0	92.6	213.8	48.2
01/01/2015	1,402.7	1,468.2	65.5	95.5	221.3	29.6
01/01/2016	1,501.7	1,542.2	40.5	97.4	227.4	17.8
01/01/2017	1,585.0	1,648.1	63.1	96.2	236.4	26.7

The Milliman Report provides the following information regarding long-term funding projections: The baseline projection demonstrates that if experience in all future years matches the actuarial assumptions, the Funding Ratio on an AVA basis is projected to decline.. After a few years, the Funding Ratio falls beneath 95% and the current contribution rate of 20.00% is insufficient to amortize the UAAL. Contribution rates (currently at 20%) may need to be raised in the future as a result. The Milliman Report also provided an upside scenario projection based on the assumption that TERS's returns from 2017 through 2019 match the actual returns from 2003 to 2005. It is estimated under these circumstances that TERS would attain a Funding Ratio of 115.8% based on actuarial assets and 126.2% based on the fair value of assets at the end of the three-year period. However, a downside scenario projection from the Milliman Report showed that adverse investment experience similar to what TERS experienced in 2006 – 2008 could require contribution rates to increase as high as 33.7% (versus the current 20%) of covered payroll to amortize the UAAL over 25 years. Future experience is expected to at times be better or worse than the actuarial assumptions over different time periods and is likely to result in changes to TERS' funding status.

Although TERS operates over a long period of time, the measurement of TERS's funding status can vary from year-to-year due to annual investment returns. The following chart summarizes TERS's asset returns in recent years and compares the fair market value gains and losses to the AAL at the following valuation date. Investment returns that are greater than the actuarial assumption are gains; returns less than the actuarial assumption are losses. The AVA recognizes these fair value gains and losses in four equal increments starting at the end of the year in which they occur – this process is known as smoothing. Gains in good years are needed to offset losses in bad years.

#### TERS Asset Returns

Year	Market Value % Return*	Market Value Gain/ (Loss) compared to expected	End of Year Actuarial Accrued Liability (AAL)	Gain / (Loss) as a % of next AAL
2007	3.9	(42,200,000)	**	(4.2)
2008	(32.0)	(451,000,000)	1,002,300,000	(45.0)
2009	27.3	147,700,000	**	13.0
2010	14.1	60,200,000	1,132,900,000	5.3
2011	1.3	(69,900,000)	1,185,500,000	(5.9)
2012	14.1	68,700,000	1,306,600,000	5.3
2013	15.8	100,000,000	1,400,000,000	7.1
2014	8.1	11,500,000	1,468,200,000	0.8
2015	(0.4)	(111,600,000)	1,542,200,000	(7.2)
2016	8.7	(20,900,000)	1,648,100,000	(1.3)

\* The fair market value returns shown above are net of investment expenses, but not administrative expenses. They are based on the TERS's annual financial statements, but may have some variance from calculations performed by other parties due to different methodologies.

\*\* Until 2011, valuations were performed every other year.

In 2012, the Board approved lowering the rate of return assumption from 7.75% to 7.5%, and in 2014, from 7.50% to 7.25%. In 2016, the Board lowered the rate of return assumption from 7.25% to 7.00% and wage growth and inflation assumptions were also lowered by 0.25% at that time; these changes were reflected in the 2017 Milliman Report, which will be delivered at the May 2017 Board meeting.

In addition to TERS, City employees participate in the federal social security program. The City withholds the employee contribution from City employee's wages.

#### Other Post-Employment Benefits

The City allows retirees to participate in medical, dental and vision programs from the time retirement begins until they qualify for Federal funded programs. The City uses pay as you go funding, and upon retirement the retiree is responsible for paying a blended premium, which prior to retirement was paid by the City. The benefit is an implicit subsidy to the retiree. As of December 31, 2016, the City's net other post-employment benefits ("OPEB")



obligation was \$82,741,128, of which \$10,292,573 was related to Tacoma Power. Further details about OPEB are provided in Note 10 in Appendix D—“2015 AND 2016 AUDITED FINANCIAL STATEMENTS.”

### **Program of Insurance**

The Department currently maintains a combination of commercial insurance policies and a self-insurance program. The insurance policies presently in effect include coverage on the Department's buildings and fleet vehicles as well as General Liability and Public Officials Liability. The current Property Insurance policies covering scheduled buildings, business personal property and vehicles while parked have deductibles for other than earthquake or flood of \$250,000 for buildings and vehicles. The Property Insurance policies provide a total limit of \$1,500,000 for covered loss other than from earthquake or flood. The limit for any one earthquake covering scheduled property is \$10,000,000 with a deductible of 5% of the value of the damaged property subject to a \$100,000 minimum. The limit for flood to scheduled property is \$50,000,000 for flood zones other than A & V and the deductible is \$100,000. There is a limit of \$15,000,000 for scheduled property in flood zones A & V with a deductible of \$250,000. The General Liability self-insured retention is \$1,500,000 and there is a \$200,000 deductible for Public Officials Liability. The General Liability and Public Officials Liability policies provide \$60 million of coverage. The City has an excess policy to cover extraordinary worker's compensation claims with Statutory Limits and with a \$1 million self-insured retention plus and additional \$250,000 of total loss each 12 month policy period. Faithful Performance and Employee Dishonesty Insurance covering all employees is provided in amounts up to \$1 million per occurrence (subject to a \$75,000 deductible per occurrence).

Tacoma Power hydroelectric generation, transmission and distribution, telecommunications and other similar systems and infrastructure are not covered by property insurance policies. Tacoma Power purchases specific flood insurance for two powerhouses.

The Tacoma Power Division of Tacoma Public Utilities has established a self-insurance claim fund (the “Self-Insurance Fund”) for payment of third party claims against Tacoma Power. As of December 31, 2016, assets in the Self Insurance Fund totaled \$7.6 million, which exceeds accrued and incurred but not reported liabilities. Tacoma Power's premium payments in 2016 and 2015 totaled \$2,480,000. The contribution is routinely reviewed to determine its adequacy. The Self-Insurance Fund is dedicated and requires a two-thirds vote of the City Council before it can be used for anything except insurance or casualty losses.

## **CERTAIN INVESTMENT CONSIDERATIONS**

Prospective purchasers of the 2017 Bonds should consider the matters set forth below as well as other information contained in this Official Statement in evaluating an investment in the 2017 Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the 2017 Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.

### **Lack of Secondary Market**

The Underwriters have advised the City that they intend initially to make markets in the 2017 Bonds; however, the Underwriters are not obligated to make such markets, such markets may be discontinued at any time without notice, and no assurance can be given that secondary markets therefor will develop.

### **Various Factors Affecting the Electric Utility Industry**

The electric utility industry has been and continues to be affected by numerous factors that impact the business operations and financial condition of the electric utilities, including Tacoma Power. Such factors include, among others, (a) environmental, safety, licensing, and other regulatory requirements, including the imposition of renewable energy portfolio requirements and reliability standards, as well as carbon production greenhouse gas emission limitations, by federal and state governmental authorities; (b) new federal and state energy policies and legislation; (c) competition from other electric utilities, independent power producers and marketers, brokers and federal power marketing agencies; (d) the rapid growth of non-dispatchable and zero marginal cost resources (such

as wind and solar) coupled with the limited availability of highly flexible resources (such as natural gas-powered turbines) (e) “self-generation” (such as cogeneration and biomass facilities and natural gas-fired turbines) and “distributed generation” (such as distributed photovoltaic installations, micro turbines and fuel cells) by industrial, commercial and residential customers, (f) new methods of, and technology and facilities for, producing and storing energy for electric use; (g) increases in operating costs and the cost and availability of capital; (h) the availability and relative costs of different fuels and hydrological conditions such as drought; (i) volatility of energy prices, including sudden and/or substantial increases in the price of energy in the wholesale energy markets; (j) voter initiatives and other state and local propositions; and (k) changes in the availability of and demand for power as a result of economic, demographic, weather and other factors. See, “Long-Term Purchases of Power Supply—*BPA Purchases*,” “Other Resource Issues,” “Climate Change Legislation,” above, and “TRANSMISSION, DISTRIBUTION, AND TELECOMMUNICATIONS INFRASTRUCTURE” below.

Significant, ongoing uncertainty relating to the above factors, particularly those involving political, regulatory, and technological issues, creates continuing difficulty for the industry with respect to long-term planning and decision making. Tacoma Power is unable to predict what impacts such factors will have on its business operations and financial condition, but such impact may be significant. This Official Statement includes a brief discussion of certain of these factors. Those discussions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain.

### **Initiative and Referendum**

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

**Local Measures.** Under the City Charter, voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law; provided that ordinances adopting annual budgets, or making appropriations are not subject to referendum as well as ordinances not subject to referendum under state law (including rate ordinances).

### **Limitations on Remedies**

Any remedies available to the owners of the 2017 Bonds upon the occurrence of an Event of Default under the Bond Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the 2017 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the 2017 Bonds.

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and obligations under the 2017 Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, concurrently with the issuance of the 2017 Bonds, will be subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors’ rights. The various other legal opinions to be delivered concurrently with the issuance of the 2017 Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

## **Municipal Bankruptcies**

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the “Bankruptcy Code”). Chapter 39.64 RCW, entitled the “Taxing District Relief Act,” permits any “taxing district” (defined to include cities) to petition for relief under the Bankruptcy Code. Tacoma Power, being a division of the City, cannot file separately for bankruptcy protection. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the 2017 Bonds.

To the extent that the Revenues are determined to be “special revenues” under the Bankruptcy Code, then Revenues collected after the date of a bankruptcy filing should continue to secure the City’s obligations under the Bond Ordinance. “Special revenues” are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. No assurance can be given that a court would hold that the Revenues are special revenues. If any of the Revenues are determined not to be special revenues, then any such amounts collected after the commencement of the bankruptcy case will likely not secure the City’s obligations under the Bond Ordinance or the 2017 Bonds. The holders of the 2017 Bonds may not be able to assert a claim against any property of the City other than the Revenues, and if any or all of the Revenues no longer secure the Bond Ordinance and 2017 Bonds, then there may be limited, if any, funds from which the holders of the 2017 Bonds would be entitled to be paid.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including the Bondowners Trustee and the holders of the 2017 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. The rate covenant may not be enforceable in bankruptcy by the holders of the 2017 Bonds.

The City is permitted to commingle the Revenues with its own funds for certain periods of time before turning over the Revenues to the Paying Agent. If the City goes into bankruptcy, the City may not be required to turn over to the Bondowners Trustee any Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. If the City has possession of Revenues (whether collected before or after commencement of the bankruptcy) and if the City does not voluntarily turn over such Revenues to the Bondowners Trustee, it is not entirely clear what procedures the holders of the 2017 Bonds would have to follow to attempt to obtain possession of such Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Bond Ordinance, or to cause some of the Revenues to be released to it, free and clear of lien of the Bond Ordinance, in each case as long as the bankruptcy court determines that the rights of the Bondowners Trustee and the holders of the 2017 Bonds will be adequately protected.

If the City is in bankruptcy it may be able, without the consent and over the objection of the holders of the 2017 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bond Ordinance and the 2017 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2017 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the 2017 Bonds, or result in losses to the holders of the 2017 Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2017 Bonds.

The legal opinion of Bond Counsel regarding the validity of the 2017 Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity. See Appendix C.

### **Seismic and Other Considerations**

Tacoma Power's facilities are in an area of seismic activity, with frequent small earthquakes and occasional moderate and larger earthquakes. The City can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in Washington or in other areas, a volcano or other natural disaster or that proceeds of insurance carried by the Department would be sufficient, if available, to rebuild and reopen Tacoma Power's facilities or that Tacoma Power facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other natural disaster.

#### ***Seismic Risks***

Tacoma Power is located in a seismically active region. The Puget Sound region has experienced a number of major earthquakes. There have been four major earthquakes in the last 50 years, the most recent in 2001. The 2001 earthquake reportedly caused more than \$2 billion in damage in the region, but caused minimal damage within Tacoma Power's service area and to owned facilities. The largest known earthquake in the region reportedly occurred in approximately 1700, and is estimated to have been of a magnitude 9.0 or greater. Such an earthquake could cause extensive and even catastrophic damage within Tacoma Power's service area, including owned facilities. Earthquakes of that magnitude are reportedly estimated to occur in the region every 400 to 600 years, according to the Pacific Northwest Seismic Network. Such an earthquake along the Washington coast or elsewhere in the Pacific could result in a major tsunami, which in turn could cause additional and extensive damage to areas within Tacoma Power's service area adjacent to Puget Sound. The 1700 earthquake is estimated to have caused a tsunami with a maximum wave height of approximately 100 feet.

#### ***Volcanic Risks***

Mount Rainier at 14,410 feet is the highest peak in the Cascade Range, and is approximately 40 miles from the City. Mount Rainier is a dormant volcano having glacier ice that exceeds that of any other mountain in the conterminous United States. Mount Rainier thus poses a variety of geologic hazards, including the potential for future eruptions. The recorded history (about 200 years) of Mount Rainier includes one or two small eruptions, several small debris avalanches, and many small lahars (debris flows originating on a volcano consisting of water, ice, soils, and/or downed trees and other debris). A future major eruption could result in pyroclastic flows, ballistic projectiles, and lava flows closer to the mountain, and could result in very large lahars that could travel at high rates of speed as far as the City and into Commencement Bay (which the City borders). This has occurred once every 500 to 1,000 years. Such lahars could cause catastrophic damage to the City and/or to the Electric System's hydro-electric generating resources on the Nisqually and/or Cowlitz Rivers.

### **GENERAL AND ECONOMIC INFORMATION**

Tacoma, the county seat of Pierce County (the "County"), is located in the west central part of Washington State near the southern tip of Puget Sound. It is the third largest city in the State with a 2016 estimated population of 206,100. The City is located 32 miles south of Seattle and 28 miles northeast of Olympia, the State capital. The historical population of the City and Pierce County is shown in the following table.

**POPULATION  
CITY OF TACOMA AND PIERCE COUNTY**

<b>Year</b>	<b>Tacoma</b>	<b>Pierce County</b>
2016	206,100	844,490
2015	202,300	830,120
2014	200,900	821,300
2013	200,400	814,500
2012	199,600	808,200
2011	198,900	802,150

*Source:* Washington State Office of Financial Management estimates; U.S. Census for 2016 figure

Following are economic indicators for the City and Pierce County.

**PIERCE COUNTY MAJOR EMPLOYERS**

<b>Employer</b>	<b>Type of Business</b>	<b>Number of Employees</b>
Fort Lewis and McChord Bases	Military	57,120
Local Public School Districts (K-12)	Education	13,408
Multicare Health System	Health Services	8,247
Washington State Employees	Public Sector	6,844
Franciscan Health System	Health Services	6,099
Pierce County Government	Government/Public Offices	3,001
Fred Meyer	Retail	2,560
City of Tacoma (excluding Tacoma Public Utilities)	Government/Public Offices	2,138
State Farm Insurance Companies	Insurance	2,050
Emerald Queen Casino	Casino Gambling	2,026
The Boeing Company (Frederickson Site)	Aerospace	1,750
Safeway Stores	Retail	1,512
Tacoma Public Utilities	Public Utility	1,332
Wal-Mart	Retail	1,287
US Postal Service	Government/Public Offices	1,214
Costco	Wholesale	1,185
The Puyallup Tribe of Indians	Government	1,099

*Source:* Economic Development Board of Tacoma-Pierce County, 2016

### PIERCE COUNTY NEW RESIDENTIAL BUILDING PERMIT VALUES

Year	Single-Family		Multi-Family	
	Total Permits	Total Value	Total Units	Total Value
2016	2,465	\$747,568,030	1,396	\$ 158,455,279
2015	2,253	657,539,404	644	73,771,325
2014	2,371	663,531,092	1,406	163,645,690
2013	2,369	636,063,255	493	51,383,258
2012	2,006	513,795,902	470	47,924,264
2011	1,487	358,523,919	1,072	119,788,982

Source: U.S. Census Bureau.

### PIERCE COUNTY AND CITY OF TACOMA TAXABLE RETAIL SALES (\$000)

Year	Pierce County	City of Tacoma
2016 <sup>(1)</sup>	\$ 10,911,199	\$ 3,632,446
2015	13,846,294	4,641,369
2014	12,736,324	4,317,891
2013	12,189,183	4,280,300
2012	11,080,671	4,046,580

(1) Through the third quarter of 2016.

Source: Washington State Department of Revenue

### PIERCE COUNTY, WASHINGTON STATE AND U.S. MEDIAN HOUSEHOLD INCOME

Year	Pierce County	Washington State	U.S.
2015 <sup>(2)</sup>	\$61,485	\$62,108	\$56,516
2014	59,998	60,153	53,718
2013	57,238	57,284	51,939
2012	57,162	56,444	51,759
2011	56,114	55,500	50,054
2010	55,531	54,888	50,831

(2) Preliminary estimates.

Source: Washington State Office of Financial Management for County and State data; U.S. Census Bureau for U.S. data

**PIERCE COUNTY AND STATE OF WASHINGTON  
TOTAL PERSONAL AND PER CAPITA INCOME**

<b>Year</b>	<b>Pierce County</b>		<b>State of Washington</b>	
	<b>Total Personal Income (\$000)</b>	<b>Per Capita Income</b>	<b>Total Personal Income (\$000)</b>	<b>Per Capita Income</b>
2015 <sup>(1)</sup>	\$ 37,640,095	\$ 44,600	\$372,125,338	\$ 51,898
2014	35,916,045	43,212	355,676,661	50,357
2013	33,923,202	41,403	333,168,842	47,778
2012	32,941,576	40,569	326,408,854	47,324
2011	31,619,327	39,361	301,567,633	44,197
2010	30,256,545	38,038	284,523,758	42,195

(1) Last available data.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment within the County is described in the following table:

**TACOMA METROPOLITAN AREA (PIERCE COUNTY)  
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT AND AVERAGE CIVILIAN  
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**

<b>NAICS Industry Title</b>	<b>Annual Average</b>				
	<b>2016*</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b><u>Resident Labor Force</u></b>					
Employment	380,255	366,826	357,923	351,395	350,395
Unemployment	25,462	25,364	27,030	32,232	32,232
Total	405,717	392,189	384,953	383,627	386,969
Unemployment Percent Of Labor Force	6.3%	6.5%	7.02%	8.4%	8.4%
 Total Nonfarm	 306,450	 296,408	 288,583	 279,900	 274,142
Total Private	248,175	238,967	231,667	223,800	217,233
Goods Producing	38,925	37,400	36,258	35,250	33,583
Mining and Logging	250	300	300	300	300
Construction	21,533	19,908	18,642	17,733	16,542
Specialty Trade Contractors	13,625	12,717	11,883	11,125	10,433
Manufacturing	17,142	17,192	17,317	17,217	16,742
Services Providing	267,525	259,008	251,333	244,725	240,558
Trade, Transportation and Utilities	65,825	62,542	60,233	57,967	56,450
Wholesale Trade	12,408	12,917	12,550	11,958	11,275
Retail Trade	39,600	36,192	34,217	32,792	31,925
Food And Beverage Stores	5,783	5,958	5,725	5,917	5,767
General Merchandise Stores	8,867	8,750	8,508	8,275	8,058
Transportation and Utilities	13,817	13,433	13,467	13,217	13,200
Information	2,683	2,800	2,850	2,842	2,758
Financial Activities	13,850	13,808	13,542	12,958	12,683
Professional And Business Services	29,567	27,650	25,350	24,125	23,325
Admin, Support, Waste Mgmt & Remed	18,725	17,392	15,483	14,825	14,133
Administrative And Support Services	17,283	15,925	14,083	13,458	12,825
Education And Health Services	52,767	50,992	50,175	50,350	49,483
Ambulatory Health Care Services	15,883	15,192	14,675	14,508	14,442
Hospitals	11,925	11,300	11,292	11,500	11,050
Leisure And Hospitality	30,700	30,183	28,958	27,508	25,958
Food Services And Drinking Places	24,892	24,433	23,425	21,892	20,392
Other Services	13,858	13,592	13,308	12,875	12,992
Government	58,275	57,442	56,917	56,100	56,908
Federal Government	11,967	11,742	11,758	12,308	12,825
State Government	11,675	11,883	11,483	10,725	10,467
State Government Educational Services	3,817	3,800	3,925	3,892	3,692
Local Government	34,633	33,817	33,675	33,067	33,617
Local Government Educational Services	19,067	18,617	18,358	18,008	18,125

Source: Washington State Employment Security Department



## LITIGATION

### No Litigation Concerning the 2017 Bonds

There is no litigation pending or threatened in any court (local, state, or federal) to restrain or enjoin the issuance or delivery of the 2017 Bonds, or questioning the creation, organization, existence, or title to office of the officers of the Department, Tacoma Power or the City, the validity or enforceability of the Bond Ordinance, or the proceedings for the authorization, execution, sale, and delivery of the 2017 Bonds.

### Other Litigation

Because of the nature of its activities, the City is subject to various pending and threatened legal actions which arise in the ordinary course of business. The City believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the City or the Electric System, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim. Below is a summary of certain legal matters involving Tacoma Power.

***Ted Coates, et al. v. Tacoma.*** On June 22, 2017, a lawsuit was filed with the City alleging Tacoma Power has been unlawfully subsidizing the capital, operation and maintenance expenses of its commercial telecommunications business line (Click! Network). The customers of Click! Network are a subset of Tacoma Power's electric utility customers. The claimants have requested an immediate cessation of all illegal subsidies and to return funds allegedly used to unlawfully subsidize Click! Network operations for the past three years for the benefit of the electric utility customers. Litigation is ongoing and trial is set for June 2018.

***U.S. Oil & Refining Company ("U.S. Oil").*** In May 2016, a claim was filed by U.S. Oil alleging the April 28, 2016, electrical outage that occurred at the Lincoln substation caused the claimant \$9.1 million in lost revenue and damages. The claim is currently under investigation.

***Miscellaneous.*** Tacoma Power has received several other miscellaneous claims that either do not allege significant damage amounts or that the City Attorney's Office has determined should not materially impact the finances of Tacoma Power or the City.

### Environmental Issues

A substantial number of federal, state and local laws and regulations regarding various types of waste management have been enacted. These laws and regulations are set forth in acts such as the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, and the Washington State Model Toxics Control Act, which impose strict liability, regardless of time or location, on generators, transporters, storers and disposers of hazardous waste for cleanup costs or damages resulting from releases or contamination. Many normal activities in connection with the generation and transmission of electricity generate both non-hazardous and hazardous wastes. Tacoma Power has established a waste management plan to ensure compliance with environmental laws and regulations and is assessing its properties for potential liability from latent contamination resulting from disposal activities prior to implementation of the various regulations.

Tacoma Power has been a voluntary Potentially Responsible Party ("PRP") on several Environmental Protection Agency ("EPA") clean-up sites. Tacoma Power was a participant on eight sites that have been cleaned up or otherwise resolved with the EPA. Potential liability at all currently known existing sites has been negotiated and resolved.

Tacoma Power expects that State and Federal legislation may be enacted, and lawsuits could be filed, to address global warming issues, which could impact electric utilities.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the 2017 Bonds is less than the amount to be paid at maturity of such 2017 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2017 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2017 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2017 Bonds is the first price at which a substantial amount of such maturity of the 2017 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2017 Bonds accrues daily over the term to maturity of such 2017 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2017 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2017 Bonds. Beneficial Owners of the 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2017 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2017 Bonds in the original offering to the public at the first price at which a substantial amount of such 2017 Bonds is sold to the public.

2017 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium 2017 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2017 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium 2017 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2017 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2017 Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2017 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2017 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2017 Bonds may adversely affect the value of, or the tax status of interest on, the 2017 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2017 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2017 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2017 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2017 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2017 Bonds ends with the issuance of the 2017 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the 2017 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2017 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2017 Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

## **DESCRIPTION OF RATINGS**

Fitch and S&P have assigned ratings of "AA-" and "AA," respectively, to the 2017 Bonds. Ratings were applied for by the City and certain information was supplied by the City to the rating agencies to be considered in evaluating the 2017 Bonds. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings would be likely to have an adverse effect on the market price of the 2017 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time. Neither the City nor the Underwriters have the obligation to contest any revision or withdrawal by the rating agencies of any such ratings.

## **UNDERWRITING**

Goldman Sachs & Co. LLC and Citigroup Global Markets Inc., as underwriters of the 2017 Bonds (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2017 Bonds from the City at an Underwriters' discount of \$\_\_\_\_\_. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all 2017 Bonds, if any 2017 Bonds are purchased. The 2017 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

*The information in the balance of this section "UNDERWRITING" has been provided by the Underwriters. The City cannot and does not make any representation as to the accuracy or completeness of such information.*

The 2017 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., one of the Underwriters of the 2017 Bonds, has informed the City that Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc., one of the underwriters of the 2017 Bonds, and Morgan Stanley & Co. LLC, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with its allocation of the 2017 Bonds.

#### **MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC, Walnut Creek, California, has acted as financial advisor to Tacoma Power in connection with the issuance of the 2017 Bonds. The financial advisor has not audited, authenticated, or otherwise verified the information set forth in this Official Statement or the other information available from Tacoma Power with respect to the appropriateness, accuracy, and completeness of the disclosure of such information, and the financial advisor makes no guarantee, warranty, or other representation on any matter related to such information. Montague DeRose and Associates, LLC is an independent financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading of municipal securities or any other negotiable instruments.

#### **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto.

Certain legal matters will be passed on for the Underwriter by Pacifica Law Group LLP, Seattle, Washington, Counsel to the Underwriter. Any opinion of such firm will be addressed solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors

#### **POTENTIAL CONFLICTS OF INTEREST**

Some or all of the fees of the Underwriters, Underwriters' Counsel, the Financial Advisor, and Bond Counsel are contingent upon the issuance and sale of the 2017 Bonds. From time to time, Bond Counsel serves as counsel to the Underwriters on matters unrelated to the issuance of the 2017 Bonds. Pacifica Law Group LLP is serving as counsel to the Underwriters and serves as bond counsel to the City on matters unrelated to the issuance of the 2017 Bonds. [any other conflicts to disclose?] Certain legal matters will be passed upon for the City by the City Attorney.

## CONTINUING DISCLOSURE UNDERTAKING

**Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events.** To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”), as applicable to a participating underwriter for the 2017 Bonds, the City by the Bond Ordinance has agreed to undertake (the “Undertaking”) for the benefit of holders of the 2017 Bonds to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB: (a) annual financial information and operating data of the type included in this Official Statement as generally described below (“annual financial information”); and (b) timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2017 Bonds: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2017 Bonds; (vii) modifications to rights of holders of the 2017 Bonds, if material; (viii) 2017 Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the 2017 Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (xiii) the consummation of a merger, consolidation, or acquisition involving the Electric System or the sale of all or substantially all of the assets of the Electric System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City also will provide to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

**Type of Annual Financial Information Undertaken to be Provided.** The annual financial information that the City undertakes to provide will consist of (i) audited financial statements of the Electric System, prepared in accordance with generally accepted accounting principles applicable to government entities, with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and substantially in accordance with the system prescribed by the Federal Energy Regulatory Commission, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (ii) principal amount of outstanding Parity Bonds; (iii) debt service coverage for outstanding Parity Bonds; (iv) energy resources from Electric System-owned resources and purchases from Electric System power purchase contracts (substantially in the form of the table “Peak Demand, Energy Requirements and Resources” in this Official Statement); and (v) average number of customers, energy sales and revenue from energy sales for the major customer classes (substantially in the form of the table “Customers, Energy Sales and Revenues from Sales” in this Official Statement); and will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31 as such fiscal year may be changed as required or permitted by State law, commencing with the City’s fiscal year ending December 31, [2017]).

The annual financial information may be provided in a single or multiple documents and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

**Amendment of Undertaking.** The Undertaking is subject to amendment after the primary offering of the 2017 Bonds without the consent of any holder of any 2017 Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial

information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

***Termination of Undertaking.*** The City's obligations under the Undertaking will terminate upon the legal defeasance of all of the 2017 Bonds. In addition, the City's obligations under the Undertaking will terminate if those provisions of Rule 15c2-12 which require the City to comply with the Undertaking become legally inapplicable in respect of the 2017 Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

***Remedy for Failure to Comply with Undertaking.*** If the City or any other obligated person fails to comply with the Undertaking, the City or such other obligated person will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City or such other obligated person learns of that failure. No failure by the City or other obligated person to comply with the Undertaking will constitute a default in respect of the 2017 Bonds. The sole remedy of any Beneficial Owner of a 2017 Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or such other obligated person to comply with the Undertaking.

#### MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and are not a representation of fact. The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF TACOMA, WASHINGTON,  
DEPARTMENT OF PUBLIC UTILITIES

By \_\_\_\_\_  
Superintendent, Power Division

By \_\_\_\_\_  
Finance Director

## **APPENDIX A**

### **SUMMARY OF THE PRINCIPAL PROVISIONS OF THE BOND ORDINANCE**

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## **SUMMARY OF PRINCIPAL PROVISIONS OF THE BOND ORDINANCE**

The following is a summary of certain provisions of the Bond Ordinance. Such summaries do not purport to be complete, and reference is made to the complete Bond Ordinance, a copy of which is on file and available for examination at the office of the City Clerk.

### **Certain Definitions**

As used in the Bond Ordinance, the following words shall have the following meanings:

"Accreted Value" means, with respect to any Capital Appreciation Bonds, (A) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds; and (B) as of any date other than a Valuation Date, the sum of (1) the Accreted Value on the preceding Valuation Date and (2) the product of (a) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times (b) the difference between the Accreted Values for such Valuation Dates.

"Acquired Obligations" means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, non-callable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by the Bond Ordinance.

"Annual Debt Service" for any Fiscal Year means the amount equal to:

- A. the interest accruing during such Fiscal Year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of sale of Parity Bonds and less any federal credit for a portion of interest on Parity Bonds if permitted to be deducted as provided in Section 11.2 of the Bond Ordinance; and
- B. the principal of all outstanding Serial Bonds due in such Fiscal Year; and
- C. the Sinking Fund Requirement, if any, for such Fiscal Year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds or Deferred Income Bonds. For the purpose of calculating the principal and interest on Option Bonds in any Fiscal Year, such Option Bonds shall be assumed to mature on the stated maturity date or mandatory redemption date thereof.

"Appreciated Value" means, with respect to any Deferred Income Bonds, (A)(1) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Deferred Income Bonds and (2) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (i) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times (ii) the difference between the Appreciated Values for such Valuation Dates, and (B) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

"Bond Counsel" means an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.



“Bond Fund” means “Electric System Revenue Bond Fund” created by Ordinance No. 23514.

"Bondowners' Trustee" means a trustee appointed pursuant to the Bond Ordinance.

"Bond Register" means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Bonds.

"Bond Registrar" means the Fiscal Agent, or any successor bond registrar selected by the City.

“Capital Appreciation Bonds” means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purposes of (i) receiving payment of the redemption price, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (ii) computing the principal amount of Parity Bonds held by the holder of a Capital Appreciation Bond in giving to the City or the Paying Agent any notice, consent, request, or demand pursuant to the related Parity Bond Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

“Certified Public Accountant” means an independent certified public accountant (or firm of certified public accountants) selected by the City and having a favorable national reputation.

“City” means the City of Tacoma, Washington, a home-rule charter municipal corporation duly organized and existing under and by virtue of the constitution and laws of the State of Washington.

“City Payment” means any payment (designated as such by a Parity Bond Ordinance) required to be made by or on behalf of the City under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

"Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary, or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Parity Bonds.

"Commission" means the Securities and Exchange Commission.

“Construction Fund” means the “City of Tacoma Electric System Construction Fund” created by Ordinance No. 23663 of the City.

“Contract Resource Obligation” means an obligation of the Electric System to pay the following costs, whether or not Power and Services are available to the Electric System in return for such payment:

(A) costs associated with generation, transmission or distribution facilities (including any common undivided interest therein) hereafter acquired, purchased or constructed by the City and declared by the City Council to be a separate utility system, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate electric utility system, or

(B) costs associated with the purchase of Power and Services under a contract.

"Council" means the City Council of the City as the same shall be duly and regularly constituted from time to time.

“Deferred Income Bonds” means any Parity Bonds issued under any Parity Bond Ordinance as to which accruing interest is not paid prior to the Interest Commencement Date specified in such ordinance and the Appreciated Value for such Parity Bonds is compounded semiannually on the Valuation Date for such Deferred Income Bonds.

“Derivative Payment Date” means any date specified in the Derivative Product on which a City Payment is due and payable under the Derivative Product.

"Derivative Product" means a written contract or agreement between the City and a third party (the "Reciprocal Payor") that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (who, if the City's Parity Bonds are rated by Moody's Investors Service, must have a rating of at least "A"), which provides that the City's obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(A) under which the City is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the City Payments in exchange for the Reciprocal Payor's obligation to payor cause to be paid to the City, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(B) for which the City's obligations to make City Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Parity Bonds;

(C) under which Reciprocal Payments are to be made directly into the Bond Fund;

(D) for which the City Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product;

(E) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product; and

(F) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

"Electric System" means the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the City and used or useful in the generation, transmission, distribution and sale of electric energy and the business incidental thereto, and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the City as additions, betterments, improvements or extensions to said electric utility properties, rights and assets, but shall not include any generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the City and declared by the City Council to be a separate utility system not financed from the Revenues (except as a Contract Resource Obligation (i) included in Operating Expenses of the Electric System upon compliance with Section 10.2 of the Bond Ordinance or (ii) on a basis junior and inferior to the lien on Revenues pledged to secure the Bonds), the revenue of which separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. The Council may, by ordinance, elect to combine with and include as a part of the Electric System any other separate utility system of the City, provided that full provision for the payment of any outstanding indebtedness of such separate system shall first be made in the manner substantially similar to that set forth in the Bond Ordinance.

"Engineer" means an independent licensed professional engineer (or firm of licensed professional engineers) selected by the City and having a favorable national reputation for skill and experience with electric systems of comparable size and character to the Electric System in such of the following as are relevant to the purposes for which they are retained: (a) engineering and operations and (b) the design of rates.

"Event of Default" means those events described as Events of Default in the Bond Ordinance.

"Fiscal Agent" means the fiscal agent of the State, as the same may be designated by the State from time to time

"Fiscal Year" means the Fiscal Year used by the City at any time. At the time of the adoption of the Bond Ordinance, the Fiscal Year is the 12-month period beginning January 1 of each year.

"Future Parity Bonds" means any electric revenue bonds of the City issued after the date of issuance of the 2013 Bonds that will have a lien upon the Net Revenues of the Electric System for the payment of the principal thereof

and interest thereon equal to the lien upon the Net Revenues of the Electric System for the payment of the principal of and interest on the Outstanding Parity Bonds and the 2017 Bonds.

“Government Obligations” means those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bonds, the date specified in any Parity Bond Ordinance authorizing such Bonds (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable semiannually, with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in any Parity Bond Ordinance authorizing such Bond that shall be the maximum rate of interest such Bond may at any time bear.

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest which may include a zero interest rate and may (but need not) be set forth in any Parity Bond Ordinance authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

“Net Revenues” means, for any period, the excess of Revenues over Operating Expenses for such period, excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; (b) insurance and condemnation proceeds; (c) income from investment of money on hand in any construction fund and other investment income restricted to a particular purpose inconsistent with its use for the payment of debt service; and (d) any other extraordinary, non-recurring income or contribution.

“Operating Expenses” means all the City’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses included in the Uniform System of Accounts and shall include, without limiting the generality of the foregoing, (A) all costs of purchased Power and Services required under contracts existing as of the date of passage of the Bond Ordinance to be taken by the City for the account of the Electric System, and otherwise all costs of purchased Power and Services to the extent, but only to the extent, that the City is not obligated to make payment therefor unless the City is receiving Power and Services in return for such payment and (B) costs of Contract Resource Obligations upon satisfaction of the requirements established by Article X of the Bond Ordinance. Operating Expenses shall include payments to the City for services rendered to the electric utility by other departments or offices of the City but shall not include any extraordinary, non-recurring expenses, any costs or expenses for new construction, interest, amortization, any allowance for depreciation or any taxes payable to the City (or payments in lieu of taxes) upon the properties or earnings of the Electric System or the earnings of any separate electric utility system derived from payments by the Electric System.

“Option Bonds” means Parity Bonds that the owner or holder thereof may at its option demand payment of the principal and accrued interest thereof or the purchase of such Parity Bonds by or on behalf of the City in advance of the otherwise scheduled dates for the payment of principal and interest thereon.

“Outstanding Parity Bonds” means the outstanding 2010 Bonds and 2013 Bonds.

“Parity Bonds” means the Outstanding Parity Bonds, the 2017 Bonds and any Future Parity Bonds. “Parity Bonds” may include bonds, notes, warrants, certificates of indebtedness or any other evidence of indebtedness issued pursuant to the Parity Conditions.

“Parity Bond Ordinance” means any ordinance authorizing the issuance of Parity Bonds.

“Parity Conditions” means the conditions for issuing Future Parity Bonds set forth in Section 9.2 of the Bond Ordinance.

"Paying Agent" means the Fiscal Agent or any bank or banks designated as Paying Agent by the City in accordance with applicable laws of the State of Washington now or hereafter in effect.

"Permitted Investments" means investments that are now or may hereafter be permitted to the City by the laws of the State of Washington.

"Power and Services" means energy, capacity, reserves and services, excluding the purchase of ownership of generating capability.

"Qualified Insurance" means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), and if such Qualified Insurance is being used to fund the Reserve Account, which insurance company or companies as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by both Moody's Investors Service, Inc. and Standard & Poor's Corporation or their comparably recognized business successors.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of the owners of the Parity Bonds, which institution maintains an office, agency or branch in the United States, and as of the time of issuance of such letter of credit, and if such Qualified Insurance is being used to fund the Reserve Account, is currently rated in one of the two highest rating categories by either Moody's Investors Service, Inc. or Standard & Poor's Corporation or their comparably recognized business successors.

"Rate Stabilization Fund" means the "Cumulative Reserve Fund for Supplemental Purchase of Electric Energy," created by Ordinance No. 21862 of the City, as now or hereafter amended, and renamed the Rate Stabilization Fund.

"Rating Agencies" means Moody's, S&P or another nationally recognized rating agency rating municipal bonds.

"Reciprocal Payment" means any payment (designated as such by a Parity Bond Ordinance) to be made to, or for the benefit of, the City under a Derivative Product by the Reciprocal Payor.

"Reciprocal Payor" means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

"Reserve Account Requirement" means with respect to the 2017 Bonds and the Outstanding Parity Bonds an amount equal to the lesser of maximum Annual Debt Service in any Fiscal Year following the date of computation or 125% of average Annual Debt Service and with respect to a series of Future Parity Bonds, an amount set forth in the Parity Bond Ordinance authorizing such bonds. A Parity Bond Ordinance authorizing Future Parity Bonds may establish a separate Reserve Account for such Future Parity Bonds or provide that such Future Parity Bonds be secured by a common Reserve Account. In calculating the Reserve Account Requirement, in the case of Variable Rate Interest Bonds the interest rate calculated thereon shall be calculated on the assumption that such Bonds will bear interest during such period at the Maximum Interest Rate for such bonds; provided that, if on such date of calculation the interest rate on such bonds shall then be fixed for a specified period, the interest rate used for such specified period for the purposes of the foregoing calculation shall be such actual interest rate.

"Revenue Fund" means the "City of Tacoma Electric System Revenue Fund," continued and redesignated by Ordinance No. 23514.

"Revenues" means all income (including investment income), receipts and revenues received by the City through the ownership and operation of the Electric System, including any income derived by the City through the ownership and operation of any facilities that may hereafter be purchased, constructed, or otherwise acquired and operated by the City as a separate utility system, which income is available after meeting all requirements of the obligations of such separate system and is paid into the Revenue Fund. "Revenues" shall not include investment income restricted to a particular purpose inconsistent with its use for the payment of debt service, including investment income derived pursuant to a plan of debt refunding.

“Serial Bonds” means Bonds other than Term Bonds.

“Sinking Fund Requirement” means, for any Fiscal Year, the amount required on account of Term Bonds to be deposited into the Bond Retirement Account in such Fiscal Year as established by the ordinance or resolution of the City authorizing the issuance of such Term Bonds.

"State" means the State of Washington.

“Supplemental Ordinance” means any ordinance amending, modifying or supplementing the provisions of this Ordinance or any Parity Bond Ordinance.

“Term Bonds” means Parity Bonds of any principal maturity which are subject to mandatory redemption or for which mandatory sinking fund payments are required.

"Uniform System of Accounts" means the Federal Energy Regulatory Commission (or its successor in function) Uniform System of Accounts prescribed for Class A and Class B Public Utilities and Licenses, as the same may be modified, amended, or supplemented from time to time.

"Valuation Date" means (i) with respect to any Capital Appreciation Bonds the date or dates set forth in any Parity Bond Ordinance authorizing such bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds the date or dates prior to the Interest Commencement Date set forth in any Parity Bond Ordinance authorizing such bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

"Variable Interest Rate" means a variable interest rate or rates to be borne by a series of Parity Bonds or any one or more maturities within a series of Parity Bonds. The method of computing such variable interest rate shall be specified in the Parity Bond Ordinance authorizing such series of Parity Bonds and shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that, such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate, and that there may be an initial rate specified in each case as provided in such Parity Bond Ordinance; or (ii) a stated interest rate that may be changed from time to time as provided in the Parity Bond Ordinance authorizing such bonds, provided that, such interest rate shall be subject to a Maximum Interest Rate. Such Parity Bond Ordinance shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Bonds" for any period of time, means Parity Bonds which during such period bear a Variable Interest Rate, provided that bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

### **Refunding or Defeasance**

In the event that the City, in order to effect the payment, retirement, or redemption of any Parity Bond, sets aside in the Bond Fund or in another special account, held in trust by a trustee, cash or non-callable government obligations, as such obligations are now or hereafter defined in RCW 39.53, or any combination of cash and/or non-callable government obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Parity Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or non-callable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Parity Bond. The owner of a Parity Bond so provided for shall cease to be entitled to any lien, benefit, or security of this Ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Parity Bond shall be deemed to be not outstanding under the Bond Ordinance.

The escrow agent shall give written notice of defeasance to the owners of all Parity Bonds so provided for within 30 days of the closing date and to the MSRB in accordance with the Bond Ordinance.

### **Bond Fund**

The "Electric System Revenue Bond Fund" shall be used solely for the purposes of paying the principal of, premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to maturity in the manner provided in the Bond Ordinance. The Bond Fund shall contain four accounts: Interest Account, the Principal Account, the Bond Retirement Account and the Reserve Account. At the option of the City, separate accounts may be created in the Bond Fund for the purpose of paying or securing the payment of principal, premium, if any, and interest on any Parity Bonds.

**Debt Service Accounts.** The City has obligated and bound itself irrevocably to set aside and pay into the Bond Fund out of the Net Revenues certain fixed amounts, without regard to any fixed proportion of such Net Revenues, sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on all Parity Bonds from time to time outstanding as the same respectively become due and payable, either at their maturity or in accordance with any Sinking Fund Requirement established for the retirement of Term Bonds.

The fixed amounts to be paid into the Bond Fund, to the extent that such payments are not made from bond proceeds or from other money, that may legally be available therefor, shall be as follows and in the following order of priority: (A) No later than the date on which an installment of interest falls due on any Parity Bonds, the City shall pay into the Interest Account in the Bond Fund (together with such other money as is on hand and available in such account) an amount equal to the installment of interest then falling due on all outstanding Parity Bonds; (B) No later than the date upon which an installment of principal on Parity Bonds that are Serial Bonds falls due, the City shall pay into the Principal Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the installment of principal then falling due on all outstanding Parity Bonds that are Serial Bonds; and (C) No later than the date upon which a sinking fund installment on Term Bonds falls due, the City shall pay into the Bond Retirement Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the Sinking Fund Requirement for such date.

The City shall apply all the money paid into the Bond Retirement Account to the redemption of Term Bonds prior to or on the next ensuing Sinking Fund Requirement due date (or may so apply such money prior to such Sinking Fund Requirement due date) pursuant to the terms of the Bond Ordinance. The City may also apply the money paid into the Bond Retirement Account for the purpose of retiring Term Bonds by the purchase of such Bonds at a purchase price (including any brokerage charge) not in excess of the principal amount thereof, in which event the principal amount of such bonds so purchased shall be credited against any Sinking Fund Requirement chosen by the City. If as of any January 1 the principal amount of Term Bonds retired by purchase or redemption exceeds the cumulative amount required to have been redeemed by sinking fund installments on or before such January 1, then such excess may be credited against the Sinking Fund Requirement for Term Bonds for the following Fiscal Year.

Any such purchase of Term Bonds by the City may be made with or without tenders of bonds in such manner as the City shall, in its discretion, deem to be in its best interest.

The Bond Fund shall be drawn upon solely for the purpose of paying the principal of, premium, if any, and interest on Parity Bonds. Money set aside from time to time with the Paying Agent for such payment shall be held in trust for the owners of the Parity Bonds in respect of which the same shall have been so set aside. Until so set aside, all money in the Bond Fund shall be held in trust for the benefit of the owners of all Parity Bonds at the time outstanding equally and ratably.

Money in the Bond Fund shall be transmitted to the Paying Agent in amounts sufficient to meet the maturing installments of principal of, premium, if any, and interest on the Parity Bonds when due. All money remaining in the Bond Fund after provision for the payment in full of the principal of, premium, if any, and interest on all outstanding Parity Bonds shall be returned to the Revenue Fund.

In making the payments and credits to the Principal Account, Interest Account, Bond Retirement Account and Reserve Account required by the Bond Ordinance, to the extent that such payments are made from bond proceeds, from money in any capitalized interest account, or from other money that may legally be available, such payments are not required to be made from the Revenue Fund.

Notwithstanding any provision of the Bond Ordinance requiring the deposit of any earnings or other money in the Bond Fund, any such earnings that are subject to any rebate or other payment requirement pursuant to applicable provisions of the Code may be withdrawn from the Bond Fund for deposit into a separate fund or account created for that purpose. Any amounts required at any time to be withdrawn from the Reserve Account or other accounts in the Bond Fund in order to preserve the tax-exempt or tax-advantaged status of Parity Bonds shall be withdrawn and deposited in the General Account in the Revenue Fund.

**Reserve Account.** In the event of the issuance of any Future Parity Bonds, the ordinance authorizing the issuance of such Future Parity Bonds shall provide for further and additional approximately equal monthly payments into the Bond Fund for credit to the Reserve Account from the money in the Revenue Fund in such amounts and at such times, so that by no later than five years from the date of issuance of such Future Parity Bonds or by the final maturity for such series of Future Parity Bonds, whichever occurs first, there will be credited to the Reserve Account an amount equal to the Reserve Account Requirement; provided, however, that the proceedings authorizing the issuance of Future Parity Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from the proceeds of such Future Parity Bonds or from any other money lawfully available therefor, in which event, in providing for deposits and credits required by the foregoing provisions of this paragraph, allowance shall be made for any such amounts so paid into such Account.

In calculating the Reserve Account Requirement, the City may deduct the direct payment the City is expected to receive in respect of the 2010 Bonds or other Future Parity Bonds for which the federal government will provide the City with a direct payment of a portion of the interest from the interest portion of Annual Debt Service.

Subject to the preceding paragraphs, the money and value of Permitted Investments in the Reserve Account shall be determined as of the last business day of each Fiscal Year and maintained at an amount at least equal to the Reserve Account Requirement, except where it is necessary to make a transfer therefrom to the Interest Account, Principal Account, or Bond Retirement Account because of an insufficiency of money therein to make any required payment of principal of or interest on any Parity Bonds when due. If at any time the money and value of Permitted Investments in the Reserve Account shall exceed the amount of money and value of Permitted Investments than required to be maintained therein, such excess may be transferred to the City for deposit in the General Account in the Revenue Fund.

For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account shall have been invested shall be valued at the market value thereof. The term "market value" shall mean, in the case of securities that are not then currently redeemable at the option of the holder, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the holder. For obligations that mature within six months, the market value shall be the par value thereof. The valuation of the amount in the Reserve Account shall be made by the City as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and may be made on each June 30 (or on the next preceding business day if June 30 does not fall on a business day).

If the valuation of the amount in the Reserve Account is less than the Reserve Account Requirement the City shall immediately transfer from the General Account an amount necessary to make the valuation of the amount in the Reserve Account equal to 100 percent of the Reserve Account Requirement. If the amounts available in the General Account for such transfer are insufficient to make the valuation of the amount in the Reserve Account equal to 100 percent of the Reserve Account Requirement, the City shall then transfer to the Reserve Account on or before the 25th day of each of the six succeeding calendar months no less than one-sixth of the amount necessary to make the valuation of the amount in the Reserve Account equal to 100 percent of the Reserve Account Requirement.

In making the payments and credits to the Reserve Account required by the Bond Ordinance, to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be paid out of

the Reserve Account, such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by the Bond Ordinance to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on fewer than five years' notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the first two paragraphs of this subsection, as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

If there is a deficiency in the Interest Account, Principal Account or Bond Retirement Account, in the Bond Fund, the City shall promptly make up such deficiency from the Reserve Account by the withdrawal of cash and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date, the City shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility, in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. The City covenants and agrees that any deficiency created in the Reserve Account by reason of any withdrawal therefrom for payment into such Interest, Principal, and Bond Retirement Account shall be made up from money in the Revenue Fund first available after providing for the required payments into such Interest, Principal, and Bond Retirement accounts and after providing for payments under a reimbursement agreement entered into by the City pursuant to the Bond Ordinance.

### **Investment of Funds**

Money held for the credit of the Revenue Fund, Construction Fund, Rate Stabilization Fund and the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund shall, to the fullest extent practicable, be invested at the direction of the City solely in, and obligations deposited in such accounts shall consist of Permitted Investments which shall mature on or prior to the respective dates when the money held for the credit of such Accounts will be required for the purposes intended. Money in the Reserve Account in the Bond Fund not required for immediate disbursement for the purposes for which such Account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the City solely in, and obligations deposited in the Reserve Account shall consist of, Permitted Investments maturing or subject to redemption at the option of the owner within 10 years from the date of such investment (but maturing prior to the final maturity date of the Parity Bonds then outstanding). Except to the extent there are deficiencies in any account in the Bond Fund, all income received from the investment of money in any account in the Bond Fund, shall be from time to time deposited in the Revenue Fund, or credited against the monthly amount required to be deposited in such account.

### **Future Parity Bonds**

**Issuance of Future Parity Bonds.** Future Parity Bonds may be issued payable from the Bond Fund on a parity with the Outstanding Parity Bonds, the 2017 Bonds and any Future Parity Bonds previously issued and secured by an equal charge and lien on Net Revenues, for any lawful purpose of the City related to the Electric System; provided that, (i) except as to Future Parity Bonds issued as described below, at the time of the issuance of such Future Parity Bonds, there is no deficiency in the Bond Fund, and no Event of Default has occurred and is continuing, and (ii) the requirements of the applicable provisions of this Section are complied with.

**Coverage Requirements for Issuance.** Future Parity Bonds may be issued for any lawful purpose of the City related to the Electric System, including, but not limited to, acquiring, extensions of, acquiring necessary equipment for, or making necessary renewals, replacements, or repairs and capital improvements to the Electric System, if there shall be on file with the City Clerk either:

- (i.) a certificate of an appropriate financial officer of the City stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the authentication and delivery of the Future Parity Bonds then proposed to be issued, as determined from the financial statements of the Electric System prepared by the Department of Public Utilities, were not less than 125 percent of maximum Annual Debt Service in any future Fiscal Year on all outstanding Parity Bonds and the bonds then proposed to be issued (provided that (i) in the event that any adjustment in the rates, fees and charges collected by the City



for the services of the Electric System shall be effective at any time on or prior to the date of authentication and delivery of the Future Parity Bonds then proposed to be issued, such officer shall reflect in the certificate the Net Revenues he or she estimates would have been collected in such 12-month period if such new rates, fees, and charges had been in effect for the entire 12-month period and (ii) with respect to any Variable Interest Rate Bonds outstanding on the date such certificate is delivered, such officer shall estimate the debt service on such Bonds as described below, or

(ii.) a certificate of the Engineer or a Certified Public Accountant stating that the average annual Net Revenues for the Fiscal Years in the period specified in the next sentence, as such Net Revenues are estimated by the Engineer or Certified Public Accountant in accordance with the Bond Ordinance, shall be at least equal to 125 percent of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer as described below. The period for the determination of average annual Net Revenues shall be the period beginning with the first Fiscal Year following the earlier of (i) the date to which interest has been capitalized or (ii) the date of initial operation of the facilities to be financed by such Future Parity Bonds and ending with the fifth Fiscal Year after such date.

**Refunding Bonds.** Future Parity Bonds may also be issued from time to time for the purpose of providing funds, with any other available funds, for retiring at or prior to their maturity or maturities any or all of the outstanding Parity Bonds of any series or any reimbursement obligation made pursuant to the Bond Ordinance, including the payment of any redemption premium thereon, and, if deemed necessary by the City, for paying the interest to accrue thereon to the date fixed for their retirement and any expenses incident to the issuance of such Future Parity Bonds. Future Parity Bonds issued under this subsection shall not be delivered unless the proceeds (excluding any accrued interest but including any premium) of such Future Parity Bonds, together with any other money that has been made available for such purposes, and the principal of and the interest on the investment of such proceeds or any such money, shall be sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, and the expenses incident to the issuance of such Future Parity Bonds.

If such Future Parity Bonds are to be issued under this subsection, there shall be filed with the City Clerk a certificate signed by an appropriate financial officer of the City, showing that the maximum Annual Debt Service in any Fiscal Year thereafter shall not be increased by more than \$5,000 by reason of the issuance of the Future Parity Bonds, or there shall be filed with the City Clerk either of the certificates required below.

**Reliance on Financial Statements.** In rendering any certificate under this Section, the Engineer may rely upon, and such certificate shall have attached thereto, financial statements of the Electric System, certified by an appropriate financial officer of the City, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, or similar certified statements by a Certified Public Accountant.

#### **Estimates of Net Revenues and Annual Debt Service**

(i.) In estimating Net Revenues for each of the Fiscal Years covered by any certificate required to be delivered by it as described above, the Engineer or Certified Public Accountant may base its estimate upon such factors as it shall consider reasonable.

(ii.) In estimating the Annual Debt Service for each of the Fiscal Years covered by any certificate required to be delivered by it as described above, the Engineer or Certified Public Accountant shall include the Annual Debt Service on all Parity Bonds estimated to be outstanding during each such Fiscal Year. With respect to (a) any Parity Bonds which are not outstanding on the date such certificate is delivered but which are projected to be issued during the period covered by such certificate to complete construction of the facilities being financed by the Future Parity Bonds then being issued, and (b) any Variable Interest Rate Bonds outstanding on the date such certificate is delivered, the Engineer or Certified Public Accountant shall estimate the debt service on such bonds upon such assumptions as the Engineer or Certified Public Accountant shall consider reasonable and set forth in such certificate, including assumptions with respect to the interest rate or rates to be borne by such bonds and the amounts and due dates of the principal installments for such bonds; provided, however, that the interest rate or rates assumed to be borne by any

Variable Interest Rate Bonds shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time that the Engineer or Certified Public Accountant delivers such certificate.

**Refunding of all Parity Bonds; Junior Lien Obligations.** Nothing contained in the Bond Ordinance shall prevent the City from refunding at one time all of the Parity Bonds then outstanding. Nothing contained in the Bond Ordinance shall prevent the City from issuing obligations payable from a lien on the Net Revenues that is junior and inferior to the Outstanding Parity Bonds, the 2017 Bonds or any Future Parity Bonds.

**Reimbursement Obligations.** In the event that the City elects to meet the requirements with respect to the Reserve Account as to any issue of Parity Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.

In the event that the City elects additionally to secure any issue of Option Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds; provided that the payments due under such reimbursement agreement are such that if such reimbursement obligation were a series of Future Parity Bonds, such bonds could be issued in compliance with the provisions regarding Future Parity Bonds.

#### **Contract Resource Obligations**

**Separate Systems.** The Bond Ordinance authorizes the City to create, acquire, construct, finance, own and operate one or more electric utility systems for the purpose of generating, transmitting or distributing electric power and energy. The Council may declare any such system to be a separate utility system not financed from Revenues (except as a Contract Resource Obligation (i) included in Operating Expenses of the Electric System upon compliance with Section 10.2 of the Bond Ordinance or (ii) on a basis junior and inferior to the lien on Revenues pledged to secure Parity Bonds). The revenue of such separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand such separate utility system.

The costs associated with any such separate utility system may, upon declaration of the City Council, constitute a Contract Resource Obligation and, upon compliance with the following subsection, may be included in the Electric System's Operating Expenses; provided, however, no Contract Resource Obligation constituting the costs of a separate utility system for the retail distribution of electric power and energy may be included in the Electric System's Operating Expenses.

**Designation of Contract Resource Obligations.** A Contract Resource Obligation may be included in the Electric System's Operating Expenses if the following requirements are met at the time the Contract Resource Obligation is incurred:

(A) No Event of Default has occurred and is continuing.

(B) There shall be on file with the City Clerk a certificate of the Engineer or a Certified Public Accountant stating that the average annual Net Revenues for the Fiscal Years in the period specified in the next sentence, as such Net Revenues are estimated by the Engineer in accordance with the provisions in connection with Future Parity Bonds, shall be at least equal to 125 percent of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer in accordance with such provisions. The period for the determination of average annual Net Revenues shall be the period beginning with the first Fiscal Year following the earlier of (i) the date to which interest is capitalized or (ii) the date of initial operation of the facilities to be financed and ending with the fifth full Fiscal Year after such date.

(C) There shall be on file with the City Clerk an opinion of the Engineer to the effect stated in subparagraph (i) below if the Contract Resource Obligation is to be utilized to supply power and energy or to the effect stated in subparagraph (ii) below if the Contract Resource Obligation is to be utilized to supply transmission capability:

(i) (a) The additional source of power and energy from such Contract Resource Obligation is sound from a power supply planning standpoint and is technically and economically feasible in accordance with prudent utility practice; and (b) the estimated cost of such Contract Resource Obligation is reasonable.

(ii) (a) The transmission capability to be acquired pursuant to the Contract Resource Obligation will be necessary within a reasonable time after the estimated date of commercial operation of the transmission facilities; and (b) the estimated cost of such Contract Resource Obligation is reasonable.

### **Bond Covenants**

***Rate Covenant.*** The City shall establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that shall be fair and adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Parity Bonds for which the payment has not otherwise been provided, for all payments which the City is obligated to make into the Bond Fund, and for the proper operation and maintenance of the Electric System, including payment of all Contract Resource Obligations included in the Electric System's Operating Expenses, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts that the City may now or hereafter become obligated to pay from the Revenues by law or contract.

***Debt Service Coverage.*** The City shall also establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year. Solely for purposes of calculating the coverage requirement set forth above, there shall be added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the General Account in the Revenue Fund and deposited in the Rate Stabilization Fund.

The calculation of the coverage requirement set forth above, and in connection with the issuance of Future Parity Bonds, and the City's compliance therewith, may be made solely with reference to the Bond Ordinance without regard to future changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then an event of default relating to this coverage requirement shall not be considered an Event of Default if the coverage requirement ratio would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of the Bond Ordinance.

***Restrictions on Contracting of Obligations Secured by Revenues.*** Except as otherwise provided in Section 10.2 of the Bond Ordinance (regarding Contract Resource Obligations), the City will not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other revenue obligations, or issue any bonds, warrants or other obligations or create any additional indebtedness that will (a) rank prior to the lien on the Revenues or properties of the Electric System created in the Bond Ordinance to secure the payment of the principal and interest on the Parity Bonds or (b) rank on a parity with the lien on the Revenues or properties of the Electric System for the payments into the Bond Fund, except as provided under the Bond Ordinance in connection with the issuance of Future Parity Bonds or with respect to a reimbursement obligation made pursuant to the Bond Ordinance in connection with such Future Parity Bonds and ranking on a parity of lien with the Parity Bonds.

The City may issue bonds, notes, warrants, or other obligations payable from and secured by a lien on the Revenues of the Electric System that is subordinate to the lien on such Revenues securing the Parity Bonds and may create a special fund for payment of such subordinate obligations.

***Maintenance and Operation.*** The City shall at all times maintain, preserve, and keep, or cause to be maintained, preserved, and kept, the properties of the Electric System and all additions and betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted. The City will at all times operate such properties and the business in connection therewith or cause such properties and business to be operated in an efficient manner and at a reasonable cost.

***Disposal of Properties of Electric System.*** The City shall not sell, mortgage, lease or otherwise dispose of the properties of the Electric System except as may be provided by law and subject to such additional restrictions as are provided below.

The City will not sell or otherwise dispose of the Electric System, in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment, redemption or other retirement of all Parity Bonds then outstanding. The City will not sell or otherwise dispose of any part of the Electric System with a book value in excess of 5% of the value of the net utility plant of the Electric System unless provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts: (i) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such Bonds outstanding less the amount of cash and investments in the Principal Account and Bond Retirement Account in the Bond Fund) that the revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total revenues for such period; or (ii) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition. The proceeds of sale of any part of the Electric System shall be deposited in the Revenue Fund. No sale of any part of the Electric System, valued in excess of 10% of the book value of the physical assets of the Electric System shall be made unless in the opinion of an Engineer or Certified Public Accountant, based on financial statements of the Electric System for the most recent Fiscal Year available, such sale would prevent the City from meeting the requirements of the rate covenants in the Bond Ordinance.

The City may sell or otherwise dispose of any part of the Electric System which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Electric System, or no longer necessary, material to or useful in such operation.

***Insurance.*** The City will either self-insure in such manner and to such extent as the City shall determine to be necessary and appropriate or, as needed, and to the extent insurance coverage is available at reasonable cost with responsible insurers, keep or cause to be kept, the Electric System and the operation thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Electric System, or any part thereof, and against accidents, casualties or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by utilities operating like properties.

In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the Electric System, the proceeds of such insurance shall be paid into the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in said Reserve Account and the balance, if any, shall at the option of the City, be used either for repairs, renewals, replacements, or capital additions to the Electric System or for the purchase, payment, or redemption of Parity Bonds.

***Condemnation.*** In the event of any loss or damage to the properties of the Electric System by reason of condemnation, the City will (i) with respect to each such loss, promptly replace, repair and reconstruct to the extent necessary to the proper conduct of the operations of the Electric System the condemned portion thereof and shall apply the proceeds of any condemnation award for that purpose to the extent required therefor, and (ii) if the City

shall not use the entire proceeds of such condemnation award to repair, replace or reconstruct such lost or damaged property, such award not so used shall be paid into the Revenue Fund.

***Books of Account.*** The City will keep proper books of account in accordance with the rules and regulations prescribed by the State Auditor's office of the State of Washington, or other State department or agency succeeding to such duties of the State Auditor's office, and if no such rules or regulations are prescribed, then in substantial accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission or other federal agency having jurisdiction over electric public utility companies owning and operating properties similar to the Electric System, whether or not the City is at the time required by law to use such system of accounts. The City shall cause its books of account to be audited annually by the State Auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit shall not be made for 12 months after the close of any Fiscal Year of the City, by Certified Public Accountants. In keeping said books of account, the City shall accrue depreciation monthly thereon on its depreciable properties in accordance with the accounting practice prescribed by the public departments or agencies above. The City will furnish to any owner of Parity Bonds upon a written request therefor copies of the balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and in any and all special funds created or continued pursuant to the provisions of the Bond Ordinance, and the amounts expended for maintenance, renewals, replacements, and gross capital additions to the Electric System.

***No Free Service.*** The City shall not furnish or supply or permit the furnishing or supplying of any commodity, service or facility furnished by or in connection with the operation of the Electric System free of charge to any person, firm or corporation, public or private, and the City will maintain and enforce reasonable procedures for the payment of all accounts owing to the City and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

***Additions and Improvements.*** The City shall not expend any money in the Revenue Fund or the proceeds of Parity Bonds or other obligations for any renewals, replacements, extensions, betterments and improvements to the Electric System that are not economically sound and that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner or that are not mandated by law or regulation. The foregoing shall not preclude the City from paying any legal or contractual obligations.

***Punctual Payment of Bond Principal and Interest.*** The City shall duly and punctually pay or cause to be paid, but only from Revenues and other money pledged therefor, the principal of, premium, if any, and interest on every Parity Bond on the dates and at the places and in the manner provided in such Parity Bonds, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Parity Bonds and in the Bond Ordinance.

***Payment of Taxes, Assessments and Other Claims.*** The City shall from time to time pay and discharge, or cause to be paid and discharged, when the same shall become due, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System or the Revenues, and all claims for labor and materials and supplies that, if not paid, might become a lien or charge upon the Electric System or upon the Revenues (prior to the lien thereon for the payment of the Parity Bonds), or that might in any way impair the security of the Parity Bonds, except taxes, assessments, charges or claims that the City shall in good faith contest by proper legal proceedings.

***Compliance with Licenses.*** The City shall at all times comply with the terms and conditions of any permits or licenses for the Electric System, or any property or facilities constituting a part thereof, issued by any federal or state governmental agency or body having jurisdiction thereof and with the power to issue orders with respect thereto and enforce the same, and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Electric System. The City shall use its best efforts to obtain renewals of such permits or licenses or obtain new permits or licenses unless such renewals or new permits or licenses are not, in the judgment of the Board, in the best interests of the City.

**Protection of Security.** The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and the rights of the owners of the Parity Bonds under the Bond Ordinance against all claims and demands of all persons whatsoever.

**Tax Covenants.** The City covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Parity Bonds the interest on which is tax-exempt under Section 103 of the Code (the "Tax-Exempt Bonds"). The City shall not directly or indirectly use or permit the use of any proceeds of the Tax-Exempt Bonds in such a manner as would adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of any Tax-Exempt Bonds, or of any facilities financed thereby, or other funds of the City, or take or omit to take any action, that would cause any Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated thereunder to the extent such requirements are, at the time, in effect and applicable to the Tax-Exempt Bonds.

**Further Assurances.** The City shall at any and all times, insofar as it may be authorized to do so by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, assignments, instruments and assurances as may be necessary or desirable for the better assuring, granting, pledging, assigning and confirming any and all of the rights, revenues, funds and other property granted, pledged or assigned by the Bond Ordinance to pay or secure the payment of the Parity Bonds, in the manner and to the extent provided in the Bond Ordinance.

#### **Derivative Products**

A City Payment under a Derivative Product may be on a parity with the Parity Bonds if the Derivative Product satisfies the requirements for additional Parity Bonds described in the Bond Ordinance, taking into consideration regularly scheduled City Payments and regularly scheduled Reciprocal Payments under the Derivative Product.

The following shall be conditions precedent to the use of any Derivative Product on a parity with any Parity Bonds under the Bond Ordinance:

(A) **Opinion of Bond Counsel.** The City shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Bond Ordinance or the applicable provisions of any Parity Bond Ordinance and will not adversely affect the excludability for federal income tax purposes of the interest on any tax-exempt outstanding Parity Bonds.

(B) **Supplemental Ordinance to Govern Derivative Products.** Prior to entering into a Derivative Product, the City must adopt a Supplemental Ordinance which shall:

(i) set forth the manner in which the City Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates;

(ii) establish general provisions for the rights of providers of Derivative Products; and

(iii) set forth such other matters as the City deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Bond Ordinance.

If the City enters into a Derivative Product on a parity with the Parity Bonds, City Payments shall be made from the Interest Account and Annual Debt Service shall include any regularly scheduled City Payments adjusted by any regularly scheduled Reciprocal Payments during a Fiscal Year. Unscheduled payments, such as termination payments, may not be entered into on a parity with the Parity Bonds.

## **Refunding and Junior Lien Bonds**

Nothing in this Section shall preclude the City from entering into Derivative Products with a claim on the Revenues junior to that of the Parity Bonds. Furthermore, nothing in this Section shall preclude the City from entering into obligations on a parity with the Parity Bonds in connection with the use of derivative products or similar instruments if the City obtains an opinion of Bond Counsel that the obligations or products the City is issuing or entering into are consistent with the provisions of the Bond Ordinance for the issuance of Future Parity Bonds.

## **Defaults and Remedies**

The following shall constitute "Events of Default" under the Bond Ordinance:

- (1) If default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Parity Bonds, either at maturity or by proceedings for redemption or otherwise;
- (2) If default shall be made in the due and punctual payment of any installment of interest on any Parity Bond;
- (3) If the City shall fail to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the Sinking Fund Requirement for the applicable Fiscal Year; or
- (4) If the City shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the City contained in the Bond Ordinance or any covenants, conditions, or agreements contained in any ordinance of the City authorizing Future Parity Bonds and such default or defaults shall have continued for a period of 90 days after the City shall have received from the Bondowners' Trustee or from the owners of not less than 20% in principal amount of the Parity Bonds outstanding a written notice specifying and demanding the cure of such default; provided if the default in the observance and performance of any of the covenants, conditions and agreements is one that cannot be completely remedied within 90 days after written notice, it shall not be an Event of Default as long as the City has taken active steps within the 90 days after written notice to remedy the default and is diligently pursuing such remedy.

## **Suits at Law or in Equity**

The Bondowners' Trustee may upon the happening of an Event of Default, and during the continuance thereof, take such steps and institute such suits, actions, or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of bondowners to collect any amounts due and owing the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Bond Ordinance, or in any of the Parity Bonds.

Any action, suit, or other proceeding instituted by the Bondowners' Trustee under the Bond Ordinance shall be brought in its name as trustee for the bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of the Bond Ordinance may be enforced by the Bondowners' Trustee without the possession of any of the Parity Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective holders of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of the Parity Bonds, with authority to institute any such action, suit, or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Parity Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the bond owner himself might have done in person. Nothing contained in the Bond Ordinance shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any holder of the Parity Bonds, any plan or reorganization or adjustment affecting the Parity Bonds of the City or any right of any holder thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the holders thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization, or other proceeding to which the City shall be a party.

### **Suits by Individual Bondowners**

No owner of any one or more of the Parity Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same, unless an Event of Default shall have happened and is continuing, and unless the Bondowners' Trustee shall have failed or refused to act. In the event the Bondowners' Trustee has failed or refused to act, or with the consent of the Bondowners' Trustee, any remedy authorized in the Bond Ordinance to be exercised by the Bondowners' Trustee may be exercised individually by any a bond owner in his own name and on his own behalf or for the benefit of all bondowners; provided, however, that nothing in the Bond Ordinance or in any Parity Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from Net Revenues the principal of and interest on the Parity Bonds to the respective holders thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such holders to enforce such payment.

### **Amendments to Bond Ordinance**

***Amendments without Consent of Bondowners.*** The City may adopt without the consent of the owners of any Parity Bonds an ordinance or ordinances or any Supplemental Ordinance for any one or more of the following purposes: (a) to provide for the issuance of Future Parity Bonds and to prescribe the terms and conditions pursuant to which such bonds may be issued, paid or redeemed; (b) to add additional covenants and agreements of the City for the purpose of further securing the payment of Parity Bonds provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the City contained in the Bond Ordinance or any Supplemental Ordinance; (c) to prescribe further limitations and restrictions upon the City's ability to issue bonds and incur indebtedness payable from the Revenues, provided that such further limitations and restrictions are not contrary to or inconsistent with those heretofore in effect; (d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Bond Ordinance; (e) to confirm as further assurance any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the provisions of the Bond Ordinance of the Revenues or of any other money, securities or funds; (f) to cure any ambiguity or defect or inconsistent provision of the Bond Ordinance or any Supplemental Ordinance or to insert such provisions clarifying matters or questions arising under the Bond Ordinance or any Supplemental Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Bond Ordinance or any Parity Bond Ordinance as theretofore in effect; and (g) to add such provisions as the City Council, with advice of Bond Counsel, deems necessary to preserve the tax-exempt status of the Parity Bonds.

***Amendments with Consent of Bondowners.*** With the consent of the owners of not less than 51 percent in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental to the Bond Ordinance or to any Future Parity Bond Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Ordinance or of any Future Parity Bond Ordinance, but no such Supplemental Ordinance shall: (a) extend the fixed maturity of any Parity Bonds or the time of payment of interest thereon from the established due date, or reduce the rate of interest thereon or the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or accelerate any redemption provision, without the written consent of the owner of each Parity Bond so affected; (b) reduce the aforesaid percentage of bondowners required to approve any such Supplemental Ordinance, without the written consent of the owners of all of the Parity Bonds then outstanding; (c) give to any Parity Bond any preference over any other Parity Bond; or (d) authorize the creation of any pledge prior to or, except as provided in the Bond Ordinance for the issuance of Future Parity Bonds, on a parity with the pledge afforded by the Bond Ordinance, without the consent of the owner of each such Parity Bond affected thereby. It shall not be necessary for bondowners to approve the particular form of any proposed Supplemental Ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

***Consent of Bond Owners and Opinions.*** Each Supplemental Ordinance enacted pursuant to the provisions above shall take effect only when and as provided in this Section. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Bondowners' Trustee), together with a request to Parity Bond owners for their consent thereto in form satisfactory to the Bondowners' Trustee, shall be sent by the Bondowners' Trustee to the Parity Bond owners, at the expense of the City, by first class mail, postage prepaid; provided, that a failure to mail such request shall not affect the validity of the Supplemental Ordinance when consented to as provided below. Such Supplemental Ordinance shall not be effective unless and until there shall



have been filed with the Bondowners' Trustee the written consents of Parity Bond owners of the percentage of Bonds specified above. Any such consent shall be binding upon the Parity Bond owner giving such consent and upon any subsequent owner of such Parity Bonds and of any Parity Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Parity Bond owner has notice thereof), unless such consent is revoked in writing by the Parity Bond owner giving such consent or a subsequent owner of such Parity Bonds by filing such revocation with the Bondowners' Trustee prior to the date the Bondowners' Trustee receives the required percentage of consents.

### **Bondowners' Trustee**

**Duties and Responsibilities.** Prior to the occurrence of an Event of Default of which it has or is deemed to have notice under the Bond Ordinance, and after the curing or waiver of any Event of Default that may have occurred: (i) the Bondowners' Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Bond Ordinance, and no implied covenants or obligations shall be read into the Bond Ordinance against the Bondowners' Trustee; and (ii) in the absence of bad faith on its part, the Bondowners' Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bondowners' Trustee that conform to the requirements of the Bond Ordinance; but the Bondowners' Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of the Bond Ordinance.

In case an Event of Default of which the Bondowners' Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Bondowners' Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

No provision of the Bond Ordinance shall be construed to relieve the Bondowners' Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this subsection shall not be construed to limit the effect of the first paragraph of this Section; (ii) the Bondowners' Trustee is not liable for any error of judgment made in good faith by an authorized officer of the Bondowners' Trustee, unless it is proven that the Bondowners' Trustee was negligent in ascertaining the pertinent facts; (iii) the Bondowners' Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Parity Bond owners under any provision of the Bond Ordinance relating to the time, method and place of conducting any proceeding for any remedy available to the Bondowners' Trustee, or exercising any trust or power conferred upon the Bondowners' Trustee under the Bond Ordinance; and (iv) no provision of the Bond Ordinance shall require the Bondowners' Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

**Qualifications of the Bondowners' Trustee.** There shall at all times be a Bondowners' Trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$100,000,000, or is an affiliate of a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed Bondowners' Trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Bondowners' Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in the Bond Ordinance.

**Resignation or Removal of the Bondowners' Trustee; Appointment of Successor Bondowners' Trustee.** No resignation or removal of the Bondowners' Trustee and no appointment of a successor Bondowners' Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Bondowners' Trustee under the Bond Ordinance.

The Bondowners' Trustee may resign at any time by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Bondowners' Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Bondowners' Trustee within 30 days after the giving of such notice of resignation, the resigning Bondowners' Trustee or any owner of a Parity Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Bondowners' Trustee.

Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the City or the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the City or such Parity Bond owners, as the case may be, and delivered to the Bondowners' Trustee, the City and owners of the Outstanding Parity Bonds.

If at any time: (i) the Bondowners' Trustee shall cease to be eligible and qualified under the Bond Ordinance and shall fail or refuse to resign after written request to do so by the City or the owner of any Parity Bond, or (ii) the Bondowners' Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Bondowners' Trustee or its property shall be appointed, or any public officer shall take charge or control of the Bondowners' Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the City may remove the Bondowners' Trustee and appoint a successor Bondowners' Trustee in accordance with the provisions of the Bond Ordinance; or (B) any owner of a Parity Bond then Outstanding may, on behalf of the owners of all Outstanding Parity Bonds, petition a court of competent jurisdiction for removal of the Bondowners' Trustee and appointment of a successor Bondowners' Trustee.

The City shall give written notice of each resignation or removal of the Bondowners' Trustee and each appointment of a successor Bondowners' Trustee to each owner of Parity Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Bondowners' Trustee.

**Acceptance of Appointment by Successor Bondowners' Trustee.** Every successor Bondowners' Trustee appointed hereunder shall execute, acknowledge and deliver to the City and the predecessor Bondowners' Trustee an instrument accepting its appointment. The resignation or removal of the retiring Bondowners' Trustee shall thereupon become effective, and the successor Bondowners' Trustee shall, without further act, deed or conveyance, become vested with all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee. Upon the request of the City or the successor Bondowners' Trustee, the predecessor Bondowners' Trustee shall execute and deliver an instrument transferring to the successor Bondowners' Trustee all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee under the Bond Ordinance, shall duly assign, transfer, deliver and pay over to the successor Bondowners' Trustee all money and other property then held under the Bond Ordinance, subject, however, to the lien provided for in the Bond Ordinance, and shall deliver to the successor Bondowners' Trustee, all records maintained by the predecessor Bondowners' Trustee with respect to the Funds and the Parity Bonds and such records shall be proper books of record and accounts containing complete and correct entries. The successor Bondowners' Trustee shall promptly give written notice of its appointment to the owners of all Parity Bonds Outstanding in the manner prescribed in the Bond Ordinance, unless such notice has previously been given.

No successor Bondowners' Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of the Bond Ordinance.

**Merger, Succession or Consolidation of Bondowners' Trustee.** Any corporation or association: (i) into which the Bondowners' Trustee is merged or with which it is consolidated; (ii) resulting from any merger or consolidation to which the Bondowners' Trustee is a party; or (iii) succeeding to all or substantially all of the corporate trust business of the Bondowners' Trustee, shall be the successor Bondowners' Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of the Bond Ordinance.

**Notices to Bond Owners; Waiver.** Where the Bond Ordinance provides for notice to Parity Bond owners of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Bond Ordinance) if in writing and mailed, first-class postage prepaid, to each Parity Bond owner affected by each event, at such Parity Bond owner's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Parity Bond owners is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Parity Bond owner shall affect the sufficiency of such notice with respect to other Parity Bond owners. Where the Bond Ordinance provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Parity Bond owners shall be filed with the Bondowners' Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

With respect to Book-Entry Bonds, where the Bond Ordinance provides for notice to the Parity Bond owners of the existence of, or during the continuance of, any Event of Default, or at any time upon the written request of the City, the Bondowners' Trustee, at the expense of the City, shall: (i) establish a record date for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the participants holding positions in the Book-Entry Bonds affected by such notice as of the record date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each participant identified in the securities position listing as holding a position in the Book-Entry Bonds as of the record date for the notice, to each nationally recognized municipal securities information repository and state information depository for the State of Washington, if any, and to any Person identified to the Bondowners' Trustee as a non-objecting Beneficial Owner pursuant to the immediately following clause; (iv) request that the participant retransmit the notice to all Persons for which it served as nominee on the record date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the participant served as nominee on the record date to the Bondowners' Trustee, (v) provide on behalf of the City and not as its agent, an undertaking of the City to pay to any participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Parity Bonds. Any default in performance of the duties required by this subsection shall not affect the sufficiency of notice to the Parity Bond owners given in accordance with the provisions of the Bond Ordinance, or the validity of any action taken under the Bond Ordinance in reliance on such notice to Parity Bond owners.

Where the Bond Ordinance provides for notice to the Parity Bond owners of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Parity Bonds; (ii) the CUSIP number of each affected Parity Bond; (iii) the record date for the notice; and (iv) a summary of the notice.

Any notice required or permitted by the Bond Ordinance to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Parity Bond owners, and also shall be given in the format requested by the Securities Depository to such address as may be specified by the Securities Depository in writing to the Bondowners' Trustee.

**APPENDIX B**

**BOOK-ENTRY SYSTEM**

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## BOOK-ENTRY SYSTEM

*The following information has been provided by the Depository Trust Company, New York, New York ("DTC"). The City makes no representation regarding the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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**APPENDIX D**

**2015 AND 2016 AUDITED FINANCIAL STATEMENTS**

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Req. #

## ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE relating to the Electric System of the City of Tacoma; providing for the sale and issuance of Electric System Revenue Bonds in the aggregate principal amount of not to exceed \$[AMOUNT] to provide funds to finance or refinance costs of capital improvements to the Electric System and to refund all or a portion of the City's outstanding Electric System Subordinate Revenue Bonds, fixing certain terms and provisions thereof, and approving certain other matters in connection therewith.

WHEREAS, by Ordinance No. 23514, passed on November 20, 1985 (as amended and supplemented, including as amended and restated by Ordinance No. 28146, passed on April 30, 2013, collectively, the "Master Ordinance"), the City authorized Electric System Revenue Bonds of the City (the "Parity Bonds") to be issued in series having a parity of lien and charge on the Revenues of the Electric System after the payment of Operating Expenses (as those terms are defined therein), if certain conditions are met, and made covenants in connection with the issuance of such Parity Bonds, and

WHEREAS, the City has issued and has currently outstanding the following Series of Parity Bonds:

Name of Bonds	Authorizing	Dated Date	Original Principal
	Ordinance		Amount
2010 Bonds	27889	July 27, 2010	\$187,255,000
2013 Bonds	28146	June 13, 2013	181,610,000

which are outstanding in the total aggregate principal amount of \$[AMOUNT], and

WHEREAS, the Master Ordinance permits the City to issue obligations that are junior and subordinate to the payment of the Parity Bonds and that are payable from Revenues of the Electric System, after payment of the Operating Expenses,



only after the prior payment of all amounts required to be paid or set aside under the Master Ordinance for the Parity Bonds as the same shall become due at the times and in the manner as required in the Master Ordinance; and

WHEREAS, the Council on April 21, 2015, passed Ordinance No. 28295 (the "Master Subordinate Ordinance") authorizing the issuance of revenue bonds of the City junior and subordinate to the Parity Bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds in one or more series to finance costs of the Electric System; and

WHEREAS, the Council on April 21, 2015, also passed Ordinance No. 28296 (the "Supplemental Subordinate Ordinance" and together with the Master Subordinate Ordinance, the "Subordinate Ordinance") authorizing the issuance of the 2015A Subordinate Revenue Note in an aggregate principal amount of up to \$100,000,000 (the "2015A Subordinate Note") to finance and refinance costs of the Electric System; and

WHEREAS, the Public Utility Board of the City (the "Board") has initiated and has recommended to the Council for its approval the issuance of Parity Bonds to refund all or a portion of the 2015A Subordinate Note; and

WHEREAS, it is deemed necessary and advisable to acquire and construct certain additions and betterments to and extensions of the Electric System; and

WHEREAS, the Board has initiated and has recommended to the Council for its approval the issuance of Parity Bonds (collectively with the Parity Bonds issued to refund all or a portion of the 2015A Subordinate Note, the "2017 Bonds") to finance and refinance such capital improvements to the Electric System and to pay costs of issuance; and

WHEREAS, the Council has determined that it is in the best interests of the City and its ratepayers to issue the 2017 Bonds to (i) refund all or a portion of the



2015A Subordinate Note, (ii) finance or refinance costs of capital improvements to the Electric System, (iii) fund a debt service reserve account for the 2017 Bonds, and (iv) pay the costs of issuance in connection with the 2017 Bonds; and

WHEREAS, the City deems it in the best interests of the City and its ratepayers that the 2017 Bonds be sold to and purchased by Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. (the "Underwriters") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, Section 14.1 of the Master Ordinance provides in relevant part that the City may adopt at any time without the consent of the owners of any Parity Bonds an ordinance or ordinances supplemental to or amendatory of the Master Ordinance to among other things (i) provide for the issuance of Future Parity Bonds and to prescribe the terms and conditions pursuant to which such bonds may be issued, paid or redeemed, (ii) add covenants and agreements of the City for the purpose of further securing the payment of the Parity Bonds, and (iii) to insert such provisions clarifying matters or questions arising under the Master Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Master Ordinance as theretofore in effect; and

WHEREAS, the City desires to provide for the issuance and sale of the 2017 Bonds as a Series of Parity Bonds; and

WHEREAS, the City desires to add certain covenants to the Master Ordinance to further secure the Parity Bonds; and

WHEREAS, the Council hereby finds and determines that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness to be evidenced by the 2017 Bonds, and in the issuing of the 2017 Bonds, as of the date of issuance thereof, shall exist, have happened and have been performed in due time, form and manner, as required by



the Constitution and statutes of the State and the Charter of the City, and that the 2017 Bonds are within every debt limitation and other limit prescribed by the Constitution and statutes of the State and the Charter, and is not in excess of the amount of Bonds permitted to be issued under the Master Ordinance; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

## **ARTICLE I**

### **DEFINITIONS**

**Section 1.1. Definitions.** Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Master Ordinance, including any amendments to such terms as provided in Section 7.1 of this 2017 Supplemental Ordinance. In addition, as used in this 2017 Supplemental Ordinance, the following words shall have the following meanings:

- i. "Board" has the meaning set forth in the recitals.
- ii. "Bond Purchase Agreement" has the meaning set forth in the recitals.
- iii. "Designated Representative" means the officer(s) of the City appointed in Section 3.2 to serve as the City's representative in connection with the issuance and sale of the 2017 Bonds.
- iv. "Master Subordinate Ordinance" has the meaning set forth in the recitals.
- v. "Plan of Additions" has the meaning set forth in Section 2.2.
- vi. "Refunded Obligations" means that portion of the principal of the 2015A Subordinate Note specified by the Designated Representative pursuant to Section 3.3.



vii. "Subordinate Ordinance" has the meaning set forth in the recitals.

viii. "Supplemental Subordinate Ordinance" has the meaning set forth in the recitals.

ix. "Tax-Exempt Bonds" has the meaning set forth in Section 7.3 in the new Section 13.15 of the Master Ordinance.

x. "2015A Subordinate Note" has the meaning set forth in the recitals.

xi. "2017 Bonds" has the meaning set forth in the recitals.

xii. "2017 Bonds Construction Account" means the account of that name created in the Construction Fund pursuant to Section 5.1.

xiii. "2017 Bonds Projects" means the facilities and projects to be financed or refinanced in whole or in part from proceeds of the 2017 Bonds, as provided in Section 2.2.

xiv. ["2017 Bonds Reserve Subaccount" means the account of that name created in the Principal Account pursuant to Section 5.1.]

xv. "Underwriters" has the meaning set forth in the recitals.

**Section 1.2. Authority for 2017 Supplemental Ordinance.** This 2017 Supplemental Ordinance is adopted pursuant to the laws of the State, the Tacoma City Charter and the Master Ordinance.



## ARTICLE II

### PARITY AND OTHER FINDINGS

**Section 2.1. Parity Findings.** In connection with the issuance of the 2017 Bonds, the City makes the following findings:

(A) There is, and as of the date of the issuance of the 2017 Bonds there will be, no deficiency in the Bond Fund and no Event of Default has occurred or shall have occurred and be continuing as of the Issue Date of the 2017 Bonds.

(B) This 2017 Supplemental Ordinance provides for the payment of the principal of and interest on the 2017 Bonds out of the Bond Fund.

(C) On the date of issuance of the 2017 Bonds, there will be on file with the City a certificate of the Finance Director stating that Net Revenues in twelve (12) consecutive months out of the most recent twenty-four (24) months preceding the authentication and delivery of the 2017 Bonds, as determined from the financial statements of the Electric System prepared by the Department of Public Utilities, were not less than one hundred twenty-five percent (125%) of maximum Annual Debt Service in any future Fiscal Year on all outstanding Parity Bonds and the 2017 Bonds.

**Section 2.2. Plan of Additions.**

(A) The City specifies, adopts, and orders to be carried out the system or plan of capital additions to and betterments and extensions of the Electric System (the "Plan of Additions") as generally provided for in the capital portions of the 2017-2018 Biennial Budget, as supplemented and amended, and in any subsequent such budgets if proceeds of the 2017 Bonds are available after 2018.

(B) The estimated cost of the Plan of Additions to be financed with the proceeds of the 2017 Bonds is not expected to exceed \$[AMOUNT]. The portion of



the Plan of Additions financed with proceeds of the 2017 Bonds is referred to herein as the “2017 Bonds Projects.”

(C) The Plan of Additions shall include any amendments, supplements or revisions to the Electric System Comprehensive Plan. The Plan of Additions may be further modified by ordinance or resolution of the City.

(D) The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment (including, but not limited to, data processing hardware and software and conservation equipment) and facilities; the acquisition of all permits, franchises, property and property rights; other capital assets; and all engineering, consulting, and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

**Section 2.3. Findings as to Sufficiency of Revenues; Due Regard.** The City finds and determines that the Revenues of the Electric System at the rates to be charged for power and other services and commodities furnished thereby will be sufficient in the judgment of the City to meet all Operating Expenses, to make all required payments with respect to the Parity Bonds, and to permit the setting aside into the Bond Fund out of the Revenues of amounts sufficient to pay the principal of and interest on the 2017 Bonds when due, including at maturity and upon any mandatory sinking fund redemption thereof. The City further finds and determines that in creating the subaccounts in the Bond Fund for the 2017 Bonds and in fixing the amounts to be paid into such subaccounts in the Bond Fund, it has exercised due regard for the cost of operation and maintenance of the Electric System and to the proportion and part of the Revenues previously pledged for the payment of the Parity Bonds, the Subordinate Bonds and other indebtedness, and the City has not obligated itself to set aside into such subaccounts in the Bond Fund for the



2017 Bonds a greater amount or proportion of the Revenues than in the judgment of the City will be available above such cost of maintenance and operation and the amount and proportion of the Revenues so previously pledged.

### **ARTICLE III**

#### **AUTHORIZATION AND TERMS OF 2017 BONDS**

##### **Section 3.1. Authorization of 2017 Bonds; Purposes.**

(A) Authorization. The City hereby authorizes the issuance of its “City of Tacoma, Washington, Electric System Revenue Bonds, Series 2017” pursuant to the Master Ordinance. The 2017 Bonds shall constitute “Parity Bonds” within the meaning of the Master Ordinance.

(B) Purposes. The 2017 Bonds shall be issued to (i) finance and refinance the costs of the 2017 Bonds Projects, (ii) refund the Refunded Obligations, (iii) fund a debt service reserve with respect to the 2017 Bonds, and (iv) pay costs of issuance in connection with the 2017 Bonds.

**Section 3.2. Appointment of Designated Representative.** The Director of Utilities, and, in the alternative, the Superintendent of the Power Division, each is appointed as the Designated Representative. The Designated Representative is authorized to issue and sell the 2017 Bonds and to establish and determine the terms of the 2017 Bonds, all as provided herein.





**Section 3.3. Final Terms of 2017 Bonds.** In determining the Final Terms applicable to the 2017 Bonds and taking such other actions as are delegated pursuant to this 2017 Supplemental Ordinance, the Designated Representative shall seek to achieve the lowest practicable true interest cost on the 2017 Bonds. The Final Terms shall be established by the Designated Representative pursuant to the Pricing Certificate within the following parameters:

(A) Refunded Obligations. The Designated Representative shall specify all or a portion of the 2017 Note as the Refunded Obligations which will be refunded from proceeds of the 2017 Bonds together with other available moneys, if any.

(B) Principal Amount. The 2017 Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$[AMOUNT].

(C) Date or Dates. Each Series of 2017 Bonds shall be dated as of its Issue Date, which date shall not be later than December 1, 2017.

(D) Denominations, Series Designation. The 2017 Bonds shall be issued in authorized denominations of \$5,000 or any integral multiple thereof within a maturity, and shall be numbered separately in the manner and shall bear any additional name or designation as deemed necessary or appropriate by the Designated Representative.

(E) Interest Rates. The 2017 Bonds shall bear interest at fixed rates per annum (computed on the basis of a 360-day year of consisting of 12 months of 30 days) from their Issue Date or from the most recent date to which interest has been paid or duly provided for, whichever is later; provided, that no rate of interest for any 2017 Bond may exceed [seven percent (7%)], and the true interest cost to the City for a Series of 2017 Bonds may not exceed [six percent (6%)].

(F) Payment Dates. Interest shall be payable semiannually on January 1 and July 1, commencing no later than one year following the Issue Date. Principal



payments shall commence on the interest payment date determined by the Designated Representative and shall be payable at maturity or in mandatory sinking fund redemption installments on such dates as are determined by the Designated Representative; provided, that no more than ten percent (10%) of the par amount of the 2017 Bonds shall mature or become due by mandatory sinking fund redemption in any Fiscal Year.

(G) Final Maturity. The 2017 Bonds shall have a final maturity no later than December 1, [2047].

(H) Redemption Rights. In his or her discretion, the Designated Representative may approve provisions for the optional and mandatory redemption of 2017 Bonds, as follows:

i. *Optional Redemption*. Any 2017 Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices determined by the Designated Representative; or (B) not subject to redemption prior to its maturity date. If a 2017 Bond is designated as subject to optional redemption prior to its maturity, it shall be subject to such redemption on one or more dates beginning not more than [eleven (11)] years after the Issue Date at such premium or premiums if any as shall be determined by the Designated Representative not to exceed [five percent (5%)] of the principal amount thereof.

ii. *Mandatory Redemption*. Any 2017 Bond may be designated as a Term Bond, subject to mandatory sinking fund redemption prior to its maturity on the dates and in the amounts determined by the Designated Representative.



(I) Price. The purchase price for any Series of 2017 Bonds may not be less than 95 percent or more than 125 percent of the stated principal amount of that Series.

(J) Reserve Account Requirement. The Designated Representative shall specify the Reserve Account Requirement with respect to the 2017 Bonds, which shall not exceed the amount permitted to be funded from proceeds of the 2017 Bonds pursuant to the Code.

(K) Other Terms and Conditions. The Designated Representative may determine to provide for Qualified Insurance with respect to the 2017 Bonds and/or the 2017 Bonds Reserve Subaccount. The Designated Representative is authorized to execute and deliver such documents, agreements and certificates as may be necessary or desirable to obtain such bond insurance or Reserve Insurance, each of such documents, agreements and certificates to be in such form as may be approved by the Designated Representative upon consultation with the City Attorney, such approval to be evidenced conclusively by the execution and delivery thereof.

**Section 3.4. Registered Bonds; Book-Entry**. The 2017 Bonds shall be issued in the form of a single fully-registered 2017 Bond for each maturity. The 2017 Bonds shall be registered in the name of DTC or its nominee, and initially held in book-entry only form.

**Section 3.5. Form of 2017 Bonds**. The definitive 2017 Bonds shall be in substantially the form set forth in Exhibit A attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate consistent with the Master Ordinance and this 2017 Supplemental Ordinance.



## **ARTICLE IV**

### **SALE OF 2017 BONDS**

#### **Section 4.1. Manner of Sale of 2017 Bonds.**

(A) Manner of Sale. The Designated Representative is authorized to sell the 2017 Bonds by negotiated sale pursuant to a bond purchase agreement or by competitive sale in accordance with a notice of sale, in each case consistent with this 2017 Supplemental Ordinance.

(B) Negotiated Sale. The City authorizes [the Designated Representative to select and appoint one or more investment banks to serve as underwriter (the "Underwriters") for the 2017 Bonds in connection with any negotiated sale(s) thereof and approves the selection of Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. as the Underwriters with respect to the 2017 Bonds. The 2017 Bonds shall be sold to the Underwriters in accordance with a Bond Purchase Agreement substantially in the form approved by the Board, with such changes and additions as the Designated Representative may approve upon consultation with the City Attorney, such approval to be evidenced conclusively by the delivery to the Underwriters of such Bond Purchase Agreement as so added to or changed; provided, that the total compensation to the Underwriters shall not exceed [five-tenths of one percent (0.5%)] of the principal amount of the 2017 Bonds.

(C) Delivery of 2017 Bonds. The 2017 Bonds shall be delivered to the Underwriters upon payment of the purchase price therefor pursuant to the terms of the Bond Purchase Agreement.

#### **Section 4.2. Official Statement.**

(A) Preliminary Official Statement. The City authorizes and approves the preparation of a Preliminary Official Statement for the 2017 Bonds. For the sole purpose of the Underwriters' compliance with paragraph (b)(1) of Rule 15c2-12, the



Designated Representative is authorized to “deem final” the Preliminary Official Statement as of its date, except for the omission of information permitted by Rule 15c2-12. The City authorizes and approves the distribution of the Preliminary Official Statement to prospective investors.

(B) Final Official Statement. The City authorizes and approves the preparation of a final Official Statement for the 2017 Bonds in the form of the Preliminary Official Statement, with such modifications and amendments as the Designated Representative deems necessary or desirable upon consultation with the City Attorney, such approval to be evidenced conclusively by the execution by the Designated Representative of said final Official Statement as so modified or amended. The City authorizes and approves the distribution of the final Official Statement to prospective investors.

**Section 4.3. Continuing Disclosure.** The City adopts with respect to the 2017 Bonds the continuing disclosure undertaking with respect to the 2013 Bonds set forth in Article VIII of the Master Ordinance, effective as of the Issue Date of the 2017 Bonds.

## **ARTICLE V**

### **APPLICATION OF BOND PROCEEDS**

#### **Section 5.1. Establishment and Designation of Accounts.**

(A) There is hereby created in the Construction Fund an account to be known as the 2017 Bonds Construction Account.

(B) [There is hereby created in the Reserve Account in the Bond Fund a subaccount to be known as the 2017 Bonds Reserve Subaccount.]

**Section 5.2. Deposit of Proceeds of 2017 Bonds.** Immediately upon receipt thereof, the City shall deposit the proceeds of the 2017 Bonds as follows:



(A) With the owner and holder of the Refunded Obligations an amount, together with other available moneys, if any, sufficient to pay the same;

(B) Into the 2017 Bonds Reserve Subaccount an amount equal to the Reserve Account Requirement with respect to the 2017 Bonds; and

(C) Into the 2017 Bonds Construction Account the remaining proceeds, which shall be applied to pay and reimburse the City for the costs of the 2017 Bonds Projects and to pay costs of issuance in connection with the 2017 Bonds.

**Section 5.3. Deposits Into and Uses of the 2017 Subaccounts in the Bond Fund.** The City obligates and binds itself irrevocably to set aside and to pay into the 2017 Bonds Interest Subaccount, the 2017 Bonds Principal Subaccount, and the 2017 Bonds Bond Retirement Subaccount, respectively, out of the Revenues the amounts necessary (together with other available moneys on hand therein) to pay the principal of, interest on and any mandatory sinking fund redemptions for the 2017 Bonds as and when the same respectively become due and payable in accordance with the terms hereof. The 2017 Bonds Interest Subaccount, the 2017 Bonds Principal Subaccount, and the 2017 Bonds Bond Retirement Subaccount, respectively, shall be drawn upon solely for the purpose of paying the principal of, interest on and mandatory sinking fund redemptions for the 2017 Bonds.

## **ARTICLE VI**

### **REFUNDING OF REFUNDED OBLIGATIONS**

#### **Section 6.1. Refunding of the Refunded Obligations.**

(A) Use of Bond Proceeds. The portion of the proceeds of the 2017 Bonds, together with other available money, allocated to refunding the Refunded Obligations shall be deposited and applied upon the receipt thereof to



discharge the obligations of the City relating to the Refunded Obligations pursuant to and in accordance with the Subordinate Ordinance.

(B) Redemption of the Refunded Obligations. The proper City officials are authorized and directed to give or cause to be given such notices at the times and in the manner required pursuant to the Subordinate Ordinance in order to effect the payment and redemption of the Refunded Obligations.

## **ARTICLE VII**

### **AMENDMENTS TO MASTER ORDINANCE**

#### **Section 7.1. Amendments to Definitions.**

(A) Except as may be otherwise provided in a Supplemental Ordinance with respect to a Series of Future Parity Bonds, the references in the following definitions in Section 1.1 of the Master Ordinance to “2013 Bonds” are amended to read “2013 Bonds and any Series of Future Parity Bonds”:

- i. “Code”
- ii. “Final Terms”
- iii. “Issue Date”
- iv. “Pricing Certificate”
- v. “Series”

(B) The following definitions in Section 1.1 of the Master Ordinance are hereby amended to read as follows:

- i. “Bondowners’ Trustee” means the Trustee appointed by the City pursuant to Article XVI hereof.
- ii. “Master Ordinance” means Ordinance No. 28146, passed on April 30, 2013, as supplemented and amended pursuant hereto.
- iii. “Parity Bonds” means the bonds of the City issued pursuant to this Master Ordinance.



**Section 7.2. Amendments to Articles and Sections.** Except as may be otherwise provided in a Supplemental Ordinance with respect to a Series of Future Parity Bonds, the term “2013 Bonds” in the following Articles and Sections of the Master Ordinance is amended to read “2013 Bonds and any Future Parity Bonds”:

- i. Section 4.4. Registration, Exchange and Payments.
- ii. Section 4.5. Redemption Terms.
- iii. ARTICLE V. FORM AND GENERAL TERMS
- iv. ARTICLE VII. REFUNDING OR DEFEASANCE
- v. ARTICLE XIII. COVENANTS TO SECURE PARITY BONDS
- vi. ARTICLE XV. DEFAULTS AND REMEDIES
- vii. Section 17.1. Ordinance and Laws a Contract with Bondowners.
- viii. Section 17.2. Benefits of Ordinance Limited to City, Bondowners, and Paying Agent.

**Section 7.3. Additional Covenants.** The following additional covenants are hereby added to Article XIII of the Master Ordinance:

Section 13.13. Covenant to Comply with Licenses. The City shall at all times comply with the terms and conditions of any permits or licenses for the Electric System, or any property or facilities constituting a part thereof, issued by any federal or state governmental agency or body having jurisdiction thereof and with the power to issue orders with respect thereto and enforce the same, and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Electric System. The City shall use its best efforts to obtain renewals of such permits or licenses or obtain new permits or licenses unless such renewals or





new permits or licenses are not, in the judgment of the Board, in the best interests of the City.

Section 13.14. Protection of Security. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and the rights of the owners of the Parity Bonds under this Master Ordinance against all claims and demands of all persons whatsoever.

Section 13.15. Tax Covenants. The City covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Parity Bonds the interest on which is tax-exempt under Section 103 of the Code (the "Tax-Exempt Bonds"). The City shall not directly or indirectly use or permit the use of any proceeds of the Tax-Exempt Bonds in such a manner as would adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of any Tax-Exempt Bonds, or of any facilities financed thereby, or other funds of the City, or take or omit to take any action, that would cause any Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated thereunder to the extent such requirements are, at the time, in effect and applicable to the Tax-Exempt Bonds.

Section 13.16. Further Assurances. The City shall at any and all times, insofar as it may be authorized to do so by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions,



acts, assignments, instruments and assurances as may be necessary or desirable for the better assuring, granting, pledging, assigning and confirming any and all of the rights, revenues, funds and other property hereby granted, pledged or assigned to pay or secure the payment of the Parity Bonds, in the manner and to the extent provided herein.

**Section 7.4.        Amendment to Article XIV.** The following Section 14.3 is hereby added to the Master Ordinance, and the existing Section 14.3 is hereby renumbered as Section 14.4:

Section 14.3 Consent of Bond Owners and Opinions. Each Supplemental Ordinance enacted pursuant to the provisions of Section 14.2 shall take effect only when and as provided in this Section. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Bondowners' Trustee), together with a request to Parity Bond owners for their consent thereto in form satisfactory to the Bondowners' Trustee, shall be sent by the Bondowners' Trustee to the Parity Bond owners, at the expense of the City, by first class mail, postage prepaid; provided, that a failure to mail such request shall not affect the validity of the Supplemental Ordinance when consented to as provided below. Such Supplemental Ordinance shall not be effective unless and until there shall have been filed with the Bondowners' Trustee the written consents of Parity Bond owners of the percentage of Bonds specified in Section 14.2 given as provided in Section 16.4. Any such consent shall be binding upon the Parity Bond owner giving such consent and upon any subsequent owner of such Parity Bonds and of any Parity Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Parity Bond owner has notice thereof), unless such consent is revoked in writing by the Parity Bond owner giving



such consent or a subsequent owner of such Parity Bonds by filing such revocation with the Bondowners' Trustee prior to the date the Bondowners' Trustee receives the required percentage of consents.

**Section 7.5.** Bondowners' Trustee. Section 15.2 of the Master Ordinance is hereby deleted. The following new Article XVI is hereby added to the Master Ordinance as the successor to the prior Section 15.2 and Article XVI, the latter of which was no longer effective upon the final payment, defeasance and redemption of the Bonds issued prior to the 2010 Bonds:

#### ARTICLE XVI

##### BONDOWNERS' TRUSTEE

###### Section 16.1. Appointment; Duties and Responsibilities of the Bondowners' Trustee.

(A) The City hereby appoints [TRUSTEE] as Bondowners' Trustee with respect to the Parity Bonds.

(B) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default that may have occurred: (i) the Bondowners' Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Ordinance, and no implied covenants or obligations shall be read into this Master Ordinance against the Bondowners' Trustee; and (ii) in the absence of bad faith on its part, the Bondowners' Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bondowners' Trustee that conform to the requirements of this Master Ordinance; but the Bondowners' Trustee is under a duty to examine such



certificates and opinions to determine whether they conform to the requirements of this Master Ordinance.

(C) In case an Event of Default of which the Bondowners' Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Bondowners' Trustee shall exercise such of the rights and powers vested in it by this Master Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(D) No provision of this Master Ordinance shall be construed to relieve the Bondowners' Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this subsection shall not be construed to limit the effect of subsection B. of this Section; (ii) the Bondowners' Trustee is not liable for any error of judgment made in good faith by an authorized officer of the Bondowners' Trustee, unless it is proven that the Bondowners' Trustee was negligent in ascertaining the pertinent facts; (iii) the Bondowners' Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Parity Bond owners under any provision of this Master Ordinance relating to the time, method and place of conducting any proceeding for any remedy available to the Bondowners' Trustee, or exercising any trust or power conferred upon the Bondowners' Trustee under this Master Ordinance; and (iv) no provision of this Master Ordinance shall require the Bondowners' Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for



believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

E. The Bondowners' Trustee shall maintain proper books of record and accounts in which complete and correct entries shall be made of all investments and disbursements of proceeds in the Funds through the date ending six (6) years following the date on which all the Parity Bonds have been retired, and such records shall be available for inspection by the City upon reasonable notice.

(F) Whether or not expressly so provided, every provision of this Master Ordinance relating to the conduct or affecting the liability of or affording protection to the Bondowners' Trustee is subject to the provisions of this Section.

Section 16.2. Certain Rights of the Bondowners' Trustee. Except as otherwise provided in Section 16.1:

(A) The Bondowners' Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(B) Any statement or certification of the City under this Master Ordinance shall be sufficiently evidenced by a certificate of the City (unless other evidence thereof is specifically prescribed), any request, direction, order or demand of the City under this Master Ordinance shall be sufficiently evidenced by an order of the City (unless other evidence thereof is specifically prescribed) and any ordinance or resolution of the Council may



be sufficiently evidenced by a copy thereof certified by the Secretary of the Council;

(C) Whenever in the administration of this Master Ordinance the Bondowners' Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Bondowners' Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of the City;

(D) The Bondowners' Trustee may consult with counsel and the written advice of such counsel or an opinion of Bond Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(E) The Bondowners' Trustee is under no obligation to exercise any of the rights or powers vested in it by this Master Ordinance at the request or direction of any of the Parity Bond owners unless the owners have offered to the Bondowners' Trustee security or indemnity reasonably satisfactory to the Bondowners' Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds;

(F) The Bondowners' Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the



Bondowners' Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Bondowners' Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, in person or by agent or attorney;

(G) The Bondowners' Trustee may execute any of its trusts or powers or perform any duties under this Master Ordinance either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 16.5, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Bondowners' Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(H) The Bondowners' Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except an Event of Default under Section 16.1(A), unless an officer of the Bondowners' Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the City or the owners of at least 25 percent in aggregate principal amount of the Outstanding Parity Bonds, and in the absence of any such notice, the Bondowners' Trustee may conclusively assume that no such default or Event of Default exists;

(I) The Bondowners' Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Master Ordinance;

(J) In the event the Bondowners' Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Parity Bond



owners, each representing less than a majority in aggregate principal amount of the Outstanding Parity Bonds, pursuant to the provisions of this Master Ordinance, the Bondowners' Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(K) The Bondowners' Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Master Ordinance shall extend to the Bondowners' Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Bondowners' Trustee's right to compensation, shall survive the Bondowners' Trustee's resignation or removal, the defeasance or discharge of this Master Ordinance and final payment of the Parity Bonds;

(L) The permissive right of the Bondowners' Trustee to take the actions permitted by this Master Ordinance shall not be construed as an obligation or duty to do so; and

(M) Except for information provided by the Bondowners' Trustee concerning the Bondowners' Trustee, the Bondowners' Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Parity Bonds, and the Bondowners' Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Parity Bonds.

Section 16.3. Bondowners' Trustee Not Responsible for Recitals. The recitals contained in this Master Ordinance and in the Parity Bonds (other than the certificate of authentication on the Parity Bonds) are statements of the City, and the Bondowners' Trustee assumes no responsibility for their correctness. The Bondowners' Trustee makes no representations as to the





value, condition or sufficiency of any assets pledged or assigned as security for the Parity Bonds, the right, title or interest of the City therein, the security provided thereby or by this Master Ordinance or the tax status of interest on the Parity Bonds. The Bondowners' Trustee is not accountable for the use or application by the City of any of the Parity Bonds or the proceeds of the Parity Bonds, or for the use or application of any money paid over by the Bondowners' Trustee in accordance with any provision of this Master Ordinance.

Section 16.4. Bondowners' Trustee May Own Parity Bonds. The Bondowners' Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Parity Bonds and may join in any action which any Parity Bond owner may be entitled to take with like effect as if it were not Bondowners' Trustee. The Bondowners' Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the City and may act as depository, Bondowners' Trustee or agent for any committee of Parity Bond owners secured hereby or other obligations of the City as freely as if it were not Bondowners' Trustee. The provisions of this Section shall extend to affiliates of the Bondowners' Trustee.

Section 16.5. Compensation and Expenses of the Bondowners' Trustee.

(A) The City hereby covenants and agrees:

i. to pay to the Bondowners' Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Parity Bonds to which the Bondowners' Trustee is a party in accordance with terms agreed to from time to time, and,



subsequent to default, in accordance with the Bondowners' Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a Bondowners' Trustee of an express trust);

ii. to reimburse the Bondowners' Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bondowners' Trustee in accordance with any provision of this Master Ordinance, any other agreement relating to the Parity Bonds to which it is a party or in complying with any request by the City or any securities credit rating agency with respect to the Parity Bonds, including the reasonable compensation, expenses and disbursements of its agents and counsel, except any such expense, disbursement or advance attributable to the Bondowners' Trustee's negligence or bad faith; and

iii. to indemnify, defend and hold the Bondowners' Trustee harmless from and against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Bondowners' Trustee under this Master Ordinance, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or thereunder.

(B) In the event the Bondowners' Trustee incurs expenses or renders services in any proceedings under federal or state bankruptcy law relating to the City, the expenses so incurred and compensation for services



so rendered are intended to constitute expenses of administration under federal or state bankruptcy law. As security for the performance of the obligations of the City under this Section, the Bondowners' Trustee shall have a lien prior to the lien securing the Parity Bonds and Payment Agreement Payments, which it may exercise through a right of set-off, upon all property or funds held or collected by the Bondowners' Trustee pursuant to this Master Ordinance. The obligations of the City to make the payments described in this Section shall survive discharge of this Master Ordinance, the resignation or removal of the Bondowners' Trustee and payment in full of the Parity Bonds.

Section 16.6. Qualifications of the Bondowners' Trustee. There shall at all times be a Bondowners' Trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$100,000,000, or is an affiliate of a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed Bondowners' Trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Bondowners' Trustee shall cease to be eligible in accordance with the



provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

Section 16.7. Resignation or Removal of the Bondowners' Trustee;  
Appointment of Successor Bondowners' Trustee.

(A) No resignation or removal of the Bondowners' Trustee and no appointment of a successor Bondowners' Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Bondowners' Trustee under Section 16.8.

(B) The Bondowners' Trustee may resign at any time by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Bondowners' Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Bondowners' Trustee within 30 days after the giving of such notice of resignation, the resigning Bondowners' Trustee or any owner of a Parity Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Bondowners' Trustee.

(C) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the City or the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the City or such



Parity Bond owners, as the case may be, and delivered to the Bondowners' Trustee, the City and owners of the Outstanding Parity Bonds.

(D) If at any time: (i) the Bondowners' Trustee shall cease to be eligible and qualified under Section 16.6 and shall fail or refuse to resign after written request to do so by the City or the owner of any Parity Bond, or (ii) the Bondowners' Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Bondowners' Trustee or its property shall be appointed, or any public officer shall take charge or control of the Bondowners' Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the City may remove the Bondowners' Trustee and appoint a successor Bondowners' Trustee in accordance with the provisions of subsection (C) of this Section; or (B) any owner of a Parity Bond then Outstanding may, on behalf of the owners of all Outstanding Parity Bonds, petition a court of competent jurisdiction for removal of the Bondowners' Trustee and appointment of a successor Bondowners' Trustee.

(E) The City shall give written notice of each resignation or removal of the Bondowners' Trustee and each appointment of a successor Bondowners' Trustee to each owner of Parity Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Bondowners' Trustee.

Section 16.8. Acceptance of Appointment by Successor Bondowners' Trustee.

(A) Every successor Bondowners' Trustee appointed hereunder shall execute, acknowledge and deliver to the City and the predecessor



Bondowners' Trustee an instrument accepting its appointment. The resignation or removal of the retiring Bondowners' Trustee shall thereupon become effective, and the successor Bondowners' Trustee shall, without further act, deed or conveyance, become vested with all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee. Upon the request of the City or the successor Bondowners' Trustee, the predecessor Bondowners' Trustee shall execute and deliver an instrument transferring to the successor Bondowners' Trustee all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee under this Master Ordinance, shall duly assign, transfer, deliver and pay over to the successor Bondowners' Trustee all money and other property then held under this Master Ordinance, subject, however, to the lien provided for in Section 16.5, and shall deliver to the successor Bondowners' Trustee, all records maintained by the predecessor Bondowners' Trustee with respect to the Funds and the Parity Bonds and such records shall be proper books of record and accounts containing complete and correct entries. The successor Bondowners' Trustee shall promptly give written notice of its appointment to the owners of all Parity Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

(B) No successor Bondowners' Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 16.6.

Section 16.9. Merger, Succession or Consolidation of Bondowners' Trustee. Any corporation or association: (i) into which the Bondowners' Trustee is merged or with which it is consolidated; (ii) resulting from any merger or consolidation to which the Bondowners' Trustee is a party; or



(iii) succeeding to all or substantially all of the corporate trust business of the Bondowners' Trustee, shall be the successor Bondowners' Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of Section 16.6.

Section 16.10. Notices to Bond Owners; Waiver.

(A) Where this Master Ordinance provides for notice to Parity Bond owners of any event, such notice shall be sufficiently given (unless otherwise expressly provided herein) if in writing and mailed, first-class postage prepaid, to each Parity Bond owner affected by each event, at such Parity Bond owner's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Parity Bond owners is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Parity Bond owner shall affect the sufficiency of such notice with respect to other Parity Bond owners. Where this Master Ordinance provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Parity Bond owners shall be filed with the Bondowners' Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(B) With respect to book-entry bonds, where this Master Ordinance provides for notice to the Parity Bond owners of the existence of, or during the continuance of, any Event of Default, or at any time upon the written request of the City, the Bondowners' Trustee, at the expense of the City,



shall: (i) establish a record date for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the participants holding positions in the Book-Entry Bonds affected by such notice as of the record date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each participant identified in the securities position listing as holding a position in the Book-Entry Bonds as of the record date for the notice, to each nationally recognized municipal securities information repository and state information depository for the State, if any, and to any Person identified to the Bondowners' Trustee as a non-objecting Beneficial Owner pursuant to the immediately following clause; (iv) request that the participant retransmit the notice to all Persons for which it served as nominee on the record date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the participant served as nominee on the record date to the Bondowners' Trustee, (v) provide on behalf of the City and not as its agent, an undertaking of the City to pay to any participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Parity Bonds. Any default in performance of the duties required by this subsection shall not affect the sufficiency of notice to the Parity Bond owners given in accordance with subsection A. of this Section, or the validity of any action taken under this Master Ordinance in reliance on such notice to Parity Bond owners.





(C) Where this Master Ordinance provides for notice to the Parity Bond owners of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Parity Bonds; (ii) the CUSIP number of each affected Parity Bond; (iii) the record date for the notice; and (iv) a summary of the notice.

(D) Any notice required or permitted by this Master Ordinance to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Parity Bond owners, and also shall be given in the format requested by the Securities Depository to such address as may be specified by the Securities Depository in writing to the Bondowners' Trustee.

## **ARTICLE VIII**

### **MISCELLANEOUS**

**Section 8.1. Ratification of Prior Acts.** Any action taken consistent with the authority but prior to the effective date of this 2017 Supplemental Resolution is hereby ratified, approved, and confirmed.

**Section 8.2. General Authorization.** The Director of Utilities and other appropriate officers, agents and employees of the City are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the City to carry out the purposes and intents of this 2017 Supplemental Ordinance and the transactions contemplated hereby.

**Section 8.3. Terms of 2017 Bonds Subject to the Master Ordinance.** Except as is otherwise expressly provided in this 2017 Supplemental Ordinance,



every term and condition contained in the Master Ordinance shall apply to this 2017 Supplemental Ordinance and to the 2017 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this 2017 Supplemental Ordinance.

**Section 8.4. Ratification of the Master Ordinance.** Except as supplemented and amended by this 2017 Supplemental Ordinance, the Master Ordinance is ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this 2017 Supplemental Ordinance.

**Section 8.5. Repealer.** The ordinances of the City authorizing and setting forth the terms and provisions of the Parity Bonds issued prior to the 2010 Bonds, which Parity Bonds have been deemed to be no longer outstanding under such ordinances, are hereby repealed and shall be of no further force or effect.

**Section 8.6. Severability.** If any one or more of the provisions of this 2017 Supplemental Ordinance is or are held by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions and shall in no way affect the validity of the other provisions of this 2017 Supplemental Ordinance.

[Continued on next page.]



**Section 8.7. Effective Date of Ordinance.** This 2017 Supplemental Ordinance shall take effect and be in force 10 days from and after its publication.

Passed: \_\_\_\_\_

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form:

ORRICK, HERRINGTON & SUTCLIFFE LLP

\_\_\_\_\_

Requested by Public Utility Board

Resolution No. U-\_\_\_\_\_



**EXHIBIT A**  
**(FORM OF 2017 BONDS)**

**STATE OF WASHINGTON**  
**CITY OF TACOMA**  
**ELECTRIC SYSTEM REVENUE BONDS,**  
**SERIES 2017**

Registered Owner: \_\_\_\_\_

Principal Sum: \$[AMOUNT]

The CITY OF TACOMA, a municipal corporation duly organized and existing under and pursuant to the Charter of the City of Tacoma and the Constitution and laws of the State of Washington (hereinafter called the "City"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount hereof, together with unpaid accrued interest thereon, on the dates, at the rates and in the amounts as provided in the Master Ordinance (as hereinafter defined). This Bond is issued pursuant to Ordinance No. 28146 of the City, passed on April 30, 2013, as amended and supplemented, including as supplemented by Ordinance No. \_\_\_\_ of the City, passed on April \_\_, 2017, providing for the issuance of the Bonds, including the 2017 Bonds (hereinafter collectively called the "Master Ordinance"). Interest shall be calculated on the basis of actual days elapsed in a 360 day year consisting of twelve 30-day months. Payments shall be made solely from Revenues, after payment of Operating Expenses (as defined in the Master Ordinance), to the registered owner stated hereinabove by the Paying Agent without the necessity of presentation and surrender of this Bond.

This Bond is one of a duly authorized issue of Electric System Revenue Bonds of the City (hereinafter called the "Bonds") of the series and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount and consists of multiple series and subseries of varying



denominations, dates, maturities, interest rates and other provisions, as provided in the Master Ordinance, all issued and to be issued pursuant to the provisions of the Charter of the City of Tacoma and applicable laws of the State of Washington (hereinafter collectively called the "Act").

Reference is hereby made to the Master Ordinance and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Master Ordinance, and the rights of the registered owners of the Bonds; and all the terms of the Master Ordinance and the Act are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series of Bonds may be issued on a parity with this Bond, but only subject to the conditions and limitations contained in the Master Ordinance. This Bond is subject to optional and mandatory redemption as provided in the Master Ordinance.

This Bond, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Master Ordinance (and to the extent set forth in the Master Ordinance), is payable from, and is secured by a charge and lien on, the Revenues, after payment of Operating Expenses, derived by the City from the Electric System (as those terms are defined in the Master Ordinance).

The Bonds are special limited obligations of the City payable from and secured solely by Net Revenues of the Electric System and by other money and assets specifically pledged under the Master Ordinance for the payment thereof. Pursuant to the Master Ordinance, the City has pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with the provisions of the Master Ordinance, subject only to the provisions of the Master



Ordinance restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in the Master Ordinance: (i) the proceeds of the sale of the Bonds to the extent held in funds established by the Master Ordinance, (ii) Net Revenues, and (iii) the money and investments, if any, credited to the Revenue Fund and the Bond Fund, and the income therefrom.

The Bonds are not general obligations of the City, or the State of Washington, or a charge upon any general fund or other property of the City or the State of Washington not specifically pledge thereto by the Master Ordinance, and neither the full faith and credit nor the taxing power of the City or of the State of Washington, nor any revenues of the City derived from sources other than the Electric System, are pledged to the payment hereof. No holder of this Bond shall ever have the right to compel any exercise of the taxing power of the City of Tacoma to pay this Bond or the interest hereon.

This Bond is transferable by the registered owner hereof, but only in the manner and subject to the limitations provided in the Master Ordinance. Upon such transfer a new fully registered Bond for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The rights and obligations of the City and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Master Ordinance; provided, that no such amendment shall (a) extend the date of payment of the principal of any Bond or of any installment of interest thereon or reduce the principal or redemption price thereof or the rate of interest thereon or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date; (b) give to any Bond or Bonds any preference over any other Bond or Bonds secured equally and ratably therewith; (c) reduce the aforesaid percentage of Bonds, the owners of



which are required to consent to any ordinance amending the provisions of the Master Ordinance; or (d) authorize the creation of any pledge prior to or, except as provided in the Master Ordinance for the issuance of future Bonds, on a parity with the pledge afforded by the Master Ordinance, without the consent of the owner of each such Bond affected thereby.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of Washington and the Charter of the City of Tacoma, and that this Bond, together with all other indebtedness of the City pertaining to the Electric System, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of Washington and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Master Ordinance.

This Bond shall not be entitled to any benefit under the Master Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Paying Agent. This Bond is a valid and binding obligation of City.

IN WITNESS WHEREOF, the CITY OF TACOMA has caused this Bond to be executed in its name and on its behalf by its \_\_\_\_\_ and countersigned by its \_\_\_\_\_, and the seal of said City to be imprinted or reproduced by facsimile hereon, and this Bond to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

CITY OF TACOMA

By

Title



Countersigned:

By

Title





## CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Master Ordinance.

[NAME], as Paying Agent and Bond Registrar

By

Authorized Signatory

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name, address, and Taxpayer Identification Number of Assignee)

this Bond and all rights thereunder, hereby irrevocably constituting and appointing

\_\_\_\_\_ attorney to transfer said Bond on the books of the

City with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Bond, in every particular, without alteration or enlargement or any change whatsoever.



## RESOLUTION NO. U-10938

1 A RESOLUTION of the City of Tacoma, Washington, recommending the  
2 defeasance of certain outstanding Electric System Revenue Bonds, 2013  
3 Series A.

4 WHEREAS the City of Tacoma (the "City"), by Ordinance No. 28146  
5 passed on April 30, 2013, (the "2013 Bond Ordinance"), issued for the benefit of  
6 its Department of Public Utilities, Light Division (d.b.a. "Tacoma Power")  
7 \$181,610,000 principal amount of Electric System Revenue Bonds, 2013  
8 Series A (the "2013A Bonds"), of which \$151,460,000 is currently outstanding,  
9 and

10 WHEREAS Section 7.1 of Ordinance No. 28146 provides that the City  
11 may use money available from any lawful source to pay the principal of and  
12 interest on the 2013A Bonds, as the same shall become due and payable, and  
13 to defease the 2013A Bonds, and  
14

15 WHEREAS the Board has determined that it is in the best interest of the  
16 customers of Tacoma Power and the citizens of the City of Tacoma to use  
17 available cash to defease certain of the outstanding 2013A Bonds; Now,  
18 Therefore,

19 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:  
20

21 Section 1. Provision for Defeasance. The City shall provide for the  
22 payment of the principal of and interest on certain of the outstanding 2013A  
23 Bonds (collectively, the "Defeased Bonds"), by the application of electric  
24 revenues to acquire direct obligations of, or obligations the principal of and  
25 interest on which are unconditionally guaranteed by the United States  
26 Government ("Government Obligations"), and to pay all costs incurred in



1 establishing and implementing the plan of defeasance provided for by this  
2 Resolution.

3  
4 The Board recommends the City Council hereby irrevocably call for  
5 redemption of the Defeased Bonds in accordance with the provisions of  
6 Section 7.1 of Ordinance No. 28146, authorizing the redemption of the  
7 Defeased Bonds prior to their maturities.

8 Section 2. Defeasance Fund and Appropriation of Money. The Board  
9 recommends that the City Council create a special fund for the Defeased Bonds  
10 to be known as the "Electric System Revenue Bonds, 2013A Defeasance Fund"  
11 (the "Defeasance Fund"). The Defeasance Fund shall be used solely for the  
12 purpose of paying the principal of, interest on, and redemption price of the  
13 Defeased Bonds. The Government Obligations and the cash deposited with the  
14 Defeasance Agent shall be sufficient to provide money to pay the principal of,  
15 interest on, and redemption price of the Defeased Bonds as the same shall  
16 become due.  
17

18 The defeasance and call for redemption of the Defeased Bonds shall be  
19 irrevocable after the establishment and funding of the Defeasance Fund and  
20 delivery of the Government Obligations to the Defeasance Agent, except as  
21 provided in the Defeasance Agreement relating to the substitution of securities.  
22

23 Section 3. Defeasance Agent and Agreement. The Director of Finance,  
24 or official acting in such capacity, is hereby authorized to appoint a bank or trust  
25 company to serve as Defeasance Agent for the Defeased Bonds. The  
26



1 Defeasance Agent is hereby authorized and directed to pay to the paying  
2 agents for the Defeased Bonds sums sufficient to pay, when due, the principal  
3 of, interest on, and redemption price of the Defeased Bonds. All such sums  
4 shall be paid from the money and Government Obligations deposited with the  
5 Defeasance Agent and the income therefrom and proceeds thereof. All such  
6 sums so paid shall be credited to the Defeasance Fund. All money and  
7 securities deposited with the Defeasance Agent and any income therefrom shall  
8 be held, invested and applied in accordance with the provisions of this  
9 resolution and the laws of the State of Washington for the benefit of the City  
10 and owners of the Defeased Bonds.  
11  
12

13 In accordance with the provisions of the Bond Ordinance, no further  
14 payments shall be made into the Bond Fund securing the Defeased Bonds.  
15 Such Defeased Bonds shall cease to be entitled to any lien, benefit or security  
16 of the Bond Ordinance, except the right to receive payment from the  
17 Defeasance Fund, and such bonds shall no longer be deemed to be  
18 outstanding.  
19


20 The Director of Finance of the City, or official acting in such capacity, is  
21 authorized to enter into an agreement with the Defeasance Agent providing for  
22 the irrevocable deposit of Government Obligations and cash for the purposes  
23 described in this Resolution and setting forth the duties, obligations and  
24 responsibilities of the Defeasance Agent in connection with the payment of the  
25 principal of and interest on the Defeased Bonds as provided herein.  
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Section 4. Verification Agent. The Director of Finance, or official acting in such capacity, is hereby authorized to appoint a verification agent in connection with this defeasance.

Approved as to form and legality:

  
\_\_\_\_\_  
Chief Deputy City Attorney

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_

CITY OF TACOMA  
DEPARTMENT OF PUBLIC UTILITIES

Request for Board Meeting  
of July 12, 2017

**REQUEST FOR RESOLUTION**

Date: June 30, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Authorization to defease up to \$28,000,000 of outstanding Tacoma Power 2013A Bonds with cash.

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Authorization for Tacoma Power to use cash in the Current Fund to defease up to \$28,000,000 outstanding Tacoma Power 2013A Bonds.

3. Summarized reason for resolution:

Tacoma Power has a large principal payment due on January 1, 2020 for the existing 2013A Bonds. Using up to \$28 million in cash Tacoma Power will defease this large principal payment and levelize the debt service payments in the surrounding years. This will allow for more stable rate increases in the future. This transaction will take place after closing the 2017 Electric System Revenue Bond issuance so that final principal and interest payments in future years will be known at the time of the defeasance.


4. Attachments:

a. Memo from Chris Robinson to William A. Gaines dated June 30, 2017.

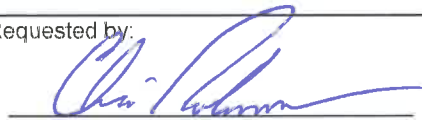
5. ☒ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:

  
Section Head

Requested by:

  
Division Head

Approved:

  
Director of Utilities



**TO:** Mayor and City Council  
**FROM:** William A. Gaines, Director of Utilities / CEO  
**COPY:** Elizabeth Pauli, City Manager  
**SUBJECT:** Resolution/Ordinance – Authorize Bond defeasance of up to \$28 million in future 2013A Bond principal payments – July 25, 2017  
**DATE:** July 5, 2017

---

**SUMMARY:**

Tacoma Power recommends approval and authorization to defease up to \$28 million in future 2013A Bond principal payments.

**STRATEGIC POLICY PRIORITY:**

The strategic policy priority is best aligned to this action is to “Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.” Defeasing future Bond principal payments will allow Tacoma Power to utilize the existing cash balance to levelize and reduce future debt service payments. This will have the effect of helping to stabilize and lower future rate increases in the next biennium.

**BACKGROUND:**

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets to future ratepayers who are the beneficiaries of those assets.

In previous biennia, Tacoma Power has used cash balances to manage future debt service payments through the defeasance of future principal payments or exercising call options on outstanding bonds. In 2015 Tacoma Power called 122,135,000 of 2005B Bonds. This action helped to provide for a 0% rate increase in 2016.

**ISSUE:**

Working with Tacoma Power’s financial advisor, Montague DeRose & Associates, the utility has compared numerous alternatives and developed a plan of finance to optimize the timing, structure, planned use of proceeds, and cash defeasances in relation to the utility’s future debt structure.

Tacoma Power plans to use cash to defease up to \$28 million of outstanding 2013A debt payments to levelize future debt service payments. The proposed plan of finance will help Tacoma Power maintain stable rates.

**ALTERNATIVES:**

Tacoma Power considered many alternatives to the proposed action and if the requested ordinance for this defeasance or the issuing of new Electric System Revenue Bonds are not approved, an alternative will be brought forward for consideration. Some of the alternatives that were considered were what the appropriate size and timing of the 2017 Bond Issuance should be. We also considered the appropriate amount to defease from future Bond principal payments in order to levelize future debt service payments.

**RECOMMENDATION:**

Tacoma Power recommends the City Council approve the defeasnce up to \$28 million in future 2013A Bond principal payments.

**FISCAL IMPACT:**

Tacoma Power will use cash from Tacoma Power's Current fund for this transaction. This action is not expected to require a significant change in the approved budget. Current budget forecasts project a sufficient balance in the Current Fund to complete this defeasance.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4700-Tacoma Power Current Fund	TBD	2390000	Not to exceed \$28 million
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

**POTENTIAL POSITION IMPACT:**

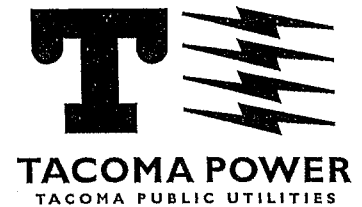
POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** Current budget forecasts project a sufficient balance in the Current Fund to complete this defeasance. The exact amount will be determined after the issuance of new Electric System Revenue Bonds.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes





**DATE:** June 30, 2017  
**TO:** William A. Gaines, Director of Utilities/CEO  
**FROM:** Chris Robinson, Superintendent/COO *CR*  
**SUBJECT:** Electric System Revenue Bonds, Series 2017

Tacoma Power recommends the Public Utility Board approve the Resolution for the issuance of up to \$90 million of new Electric System Revenue Bonds (Series 2017) under the delegated authority of the Director of Utilities and the Power Superintendent. The purpose of the new issuance is to repay the Wells Fargo Drawdown Facility used to fund capital projects included in the adopted 2015/2016 and 2017/2018 capital budgets.

**BACKGROUND:**

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets to future ratepayers who are the beneficiaries of those assets.

In 2015, Tacoma Power executed a \$100 million interim funding agreement with Wells Fargo (Wells Fargo Agreement) to fund capital improvements. The Wells Fargo Agreement allows Tacoma Power to fund capital improvements during the biennium, utilizing variable interest rates. As of December 31, 2016, Tacoma Power has funded \$80,250,000 in capital expenditures with the agreement.

**2017 PLAN OF FINANCE:**

Working with Tacoma Power's financial advisor, Montague DeRose & Associates, the utility completed an RFP to select an underwriter for this transaction. Goldman, Sachs & Company and Citigroup Global Markets were selected as Senior Manager and Co-Manager, respectively. The utility has worked with Montague DeRose and these firms to compare numerous alternatives and develop a plan of finance to optimize the timing, structure, planned use of proceeds, and cash defeasances in relation to the utility's future debt structure.

Tax-exempt municipal market rates remain near historic lows and Tacoma Power plans to issue up to \$90 million in new Electric System Revenue Bonds in August 2017. The utility plans to structure the new money Bonds to mature between 2022 and 2047. This allows the utility to take advantage of the current low interest rate environment while

aligning the cost of long-lived capital projects with future debt service payments. Proceeds will reimburse both 2015/2016 capital expenditures funded with the Wells Fargo Agreement and 2017/2018 capital expenditures.

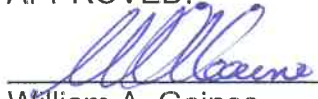
Lastly, Tacoma Power plans to use cash to defease up to \$28 million of outstanding 2013A debt payments to levelize future debt service payments. The proposed plan of finance will help Tacoma Power maintain stable rates.

In order to conduct this bond sale in the most efficient manner, Tacoma Power also seeks approval for the delegation of authority to the Director of Utilities and Power Superintendent to conduct this sale within limits defined by the Bond Ordinance.

**RECOMMENDATION:**

Tacoma Power recommends the Public Utility Board approve the Resolution for the issuance of up to \$90 million of new Electric System Revenue Bond proceeds and defeasance of up to \$28 million in future debt service payments under the delegated authority of the Director of Utilities and the Power Superintendent.

APPROVED:

  
\_\_\_\_\_  
William A. Gaines  
Director of Utilities/CEO



## RESOLUTION NO. U-10939

1 A RESOLUTION authorizing the establishment of the Advanced  
2 Metering Infrastructure Project, as a special project of limited  
3 duration for Tacoma Power and Tacoma Water, and designating  
4 general salary classifications and benefits for persons employed  
5 on the project, pursuant to Tacoma Municipal Code Sections  
6 1.12.155, 1.24.187, 1.30.300, and Section 6.1 (h) of the Tacoma  
7 City Charter.

8 WHEREAS the City of Tacoma, Department of Public Utilities, Light  
9 Division (d.b.a. "Tacoma Power") and Water Division (d.b.a "Tacoma Water"),  
10 requests Public Utility Board approval to establish the Advanced Metering  
11 Infrastructure Project ("Project"), as a special project of limited duration from  
12 August 2017 through December 31, 2021, and

13 WHEREAS the Project will upgrade power and water meters across  
14 Tacoma Public Utilities' Service Territory at all homes and businesses. This is  
15 required to address an aging meter population, meet customer needs with time  
16 access to consumption data, and align TPU with the metering technology  
17 common to other utilities in the region, and

18 WHEREAS this resolution will enable Tacoma Power's Utility Technology  
19 Services Section (d.b.a. "UTS") to staff the planning and design phases of the  
20 project with technology and business process subject matter experts, and

21 WHEREAS UTS intends to hire up to four special project employees with  
22 funding from Tacoma Power and Tacoma Water's 2017/2018 Operations &  
23 Maintenance and Capital budgets and then back-fill these positions with  
24 temporary employees, and

25 WHEREAS, pursuant to the provisions of Sections 1.12.155 and  
26 1.24.187 of the Tacoma Municipal Code and Section 6.1(h) of the Tacoma City



1 Charter, employees who are not regular employees and are hired as special  
2 project employees are paid as provided for by ordinance or resolution of the  
3 City Council, and  
4

5 WHEREAS it is in the best interests of the Department of Public Utilities  
6 to establish a Special Project of Limited Duration and to hire four (4) full-time  
7 temporary positions to support the required activities for the duration of the  
8 special project; Now, Therefore:

9 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

10 Section 1. That the Advanced Metering Infrastructure Project,  
11 designation as a special project of limited duration, is hereby approved and  
12 established as a special project of limited duration.  
13

14 Section 2. That in accordance with the applicable provisions of  
15 TMC 1.12.140 and 1.12.155, the salaries and classes set forth in the  
16 Compensation Plan for regular City employees shall be applied, contingent  
17 upon funding, to similar project positions of the Project.  
18

19 Section 3. That in accordance with TMC 1.24.187 and 1.30.300,  
20 employees who have been hired or may be hired for positions expected to be of  
21 limited duration shall be designated unclassified special project employees as  
22 of the date of hire.

23 Section 4. That those special project employees who have been hired or  
24 may be hired to work on the special project as identified in this resolution, shall  
25 receive benefits, all in accordance with and pursuant to the provisions of the  
26



1 compensation plan of the City of Tacoma. They shall be given a one-time  
2 binding and irrevocable election to participate in the City's Retirement System,  
3 pursuant to the retirement provisions of TMC 1.30.300.  
4

5 Section 5. That because the positions to be filled pursuant to this  
6 resolution are of a temporary nature and are unique in that they pertain only to  
7 the aforementioned special project, they are deemed temporary positions, and  
8 persons so employed in such positions shall have no claim to further or  
9 continued employment with the City after cessation of such special project or  
10 after cessation of activities funded by said programs, except pursuant to their  
11 obtaining status as regular City employees under the provisions of the Tacoma  
12 Municipal Code or pursuant to further action of the City Council relating to this  
13 special project.  
14

15 Section 6. That all acts by agents or employees of the City consistent with  
16 the intent of this resolution taken prior to the effective date of this resolution are  
17 hereby ratified.  
18

19 Section 7. That the term of this special project shall not exceed the  
20 expiration of December 31, 2021, unless extended by appropriate action.

21 Section 8. That the Director of Utilities is hereby authorized to direct the  
22 appropriate City officers to proceed with the necessary actions for project  
23

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completion including the hiring of four (4) special project positions to support the required activities for the duration of the project.

Approved as to form and legality:

  
\_\_\_\_\_  
Chief Deputy City Attorney

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_

of July 12, 2017

**REQUEST FOR RESOLUTION**

Date: July 5, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)  
Establish a "Special Project" in the Utility Technology Services Section of Tacoma Power for the implementation of Advanced Metering Infrastructure (AMI) across Tacoma Power and Tacoma Water. This project of limited duration is anticipated to begin in August 2017 and will be completed by the end of 2021.
2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)  
Utility Technology Services recommends that the Public Utility Board approve a special project under TMC Section 1.24.187 of the Administrative Code which will provide for the hiring of 4 employees in Utility Technology Services and Tacoma Water to work on the planning and design phases of the project.
3. Summarized reason for resolution:  
The Advanced Metering Infrastructure (AMI) Project will upgrade power and water meters across Tacoma Public Utilities' Service Territory at all homes and business. This is required to address an aging meter population, meet customer needs with time access to consumption data, and align TPU with the metering technology common to other utilities in the region. This resolution will enable UTS to staff the planning and design phases of the project with technology and business process subject matter experts. Funding has been included in Tacoma Power's and Tacoma Water's 2017/2018 O&M and Capital Budgets.
4. Attachments:
  - a. Memo to William A. Gaines, Director of Utilities/CEO from Chris Robinson, Power Superintendent/COO dated July 6, 2017.
5. ☒ Funds available      ☐ Proposed action has no budgetary impact  
Funds for the planning and design phase of the Special Project are included in the approved 2017-2018 Capital Budgets for Tacoma Power and Tacoma Water.
6. Deviations requiring special waivers:

Originated by:

  
Section Head

Requested by:


  
Division Head

Approved:

  
Director of Utilities



TACOMA PUBLIC UTILITIES  
3628 South 35th Street  
Tacoma, Washington 98409-3192

**DATE:** July 6, 2017  
**TO:** William A. Gaines, Director of Utilities / CEO  
**FROM:**  Chris Robinson, Power Superintendent / COO  
**SUBJECT:** Request for Resolution to Establish a "Special Project of Limited Duration" for TPU's Advanced Metering Infrastructure (AMI) Program

**RECOMMENDATION:** Having completed a detailed cost/benefit analysis and in accordance with TMC, Section 1.24.187, Tacoma Power, Utility Technology Services (UTS) section is requesting to designate TPU's Advanced Metering Program as a "Special Project of Limited Duration" that will allow UTS to staff the planning and design phases of the project, complete business process architecture and technology selection activities, and implement the program management functions to support the program.

**EXPLANATION:** Tacoma Public Utilities plans to deploy Advanced Metering Infrastructure (AMI) across its entire water and electric service territories. The AMI Program will involve replacing all non-communicating power and water meters with advanced two-way communicating electric (with disconnect) and water meters, and installing new AMI two-way communication modules on water meters that are not replaced. AMI technology will capture interval data, enable two-way communications, include remote capabilities, and provide advanced outage/issue detection and verification. Advanced metering will modernize utility operations and improve services to customers.

The Advanced Metering Infrastructure Program's objective is to plan, design, build, implement, and stabilize a comprehensive advanced metering solution for TPU that will be critical for delivering a range of benefits to the utilities and their customers.

As a transformative initiative, the AMI Program will require a significant effort across Tacoma Public Utilities to implement the new processes, applications, technologies, and integrations needed to fully enable the functions and features of the AMI solution. In addition, customer and stakeholder engagement and organizational change management will be essential to project success.

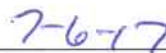
**HISTORY:** In 2014, UTS conducted an assessment and prepared a strategy towards implementing Advanced Metering Infrastructure across Tacoma Power and Tacoma Water. In 2015, an initial business case was developed and refined further in 2016. The business case was supported with customer research on level of interest of products and services enabled by AMI and aligns with new technology initiatives in Tacoma Power's and Tacoma Water's Strategic Plan.

**PROGRAM COORDINATOR:** Joe Tellez, Chief Technology Officer, UTS, (253) 441-4988.

**AUTHORIZED:**



William A. Gaines  
Director of Utilities / CEO

  
Date





## RESOLUTION NO. U-10940

A RESOLUTION approving the updated Water Conservation Incentives for Commercial, Institutional, and Industrial Customers' Program.

WHEREAS the Department of Public Utilities, Water Division (d.b.a. "Tacoma Water"), has implemented a conservation program for many years, including most recently the offering of water conservation incentives for customers outside of the residential sector per Board Resolution No. U-10447 in 2011, and now seeks to add a small business focused component to the program, and

WHEREAS, pursuant to RCW 70.119A.180, the state of Washington requires public water systems that supply water for municipal water supply purposes to have a water use efficiency program, and

WHEREAS funds for this updated program are available in the Tacoma Water 2017/2018 budget in the amount of \$20,000, and

WHEREAS this updated program will offer Tacoma Water's commercial, institutional, and industrial customers, and now specifically small businesses the opportunity to work with Tacoma Water to improve their water use efficiency as well as help Tacoma Water fulfill its state required conservation goal, and

WHEREAS Tacoma Water recommends the Board approve the updated Water Conservation Incentives for Commercial, Institutional, and Industrial Customers' Program; Now, Therefore,



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BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the updated Water Conservation Incentives for Commercial,  
institutional, and Industrial Customers' Program is hereby approved with funds  
from the Tacoma Water 2017/2018 budget in the amount of \$20,000.

Approved as to form and legality:

  
\_\_\_\_\_  
Chief Deputy City Attorney

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_

of June 21, 2017

**REQUEST FOR RESOLUTION**

Date:

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Approval of Tacoma Water's updated "Water Conservation Incentives for Commercial, Institutional, and Industrial Customers" Program.

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Approve, by reauthorizing and updating, Tacoma Water's Water Conservation Incentives for Commercial, Institutional, and Industrial Customers Program designed to promote water efficiency improvements in the non-residential sector. Authorization of this program offering will provide eligible customers the opportunity to apply for and receive a rebate based on the installation of water-efficient hardware, fixtures, and systems. \$20,000 is available in Tacoma Water's 2017/2018 budget for this program. Program funding thereafter will be contingent upon continued inclusion of the program in the Water System Plan(s) of Tacoma Water and as specified in future biennium budget(s), if and as approved by the Public Utility Board.

3. Summarized reason for resolution:

Pursuant to RCW 70.119A.180, the State of Washington requires public water systems that supply water for municipal water supply purposes to have a water use efficiency program. Tacoma Water has implemented a conservation program for many years, including most recently the offering of water conservation incentives for customers outside of the residential sector per Board Resolution No. U-10447 in 2011. Tacoma Water now seeks to add a small business focused component to the program. With the adoption of this reauthorized and expanded program, Tacoma Water's commercial, institutional, and industrial customers, and now specifically small businesses, will have the opportunity to work with Tacoma Water to improve their water use efficiency.

This updated water conservation incentive program will authorize staff to work with more small businesses, a customer group that in the past has had few or no financial incentives offered. This will be a vehicle to develop and improve relationships with these customers and bring into balance the conservation offerings across multiple customer classes. This program will also be important in helping Tacoma Water fulfill its State required conservation goal.

All proposed rebates are designed to offset the initial costs of hardware, equipment, and systems that are expected to result in predictable and objectively measurable water savings. To ensure program cost-effectiveness, rebate amounts are calculated based on estimated water savings (e.g. A project estimated to save 1,000 ccf over the fixture's lifetime will receive a smaller rebate than one estimated to save 10,000 ccf).

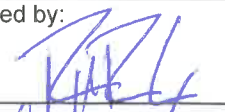
4. Attachments:

- Memo from Heather Pennington to William A. Gaines dated 5/12/17
- Rebate applications (1 each for CII and Small Business Rebates)
- Rebate procedures (1 each for CII and Small Business Rebates)
- Participation agreement for CII Rebate

5. ☐ Funds available ☐ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:

  
for Section Head

Requested by:

  
Division Head

Approved:

  
Director of Utilities



**DATE** May 12, 2017

**TO:** William A. Gaines, Director of Utilities, CEO

**FROM:** Heather L. Pennington, Acting Water Superintendent *HLP*

**SUBJECT:** Adoption of Tacoma Water's updated program "Water Conservation Incentives for Commercial, Institutional, and Industrial Customers"

Tacoma Water requests Public Utility Board approval to adopt, by reauthorizing and updating, the "Water Conservation Incentives for Commercial, Institutional, and Industrial Customers" program. Tacoma Water will work with our customers to implement water efficiency measures at their businesses.

**Water Conservation Incentives for Commercial, Institutional, and Industrial Customers**

Tacoma Water proposes to continue offering financial incentives in the form of water conservation rebates originally authorized pursuant to Utility Board Resolution No. U-10447 in 2011 and to add an additional small business-focused rebate, coordinated with and already offered by Tacoma Power. All proposed rebates are designed to offset the initial costs of hardware, equipment, and systems that are expected to result in predictable, and objectively measurable, water conservation savings. To ensure program cost-effectiveness, rebate amounts are calculated based on estimated water savings (e.g. A project estimated to save 1,000 ccf over the fixture's lifetime will receive a smaller rebate than one estimated to save 10,000 ccf).

**Background**

Pursuant to RCW 70.119A.180, the State of Washington requires public water systems that supply water for municipal water supply purposes to have a water use efficiency program. Tacoma Water's current conservation goal is to achieve an 8.4% reduction in total water production, measured in gallons per capita per day (GPCD), between January 1<sup>st</sup>, 2011 and January 1<sup>st</sup>, 2018. Tacoma Water is also in the process of creating a new goal to be implemented in 2018. Tacoma Water has implemented a conservation program for many years, with a recent shift to include customers outside of the residential sector. With the adoption of this program, which reauthorizes water conservation incentives and adds a small business rebate component, Tacoma Water's commercial, institutional, and industrial

customers, and now including small businesses, will have the opportunity to work with Tacoma Water to improve their water use efficiency.

#### **Justification of Recommended Program Implementation**

This updated water conservation incentive program will authorize staff to work with more small businesses, a customer group that in the past has had few or no financial incentives offered. This will be a vehicle to develop and improve relationships with these customers and bring into balance the conservation offerings across multiple customer classes. This program will also be important in helping Tacoma Water fulfill its State required conservation goal.

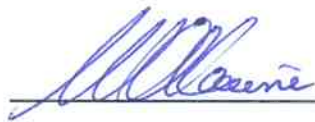
This program is similar to rebate programs offered by Tacoma Power and other regional utilities: a standard rebate with fixed amounts for equipment targeted to small and medium businesses, and a “customized” rebate more appropriate for larger users. Tacoma Water conservation staff will work with our customers to inform them of this conservation opportunity.

#### **Recommendation**

It is recommended that the Public Utility Board approve Tacoma Water’s updated conservation program “Water Conservation Incentives for Commercial, Institutional, and Industrial Customers,” which will reauthorize prior incentives and add a small business rebates component.

We request your approval to submit this matter to the Public Utility Board for their consideration.

Approved by:



William A. Gaines

Director of Utilities/CEO



## Small business rebate

### Rebate Procedures

Tacoma Water offers financial incentives in the form of water conservation rebates to help businesses use water more efficiently. Rebates are designed to offset the initial costs of installing hardware, equipment, and systems that are expected to result in predictable water savings. Rebate amounts are calculated based on estimated water savings to ensure program cost-effectiveness.

#### Eligibility

Only Tacoma Water customers with non-residential water service accounts are eligible for this program. To be eligible for rebates, businesses must have a commercial account in Tacoma Water's direct retail service territory (i.e. wholesale or second-supply customers do not qualify).

#### Program Procedures

1. **Application.** Eligible customers must complete, sign, and submit an application form provided by Tacoma Water in partnership with Puget Sound Energy. This form covers all fixtures present in the list in Appendix A.
2. **Review.** Tacoma Water Conservation staff will review applications for completeness and will evaluate measures based on the program criteria. Applications that require more information will be returned with comments attached. Application forms may be obtained online (link on Tacoma Water website and PSE website), or by calling our Water Conservation office at (253) 502-8723. Completed applications should be submitted to: Puget Sound Energy, P.O. Box 97034, BOT-01H, Bellevue WA 98009-9734 [commercialkitchens@efficiencyrebates.com](mailto:commercialkitchens@efficiencyrebates.com). Completed applications will be prioritized based on water savings potential, customer sector, type of technology, and ability to complete the project within a specified time frame. Eligible applications for which funds are not available will be prioritized and placed on a waiting list. Customers will be notified in writing of their application status. When funds become available, applicants on the waiting list will be notified.
3. **Installation inspection.** A brief site visit to the facility by Tacoma Water staff will be required to verify satisfactory installation of the approved fixture.
4. **Rebate issuance.** All rebates issued will be in a form of a check or credit on Tacoma Water metered account(s). Upon successful completion of items 1 – 3, and based on the rebate amount, rebates will be issued accordingly upon verifying completed installation. All rebate procedures and amounts are subject to change.

### **Updates and Review**

This program will be reviewed at each budget cycle. Review and updates may include changes in rebate amounts and specific fixtures offered for rebate.

#### **Appendix A. Summary of rebate amounts by product**

<b>Product</b>	<b>Tacoma Water Rebate Amount (in USD)</b>
Qualified electric or gas combination oven < 15 pans (ave. 8 pans)	100
Qualified electric or gas combination oven 15-28 pans (ave. 21 pans)	150
Qualified electric or gas combination oven > 28 pans (ave. 30 pans)	200
Energy Star Ice makers 50 - 999 pounds of ice harvest per day	100
Energy Star Ice makers 1000+ pounds of ice harvest per day	300
Energy Star 3 pan connectionless steamers (boilerless only)	100
Energy Star 4 pan connectionless steamers (boilerless only)	100
Energy Star 5 pan connectionless steamers (boilerless only)	100
Energy Star 6 pan connectionless steamers (boilerless only)	200
Energy Star 10 pan connectionless steamers (boilerless only)	200
Energy Star Dishwasher - Single Tank Conveyer	200
Energy Star Dishwasher - Under counter	100
Energy Star Dishwasher - Single Tank Door type	200
Energy Star Dishwasher - Multi Tank Conveyer	300





## Commercial kitchen equipment rebate application

### Business/facility information:

Business name:		Contact person/title:	
Facility address:	City:	State:	Zip:
Mailing address:	City:	State:	Zip:
Phone number:	Email:		
<b>Electricity:</b> <input type="checkbox"/> Seattle City Light <input type="checkbox"/> Puget Sound Energy <input type="checkbox"/> Snohomish PUD <input type="checkbox"/> Tacoma Power		Account number:	
<b>Natural gas:</b> <input type="checkbox"/> Cascade Natural Gas <input type="checkbox"/> Puget Sound Energy		Account number:	
<b>Water:</b> <input type="checkbox"/> Saving Water Partnership <input type="checkbox"/> Other		Account number:	
<b>I use the following to heat this facility:</b> <input type="checkbox"/> Natural gas <input type="checkbox"/> Electricity <input type="checkbox"/> Propane <input type="checkbox"/> Other		<b>I use the following to heat water in this facility:</b> <input type="checkbox"/> Natural gas <input type="checkbox"/> Electricity <input type="checkbox"/> Propane <input type="checkbox"/> Other	

### To qualify for rebate:

- Purchase & install qualifying equipment.
- Qualifying equipment lists found at [pse.com/commercialkitchens](http://pse.com/commercialkitchens)
- Submit signed Application, W9 Tax Identification Form, and copy of Invoice.
- Utility has the right to verify installation of equipment prior to payment.
- Terms and conditions of rebate offerings may vary with each utility.
- Rebate amounts may vary due to various utility factors like coverage area and account type.
- Equipment must be submitted, installed and accepted prior to end of calendar year corresponding with date of purchase on Invoice unless otherwise approved by utility.
- Questions or concerns: [commercialkitchens@efficiencyrebates.com](mailto:commercialkitchens@efficiencyrebates.com)

**Submit rebate request:**  
P.O. Box 97034 BOT-01H  
Bellevue WA 98009-9734  
**commercialkitchens@  
efficiencyrebates.com**  
(Fax) 425-424-6408

Check one payment option below and fill in appropriate address. Customer must sign in appropriate block for check to be issued.

<input type="checkbox"/>	Rebate will be paid directly to customer by utility. Customer will submit all paperwork and receipts directly to utility.	or	<input type="checkbox"/>	Rebate has been paid to customer at point of sale by vendor. By signing below, Customer directs the Utility to issue the rebate check to the vendor/distributor listed below. ***All water rebates paid directly to customer***
Check payable to:			Check payable to:	
Send check to:			Send check to:	
Street:			Street:	
City, State, Zip:			City, State, Zip:	
Customer signature: _____ Date: _____			Customer signature: _____ Date: _____	
<p>By signing above customer acknowledges that the equipment listed on reverse was purchased, installed at the address indicated, and that all information is accurate. Customer acknowledges that this rebate program is a limited offer, and is subject to the availability of funds. This offer is subject to change without notice.</p>				



Commercial Kitchen Equipment	PSE \$/unit	SnoPUD \$/unit	Tacoma Power \$/unit	Seattle City Light \$/unit	Cascade Natural Gas \$/unit	Saving Water \$/unit	Qty.	Rebate \$/Unit x Qty
ENERGY STAR® Fryer Standard Commercial - Electric	\$1,000	\$250	\$500					
ENERGY STAR Fryer Large Vat Commercial - Electric	\$400	\$400	\$500					
ENERGY STAR Fryer Standard Commercial - Gas	\$1,000*				\$600			
ENERGY STAR Fryer Large Vat Commercial - Gas	\$500*				\$600			
ENERGY STAR Electric Steamer - 3 pan	\$250	\$2,250	\$250			\$500*		
ENERGY STAR Electric Steamer - 4 pa	\$350	\$3,000	\$350			\$500*		
ENERGY STAR Electric Steamer - 5 pan	\$450	\$3,750	\$450			\$500*		
ENERGY STAR Electric Steamer - 6 pan	\$550	\$4,600	\$550			\$750*		
ENERGY STAR Electric Steamer - 10 pan	\$950	\$7,500	\$950			\$750*		
ENERGY STAR Natural Gas Steamer - 3 pan	\$250*				\$850	\$500*		
ENERGY STAR Natural Gas Steamer - 4 pan	\$350*					\$500*		
ENERGY STAR Natural Gas Steamer - 5 pan	\$450*					\$500*		
ENERGY STAR Natural Gas Steamer - 6 pan	\$550*				\$1,200	\$750*		
ENERGY STAR Natural Gas Steamer - 10 pan	\$950*					\$750*		
ENERGY STAR Electric Griddle - 2 linear feet	\$200	\$200	\$200					
ENERGY STAR Electric Griddle - 3 linear feet	\$300	\$300	\$300					
ENERGY STAR Electric Griddle - 4 linear feet	\$400	\$400	\$400					
ENERGY STAR Electric Griddle - 5 linear feet	\$500	\$500	\$500					
ENERGY STAR Electric Griddle - 6 linear feet	\$600	\$600	\$600					
ENERGY STAR Natural Gas Griddle - 2 linear feet	\$900				\$350			
ENERGY STAR Natural Gas Griddle - 3 linear feet	\$1,300				\$350			
ENERGY STAR Natural Gas Griddle - 4 linear feet	\$1,400				\$350			
ENERGY STAR Natural Gas Griddle - 5 linear feet	\$1,500				\$350			
ENERGY STAR Natural Gas Griddle - 6 linear feet	\$1,600				\$350			
ENERGY STAR Hot Food Holding Cabinet < 13 ft3	\$150	\$100	\$150					
ENERGY STAR Hot Food Holding Cabinet 13 < 28 ft3	\$500	\$200	\$500					
ENERGY STAR Hot Food Holding Cabinet >28 ft3	\$750	\$250	\$750					
ENERGY STAR and/or CEE Tier II Ice Machine +up to 499 lbs ice/day		\$100				\$100		
ENERGY STAR and/or CEE Tier II Ice Machine +500 or more lbs ice/day		\$300				\$300		
ENERGY STAR and/or CEE Tier II Ice Machine +up to 999 lbs ice/day	\$200			\$200				
ENERGY STAR and/or CEE Tier II Ice Machine +1,000 or more lbs ice/day	\$500			\$500				
Qualified Electric Convection Oven - 1/2 size	\$500	\$500	\$300					
Qualified Electric Convection Oven - full size	\$1,000	\$1,000	\$300	\$300				
Qualified Electric Convection Oven - double	\$2,000	\$2,000	\$600	\$600				
Qualified Electric Combination Oven < 15 pans**	\$1,000	\$1,000	\$1,000	\$1,000				
Qualified Electric Combination Oven 15-28 pans**	\$1,500	\$1,500	\$1,000	\$1,000				
Qualified Electric Combination Oven > 28 pans**	\$7,000	\$4,500	\$1,000	\$1,000				
Qualified Electric Deck Oven	\$1,500	\$1,500	\$600					
Qualified Natural Gas Convection Oven - 1/2 size	\$450				\$450			
Qualified Natural Gas Convection Oven - full size	\$1,000				\$450			
Qualified Natural Gas Convection Oven - double	\$2,000				\$900			
Qualified Natural Gas Combination Oven <15 pans**	\$2,500							
Qualified Natural Gas Combination Oven 15-28 pans**	\$3,000							
Qualified Natural Gas Combination Oven >28 pans**	\$7,000							
Qualified Natural Gas Single Rack Oven	\$1,500							
Qualified Natural Gas Double Rack Oven	\$1,000				\$2,000			
Qualified Natural Gas Conveyor Oven					\$600			
ENERGY STAR Dishwasher - Under Counter	\$150*	\$150				\$150*		
ENERGY STAR Dishwasher - Door Type	up to \$750*	up to \$750			low temp \$650	\$750*		
ENERGY STAR Dishwasher - Single Tank Conveyor	up to \$1,000*	up to \$1,000				\$1,000*		
ENERGY STAR Dishwasher - Multi Tank Conveyor	up to \$1,500*	up to \$1,500			low temp \$1,000	\$1,500*		
ENERGY STAR Condensing Water Heater >75,00 btu/hr +check with utility for qualification requirements	\$800				\$2.50/kBtu/hr			
ENERGY STAR Condensing Boiler >75,00 btu/hr +check with utility for qualification requirements	\$1,500				\$4.00/kBtu/hr			

\* Specified rebate only available outside of City of Seattle due to code requirements.

\*\* Check local county waste water code concerning grease trap requirements for combination ovens. These codes address FOGs (Fats, Oils and Grease) and often require trap installation at waste water connection points to remain compliant.

For dishwasher rebate, contact utility for amount and eligibility.



## Water Conservation Incentives for Commercial, Institutional and Industrial Customers

### Application Form

Company name \_\_\_\_\_

Contact name \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_\_

Mailing address \_\_\_\_\_

Installation site address \_\_\_\_\_

Water service account number(s) \_\_\_\_\_

Customer's name and address for mailing rebate check:

Payable to: \_\_\_\_\_ C/O or Attn.: \_\_\_\_\_

Street: \_\_\_\_\_ City: \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Project/measure number \_\_\_\_ of a total of \_\_\_\_ projects/measures (one per application)

Type: ☐ Domestic/sanitary ☐ HVAC ☐ Process modification ☐ Landscape

Tacoma Water - Conservation Survey participant: ☐ Yes ☐ No Survey date: \_\_\_\_\_

Measure identified through: ☐ Tacoma Water survey ☐ Consultant's study ☐ In-house study

Project/measure proposal attached: ☐ Yes ☐ No Tax identification number: \_\_\_\_\_

Brief project description: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Estimated annual water savings: \_\_\_\_ gallons per day or \_\_\_\_ 100 cubic feet (748 gallons) per year.

Estimated project/measure life (years) \_\_\_\_\_

Estimated total project cost \_\_\_\_\_ Expected completion date \_\_\_\_\_

By signing this application form I acknowledge that I understand that participation in the Water Conservation Incentives for Commercial, Institutional and Industry program is voluntary and certify that the information supplied on this application is true and correct. I understand that participation in this program is conditioned upon approval of this application by Tacoma Water and that Tacoma Water makes specific incentive commitments only through a Participation Agreement. I understand that Tacoma Water reserves the right to reject this application based on program criteria and that, if Tacoma Water approves this application, I will receive a letter of approval and a Participation Agreement prepared by Tacoma Water. I understand that approval of this application does not guarantee that funds are available. I understand that proceeding with the conservation measure prior to funds being made available will forfeit project eligibility. Employees and officers of the City of Tacoma are ineligible to participate in the program.

Signature of authorized company representative

Printed name & title

Date

For Tacoma Water use only

Notice of Approval - valid only if signed by Tacoma Water representative: \_\_\_\_\_

Signature

Date

☐ Application approved ☐ Conditions/comments attached ☐ application rejected  
Potential rebate amount \$ \_\_\_\_\_ Installation deadline \_\_\_\_\_ Measure life \_\_\_\_ (yrs)

Signature of Tacoma Water staff verifying completion of Site Survey

Date



## Water Conservation Incentives for Commercial, Institutional and Industrial Customers

### Program Procedures

Tacoma Water offers financial incentives in the form of water conservation rebates to help businesses and industry use water more efficiently. Rebates are designed to offset the initial costs of installing hardware, equipment, and systems that are expected to result in predictable water savings. Rebate amounts are calculated based on estimated water savings to ensure program cost-effectiveness.

#### Eligibility

Only Tacoma Water customers with non-residential water service accounts are eligible for this program. Non-residential accounts are those accounts that are classified as “Commercial and Industrial – General Service”, “Commercial and Industrial – Large Volume Service” and “Parks and Irrigation”. To be eligible for a rebate and prior to starting any improvements, customers **must** participate in an onsite water conservation survey performed by Tacoma Water staff and submit a “Water Conservation Incentives for Commercial, Institutional and Industry” application form. The survey will identify water conservation measures and rebate potentials for the project.

#### **A conservation measure must meet all of the following program criteria to be eligible:**

- Water conservation measures must involve installation of proven and reliable water-saving hardware or systems.
- For complex or untested measures, feasibility must be verifiable.
- The volume of existing water use for the hardware, equipment, or process to which the conservation measure applies must be reliably estimated.
- Expected water savings from a hardware installation, retrofit, or system modification must also be reliably estimated.
- Costs associated with the measure must be reliably estimated.
- Implementation of a measure must reduce existing levels of demand and/or future demand for potable Tacoma Water water.

**Conservation measures that are not eligible:** measures that a) rely primarily on behavior change (e.g., education or employee awareness programs) and do not involve the installation of water-saving hardware, equipment, or systems; b) are routine maintenance procedures; or c) are installed previous to application approval (rebates are not retroactive). Only Tacoma Water staff can determine if a project is eligible.

#### Rebate Amount

Rebate amounts are calculated for each proposed conservation measure based on estimated water savings and a current rate of \$0.42 per billing unit (100 cubic feet or 748 gallons) of water saved. For rebates of less than \$1,000, the full rebate amount will be issued upon Tacoma Water verification of completed installation. For rebates of \$1,000 or more, one-half of the rebate amount will be issued upon Tacoma Water verification of installation and the remaining one-half will be issued six months later, provided that the estimated water savings have been achieved. The payback period for each water conservation measure must be two years or more. The rebate is strictly for the capital costs of the water conservation measure. Any labor associated with the measure is not included. The actual rebate amount may

incorporate an estimated project/measure life expectancy. Rebates will not exceed half the installed cost of an approved measure. Tacoma Water staff will calculate rebate amount.

## Participation

Customers can participate in this program by following these seven steps:

**1. Application.** Eligible customers must complete, sign, and submit an application form provided by Tacoma Water. Tacoma Water Water Conservation staff will review applications for completeness and will evaluate measures based on the above program criteria. Applications that require more information will be returned with comments attached. Application forms may be obtained by calling our Water Conservation office at (253) 502-8723. Completed applications should be submitted to: Tacoma Water Water Conservation office, 3628 South 35<sup>th</sup> Street, Tacoma, WA 98409. Completed applications will be prioritized based on water savings potential, customer sector, type of technology, and ability to complete the project within a specified time frame. Eligible applications for which funds are not available will be prioritized and placed on a waiting list. Customers will be notified in writing of their application status. When funds become available, applicants on the waiting list will be notified.

**2. Water Conservation Surveys.** This free service is tailored to the size and nature of your business. To verify conservation measure feasibility, Tacoma Water staff must conduct a water use survey to determine estimated water savings and potential rebates. This “walk through” survey must occur at the beginning of the application process and prior to the installation of the new conservation measure. This is not a consultant level survey and Tacoma Water staff will review any professional engineering surveys the applicant provides.

**3. Participation Agreement.** Approved applicants will be sent a notice of approval and a Participation Agreement prepared by Tacoma Water. The Participation Agreement will state a rebate amount and a time frame for measure completion. A signed Participation Agreement must be returned to Tacoma Water. Rebate funds will be reserved for the duration of the Participation Agreement. Extensions to the Participation Agreement may be requested in writing, and approved requests will be confirmed in writing by Tacoma Water.

**4. Notification of completion.** Upon completed installation of a measure, it is the participant's responsibility to notify Tacoma Water and submit documentation of costs. This should include an itemized list of costs and copies of receipts for design, purchase, and installation of a measure.

**5. Installation inspection.** A brief site visit to the facility by Tacoma Water staff will be required to verify satisfactory installation of the approved measure. For smaller rebate amounts and simple technologies, the installation inspection requirement may be waived.

**6. Rebate issuance.** All rebates issued will be in a form of a check or credit on Tacoma Water metered account(s). Upon successful completion of items 1 through 5 and based on the rebate amount, rebates will be issued accordingly upon verifying completed installation. All rebate procedures and amounts are subject to change.

**7. Follow up monitoring.** Water consumption will be tracked to monitor actual water savings from measure implementation. Participants may be contacted to better quantify actual savings. Follow-up site visits may be requested in some cases.

# **TACOMA WATER**

## **Water Conservation Incentives for Commercial, Institutional and Industry Participation Agreement**

### **Agreement**

THIS Agreement is made and entered into **Xth day of Month, Year**, by and between City of Tacoma, Department of Public Utilities, Water Division, hereinafter called "TACOMA WATER," and **XXXX**, hereinafter called "**XX CUSTOMER**" a **XX describe business type**.

### **WITNESSETH**

WHEREAS, TACOMA WATER offers a Water Conservation Incentives for Commercial, Institutional and Industry Program ("Program") that provides rebates to commercial, industrial and institutional customers who install approved water-saving systems that improve water use efficiency; and

WHEREAS, **XX CUSTOMER** is an **state rate category** customer that has made application to participate in the Program related to its proposed installation of **XXX** at its **XXX site** ("the premises"), which is described in the Measure Approval Form submitted by **XX CUSTOMER** and referred to herein as the "water conservation measures"; and

WHEREAS, TACOMA WATER has determined that **XX CUSTOMER** is eligible under the Program for a rebate in the amount of **XtextXX** Dollars (\$**XX.XX**), subject to the terms and conditions specified herein, and **XX CUSTOMER** is agreeable thereto;

NOW, THEREFORE, it is mutually agreed as follows:

1. **OWNERSHIP:** Participant warrants and affirms that Participant has the lawful authority to initiate and authorize the installation of water conservation measures on the premises.
2. **TERM OF AGREEMENT:** This agreement shall be in force for a period of **XXX (##)** years from the date of final installation and inspection by TACOMA WATER as specified in Sections 4 and 5 hereof. If said date is extended, the term of this Agreement shall be extended accordingly.
3. **CONSERVATION MEASURES:** Participant agrees to purchase and install on the premises the water conservation measures set forth in the Measure Approval Form, attached hereto and incorporated herein by this reference (Attachment A).



4. **TERM OF INSTALLATION:** The purchase and installation of water conservation measures shall be completed by Participant or Participant's contractor(s). Participant agrees to complete the satisfactory installation and comply with the inspection methodology prior to **Month, day, Year.**

Satisfactory installation is determined by TACOMA WATER through inspection of the water conservation measures installed in the premises, and conformance with application and proposal project descriptions, program procedures provided by TACOMA WATER, all pertinent design documents, contractor's bid(s), Attachment A and Attachment D. Any changes to the measures in Attachment A must be approved in writing by TACOMA WATER prior to installation.

The parties agree that, if Participant fails to perform as provided in this paragraph prior to the date specified, this agreement shall be terminated and TACOMA WATER shall be released from any obligation to pay the sum specified in Section 9. Participant may request an extension of the time to perform in writing submitted to TACOMA WATER prior to the date specified above. If a timely request for extension is granted, TACOMA WATER will provide written confirmation to Participant specifying the extended date for performance. After completion of installation, if participant is deemed to owe TACOMA WATER a refund of the financial incentive (see section 10) than the schedule in Attachment C will be followed.

5. **PURCHASE AND INSTALLATION:** Participant agrees that purchase and installation of the conservation measures by the outside contractor are to be provided under a separate contract between Participant and the contractor. TACOMA WATER shall not be, and shall not be deemed to be, a party to any such contract. All obligations to any contractor shall be Participant's and not TACOMA WATER's responsibility. Participant shall be responsible for paying all obligations to its contractors.

Participant further agrees that it shall be responsible for all injury or loss to others arising from the purchase and installation of the conservation measures.

6. **COMPLIANCE WITH CODES:** Participant agrees to comply with all applicable federal, state, and local codes and requirements in the design and installation of the conservation measures and agrees to obtain all necessary permits. Where permits are required, the installation must be approved by appropriate building code officials. Participant agrees to maintain and furnish compliance documents to TACOMA WATER upon request.
7. **SUBSTANTIATION OF COSTS:** Prior to inspection by TACOMA WATER, **XX CUSTOMER** must submit to TACOMA WATER a summary of all costs and copies of the original receipts for expenses incurred by **XX CUSTOMER** associated with installation of the water conservation measures. **XX CUSTOMER** will make original receipts available for inspection.

After inspection and installation approval by TACOMA WATER, payment to **XX CUSTOMER** will be made by TACOMA WATER as a check or credit on the water bill. Water savings are not guaranteed and repayment of the financial incentive may be necessary. See section 11 and Attachment C regarding repayment obligation.

8. **INSPECTION:** Participant agrees to allow authorized representatives of TACOMA WATER to verify that conservation measures are installed and functioning. Initial inspection shall take place within fifteen (15) working days of notification to TACOMA WATER of completion of the installation. Participant and/or Participant's representative and any installation contractors requested by TACOMA WATER shall be present during the inspections. If the conservation measures are not verified to be installed and functioning then the financial incentive will not be approved.

Participant agrees to cooperate in any program follow-up activities or program evaluation. Access to the premises may be necessary, with the Owner's permission.

9. **FINANCIAL INCENTIVE:** The amount of financial incentive TACOMA WATER will provide to Participant for the satisfactory installation in the premises of water conservation measures identified in Attachment A will not exceed 50% of the project cost or the calculated water savings, whichever is less, provided that the project has a two-year or more payback period. See Attachment D for payback period information.

TACOMA WATER will provide one-half of the rebate amount upon TACOMA WATER verification of installation and the final one-half will be issued six months later, provided that the estimated water savings have been achieved. Based on the initial cost estimate and water savings, the payment structure will follow the amounts shown on Attachment A.

The structure of this rebate follows current TACOMA WATER program parameters. TACOMA WATER reserves the right to modify future financial incentives programs as conditions change.

10. **REFUND OF FINANCIAL INCENTIVE:** Participant agrees to return the financial rebate to TACOMA WATER in the amount set forth in the Water Conservation Incentive Refund Schedule attached hereto and incorporated herein by this reference (Attachment C) if (1) the water conservation measures described in Attachment A are removed, or (2) the level of improved water use efficiency attributed to the water conservation measures are not maintained. Participant shall be required to refund said financial incentive to TACOMA WATER if Participant fails to meet either condition.

Participant will not be required to refund said financial rebate provided replacement and or modification of the conservation measure maintains at least the same level of water use efficiency.

11. **WATER SAVINGS:** TACOMA WATER does not guarantee or represent, and Participant does not request, that installation of the conservation measures at any particular location will, in fact, produce the estimated savings in water consumption at the premises.

TACOMA WATER has calculated the rebate amount based on the projected annual water savings over a measure life of XX years. Should the conservation measure, for any reason, be removed or not maintained before the completion of the entire measure life, TACOMA WATER reserves the right to recalculate the rebate amount and the Participant agrees to repay the rebate on a pro-rated

basis. Repayment amounts (if applicable) will be calculated based on the "Water Conservation Incentive Refund Schedule" (Attachment C).

The calculation of water savings is identified in the Water Savings and Rebate Amount Calculations (Attachment B) and in the Financial Incentive Evaluation Worksheet (Attachment D).

12. **MAINTENANCE AND OPERATION:** Participant agrees to train staff in proper maintenance and operations over the useful life of the water conservation measures installed.
13. **INDEMNIFICATION:** Participant agrees to indemnify, defend, and hold TACOMA WATER, its officers, employees, agents, and volunteers harmless from and against any and all loss, liability, expense, claims, costs, suits, actions, damages, and causes of action, including attorneys' fees, arising out or connected with the subject matter of this Agreement, or the purchase and installation of the conservation measures, including but not limited to any and all claims for breach of contract, personal injury, bodily injury, loss of life, or damage to property.
14. **CONFIDENTIAL INFORMATION:** This Agreement and documents provided to TACOMA WATER by Participant hereunder are deemed public records subject to disclosure under the Washington State Public Records Act, Chapter 42.56 RCW (Public Records Act). Thus, TACOMA WATER may be required, upon request, to disclose this Agreement and documents related to it unless an exemption under the Public Records Act or other laws applies. In the event TACOMA WATER receives a request for such disclosure, determines in its legal judgment that no applicable exemption to disclosure applies, and Participant has complied with the requirements of this section herein, TACOMA WATER agrees to provide Participant ten (10) days written notice of impending release. Should legal action thereafter be initiated by Participant to enjoin or otherwise prevent such release, all expense of any such litigation shall be borne by Participant, including any damages, attorneys fees or costs awarded by reason of having opposed disclosure. TACOMA WATER shall not be liable for any release where notice was provided and Participant took no action to oppose the release of information. Notice of any proposed release of information pursuant to Chapter 42.56 RCW, shall be provided to Participant according to the "Notices" provision herein.

If Participant provides TACOMA WATER with records that Participant considers confidential or proprietary, Participant must mark all applicable pages of said record(s) as "Confidential" or "Proprietary." If Participant fails to so mark record(s), then (1) TACOMA WATER, upon request, may release said record(s) without the need to satisfy the requirements of this section; and (2) the Participant expressly waives its right to allege any kind of civil action or claim against TACOMA WATER pertaining to the release of said record(s).
15. **AMENDMENTS:** This agreement is not subject to modification or amendment, except by a writing executed by both Participant and TACOMA WATER, which writing shall expressly state that it is intended by the parties to amend the terms and conditions of this agreement.
16. **TERMINATION OF AGREEMENT:** Except as provided in Section 4, if through any cause Participant shall fail to comply with the obligations under this Agreement, TACOMA WATER will have the right to terminate this Agreement by giving written notice to Participant of such termination. Upon giving notice, Participant will have 30 calendar days to cure the



noncompliance. If Participant fails to do so, then TACOMA WATER will terminate this Agreement.

17. **CONTROLLING LAW:** This agreement and all matters relating to it shall be governed by the laws of the State of Washington.
18. **WHOLE AGREEMENT:** This agreement constitutes the entire understanding and agreement of the parties and supersedes all discussions, negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.
19. **ASSIGNMENT:** This agreement cannot be assigned without the written permission of TACOMA WATER.

**PARTICIPANT**

**TACOMA WATER**

\_\_\_\_\_  
Name  
Title  
Address

\_\_\_\_\_  
Linda McCrea  
Tacoma Water Superintendent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Finance Department

\_\_\_\_\_  
Date

\_\_\_\_\_  
Legal Department

\_\_\_\_\_  
Date

## ATTACHMENT A

### MEASURE APPROVAL FORM

Company Name:

Contact Name:

Phone:

Installation Site Address:

Water Service Account Number: \_\_\_\_\_

<b>WATER CONSERVATION MEASURE DESCRIPTION</b> Components of installation shall include but are not limited to the following:	<b>ESTIMATED TOTAL PROJECT COST</b>	<b>SAVINGS CCF/YR</b>	<b>REBATE AMOUNT First Payment</b>	<b>REBATE AMOUNT Second Payment</b>
Installation of:				
XXX	XXX	XX	XXX	XXX
XXX	XXX	XX	XXX	XXX
<b>TOTAL</b>	<b>XXX</b>	<b>XX</b>	<b>XXX</b>	<b>XXX</b>
			<b>TOTAL = XXX</b>	

Prepared by TACOMA WATER Representative:

\_\_\_\_\_  
Signature      Natalie Jones      Date

\_\_\_\_\_  
Signature of Authorized      Printed Name & Title      Date  
Company Representative

## ATTACHMENT B

### WATER SAVINGS AND REBATE AMOUNT CALCULATIONS

Estimated water savings from implementation of the conservation measure is calculated based on the following:

- On their study and analysis, Participant intends to replace/install **XXX**. After the installation and retrofits of these fixtures, the projected water savings for this water conservation measure would be **XXX** Ccf/year or **XXX** gallons per day (GPD).
- The rebate amount is calculated as follows: The rebate amount may not exceed 50% of the project cost and requires a payback period of two year or more. A two-year payback period is calculated by dividing the capital costs for installation of the conservation measures by the avoided costs of operations and/or maintenance less any additional costs of operation and maintenance of the conservation measures such that the dividend is greater than two. For more details, see the Financial Incentive Evaluation Worksheet (Attachment D).

For Fixture installation: Estimated total cost = \$**XXX**. Estimated water savings = **XXX** Ccf/yr. Rebate is based on \$0.42 per billing unit (100 cubic feet or 748 gallons) of water saved. Rebates for this project are as follows:

$$\frac{\text{XXX @ XX year measured life}}{\text{TOTAL REBATE AMOUNT}} = \frac{\$ \text{XXX}}{\$ 26,389}$$

Where: Ccf/yr = estimated one hundred cubic feet of annual water savings  
Yr = years of estimated savings  
\$/Ccf = incentive per one hundred cubic feet of savings

$$\text{Payback period:} = (\text{total cost including O\&M cost} - \text{rebate amount}) / ((\text{Ccf/ yr}) * (\text{Avoided Utility Cost/Ccf}))$$

The following payback (year) with rebate are as follows:

$$\begin{aligned} \text{For XXX Measure} &= (\$ \text{XX.XX} - \$ \text{XX.XX}) / ((\text{XXX ccf/yr}) * (\$ \text{XXX/ccf})) = \text{XX years} \\ \text{For XXX Measure} &= (\$ \text{XXX} - \$ \text{XXX}) / ((\text{XX ccf/yr}) * (\$ \text{XXX/ccf})) = \text{XX years} \end{aligned}$$

See Attachment D.

## ATTACHMENT C

### WATER CONSERVATION INCENTIVE REFUND SCHEDULE

Refund amounts shall be calculated per the following schedule:

Number of years water conservation measure or comparable efficiency is retained	% of financial incentive to be repaid	Amount of repayment owed
After 1 year and less than 3 years	75 %	\$XXX
After 3 years and less than 6	50 %	\$XXX
After 6 years and less than 10	25 %	\$XXX



## RESOLUTION NO. U-10941

1 A RESOLUTION relating to Tacoma Water; authorizing the execution  
2 and conveyance of an easement to Tacoma School District.

3 WHEREAS the City of Tacoma, Department of Public Utilities, Water  
4 Division (d.b.a. "Tacoma Water"), requests the Public Utility Board approve the  
5 execution and conveyance of an easement of approximately 3.58 acres of  
6 property to Tacoma School District ("TSD") located near the intersection of East  
7 56<sup>th</sup> Street and Portland Avenue East, Tacoma, Washington upon payment of  
8 \$150,000, and  
9

10 WHEREAS TSD has been using Tacoma Water's property along the  
11 Pipeline Number 4 right-of-way since 1962 under a prior easement for ingress  
12 and egress to support their school facility. TSD has now leased a portion of the  
13 site to Metro Parks to construct the Eastside Community Center, and the new  
14 easement, which replaces the 1962 easement, will allow more substantial uses,  
15 and  
16

17 WHEREAS the parties have agreed to a \$150,000 payment as  
18 consideration for the easement, which reflects the fair market value of the  
19 substantially expanded property rights and uses to be granted; Now, therefore,

20 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

21 That the conveyance of an easement from Tacoma Water to Tacoma  
22 School District, for approximately 3.58 acres of property located near the  
23 intersection of East 56<sup>th</sup> Street and Portland Avenue East, Tacoma, Washington  
24 for \$150,000, and as described in the easement on file with the Clerk of the  
25 Board, is approved and the appropriate City officials are authorized to execute  
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said easement substantially in the form on file with the Clerk and as approved  
by the City Attorney.

Approved as to form and legality:

  
\_\_\_\_\_  
Chief Deputy City Attorney

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_

of July 12, 2017

**REQUEST FOR RESOLUTION**

Date: June 26, 2017

INSTRUCTIONS: File request in the Office of the Director of Utilities as soon as possible but not later than nine working days prior to the Board meeting at which it is to be introduced. Completion instructions are contained in Administrative Policy POL-104.

1. Summary title for Utility Board agenda: (not to exceed twenty-five words)

Approve an Easement in approximately 3.58 acres of Tacoma Water property to the Tacoma School District (TSD) for \$150,000.

2. A resolution is requested to: (brief description of action to be taken, by whom, where, cost, etc.)

Approve an Easement in approximately 3.58 acres of Tacoma Water property located near the intersection of E. 56<sup>th</sup> Street and Portland Avenue East to the Tacoma School District. The easement area will be used by TSD for the First Creek Middle School and Metro Parks for the proposed Eastside Community Center, both located on the abutting TSD property. Consideration for the easement is \$150,000.

3. Summarized reason for resolution:

Tacoma School District has been using Tacoma Water's property along the Pipeline Number 4 right-of-way since 1962 under a prior easement for ingress and egress only to support their school facility. TSD has now leased a portion of their site to Metro Parks to construct the Eastside Community Center, and the new easement, which replaces the 1962 easement, will allow much more substantial uses. The new uses include parking, on-site traffic circulation, landscaping and associated improvements, stormwater conveyance, man-made wetlands and associated buffers, bus loop, contractor lay-down area, and recreational pedestrian crossing and connection to the Pipeline Trail. The parties have agreed to a consideration to Tacoma Water of \$150,000, which reflects the fair market value of the substantially expanded property rights and uses to be granted.

The terms and conditions of the Easement Agreement have been approved by Tacoma Water and Real Property Services and reviewed by the City's Legal Department.

4. Attachments:

- a. Director's Memo
- b. Aerial Photo
- c. Easement Agreement

5. ☐ Funds available ☒ Proposed action has no budgetary impact

6. Deviations requiring special waivers:

Originated by:

  
Greg Volkhardt, Environmental Programs  
Manager

Requested by:

  
Acting Water Superintendent


Approved:

  
William A. Gaines, Director / CEO



Date: June 26, 2017

To: William A. Gaines, Director of Utilities/CEO

From: Heather Pennington, Acting Water Superintendent 

Subject: Easement Agreement – Tacoma School District

**Recommendation:** Tacoma Water requests your approval for an easement to the Tacoma School District (TSD) covering approximately 3.58 acres of property located near the intersection of E. 56<sup>th</sup> Street and Portland Avenue E. for \$150,000.

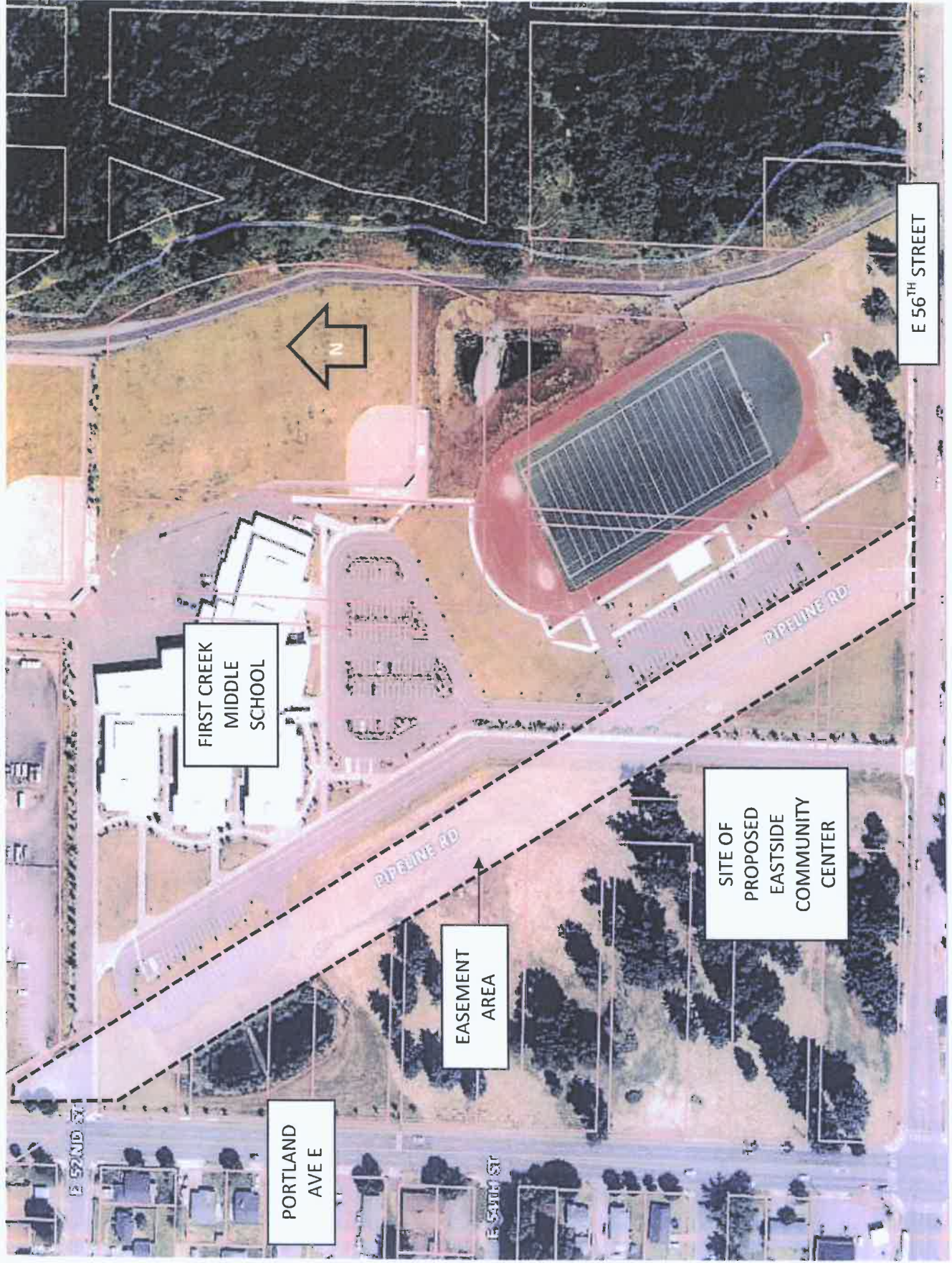
**Background:** Tacoma Water's Pipeline Number 4 runs through a portion of Tacoma School District's First Creek Middle School site. TSD has been using Tacoma Water's property since 1962 under a prior easement for ingress and egress only to support their school facility. TSD has now leased a portion of their site to Metro Parks to construct the Eastside Community Center, and the new easement, to replace the 1962 easement, will allow much more substantial uses. The new uses include parking, on-site traffic circulation, landscaping and associated improvements, stormwater conveyance, man-made wetlands and associated buffers, bus loop, contractor lay-down area, and recreational pedestrian crossing and connection to the Pipeline Trail. Tacoma Water has reviewed the request and recommends approval of the Easement Agreement which outlines the terms and conditions necessary to protect Tacoma Water operations. The total consideration of \$150,000 for the easement reflects the fair market value of the substantially expanded property rights and uses to be granted.

**Schedule:** Upon approval from the Public Utility Board, Real Property Services will complete the transaction, which includes recording the Easement and processing the payment.

Thank you for your consideration of this request.



Tacoma Water Pipeline No. 4 Easement to Tacoma School District



WHEN RECORDED RETURN TO:  
Tacoma Public Utilities  
Real Property Services  
PO Box 11007, Tacoma, WA 98411

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**CITY OF TACOMA**  
**DEPARTMENT OF PUBLIC UTILITIES**  
**EASEMENT NO. 2641 / E264R**

Reference No.: P2016-037 GWM  
Grantor: City of Tacoma, Department of Public Utilities, Water Division  
(d.b.a. Tacoma Water)  
Grantee: Tacoma School District No. 10  
Legal Description: PTN NE¼ SEC 22, T20N, R3E, W.M., PIERCE CO., WA  
Complete Description: Exhibit A  
Tax Parcel No.: 0320262136

**THIS EASEMENT AGREEMENT**, dated this \_\_\_\_\_ day of \_\_\_\_\_, 2017, is by and between CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION (d.b.a. Tacoma Water) ("Tacoma Water" or "Grantor") a municipal corporation of the State of Washington, and TACOMA SCHOOL DISTRICT NO. 10 ("School District" or "Grantee"), a school district of the State of Washington (collectively the "Parties").

This Easement Agreement supersedes and replaces that easement (E264) dated October 25, 1962, between the City of Tacoma as grantor and the Tacoma School District No. 10 as grantee, pursuant to Public Utility Board Resolution No. U-17225 adopted October 16, 1962.

**BACKGROUND**

**A.** The School District is the owner of record of Pierce County Assessor tax parcel number 0320221018.

**B.** Tacoma Water is the owner of record of Pierce County Assessor tax parcel number 0320262136, which is a portion of Tacoma Water's Pipeline No. 4. Tacoma Water's property is used for a water supply and distribution line.

**C.** In 1962, Tacoma Water granted an easement ("E264" – a copy is attached as Exhibit "C") to the School District for the purposes of access to the Harry S. McIlvaigh Junior High School.

**D.** E264 encumbers approximately 3.58 acres of TPN 0320262136 according to the Record of Survey recorded under Auditor File Number 200804225003, records of Pierce County, WA and as legally described in Exhibit "A" (the "Easement Area") attached.

**E.** In or about 2008 to 2009, the School District demolished McIlvaigh Junior High School and built First Creek Middle School. Concurrent with this construction, the School District installed parking, landscaping, entry monumentation, a gate, lighting, subsurface drainage, and wetlands and associated wetland buffers on the Easement Area. The School District did not obtain additional easement rights from Tacoma Water prior to placing these improvements in the Easement Area.

**F.** In July 2016, the School District entered into a 50-year ground lease (the "Lease" - copy attached as Exhibit "D") with the Metropolitan Park District of Tacoma ("Metro Parks") to develop and operate the proposed Eastside Community Center (the "Community Center"). In the Lease, the School District purported to lease a portion of the Easement Area to Metro Parks for a parking lot, access road, sidewalks, and related facilities for their joint use in relation to the Community Center.

**G.** The School District and Tacoma Water desire update and clarify the scope of the School District's easement rights in the Easement Area and to allow use of Easement Area for the proposed Community Center.

**F.** The Parties intend that this easement supersede and replace the 1962 easement, E264.

**IN CONSIDERATION** of the matters described above and the value and obligations specified below, the parties agree as follows:

**1. Incorporation of Background Information.** The foregoing background information is incorporated into this Easement Agreement as if fully written here.

**2. Grant of Easement.** Tacoma Water, for and in consideration of one hundred fifty thousand dollars (\$150,000.00), does hereby grant unto the School District, its successors and assigns, a non-exclusive easement, subject to the terms and conditions contained herein, for the following uses only:

Surface use for ingress/egress, parking, on-site traffic circulation, landscaping, and associated improvements; for subsurface use for stormwater conveyance to the detention pond serving the First Creek Middle School only; for man-made wetlands and associated wetland buffers created by the development of the First Creek Middle School and the Community Center; for a paved bus loop for School District use only to serve First Creek Middle School; temporary surface use for the contractor lay-down area for construction of the Community Center; and for recreational pedestrian

crossings and connection thereby to the Swan Creek Cross County Trail (aka the "Pipeline Trail").

The foregoing uses are granted in, upon, along, through and across the real property (the "Easement Area") described as follows, to-wit:

As described in Exhibit "A" and depicted in Exhibit "B" attached hereto and by this reference incorporated herein.

Situate in the City of Tacoma, County of Pierce, State of Washington.

**3. Grantor's Use of Easement Area.** The Easement Area is a vital and integral part of Grantor's municipal water supply and distribution system and Grantor's rights to use the Easement Area must remain paramount to any other uses including those granted to Grantee in this Easement Agreement. Grantor retains the paramount right to use the Easement Area at all times and for all purposes it deems necessary. Grantor shall not be liable to the Grantee and/or its lessees for interference with the rights or authorized improvements made in performance of Grantee's rights granted herein. The Grantor shall have authority to enter upon the Easement Area and the Grantee's property abutting thereto at any time to make improvements, alterations, excavations, or repairs on the Easement Area which are necessary to the Grantor's utility operations and to at all times maintain its infrastructure on said property, all without liability to the Grantee and its lessees. The Grantor shall not be liable to Grantee and its lessees for any damage done to any improvements of any type, including, but not limited to plants, shrubs, landscaping, surfacing, curbing, or structures, placed on the Easement Area which might be damaged by the construction, maintenance, alteration, excavation, or repairs necessitated by the operation or maintenance of the Grantor's utility infrastructure.

**4. Grantee's Use of Easement Area.** Grantee's facilities, improvements, and use of the Easement Area shall not damage or interfere with Grantor's use of the Easement Area or the Grantor's property, structures, improvements, or facilities. The Grantee and its Lessees may in no way interfere with or compromise the safe operations of the Grantor's property, structures, improvements, or facilities. The Grantee and its lessees shall maintain the Easement Area in a clean, neat, and orderly manner and will not create or permit any nuisance or waste, or allow the Easement Area to be used for any immoral or unlawful purpose.

**5. Approvals.** Notwithstanding anything to the contrary in the Lease between Grantee and its lessees, the Grantee and its lessees shall not construct any buildings, structures or other improvements within the Easement Area except for those improvements or structures specifically allowed under Section 2 above. Prior to construction or alteration of improvements authorized by this Easement Agreement, Grantee shall submit to the Grantor for its written approval designs and specifications for said improvements. Further, any improvements to be installed on the abutting lands shall maintain setbacks sufficient to avoid impacts to any existing or future Grantor infrastructure in the Easement Area.

Grantor's review, consent, or approval of any improvements, plans, specifications, or drawings shall not be deemed consent, authorization, acknowledgement, certification,

warranty, or representation that Grantee has obtained all required authorizations or that said proposals, drawings, or plans are in any way sufficient or appropriate for the intended purpose, or that said proposals, drawings, or plans comply with, regulatory, design, or engineering standards.

**6. Maintenance.** The Grantee and its lessees shall notify the Grantor a minimum four (4) weeks prior to any scheduled maintenance to be performed within the Easement Area that may interfere with the Grantor's use or operations. It is agreed that if maintenance schedules result in a use conflict, the Grantor's schedule shall prevail. The Grantee and its lessees shall notify the Grantor as soon as reasonably practicable if emergency maintenance is required and the Grantor shall take reasonable measures to accommodate such emergency maintenance. However, the Grantee and its lessees shall reimburse the Grantor for any extraordinary costs incurred to accommodate such emergency maintenance.

**7. Compliance.** The Grantee and its lessees shall obtain all required permits and approvals from federal, state, and local agencies prior to use of or construction within the Easement Area. The Grantor reserves the right to modify existing, and prescribe and modify additional, rules, policies, and regulations relating to the exercise of the rights, uses, and permissions granted by this Easement Agreement.

**8. Metro Parks Lease.** To the degree such consent does not conflict with this Easement Agreement or interfere with Grantor's property rights and paramount rights to use of the Easement Area, the Grantor consents to the use of the Easement Area by Metro Parks according to the Lease with the School District. This consent does not grant Grantee or Metro Parks any leasehold, possessory, or other rights or interests in the Easement Area beyond those rights described and granted to Grantee by this Easement Agreement. The terms and conditions of this Easement Agreement control and take precedence over any conflicting terms in the Lease. Grantor further retains the right to review and approve or disapprove any modifications to the Lease which involve the occupation or use of the Easement Area by the lessee or assigns. No assignment of the Lease is permitted without the prior written consent of the Grantor.

**9. Parking Facilities Use.** It is contemplated that both the School District and its lessee Metro Parks will share use of the proposed parking to be constructed on the Easement Area pursuant to the "Shared Parking Agreement" (a copy of which is to be provided to the Grantor upon execution of said agreement). The Grantee shall also provide to the Grantor copies all required documents to be executed under Section 6.9 (as-built drawings of improvements) and Section 7 (Joint Use Agreement) of the Lease.

**10. Wetlands and Buffers.** The Grantee and its lessees shall provide to the Grantor a wetland delineation of the Easement Area in its current condition. Upon issuance of the certificate of occupancy for the Community Center, the Grantee and its lessees shall provide to the Grantor a wetland delineation of the Easement Area in its then "as-built" condition. It is contemplated that the Grantor may undertake future projects in the Easement Area that may impact the wetlands and wetland buffers thereon. Upon the request of the Grantor, the Grantee and its lessees shall provide to the Grantor a wetland delineation of the Easement Area in the then "as-built" condition. Should the Grantor's project(s) require mitigation due to



impacts to the wetland and buffers, the Grantee and its lessees agree to allow such mitigation, to the greatest extent possible, be located on the Grantee's abutting property.

**11. Supersedes and Replaces.** The Grantee acknowledges that the rights and obligations created herein supersede and replace those contained in that easement (E264) dated October 25, 1962, between the City of Tacoma as grantor and the Tacoma School District No. 10 as grantee, pursuant to Public Utility Board Resolution No. U-17225 adopted October 16, 1962. Therefore, the School District hereby releases and defeases to the City of Tacoma all rights, title and interest it may have pursuant to said easement, which is hereby released, vacated, and terminated in and to the real property described in Exhibit "A" attached hereto.

**12. Disclaimers.** The Grantee agrees that the Grantor has made no representation as to the present or future condition of the Easement Area and Grantor expressly disclaims any representation or warranties regarding the Easement Area and its suitability for any uses or improvements. The Grantor does not warrant title to the Easement Area nor does Grantor undertake to defend Grantee in the peaceable possession, use, or enjoyment thereof. Grantee shall secure any other rights that needed by it for its lawful use of the Easement Area.

**13. Assignment.** This easement is not assignable without the prior written consent of the Grantor. Any such unauthorized assignment shall be cause for revocation of this easement with no liability on the part of the Grantor therefore.

**14. Termination.** This Easement Agreement and the easement granted thereby may be terminated or cancelled by the Grantor upon delivery of written notice to the Grantee for failure of the Grantee to comply with the terms and conditions specified herein, if prior thereto the Grantor has given thirty (30) days' written notice to the Grantee to correct any of the aforesaid conditions or defaults and the Grantee has failed to correct or remedy the conditions stated in the notice, in which event this Easement Agreement and the rights of the Grantee shall utterly cease and terminate.

At the termination of the Lease or in the event the Community Center should cease to operate for a term of at least twelve consecutive months, the Grantee and its lessees will be responsible for the removal of all improvements then located on the Easement Area that exclusively supported the Community Center and shall restore the Easement Area to a condition acceptable to the Grantor. Lessee shall thereafter cease all use of the Easement Area.

In the event the First Creek Middle School should cease to operate for a term of at least twelve consecutive months, the Grantee will be responsible for the removal of all improvements then located on the Easement Area that exclusively support the school, and must restore the Easement Area to a condition acceptable to the Grantor.

In the event both facilities should cease to operate for a term of at least twelve consecutive months, the Grantee and its lessees will be responsible for the removal of all improvements then located on the Easement Area and shall restore the Easement Area to a condition

acceptable to the Grantor. The Grantee and lessee shall thereafter cease all use of the Easement Area.

Should the provisions of early termination contained in the Lease be invoked, or Metro Parks and/or the Grantee and its lessees vacate the use or occupation of the Easement Area, in whole or in part, the Grantor shall have no obligation to any party for a refund, in whole or in part, of the consideration received herein for this grant of easement.

**15. Indemnification.** The Grantee hereby agrees to indemnify, defend and save harmless Tacoma Water, its officers, employees, agents and volunteers from and against any and all claims, demands, lawsuits, damages, liabilities, losses and expenses (including reasonable attorneys' fees and costs) arising directly or indirectly out of any act or omission of the Grantee or lessee, their agents, contractors, licensees or guests and involving the subject matter of this easement. The foregoing shall expressly apply to any and all actual or alleged injury to persons (including death) and/or damage to property, except to the extent such injury or damage results from the fault of Tacoma Water, its officers, employees, agents or volunteers. The term "fault" as used herein shall have the meaning set forth in RCW 4.22.015, as that statute may hereafter be amended.

The Grantee agrees that it will indemnify and hold the Grantor harmless from any and all damages to the Grantor's facilities located upon or under the Easement Area arising out of this easement or the use of the Easement Area by the Grantee and its lessees including damage to the Grantor's facilities by the students, employees, guests, or invitees of the Grantee and its lessees.

**16. Insurance.** The Grantor shall be named as an additional co-insured for any policies required under Section 15 of the Lease.

**17. Taxes.** The Grantee shall pay or cause to be paid to the Grantor or on the Grantor's behalf the following taxes, fees, charges, levies, and assessments to the extent that any is determined to be due as a result of this grant of easement or use thereof:

- any and all Washington State leasehold excise tax;
- any and all surface water or other governmental charges and assessments (special and general) of every kind and nature levied or assessed;
- any and all taxes levied or assessed in lieu of the foregoing, in whole or in part.

**18. Hazardous Substances.** By accepting this grant of easement, the Grantee assumes sole liability and shall be responsible for any remedial action costs incurred due to the release, or exacerbation of the release, of "Hazardous Substances" by the Grantee, its lessees, officers, agents, employees, volunteers, subcontractors, invitees, licensees, or guests. A "Hazardous Substance" shall mean the presence of any substance or group of substances on or in the soil of the Easement Area which, by its presence, triggers a remedial investigation or action, or which requires any excavated materials be disposed of as anything other than clean fill. The meaning of "Hazardous Substance" shall also include without limitation, any substance which now or in the future becomes regulated or defined under any federal, state, or local statute, ordinance, rule, regulation, or other law relating to human

health, environmental protection, contamination or cleanup. The terms of this Hazardous Substances provision have been mutually negotiated.

**19. Taking.** If the Easement Area, or any portion thereof, should be taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof (collectively, "Taking"), this easement shall terminate when the physical taking of the Easement Area occurs and the Grantor shall have no liability to the Grantee and its lessees for its loss of use of the Easement Area. If any portion of the Easement Area is subject to a Taking, the Grantee and its lessees may terminate occupation and use of such portion of the Easement Area, but continue use and occupation as to the remaining Easement Area but without abatement of any obligations due the Grantor herein. The Grantor shall receive the entire award for any Taking of the Easement Area or portion thereof, with no compensation due the Grantee and its lessees.

**20. Survival.** Obligations of the Grantee and its lessees shall survive and remain in force as to the parties should any portion of the Grantee's abutting lands be sold, leased, or otherwise conveyed.

**21. Counterparts.** This easement may be executed in any number of counterparts and by different parties hereto, each of which counterpart when so executed shall have the same force and effect as if that party had signed all other counterparts. Facsimile transmitted signatures shall be fully binding and effective for all purposes.

[Remainder of page intentionally left blank]



P2016-037 GWM / E2641 / E264R

Authorized by Public Utility Board Resolution No. \_\_\_\_\_, adopted \_\_\_\_\_, 2017.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

CITY OF TACOMA  
DEPARTMENT OF PUBLIC UTILITIES

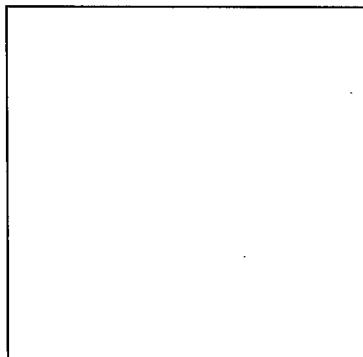
By: William A. Gaines, Director of Utilities/CEO

STATE OF WASHINGTON )  
COUNTY OF PIERCE )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2017, before me personally appeared William A. Gaines, to me known to be the Director of Utilities/CEO of the City of Tacoma, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of the City of Tacoma, for the uses and purposes herein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of the City of Tacoma.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Place Notary Seal in Box



Notary Public in and for the State of Washington

Residing in \_\_\_\_\_

My commission Expires \_\_\_\_\_

P2016-037 GWM / E2641 / E264R

**Accepted by Grantee:**

\_\_\_\_\_  
Carla J. Santorno                      Date  
Superintendent, Tacoma School District No. 10

**Authorized:**

\_\_\_\_\_  
Acting Water Superintendent

**Reviewed:**

\_\_\_\_\_  
Greg Volkhardt, Environmental Programs Manager

\_\_\_\_\_  
John Haase, Surveyor

**Form Approved:**

\_\_\_\_\_  
Michael W. Smith, Deputy City Attorney

**City of Tacoma - Department of Public Utilities  
Water Division Easement No. 2641 / E264R**

**Northeast Quarter (NE¼) of Section 22, Township 20 North, Range 3 East, W.M.,  
in City of Tacoma, Pierce County, Washington**

THAT PORTION OF BLOCKS 26, 27, 28, 29, 30, 31, 35, 36, 37, 38 AND 39, THE CENTRAL PARK ADDITION TO TACOMA, AS FILED FOR RECORD JANUARY 31, 1889, TOGETHER WITH THOSE PORTIONS OF VACATED STREETS ATTACHED THERETO, WHICH IS INCLUDED IN THE FOLLOWING DESCRIBED RIGHT-OF-WAY:

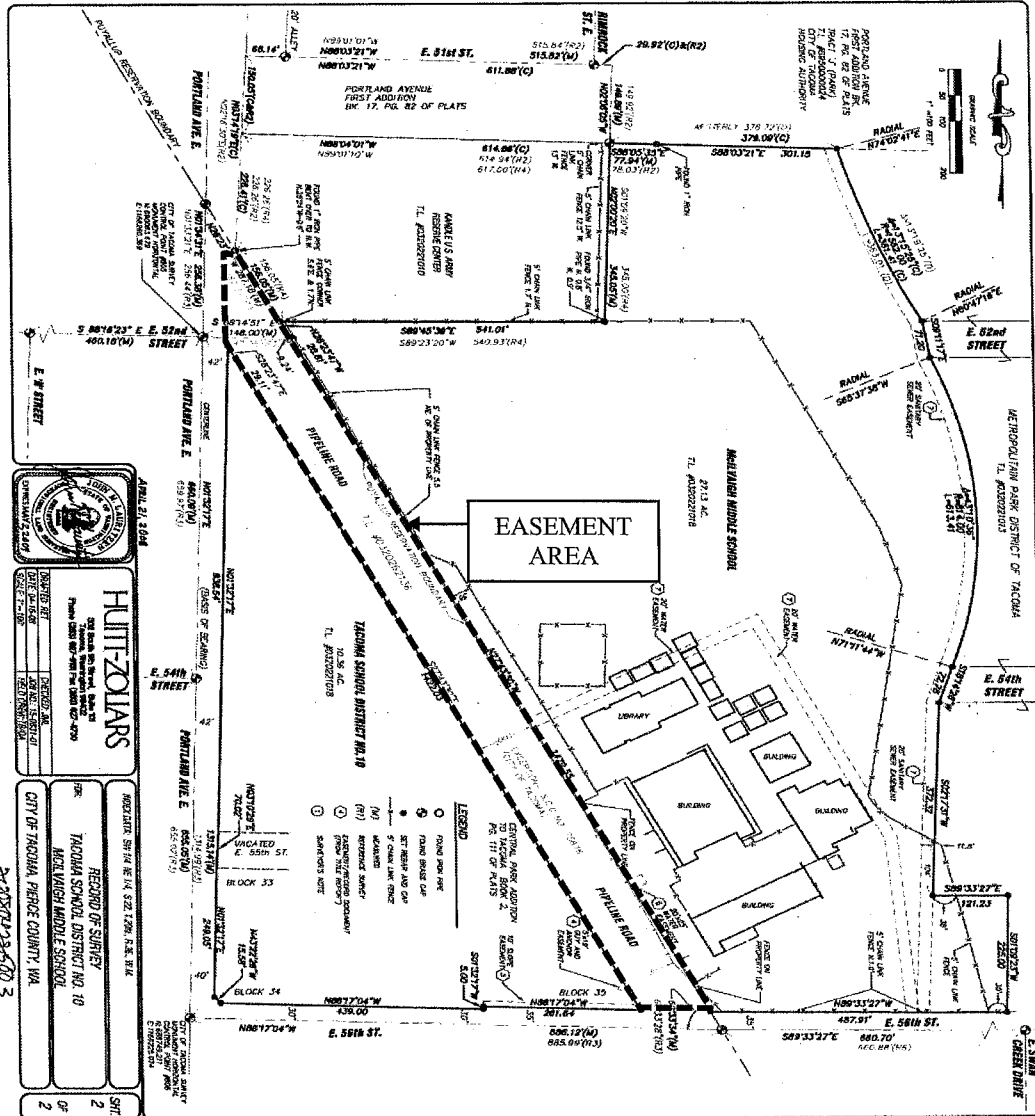
A STRIP OF LAND 100 FEET WIDE LYING SOUTHERLY FROM, ADJACENT, CONTIGUOUS, AND PARALLEL TO THE SOUTHWESTERLY BOUNDARY LINE OF THE PUYALLUP INDIAN RESERVATION AND LYING NORTHERLY OF THE NORTH LINE OF EAST 56<sup>TH</sup> STREET AND EASTERLY OF THE EAST LINE OF PORTLAND AVENUE EAST;

ALL SITUATE IN THE COUNTY OF PIERCE, STATE OF WASHINGTON.

Reference No.  
P2016-037 GWM

**Exhibit A**

**Northeast Quarter (NE¼) of Section 22, Township 20 North, Range 3 East, W.M.,  
in City of Tacoma, Pierce County, Washington**



REAL PROPERTY SERVICES ILLUSTRATION – NOT TO SCALE

This illustration is not to scale. It is provided as a customer convenience to assist in identifying significant characteristics of the installation. No liability is assumed by reason of reliance hereon.

## Exhibit B

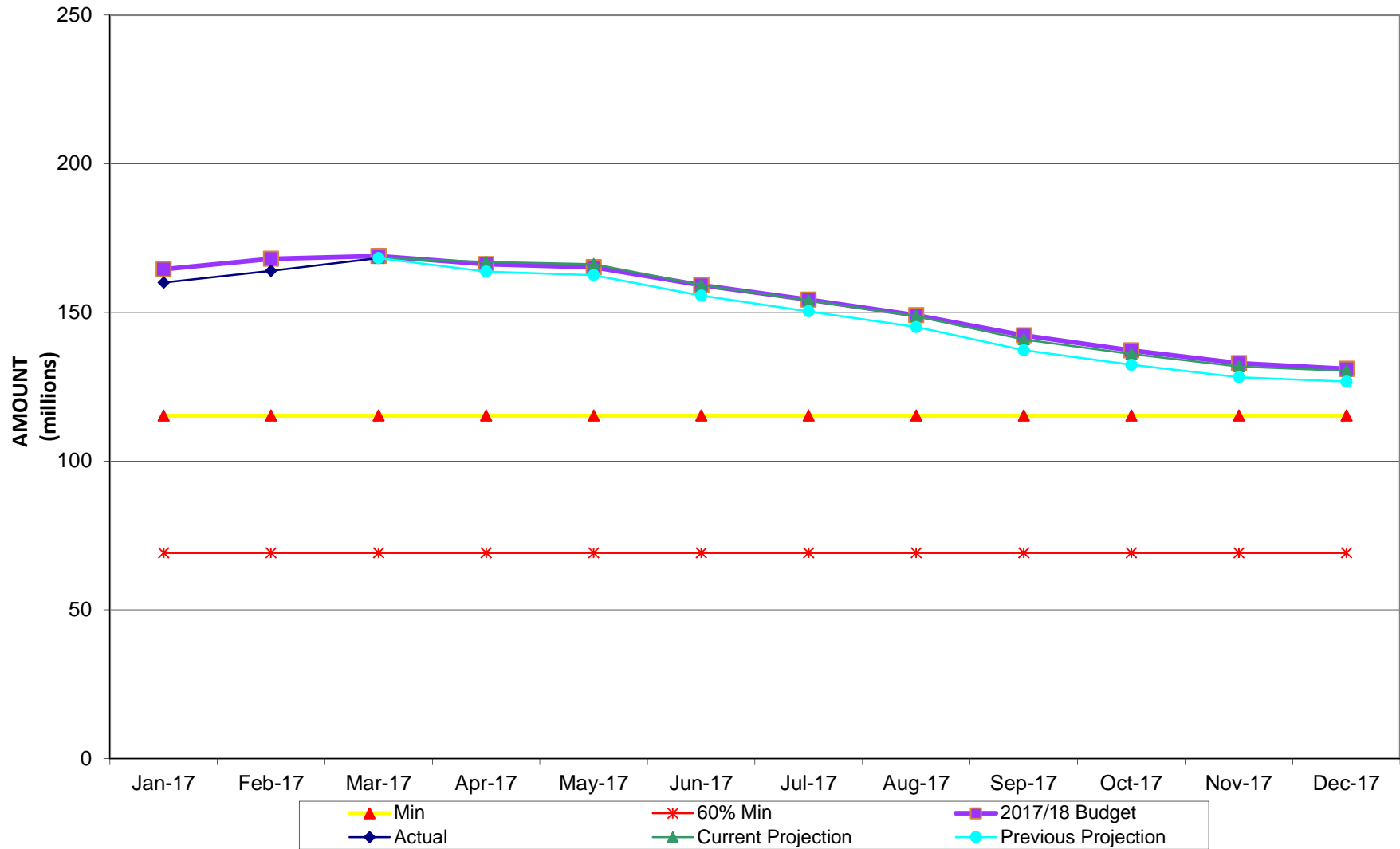
July 12, 2017

MOTION

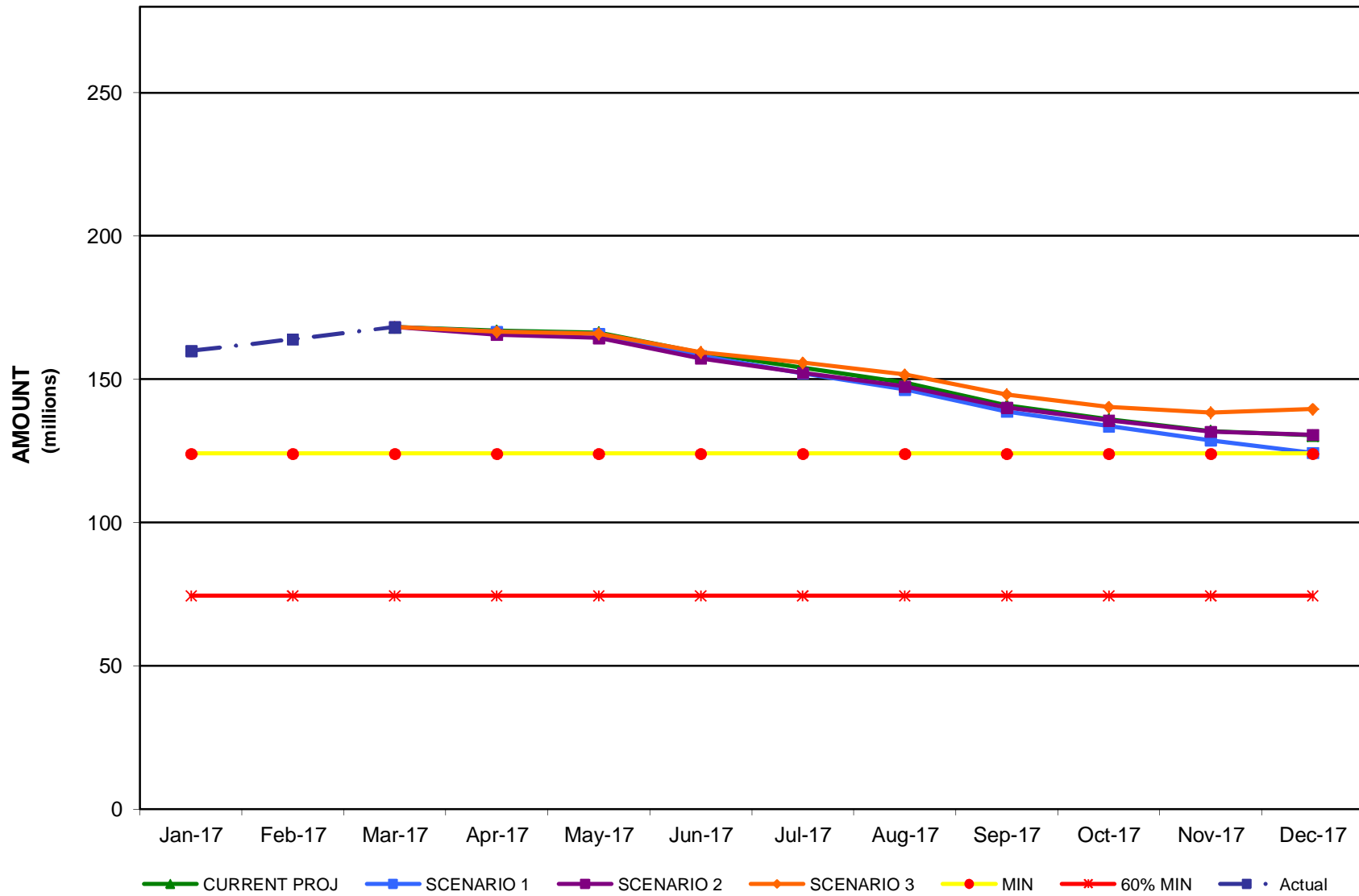
I hereby move that the following motion be approved:

17-07. That upon concurrence by the City Council, the Director of Utilities is hereby authorized to settle the lawsuit of *Elizabeth Wendler v. Tacoma Public Utilities*, Thurston County Superior Court Cause No. 15-2-01942-0, in the amount of \$200,000, as further explained in the confidential memorandum from City Attorney William Fosbre and Deputy City Attorney M. Joseph Sloan to William A. Gaines, Director of Utilities, dated June 28, 2017.

**TACOMA POWER**  
**CURRENT FUND BALANCED BUDGET CASH PROJECTIONS**  
Estimated Cash for 2017-2018



**TACOMA POWER**  
**CURRENT FUND CASH PROJECTIONS**  
Actual <sup>(a)</sup> and Estimated Cash\* for 2017-2018



**TACOMA POWER**  
**2017-2018 BALANCED BUDGET CASH PROJECTION**  
**(000's omitted)**

	Mar-17	Mar-17	Apr-17	May-17	Jun-17
	Estimate	Actual			
<b>Beginning Cash Balance (4)</b>	<b>163,982</b>	<b>163,982</b>	<b>168,238</b>	<b>166,980</b>	<b>166,242</b>
<b>Cash In</b>					
Retail Sales	31,286	34,600	28,594	26,888	26,277
Wholesale Sales	6,563	6,328	5,192	5,066	4,724
Telecommunications	2,236	2,251	2,240	2,247	2,286
Other Revenue	2,017	2,310	2,017	2,017	2,017
<b>Total Cash In</b>	<b>42,102</b>	<b>45,489</b>	<b>38,043</b>	<b>36,218</b>	<b>35,304</b>
<b>Cash Out</b>					
Personnel Costs	7,710	6,921	7,710	7,710	11,565
Debt Service	2,564	2,553	2,564	2,564	2,564
Taxes	5,525	5,453	5,099	4,607	5,238
BPA Purchases	12,289	12,033	12,356	10,540	10,866
Wholesale Purchases	1,057	794	1,546	1,509	1,981
Supplies, Other Services & Charges	6,616	5,248	6,616	6,616	6,616
Capital Outlay	3,410	3,821	3,410	3,410	3,410
<b>Total Cash Out</b>	<b>39,171</b>	<b>36,823</b>	<b>39,301</b>	<b>36,956</b>	<b>42,240</b>
<b>Net</b>	<b>2,931</b>	<b>8,666</b>	<b>(1,258)</b>	<b>(738)</b>	<b>(6,936)</b>
Change in A/R		(4,126)			
Change in A/P		(284)			
<b>Ending Cash Balance</b>	<b>166,913</b>	<b>168,238</b>	<b>166,980</b>	<b>166,242</b>	<b>159,306</b>

The accompanying notes are an integral part of these cash projections.



TACOMA POWER  
2017-2018 CURRENT FUND CASH PROJECTIONS

**Notes:**

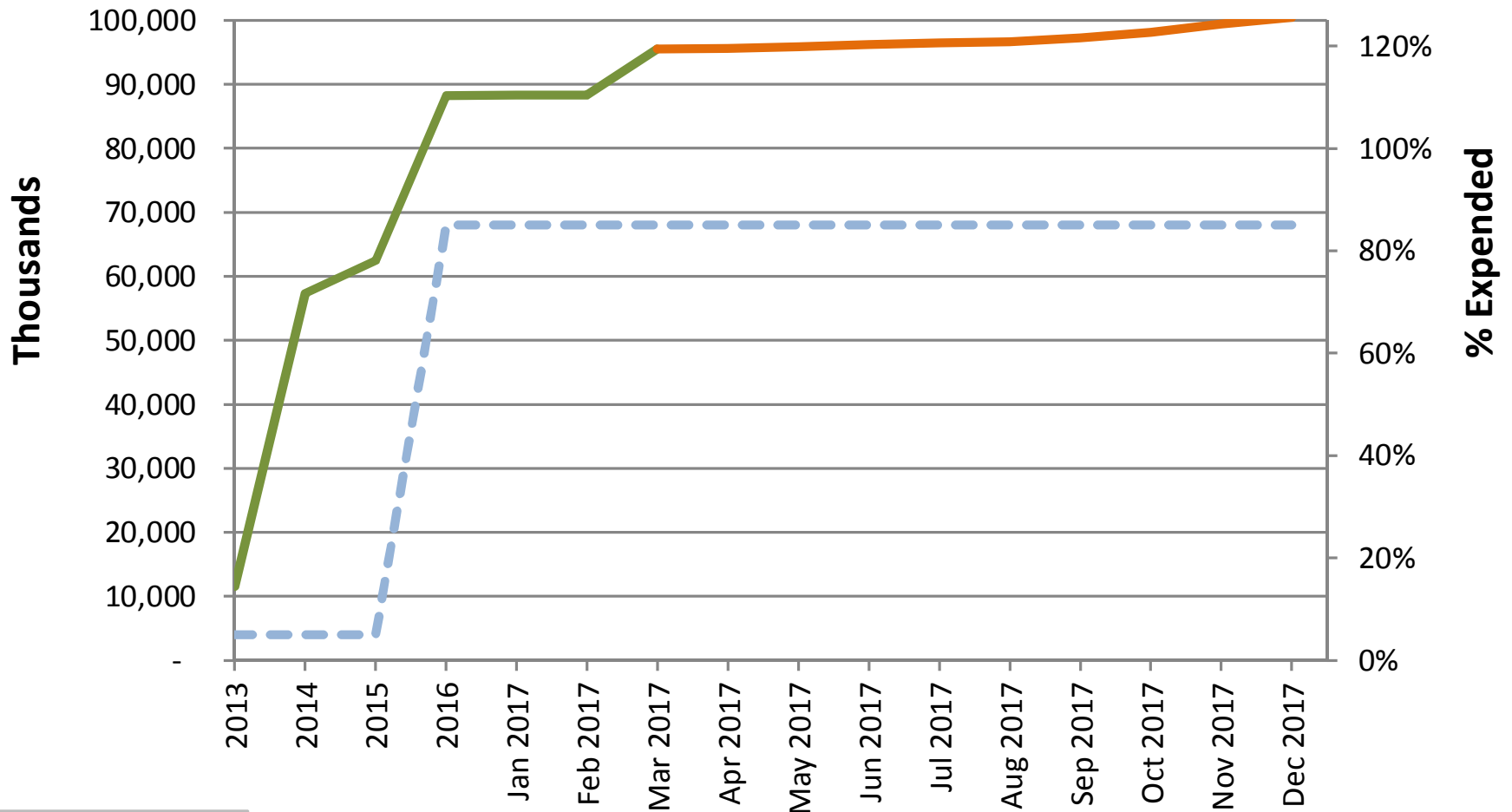
1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on Public Utility Board and City Council resolutions, the Division should maintain a minimum cash working capital balance of approximately \$115.3 million (90 days) in the 2017/2018 biennium. Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$69.2 million).
3. Commitments: These projections are based on the 2017/2018 budget.
4. "Actual" cash and investment balance as of March 1st, 2017.
5. BPA Purchase information provided by Power Management March 9th, 2017.  
BPA billings are net of Wynoochee and LaGrande/Cushman billing credits.
6. The Capital Outlay projection is based on the April 7, 2017 capital expenditure projection provided by the Rates, Planning and Analysis division.
7. Regular debt service includes the interest and principal payments on all outstanding Electric System Revenue and Refunding bonds.
8. Retail revenue in this projection is based on the Retail Sales and Forecast provided by the Rates, Planning and Analysis division.
9. On the Current Fund Cash Projections graph the most recent projection is labeled "CURRENT PROJ." Also shown are three scenarios based on estimated wholesale power sales revenues under current forward wholesale market prices and the following streamflow conditions:
  - Scenario 1 represents critical water conditions for 12 months followed by adverse water conditions.
  - Scenario 2 represents adverse water conditions.
  - Scenario 3 represents average water conditions.
10. Wholesale Sale/Purchase information provided by Power Management on April 10th, 2017.

**Significant Changes:**

Retail Sales were \$3.3 million more than projected predominantly due to higher consumption than projected in the Residential, Small General, and General rate categories.

Supplies, Other Services & Charges came in under estimates by (\$1.4) million. These estimates are based on an even spread of the biennial budget and, therefore, will vary from actuals on a monthly basis.

# 4700-13CON Cumulative Bond Spending



Net  
Proceeds  
\$93,743 M

Actual Projection Spending Requirement

**Tacoma Public Utilities**  
**Power Bonds**  
**As of March 31, 2017**

	<b>4700-13CON</b>
<b>Bond Type</b>	Revenue Bonds
<b>Issue Date</b>	6/1/2013
<b>Months Transpired</b>	43

<b>Construction Fund Proceeds</b>	93,743,000
<b>Investment Revenue</b>	1,466,501
<b>Period</b>	
2013	(11,583,188)
2014	(45,757,017)
2015	(5,099,210)
2016	(25,786,936)
1/31/2017	(81,348)
2/28/2017	(12,329)
3/31/2017	(7,210,199)

<b>Total Spending</b>	<b>(95,530,227)</b>
<b>Remaining Bond Balance</b>	<b>(320,726)</b>
<b>Actual % Spent</b>	<b>102%</b>
<b>Cash Balance</b>	<b>(320,726)</b>

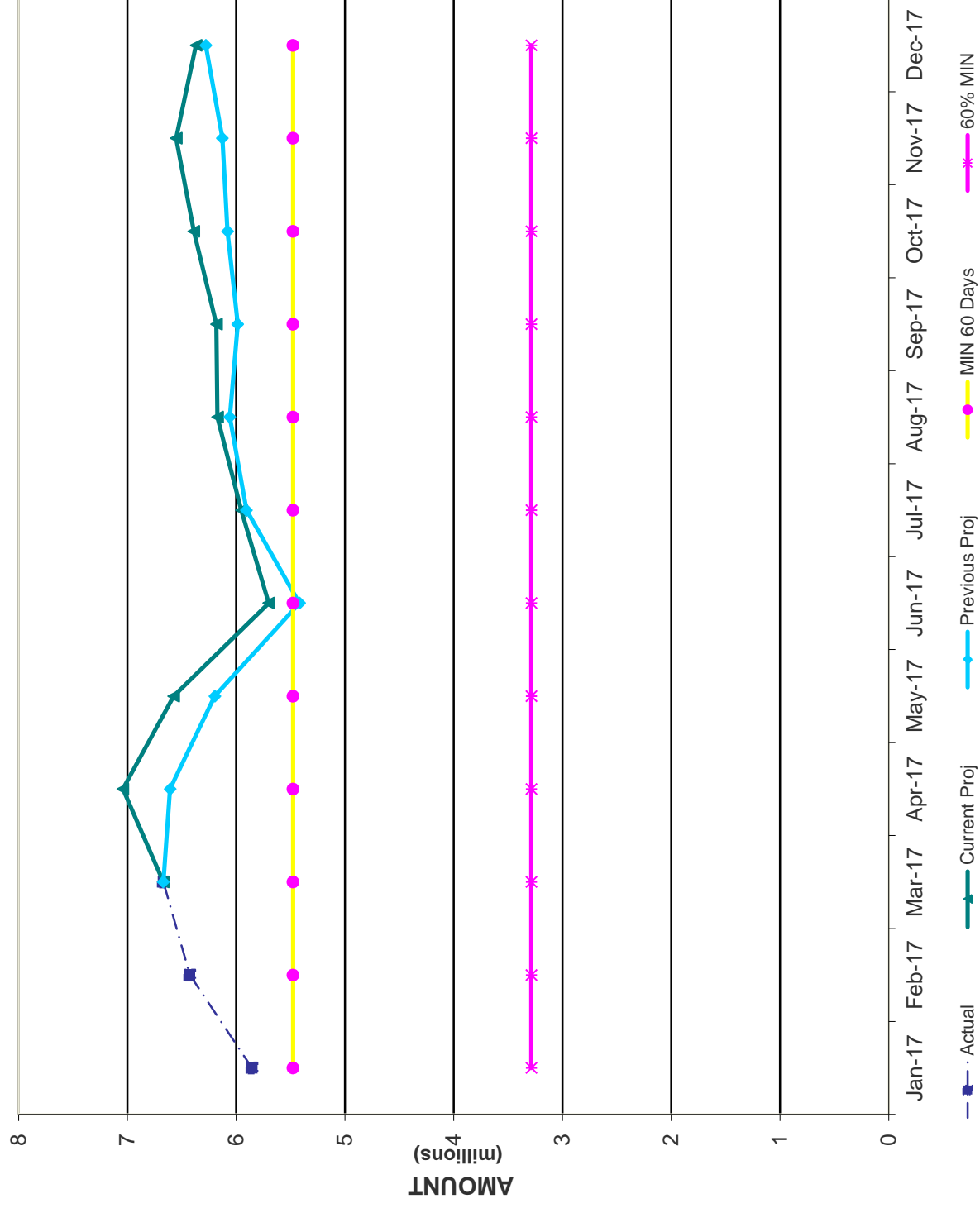
4700-13CON

PROJECT	EST \$\$	ACT \$\$	DIFF
Henderson Bay Tower Replacement	39,000	36,377	(2,623)
Reclass Bond Reimbursement Funding Source		(983,616)	(983,616)
Cowlitz Falls Downstream Fish Passage	2,100,000	4,462,139	2,362,139
Lk Cushman Fish Pass Facil		971,833	971,833
CSH Fish Hatcheries		2,723,466	2,723,466
Mossyrock Dam Viewpoint & Safety Impr	10,000	-	(10,000)
TOTAL Spending vs. Projection	<u>2,149,000</u>	<u>7,210,199</u>	<u>5,061,199</u>

# TACOMA RAIL

## 2017 CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash



TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS  
(000's omitted)

	Mar-17 Estimate	Mar-17 Actual	Apr-17 Estimate	May-17 Estimate	Jun-17 Estimate
Beginning Cash Balance	\$6,425	\$6,425	\$6,669	\$7,042	\$6,575
<b><u>REVENUES (Cash-In)</u></b>	(1)				
Switching Revenue	2,473	2,450	2,600	2,408	2,412
Demurrage Revenue	96	170	96	96	96
Other Revenues	22	53	22	22	22
Lease Revenue	90	73	90	90	90
Interest Income	7	8	7	7	7
Service Maint/Trans Revenue	155	210	155	155	155
Reimbursement/Transfer Ins	1	-	38	-	-
Total Revenues	2,843	2,965	3,007	2,778	2,781
<b><u>EXPENSES (Cash-Out)</u></b>	(1)				
Personnel Costs	1,350	1,256	1,285	1,285	1,725
Taxes	264	279	279	261	261
Supplies, Other Services & Charges	651	537	579	626	785
Assessments	155	149	139	139	140
Debt Service	36	115	62	116	138
Transfer Outs	-	-	-	-	-
Volume Incentive	292	292	292	292	292
Capital Outlay	-	43	-	526	316
Total Expenses	2,748	2,671	2,635	3,244	3,656
Change in AR	(3)	(5)			
Change in AP	(3)	(45)			
<b>Net Increase (Decrease) in Cash</b>	95	244	372	(467)	(874)
Ending Cash Balance	(2) <u>\$6,521</u>	<u>\$6,669</u>	<u>\$7,042</u>	<u>\$6,575</u>	<u>\$5,700</u>

The accompanying notes are an integral part of these cash projections.

TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS

**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 37101, adopted February 6, 2007, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$5.478 million in the 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$3.287 million).
3. Change in AR and Change in AP are adjustments to the current month's actual cash flows from Revenues and Expenses which factor into the actual ending cash balance. A positive number in Change in AR indicates collections from outstanding accounts receivables exceeded revenues billed in the same month. Conversely, a positive number in Change in AP indicates that payments for goods and services were less than recorded expenses for the same month. The outstanding AR and AP balances at the end of the month will impact the future cash inflows and outflows, respectively.

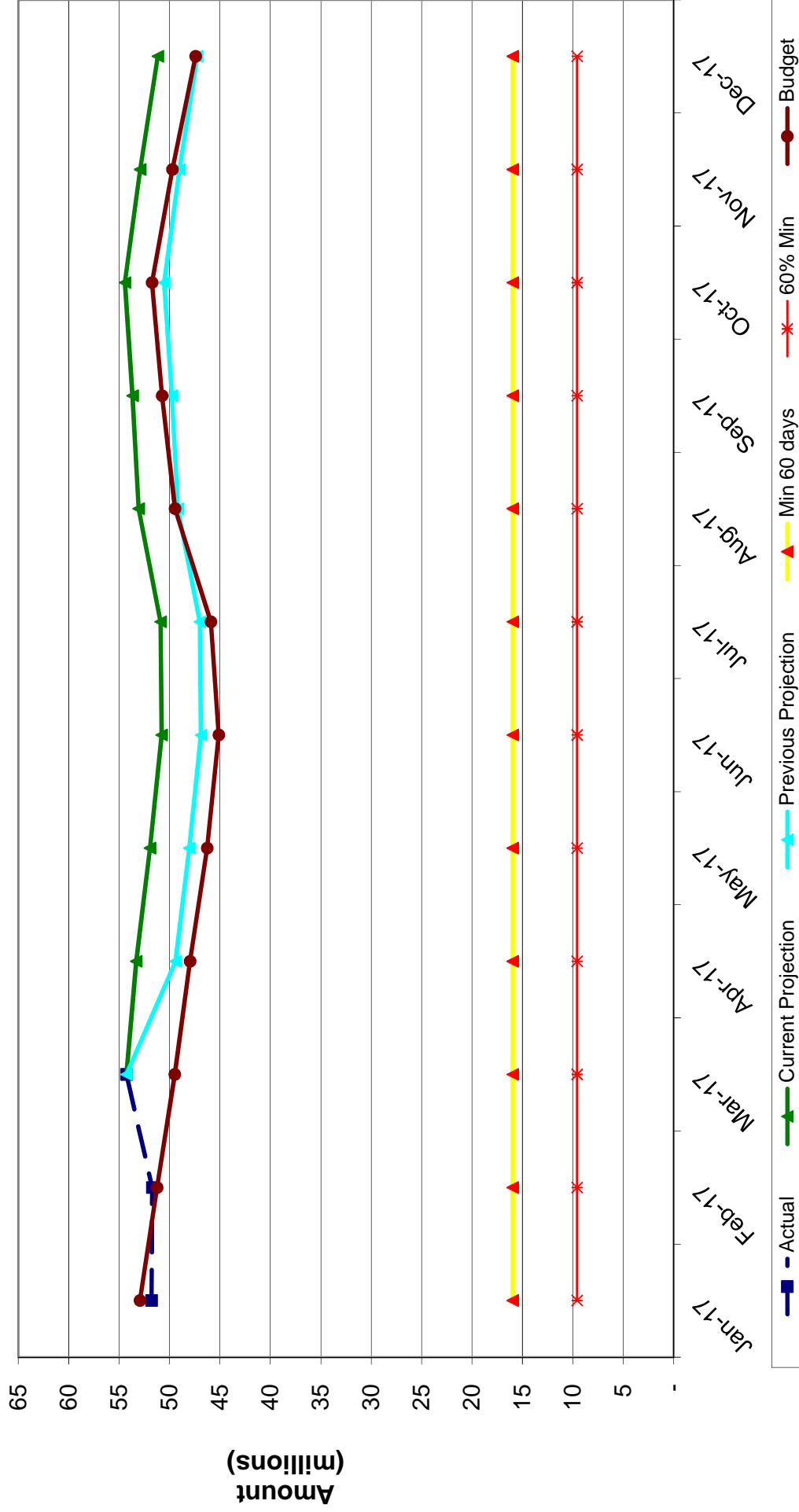
**Significant changes since last projection:**

1. The variance in demurrage revenue of \$74,000 is due to higher than normal customer railcar dwell, resulting in additional fees.
2. The variance in personnel cost of \$93,000 is due to new full time employees hired later in the month than originally anticipated, while other positions estimated to be filled had not started. Rail operations overtime and secondary labor cost offset more than anticipated regular time.
3. The variance in supplies, other services and charges of \$114,000 is due to less general spending than anticipated for the month. Fleet replacement fees are now expected to start in April.

# TACOMA WATER

## CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash for 2017/2018





**TACOMA WATER**  
**2017/2018 CURRENT FUND CASH PROJECTIONS**  
(000's omitted)

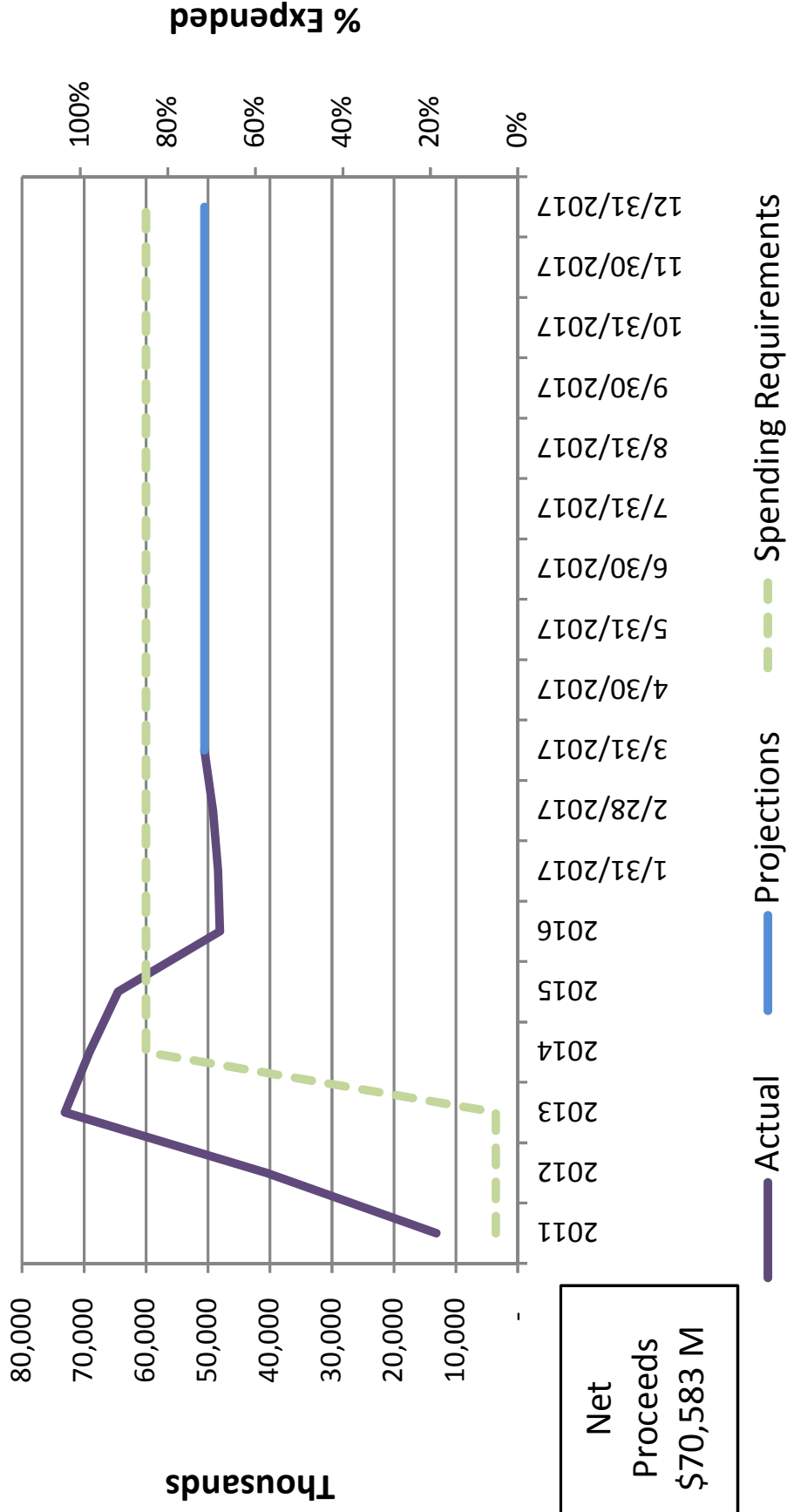
	Mar-17 Estimate	Mar-17 Actual	Apr-17 Estimate	May-17 Estimate	Jun-17 Estimate
<b>Beginning Cash Balance</b>	<b>51,717</b>	<b>51,717</b>	<b>54,283</b>	<b>53,301</b>	<b>51,951</b>
<b>Cash In</b>					
Water Sales	5,215	5,615	5,527	5,180	6,576
Public Fire Protection (collected)	261	320	284	226	279
Interest	23	73	23	23	23
Other Revenue	283	239	284	283	297
BABs Subsidies	231	231	231	231	231
<b>Total Cash In</b>	<b>6,012</b>	<b>6,478</b>	<b>6,349</b>	<b>5,943</b>	<b>7,406</b>
<b>Cash Out</b>					
Personnel Costs	2,055	1,625	2,055	2,055	3,082
Supplies, Other Services & Charges	2,219	2,319	2,297	2,303	2,213
Taxes	854	910	764	723	1,065
Debt Service	2,214	2,200	2,214	2,214	2,214
Capital Outlay	-	(165)	-	-	-
<b>Total Cash Out</b>	<b>7,341</b>	<b>6,889</b>	<b>7,330</b>	<b>7,294</b>	<b>8,574</b>
Change in A/R	-	3,089	-	-	-
Change in A/P	-	(112)	-	-	-
<b>Net Change in Cash</b>	<b>(1,329)</b>	<b>2,566</b>	<b>(981)</b>	<b>(1,350)</b>	<b>(1,168)</b>
<b>Ending Cash Balance</b>	<b>50,389</b>	<b>54,283</b>	<b>53,301</b>	<b>51,951</b>	<b>50,783</b>

TACOMA WATER  
2017/2018 CURRENT FUND CASH PROJECTIONS

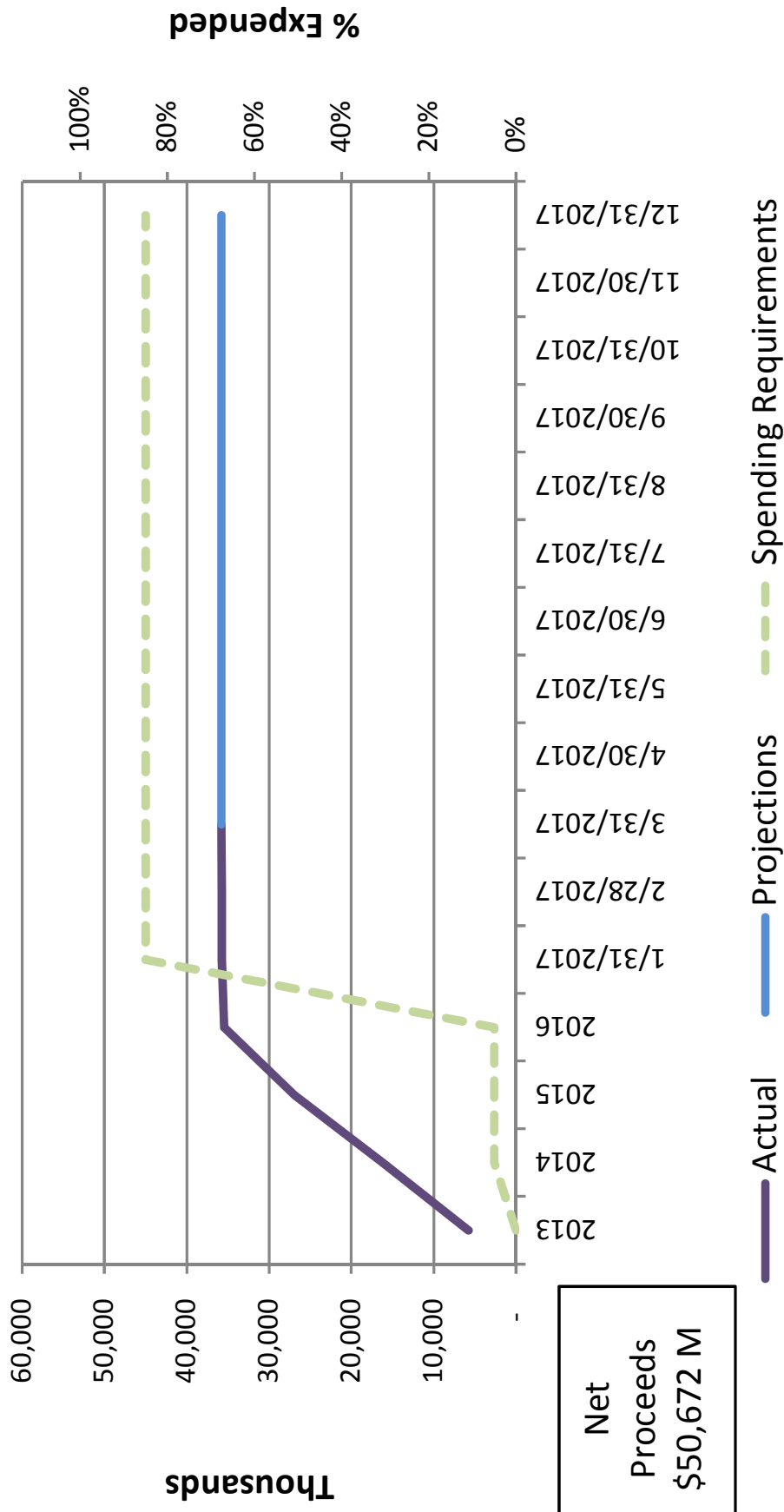
**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 38215, adopted March 8, 2011, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$15.964 million in 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$9.578 million).
3. Projections for changes in A/P and A/R are not provided due to the variable nature of these accounts. In general, a change in A/R is a result of a change in current month billings and collections, both of which are indicators of current and future cash inflows. A change in A/P is a result of a change in current month purchases and payments, both of which are indicators of current and future cash outflows.

# Water 4600-10WC Cumulative Bond Spending



# Water 4600-13WC Cumulative Bond Spending



**Tacoma Public Utilities**  
**Water Bonds**  
**As of March 31, 2017**

	Water	
	4600-10WC	4600-13WC
<b>Bond Type</b>	Taxable Build America Bonds	Revenue and Refunding Bonds
<b>Issue Date</b>	8/26/2010	5/7/2013
<b>Months Transpired</b>	80	47

<b>Construction Fund Proceeds</b>	70,583,000	50,672,000
<b>Interest Income</b>	3,206,136	1,022,863
<b>Period</b>		
2011	(13,126,630)	-
2012	(27,346,085)	-
2013	(32,598,851)	(5,767,218)
2014	4,004,026	(10,470,130)
2015	4,610,670	(10,684,407)
2016	16,395,475	(8,545,727)
1/31/2017	(277,688)	(272,288)
2/28/2017	(825,242)	(18,652)
3/31/2017	(1,388,636)	(35,048)

<b>Total Spending</b>	<b>(50,552,961)</b>	<b>(35,793,470)</b>
<b>Remaining Bond Balance</b>	<b>23,236,175</b>	<b>15,901,392</b>
<b>Actual % Spent</b>	<b>72%</b>	<b>71%</b>
<b>Cash Balance</b>	<b>23,236,175</b>	<b>15,901,392</b>

## 4600-10WC

PROJECT	EST \$\$	ACT \$\$	DIFF
17/18 Water Service Replace & Renewals	-	191,021	191,021
15/16 Distribution Main Upgrades & Renew	-	345,449	345,449
11/12 Public Road Projects	-	407,248	407,248
29 Projects	-	444,918	444,918
			-

TOTAL Spending vs. Projection

-	1,388,636	1,388,636
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## 4600-13WC

PROJECT	EST \$\$	ACT \$\$	DIFF
6 projects	-	35,048	35,048
			-
			-
			-
			-

TOTAL Spending vs. Projection

-	35,048	35,048
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***MARCH***

***FLEET SERVICES FUND***

**2017**

**FINANCIAL  
REPORT**







# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DON ASHMORE

Utilities Fleet Manager

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



## **MANAGEMENT DISCUSSION AND ANALYSIS**

Fleet Services is reporting a net operating loss of \$1.3 million year-to-date 2017 compared to a net loss of \$162,000 recorded for the same time period in 2016. Operating revenues decreased \$1.0 million and expenses increased \$131,000 respectively, resulting in a net decrease in operating income of \$1.2 million compared to 2016.

### **Revenues**

Fleet Services operating revenue is comprised of five categories: Maintenance, Capital Recovery, Administrative Overhead, Fuel and Fuel Loading and Pool Car Rentals. Operating revenues were \$705,000 and \$1.7 million at the end of the 1st quarter of 2017 and 2016 respectively.

Maintenance revenues are mainly related to staff labor and were \$416,000 and \$368,000 at the end of the first quarter of both 2017 and 2016 respectively.

Capital recovery revenues are collected on each vehicle and piece of equipment based on anticipated equipment replacement needs for each business unit. Capital recovery revenues were \$38,000 and \$1.1 million in 2017 and 2016 respectively. The decline is primarily due to Tacoma Power discontinuing their contribution until an analysis of future purchase needs is complete. Tacoma Water and Tacoma Rail have been contributing a portion of their replacement costs with the remainder to begin in May 2017 after a review of their future needs.

Administrative Overhead revenue is the fee charged for each vehicle that is in service. The number of vehicles in service varies from month to month and the rate can vary based on type of vehicle. Administrative Overhead revenue was \$209,000 and \$200,000 in 2017 and 2016 respectively.

Fuel and fuel loading revenues are affected by year to year changes in vehicle usage and fluctuations in fuel prices. Fuel related revenues were \$14,000 and \$10,000 in 2017 and 2016 respectively.

Pool car revenues are based on usage and were \$28,000 and \$25,000 for 2017 and 2016 respectively.

### **Expenses**

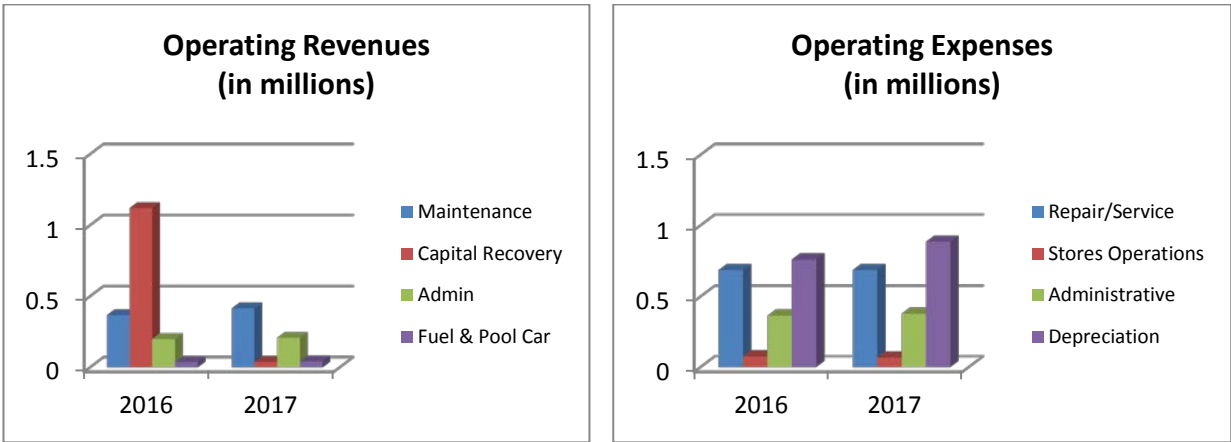
Fleet Services operating expenses are comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet Services expenses were \$2.0 million and \$1.9 million year-to-date through the first quarter of both 2017 and 2016.

Repairs and service expense relates to shop operations which provide preventive and corrective maintenance and repairs to vehicles and pieces of equipment for Tacoma Public Utilities and other service groups. Repair and service expenses were \$688,000 in both 2017 and 2016.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$68,000 and \$76,000 in 2017 and 2016 respectively.

Administration expenses were \$378,000 and \$365,000 in 2017 and 2016 respectively.

Depreciation expense was \$884,000 and \$759,000 in 2017 and 2016 respectively.



**Non-Operating Revenues (Expenses)**

Interest income was \$71,000 and \$75,000 for the first quarters of 2017 and 2016 respectively.

The gain on disposition of equipment was \$108,000 and \$153,000 for 2017 and 2016 respectively.

The sale of scrap was \$13,000 and \$6,900 for 2017 and 2016 respectively.

William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## FLEET SERVICES FUND

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF NET POSITION  
MARCH 31, 2017 AND MARCH 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>FIXED</b>		
Office Furniture and Equipment .....	\$616,901	\$540,905
Stores and Shop Equipment .....	719,380	692,125
Transportation Equipment .....	42,810,288	37,622,968
Power-Operated Equipment .....	19,105,895	18,943,655
Accumulated Depreciation .....	<u>(38,208,304)</u>	<u>(37,665,559)</u>
Total Fixed Assets .....	25,044,160	20,134,094
Construction Work in Progress .....	<u>624,898</u>	<u>1,650,802</u>
Net Fixed Assets .....	25,669,058	21,784,896
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	18,856,736	22,567,699
Materials and Supplies .....	<u>293,126</u>	<u>263,918</u>
Total Current Assets .....	19,149,862	22,831,617
<b>OTHER ASSETS</b>		
Net Pension Asset .....	<u>-</u>	<u>101,261</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows for Pensions .....	<u>964,710</u>	<u>240,412</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<u><u>\$45,783,630</u></u>	<u><u>\$44,958,186</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

	2017	2016
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Invested in Capital Assets .....	\$25,669,058	\$21,784,896
Restricted for:		
Tacoma Power .....	18,095,346	18,093,165
Tacoma Water .....	7,199,933	7,199,933
Tacoma Rail .....	981,147	981,147
Net Pension Asset .....	-	101,261
Unrestricted .....	(7,485,530)	(3,720,747)
<b>TOTAL NET POSITION .....</b>	<b>44,459,954</b>	<b>44,439,655</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable & Other .....	77,924	80,117
Wages Payable .....	123,466	111,592
Total Current Liabilities .....	201,390	191,709
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	231,004	219,922
Net Pension Liability .....	835,359	-
Total Long-term Liabilities .....	1,066,363	219,922
<b>TOTAL LIABILITIES .....</b>	<b>1,267,753</b>	<b>411,631</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflows for Pensions .....	55,923	106,900
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$45,783,630</b>	<b>\$44,958,186</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
MARCH 31, 2017 AND MARCH 31, 2016

	MARCH 2017	MARCH 2016
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$186,476	\$143,281
Capital Recovery .....	12,973	408,661
Administrative Overhead .....	71,951	68,912
Fuel and Fuel Loading .....	5,146	3,873
Pool Car Rental .....	9,166	8,871
Total Operating Revenue .....	<u>285,712</u>	<u>633,598</u>
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	220,734	218,162
Outside Services .....	20,775	19,088
Total Repairs and Servicing .....	<u>241,509</u>	<u>237,250</u>
Stores Operations .....	21,621	27,810
Administration .....	154,796	134,955
Depreciation .....	294,159	252,648
Total Operating Expenses .....	<u>712,085</u>	<u>652,663</u>
<b>OPERATING INCOME</b> .....	(426,373)	(19,065)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	4,325	(19,750)
Gain (Loss) on Disposition of Equipment .....	106,506	152,768
Sale of Scrap .....	12,500	6,875
Total Non-Operating Revenues (Expenses) ....	<u>123,331</u>	<u>139,893</u>
<b>NET INCOME</b> .....	<u>(\$303,042)</u>	<u>\$120,828</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - MARCH 31</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*



YEAR TO DATE			
MARCH 2017	MARCH 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$415,739	\$368,047	\$47,692	13.0%
38,516	1,121,338	(1,082,822)	-96.6%
208,572	200,449	8,123	4.1%
14,431	10,417	4,014	38.5%
28,213	25,431	2,782	0.0%
705,471	1,725,682	(1,020,211)	-59.1%
667,339	669,149	(1,810)	-0.3%
20,984	19,205	1,779	9.3%
688,323	688,354	(31)	0.0%
68,390	76,077	(7,687)	-10.1%
378,356	364,695	13,661	3.7%
883,832	758,764	125,068	16.5%
2,018,901	1,887,890	131,011	6.9%
(1,313,430)	(162,208)	(1,151,222)	709.7%
71,483	75,479	(3,996)	5.3%
107,704	152,768	(45,064)	29.5%
12,500	6,875	5,625	-81.8%
191,687	235,122	(43,435)	18.5%
(1,121,743)	72,914	(\$1,194,657)	-1638.4%
45,581,697	44,366,741		
<u>\$44,459,954</u>	<u>\$44,439,655</u>		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash From Customers .....	\$951,621	\$2,535,893
Cash Paid to Suppliers .....	(1,053,145)	(1,435,464)
Cash Paid to Employees .....	(739,469)	(737,866)
Net Cash Provided by (Used In) Operating Activities ...	(840,993)	362,563
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(302,660)	(268,439)
Disposition of Equipment/Scrap.....	120,204	159,643
Net Cash Used in Financing Activities .....	(182,456)	(108,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	71,483	75,479
Net Cash Provided By Investing Activities .....	71,483	75,479
Net Change in Cash and Equity in Pooled Investments .....	(951,966)	329,246
Cash and Equity in Pooled Investments at January 1	19,808,702	22,238,453
Cash and Equity in Pooled Investments at March 31	<u>\$18,856,736</u>	<u>\$22,567,699</u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income .....	(\$1,313,430)	(\$162,208)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization .....	883,832	758,764
Accounts Receivable .....	213,758	-
Interdivision Receivable .....	32,392	766,391
Materials and Supplies .....	2,912	20,506
Accounts Payable & Other .....	(607,092)	(328,975)
Interdivision Payable .....	(103,224)	(785,250)
Absences Payable .....	49,859	49,515
Total Adjustments .....	472,437	524,771
Net Cash Provided by Operating Activities .....	(\$840,993)	\$362,563

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

EQUITY DISTRIBUTION AS OF MARCH 31, 2017

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2017 .....	\$30,343,339	\$13,713,445	\$1,524,913	\$45,581,697
Contributions During Year .....	-	-	-	-
Equity Contrib. at March 31, 2017 ..	30,343,339	13,713,445	1,524,913	45,581,697
Current Year Operations:				
Total Operating Revenue * .....	469,626	212,244	23,601	705,471
Less: Repairs & Servicing Expense *	458,210	207,085	23,028	688,323
Administration Expense ** ...	334,037	97,257	15,452	446,746
Depreciation Expense .....	667,703	191,176	24,953	883,832
Total Expenses .....	1,459,950	495,518	63,433	2,018,901
Net Operating Revenue .....	(990,324)	(283,274)	(39,832)	(1,313,430)
Add: Other Income *** .....	127,586	57,679	6,422	191,687
Net Operating Results .....	(862,738)	(225,595)	(33,410)	(1,121,743)
Total Equity .....	<u>\$29,480,601</u>	<u>\$13,487,850</u>	<u>\$1,491,503</u>	<u>\$44,459,954</u>

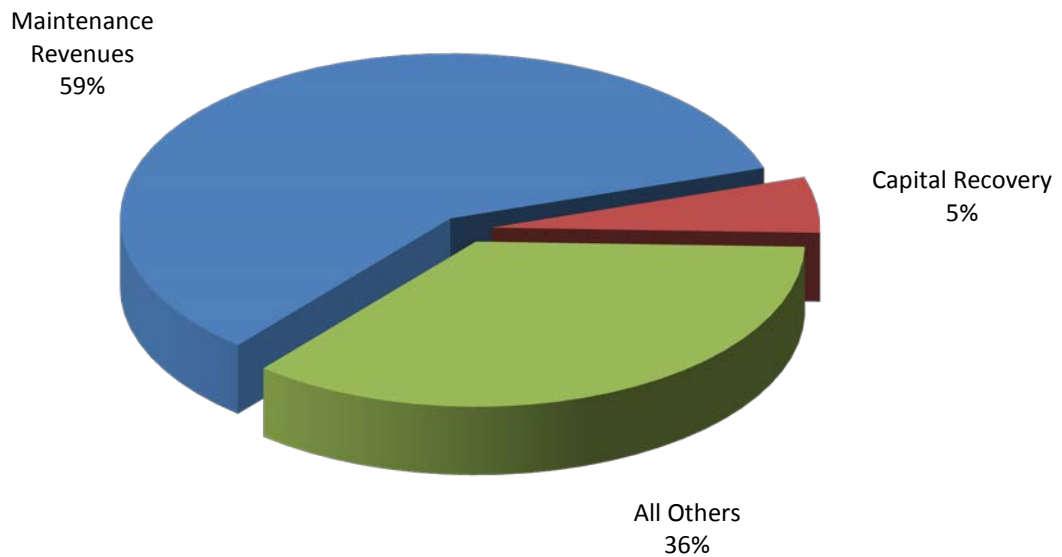
\* Allocated to each division based on total receipts from the divisions.

\*\* Allocated to each division based on vehicle count.

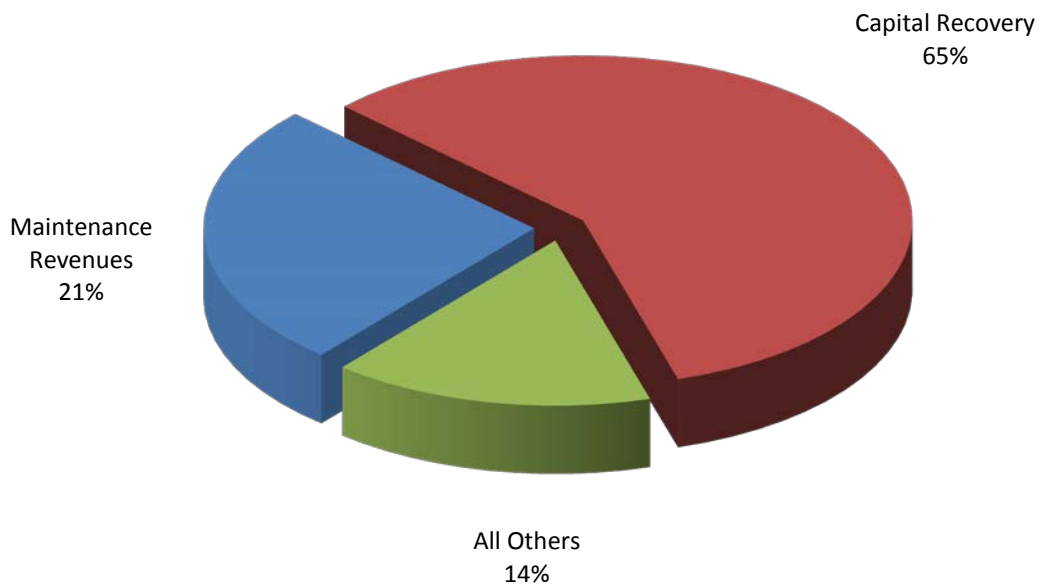
\*\*\* Allocated to each division based on total equity in the Fund.

# Supplemental Data

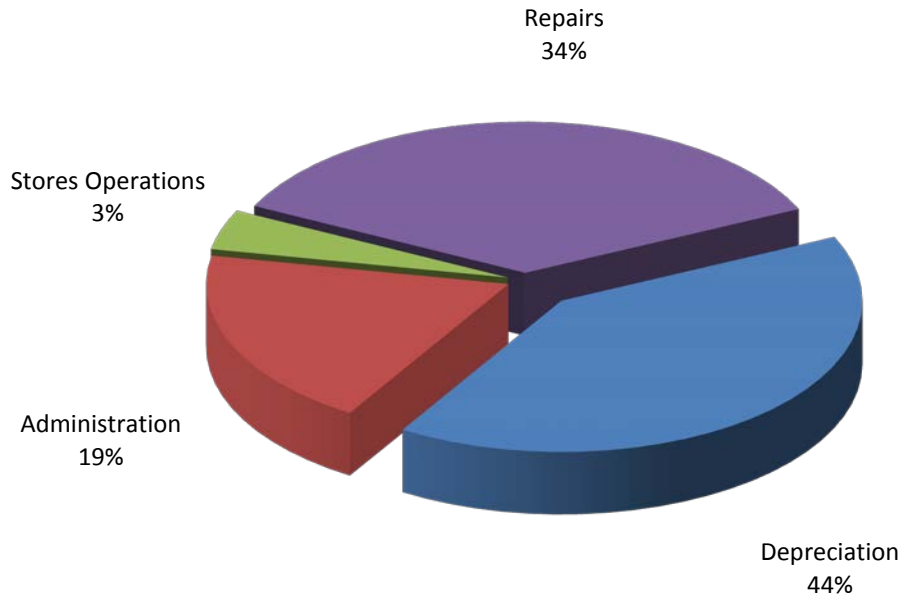
**TOTAL OPERATING REVENUES**  
**Year to Date - March 2017 (\$705,471)**



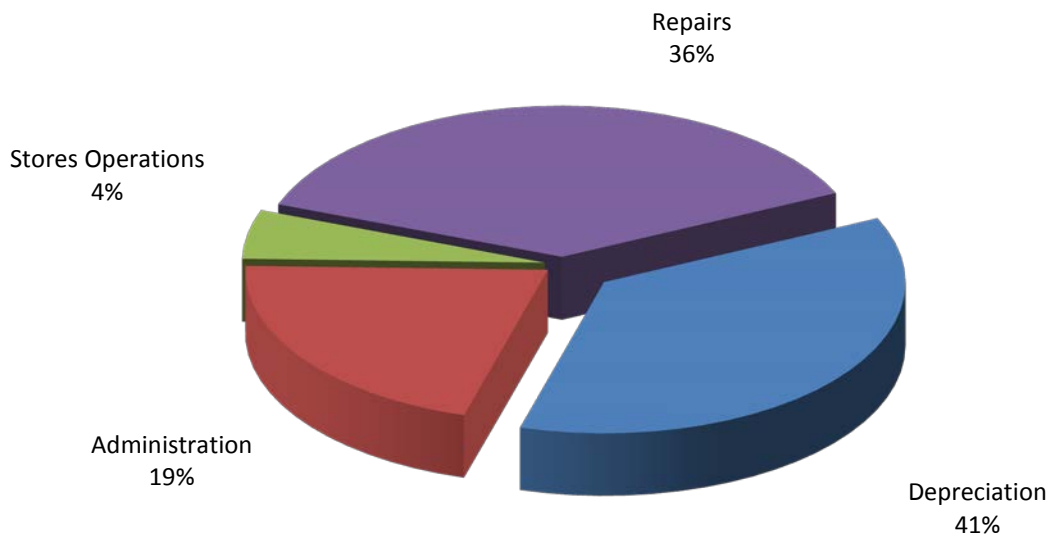
**TOTAL OPERATING REVENUES**  
**Year to Date - March 2016 (\$1,725,682)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2017 (\$2,018,901)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2016 (\$1,887,890)**





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.



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***MARCH***

***TACOMA POWER***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

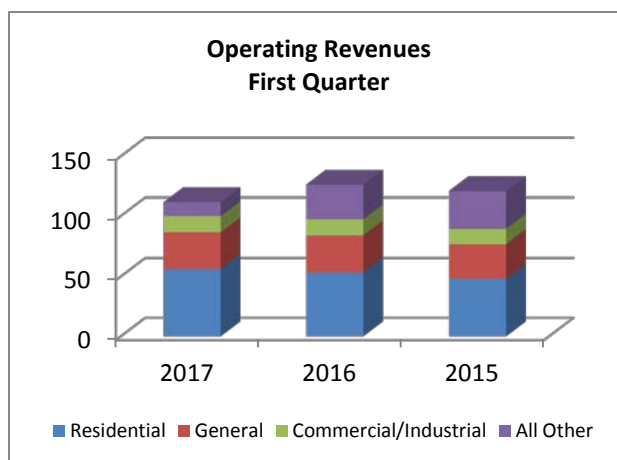


## **Summary**

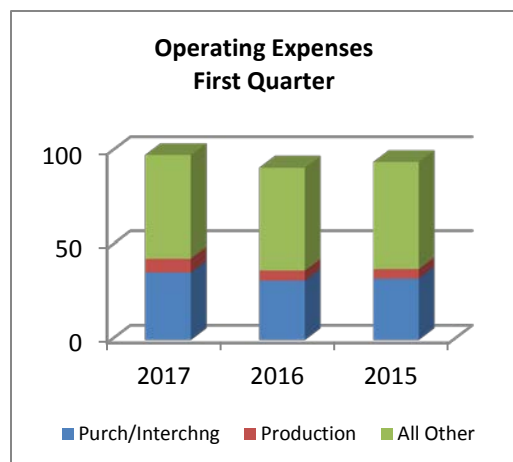
Tacoma Power's operating income at the end of the first quarter of 2017 was \$28.5 million compared to \$34.8 million a year earlier. Operating revenues increased \$0.4 million (0.3%) compared to the prior year. Operating expenses increased \$6.8 million (7.4%). Non-operating income decreased \$0.5 million (22.2%) resulting in net income of \$22.4 million in 2017 compared to \$26.6 million in 2016.

## **Revenues**

In the first quarter of 2017, total electric energy sales increased \$0.4 million compared with the same period a year earlier. Total sales to residential and other customers increased \$2.7 million. Wholesale energy sales decreased \$2.3 million due to lower volume.



## **Expenses**



First quarter 2017 operating expenses were \$98.2 million, up \$6.8 million (7.4%) from 2016.

Hydraulic Power Production expense increased \$1.8 million (44.6%) primarily due to an incorrect estimate in a 2015 expense accrual. Purchased power expense increased by \$4.3 million (13.5%) compared to 2016. Power purchased from BPA increased \$1.6 million primarily due to \$1.3 million in credits received in 2017 for the Energy Conservation Agreement (ECA), compared to \$2.7 million in credits the first quarter of 2016.

Other portfolio purchases increased by \$2.6 million primarily due to lower prices and a decrease in generation which resulted in more purchased power to cover the load.

William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION  
Doing Business As

## TACOMA POWER

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF NET POSITION - March 31, 2017 AND March 31, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Electric Plant in Service .....	\$2,005,440,138	\$1,861,255,899
Less Depreciation and Amortization .....	(1,011,293,597)	(959,208,895)
Total .....	994,146,541	902,047,004
Construction Work in Progress .....	35,941,190	102,955,044
Net Utility Plant .....	1,030,087,731	1,005,002,048
<b>NON-UTILITY PROPERTY .....</b>	<b>182,051</b>	<b>182,051</b>
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010B Construction Fund .....	-	4,773,624
2013 Construction Fund .....	(320,726)	34,774,814
2015 Construction Fund .....	11,825,582	7,210,906
Provision for Debt Service .....	7,491,079	7,938,953
Special Bond Reserves .....	4,997,639	4,997,639
Wynoochee Reserve--State of Washington .....	2,572,438	2,548,079
Total Restricted Assets .....	26,566,012	62,244,015
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	168,263,907	164,473,741
Customers' and Contractors' Deposits .....	2,692,500	2,989,530
Conservation Loan Fund .....	3,575,630	3,448,524
Rate Stabilization Fund .....	48,000,000	48,000,000
Receivables:		
Customers .....	23,997,805	19,192,023
Accrued Unbilled Revenue .....	28,587,295	29,427,771
Others .....	13,229,697	13,414,328
Provision for Uncollectibles .....	(1,971,276)	(1,166,529)
Materials and Supplies .....	7,194,206	6,218,262
Prepayments and Other .....	6,070,798	5,614,931
Total Current Assets .....	299,640,562	291,612,581
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation .....	48,734,277	46,418,253
Net Pension Asset .....	-	3,823,476
Conservation Loan Fund Receivables .....	2,621,663	1,464,581
Total Other Assets .....	51,355,940	51,706,310
<b>Total Assets .....</b>	<b>1,407,832,296</b>	<b>1,410,747,005</b>
<b>DEFERRED OUTFLOWS</b>		
Deferred Outflow for Pensions .....	39,469,454	9,077,586
Unamortized Loss on Refunding Bonds .....	-	1,424,952
Total Deferred Outflows .....	39,469,454	10,502,538
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<b>\$1,447,301,750</b>	<b>\$1,421,249,543</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*



<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$589,542,705	\$601,837,005
Restricted for:		
Wynoochee Reserve - State of Washington .....	2,572,438	2,548,079
Debt Service .....	2,893,753	3,182,503
Net Pension Asset .....	-	3,823,476
Unrestricted .....	249,380,869	241,190,224
<b>TOTAL NET POSITION .....</b>	<b>844,389,765</b>	<b>852,581,287</b>
<b>LONG-TERM DEBT</b>		
2010B Electric System Refunding Bonds .....	147,070,000	147,070,000
2010C Electric System Refunding Bonds .....	24,185,000	24,185,000
2013A Electric System Rev & Refunding Bonds .....	139,885,000	151,460,000
2013B Electric System Rev & Refunding Bonds .....	35,620,000	35,620,000
Total Bonded Indebtedness .....	346,760,000	358,335,000
Less: Unamortized Bond Premiums .....	18,644,573	20,214,029
Net Bonded Indebtedness .....	365,404,573	378,549,029
Line of Credit .....	80,250,000	50,250,000
Total Long-Term Debt .....	445,654,573	428,799,029
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	3,807,173	3,347,915
Taxes and Other Payables .....	12,816,130	13,319,414
Purchases and Transmission of Power Accrued .....	12,451,464	11,977,939
Interest Payable .....	4,597,326	4,756,450
Customers' Deposits .....	2,753,544	2,995,134
Current Portion of Long-Term Debt .....	11,575,000	12,730,000
Current Accrued Compensated Absences .....	1,075,771	1,058,072
Total Current Liabilities .....	49,076,408	50,184,924
<b>LONG TERM LIABILITIES</b>		
Long Term Accrued Compensated Absences .....	9,681,941	9,522,650
Net Pension Liability .....	34,177,293	-
Other Long Term Liabilities .....	14,033,787	13,125,264
Total Long Term Liabilities .....	57,893,021	22,647,914
<b>TOTAL LIABILITIES .....</b>	<b>552,624,002</b>	<b>501,631,867</b>
<b>DEFERRED INFLOWS</b>		
Deferred Inflow for Pensions .....	2,287,983	4,036,389
Rate Stabilization .....	48,000,000	48,000,000
Total Deferred Inflows .....	50,287,983	52,036,389
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$1,447,301,750</b>	<b>\$1,406,249,543</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
March 31, 2017 AND March 31, 2016

	March 2017	March 2016
<b>OPERATING REVENUES</b>		
Sales of Electric Energy .....	\$40,928,441	\$39,194,297
Other Operating Revenues .....	1,384,576	1,393,775
Click! Network Operating Revenues .....	2,250,892	2,229,038
Total Operating Revenue .....	<u>44,563,909</u>	<u>42,817,110</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Hydraulic Power Production .....	3,094,988	2,211,426
Other Production Expense .....	616,955	460,111
Total Expense Power Produced .....	<u>3,711,943</u>	<u>2,671,537</u>
Purchased Power .....	11,801,115	8,476,910
Total Production Expense .....	<u>15,513,058</u>	<u>11,148,447</u>
Transmission Expense .....	2,507,946	2,795,514
Distribution Expense .....	2,503,744	2,758,291
Click! Network Commercial Operations Expense .	2,200,750	2,333,012
Customer Accounts Expense (CIS) .....	1,113,009	1,134,903
Conservation and Other Customer Assistance ...	1,193,048	1,046,546
Taxes .....	2,787,616	2,808,234
Depreciation .....	4,767,779	4,628,046
Administrative and General .....	1,766,447	2,016,211
Total Operating Expenses .....	<u>34,353,397</u>	<u>30,669,204</u>
<b>OPERATING INCOME (LOSS) .....</b>	<u>10,210,512</u>	<u>12,147,906</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	225,962	210,955
Contribution to Family Need .....	(8,333)	(40,000)
Other Net Non-Op Revenues and Deductions .....	207,223	(22,868)
Interest on Long-Term Debt .....	(1,588,368)	(1,636,174)
Amort. of Debt Related Costs .....	124,051	(25,294)
Interest Charged to Construction .....	-	381,498
Total Non-Operating Revenues (Expenses) ..	<u>(1,039,465)</u>	<u>(1,131,883)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	9,171,047	11,016,023
Capital Contributions		
Cash .....	984,990	457,310
Donated Fixed Assets .....	6,436	33,873
BABs and CREBs Interest Subsidies	329,553	329,553
Transfers		
City Gross Earnings Tax .....	<u>(3,306,749)</u>	<u>(3,428,748)</u>
<b>CHANGE IN NET POSITION .....</b>	<u>\$7,185,277</u>	<u>\$8,408,011</u>
<b>TOTAL NET POSITION - January 1 .....</b>		
<b>TOTAL NET POSITION - March 31 .....</b>		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
March 31, 2017	March 31, 2016		
\$115,340,492	\$114,900,239	\$440,253	0.4%
4,854,517	4,675,006	179,511	3.8%
6,511,689	6,692,058	(180,369)	-2.7%
126,706,698	126,267,303	439,395	0.3%
5,915,792	4,092,070	1,823,722	44.6%
1,480,691	1,256,939	223,752	17.8%
7,396,483	5,349,009	2,047,474	38.3%
35,886,953	31,615,854	4,271,099	13.5%
43,283,436	36,964,863	6,318,573	17.1%
7,651,375	7,916,125	(264,750)	-3.3%
7,657,123	8,087,256	(430,133)	-5.3%
6,210,625	6,432,141	(221,516)	-3.4%
3,541,067	3,361,346	179,721	5.3%
3,308,017	2,977,400	330,617	11.1%
5,780,041	5,699,441	80,600	1.4%
14,413,710	13,904,493	509,217	3.7%
6,357,611	6,108,362	249,249	4.1%
98,203,005	91,451,427	6,751,578	7.4%
28,503,693	34,815,876	(6,312,183)	-18.1%
1,440,428	1,371,936	68,492	5.0%
(25,000)	(120,000)	95,000	-79.2%
152,787	428,057	(275,270)	-64.3%
(4,723,089)	(4,832,513)	109,424	-2.3%
372,153	(75,878)	448,031	590.5%
150,633	1,074,796	(924,163)	-86.0%
(2,632,088)	(2,153,602)	(478,486)	22.2%
25,871,605	32,662,274	(6,790,669)	-20.8%
4,997,208	1,563,167	3,434,041	219.7%
6,436	33,873	(27,437)	-81.0%
988,660	988,660	-	0.0%
(9,469,837)	(8,599,984)	(869,853)	10.1%
22,394,072	26,647,990	(4,253,918)	-16.0%
821,995,693	825,933,297	(3,937,604)	-0.5%
\$844,389,765	\$852,581,287	(8,191,522)	

These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

SUMMARY OF REVENUES AND BILLINGS  
March 31, 2017 AND March 31, 2016

	For the month of March 2017	For the month of March 2016
<b>OPERATING REVENUE</b>		
Sales of Electric Energy		
Residential .....	\$19,271,447	\$18,445,510
Commercial .....	3,124,336	3,060,824
General .....	10,481,694	10,752,684
Contract Industrial .....	1,642,581	1,653,487
Public Street and Highway Lighting .....	40,993	49,646
Sales to Other Electric Utilities .....	39,005	31,398
Total Sales to Customers .....	34,600,056	33,993,549
Bulk Power Sales .....	6,328,385	5,200,748
Total Sales of Electric Energy .....	40,928,441	39,194,297
Other Operating Revenue		
Rentals and Leases from Elect. Property ...	60,885	108,364
Wheeling .....	814,589	866,213
Service Fees and Other .....	509,102	419,198
Telecommunications Revenue .....	2,250,892	2,229,038
Total Other Operating Revenues .....	3,635,468	3,622,813
TOTAL OPERATING REVENUES .....	\$44,563,909	\$42,817,110
 <b>BILLINGS (Number of Months Billed)</b>		
Residential .....	172,667	186,459
Commercial .....	18,107	19,213
General .....	2,868	3,150
Contract Industrial .....	2	2
Public Streets and Highway Lighting .....	1,171	1,221
Sales to Other Utilities .....	1	1
TOTAL BILLINGS .....	194,816	210,046

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
March 31, 2017	March 31, 2016		
\$56,171,198	\$53,492,476	\$2,678,722	5.0%
8,474,392	8,245,377	229,015	2.8%
30,231,524	30,470,711	(239,187)	-0.8%
4,930,101	5,041,423	(111,322)	-2.2%
265,638	131,623	134,015	101.8%
130,431	105,512	24,919	23.6%
100,203,284	97,487,122	2,716,162	2.8%
15,137,208	17,413,117	(2,275,909)	-13.1%
115,340,492	114,900,239	440,253	0.4%
844,662	825,956	18,706	2.3%
2,620,226	2,582,669	37,557	1.5%
1,389,629	1,266,381	123,248	9.7%
6,511,689	6,692,058	(180,369)	-2.7%
11,366,206	11,367,064	(858)	0.0%
\$126,706,698	\$126,267,303	\$439,395	0.3%
468,545	474,813	(6,268)	-1.3%
47,877	47,486	391	0.8%
7,524	7,994	(470)	-5.9%
6	6	-	0.0%
2,916	2,914	2	0.1%
3	3	-	0.0%
526,871	533,216	(6,345)	-1.2%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

GROSS GENERATION REPORT - Mar 31, 2017 AND Mar 31, 2016

	For the month of Mar 2017	For the month of Mar 2016
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross		
Generated - LaGrande .....	48,201,000	43,482,000
Generated - Alder .....	25,303,000	34,092,000
TOTAL NISQUALLY .....	<u>73,504,000</u>	<u>77,574,000</u>
Generated - Cushman No. 1 .....	12,082,000	20,064,000
Generated - Cushman No. 2 .....	20,327,000	35,283,000
TOTAL CUSHMAN .....	<u>32,409,000</u>	<u>55,347,000</u>
Generated - Mossyrock .....	140,936,000	141,475,000
Generated - Mayfield .....	112,589,000	95,021,000
TOTAL COWLITZ .....	<u>253,525,000</u>	<u>236,496,000</u>
Generated - Wynoochee .....	<u>6,353,000</u>	<u>6,398,000</u>
Generated - Hood Street .....	<u>343,400</u>	<u>269,000</u>
Tacoma's Share of Priest Rapids .....	<u>2,843,000</u>	<u>2,757,000</u>
Tacoma's Share of GCPHA .....	<u>1,293,000</u>	<u>6,239,000</u>
TOTAL KWH GENERATED - TACOMA SYSTEM .....	370,270,400	385,080,000
Purchased Power		
BPA Slice Contract .....	277,274,000	236,319,000
BPA Block Contract .....	157,401,000	155,082,000
Interchange Net .....	(342,289,000)	(335,823,000)
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED ..	<u>462,656,400</u>	<u>440,658,000</u>
Losses .....	3,973,989	4,537,877
Baldi Replacement .....	201,219	227,492
Ketron .....	28,718	24,866
NT PC Mutuals Schedules .....	(3,283,000)	(3,048,000)
PC Mutual Inadvertent .....	<u>9,684,104</u>	<u>320,396</u>
TACOMA SYSTEM FIRM LOAD .....	<u>473,261,430</u>	<u>442,720,631</u>
Maximum Kilowatts (System Firm Load) .....	809,640	781,921
Average Kilowatts (System Firm Load) .....	636,104	595,055
PIERCE COUNTY MUTUAL LOAD .....	183,293,000	165,407,000
KWH BILLED		
Residential Sales .....	236,997,985	223,925,845
Commercial Sales .....	36,381,940	36,211,775
General .....	174,780,456	181,295,986
Contract Industrial .....	37,661,820	38,406,540
Public Street and Highway Lighting .....	891,038	1,100,364
Sales to Other Electric Utilities .....	699,300	472,500
TOTAL FIRM .....	<u>487,412,539</u>	<u>481,413,010</u>
Bulk Power Sales .....	<u>383,751,000</u>	<u>353,480,000</u>
TOTAL KWH BILLED .....	<u><u>871,163,539</u></u>	<u><u>834,893,010</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
Mar 31 2017	Mar 31 2016		
110,939,000	135,572,000	(24,633,000)	-18.2%
65,266,000	98,824,000	(33,558,000)	-34.0%
176,205,000	234,396,000	(58,191,000)	-24.8%
28,652,000	67,680,000	(39,028,000)	-57.7%
44,505,000	119,440,000	(74,935,000)	-62.7%
73,157,000	187,120,000	(113,963,000)	-60.9%
323,367,000	433,523,000	(110,156,000)	-25.4%
261,075,000	296,351,000	(35,276,000)	-11.9%
584,442,000	729,874,000	(145,432,000)	-19.9%
15,336,000	19,546,000	(4,210,000)	-21.5%
767,700	973,100	(205,400)	-21.1%
8,251,000	7,214,000	1,037,000	14.4%
1,293,000	6,239,000	(4,946,000)	-79.3%
859,451,700	1,185,362,100	(325,910,400)	-27.5%
724,807,000	608,798,000	116,009,000	19.1%
455,059,000	448,354,000	6,705,000	1.5%
(586,805,000)	(875,639,000)	288,834,000	0.0%
1,452,512,700	1,366,875,100	85,637,600	6.3%
8,717,830	12,451,651	(3,733,821)	-30.0%
367,439	762,776	(395,337)	-51.8%
111,199	79,829	31,370	39.3%
(10,349,000)	(9,474,000)	(875,000)	0.0%
20,468,695	1,190,535	19,278,160	0.0%
1,471,828,863	1,371,885,891	99,942,972	7.3%
1,435,535,000	1,422,462,000	13,073,000	0.9%
695,837,571	659,203,794	36,633,777	5.6%
98,817,299	96,738,144	2,079,155	2.1%
515,762,909	523,176,630	(7,413,721)	-1.4%
112,925,580	90,651,310	22,274,270	24.6%
6,001,647	2,968,799	3,032,848	0.0%
2,416,500	1,875,600	540,900	28.8%
1,431,761,506	1,374,614,277	57,147,229	4.2%
732,508,000	911,025,000	(178,517,000)	-19.6%
2,164,269,506	2,285,639,277	(121,369,771)	-5.3%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	March 31, 2017	March 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$121,471,899	\$125,495,469
Cash Paid to Suppliers .....	(58,019,146)	(47,946,644)
Cash Paid to Employees .....	(31,062,496)	(29,871,521)
Taxes Paid .....	(5,575,377)	(4,718,773)
Conservation Loans .....	(79,193)	(41,544)
Net Cash from Operating Activities .....	26,735,687	42,916,987
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax .....	(9,469,837)	(8,599,984)
Transfer to Family Need Fund .....	(25,000)	(120,000)
Net Cash from Non-Capital Financing Activities ..	(9,494,837)	(8,719,984)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures .....	(10,935,308)	(14,986,998)
Proceeds from Long-Term Debt .....	-	15,000,000
Principal Payments on Long-Term Debt .....	(12,730,000)	(14,735,000)
Interest Paid .....	(9,638,669)	(9,956,694)
BABs and CREBs Interest Subsidies .....	988,660	988,660
Contributions in Aid of Construction .....	4,997,208	1,563,167
Net Cash from Capital and Related Financing Activities .....	(27,318,109)	(22,126,865)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	1,440,428	1,371,936
Other Net Non-Op Revenues and Deductions .....	152,787	428,058
Net Cash from Investing Activities .....	1,593,215	1,799,994
Net Increase Change in Cash and Equity in Pooled Investments .....	(8,484,044)	13,870,132
Cash and Equity in Pooled Investments at January 1 ..	257,582,093	267,285,678
Cash and Equity in Pooled Investments at March 31....	249,098,049	\$281,155,810

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF CASH FLOWS

	March 31, 2017	March 31, 2016
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>		
Net Operating Income .....	\$28,503,693	\$34,815,877
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	14,413,710	13,904,493
Amortization of Regulatory Assets .....	1,879,820	1,623,085
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue .....	(5,234,798)	(771,835)
Conservation Loans Receivable .....	(79,193)	(41,544)
Interfund Receivables .....	2,226,220	1,484,313
Inventory, Materials and Supplies, and Other ....	588,086	242,454
Taxes and Other Payables .....	(14,641,552)	(7,037,355)
Purchased Power Payable .....	(187,678)	(35,539)
Salaries and Wages Payable .....	1,970,231	1,918,568
Customers' Deposits .....	(18,851)	(113,674)
Regulatory Assets - Conservation .....	(543,092)	(1,747,415)
Interfund Payables .....	(2,140,909)	(1,324,441)
Total Adjustments .....	(1,768,006)	8,101,110
Net Cash from Operating Activities .....	<u>\$26,735,687</u>	<u>\$42,916,987</u>
 Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	\$26,566,012	\$62,244,015
Cash and Equity in Pooled Investments in Operating Funds.....	<u>222,532,037</u>	<u>218,911,795</u>
Cash and Equity in Pooled Investments at March 31 .....	<u>\$249,098,049</u>	<u>\$281,155,810</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
CLICK! NETWORK  
COMMERCIAL OPERATIONS

OPERATIONAL SUMMARY - MARCH 31, 2017

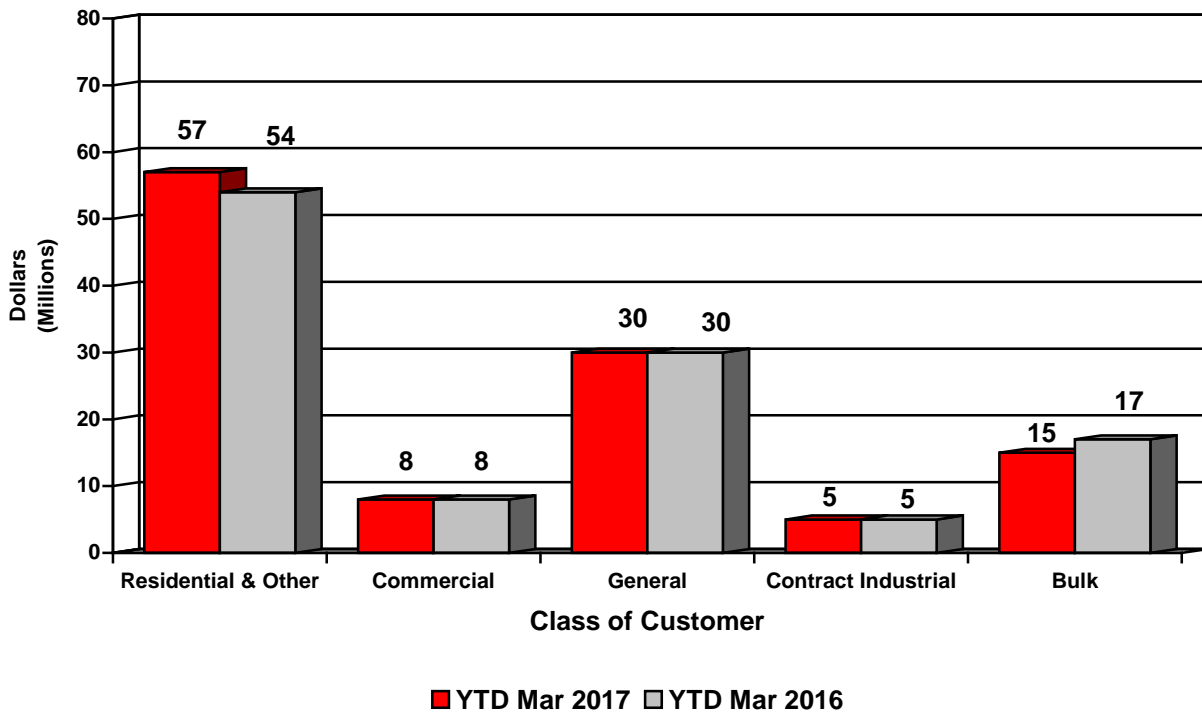
	MARCH 2017	MARCH 2016
<b>TELECOMMUNICATIONS REVENUE</b>		
CATV .....	\$1,543,202	\$1,520,759
Broadband .....	90,431	98,139
ISP .....	595,597	584,567
Interdepartmental .....	21,662	25,573
Total Operating Revenue .....	<u>2,250,892</u>	<u>2,229,038</u>
<b>TELECOMMUNICATIONS EXPENSE-COMMERCIAL</b>		
Administration & Sales Expense .....		
Salaries & Wages Expense .....	278,060	316,504
General Expense .....	11,103	63,536
Contract Services .....	1,188,743	1,120,233
IS & Intergovernmental Services .....	139,674	131,868
Fleet Services .....	523	166
Capitalized A & G Expense .....	(2,831)	(720)
Total Admin. & Sales Expense .....	<u>1,615,272</u>	<u>1,631,587</u>
Operations & Maintenance Expense ...		
Salaries & Wages Expense .....	454,687	511,571
General Expense .....	49,406	30,240
Contract Services .....	61,597	136,325
IS & Intergovernmental Services .....	7,852	2,738
Fleet Services .....	19,861	30,690
New Connect Capital .....	(7,925)	(10,139)
Total Oper. & Maint. Expense .....	<u>585,478</u>	<u>701,425</u>
Total Telecommunications Expense .	2,200,750	2,333,012
Net Revenues (Expenses) Before Taxes and Depreciation and Amortization ....	50,142	(103,974)
Taxes .....	312,230	303,140
Depreciation and Amortization .....	<u>205,683</u>	<u>224,562</u>
	517,913	527,702
NET OPERATING REVENUES (EXPENSES) ....	<u>(467,771)</u>	<u>(631,676)</u>

YEAR TO DATE			
MARCH 31 2017	MARCH 31 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$4,352,656	\$4,576,327	(\$223,671)	-4.9%
271,695	302,224	(30,529)	-10.1%
1,822,220	1,736,789	85,431	4.9%
65,118	76,718	(11,600)	-15.1%
<u>6,511,689</u>	<u>6,692,058</u>	<u>(180,369)</u>	-2.7%
810,843	838,316	(27,473)	-3.3%
97,762	154,904	(57,142)	-36.9%
3,276,243	3,293,785	(17,542)	-0.5%
390,568	359,366	31,202	8.7%
1,503	597	906	151.8%
(15,403)	(1,710)	(13,693)	-800.8%
<u>4,561,516</u>	<u>4,645,258</u>	<u>(83,742)</u>	-1.8%
1,351,673	1,426,193	(74,520)	-5.2%
104,373	80,895	23,478	29.0%
150,760	213,019	(62,259)	-29.2%
14,921	7,482	7,439	99.4%
54,475	88,983	(34,508)	-38.8%
(27,093)	(29,689)	2,596	8.7%
<u>1,649,109</u>	<u>1,786,883</u>	<u>(137,774)</u>	-7.7%
6,210,625	6,432,141	(221,516)	-3.4%
301,064	259,917	41,147	15.8%
899,459	900,354	(895)	-0.1%
617,598	683,618	(66,020)	-9.7%
<u>1,517,057</u>	<u>1,583,972</u>	<u>(66,915)</u>	
<u>(1,215,993)</u>	<u>(1,324,055)</u>	<u>108,062</u>	8.2%

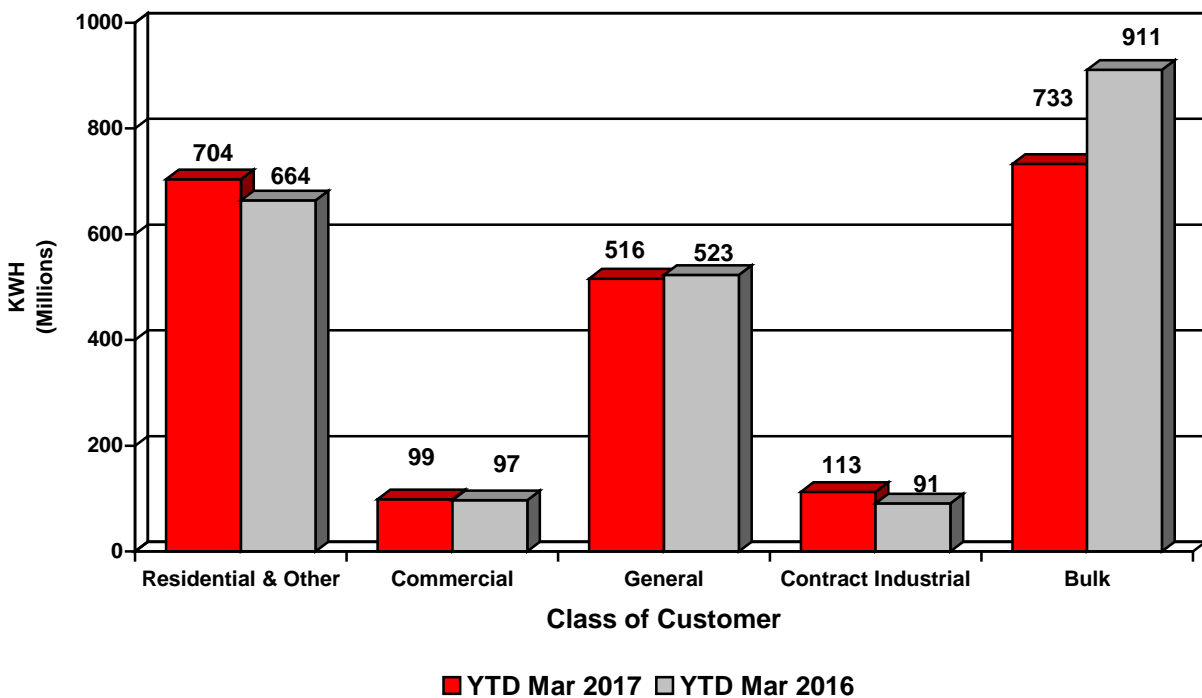
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# Supplemental Data

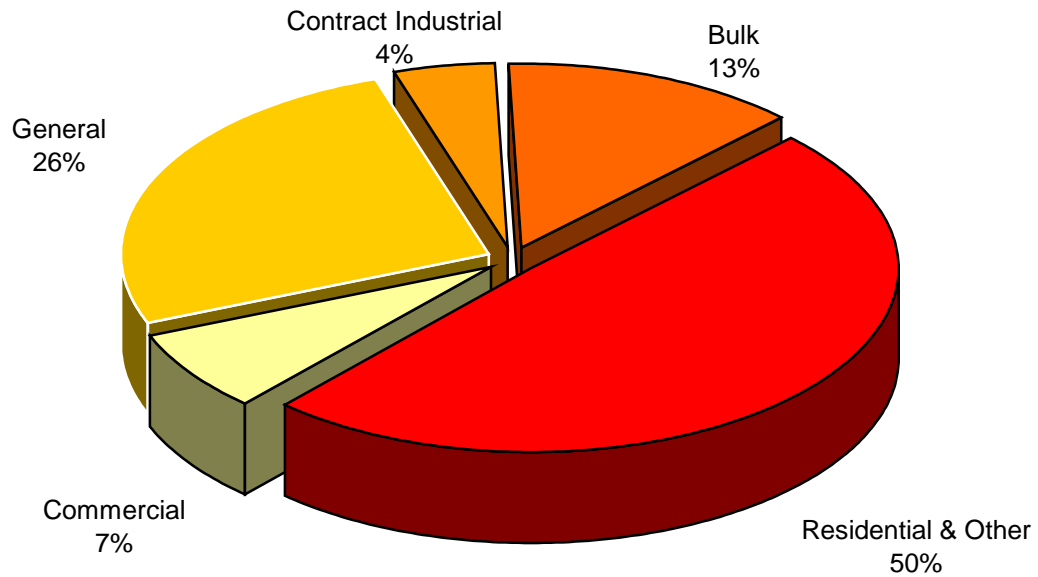
**SALES OF ELECTRIC ENERGY**  
Year to Date - March 2017 & 2016



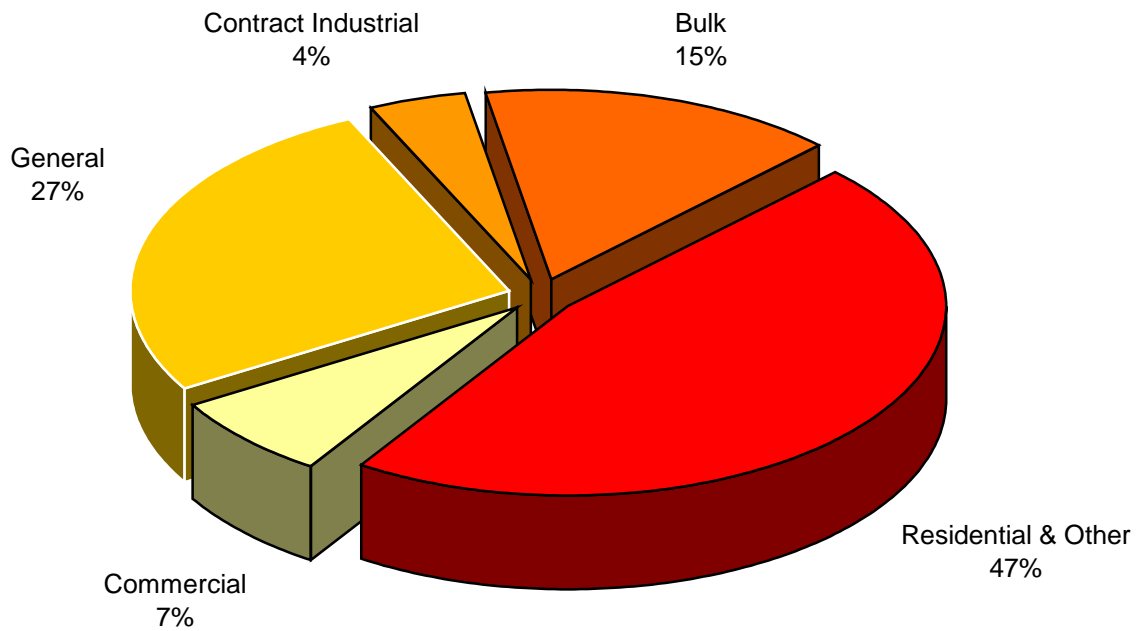
**TOTAL POWER BILLED**  
Year to Date - March 2017 & 2016



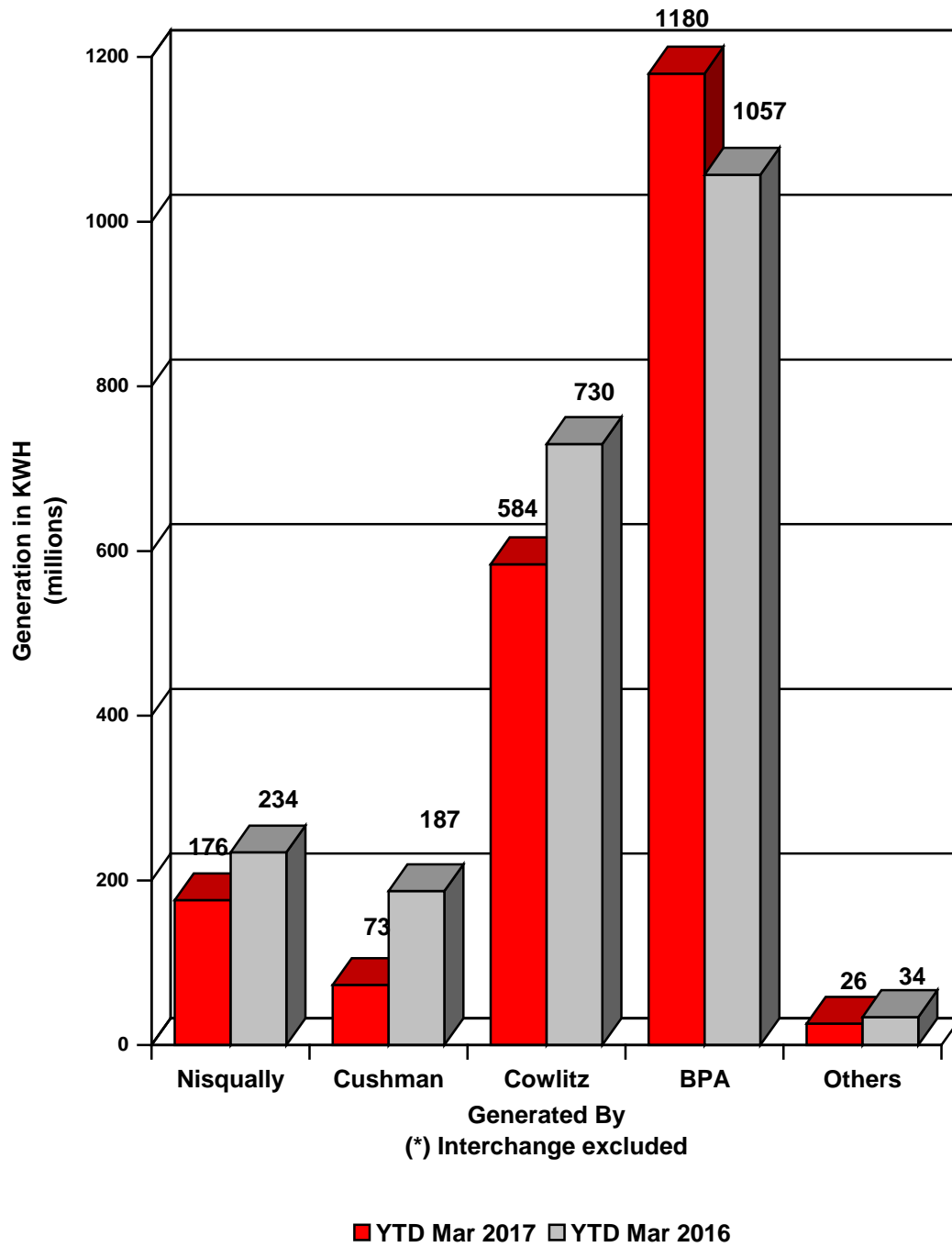
**SALES OF ELECTRIC ENERGY**  
**Year to Date - Mar 2017 (\$115,340,492)**



**SALES OF ELECTRIC ENERGY**  
**Year to Date - Mar 2016 (\$114,900,239)**

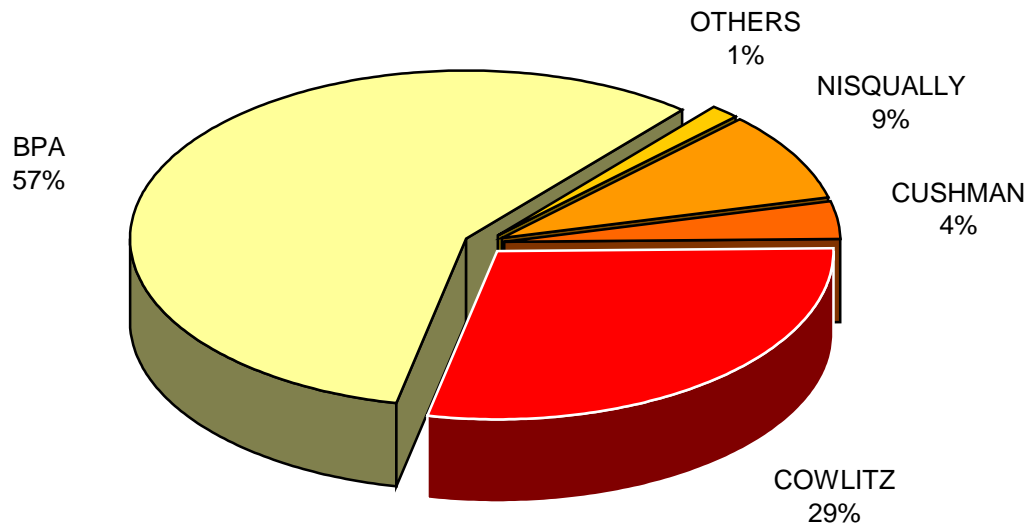


**POWER SOURCES (\*)**  
**Year to Date March 2017 & 2016**

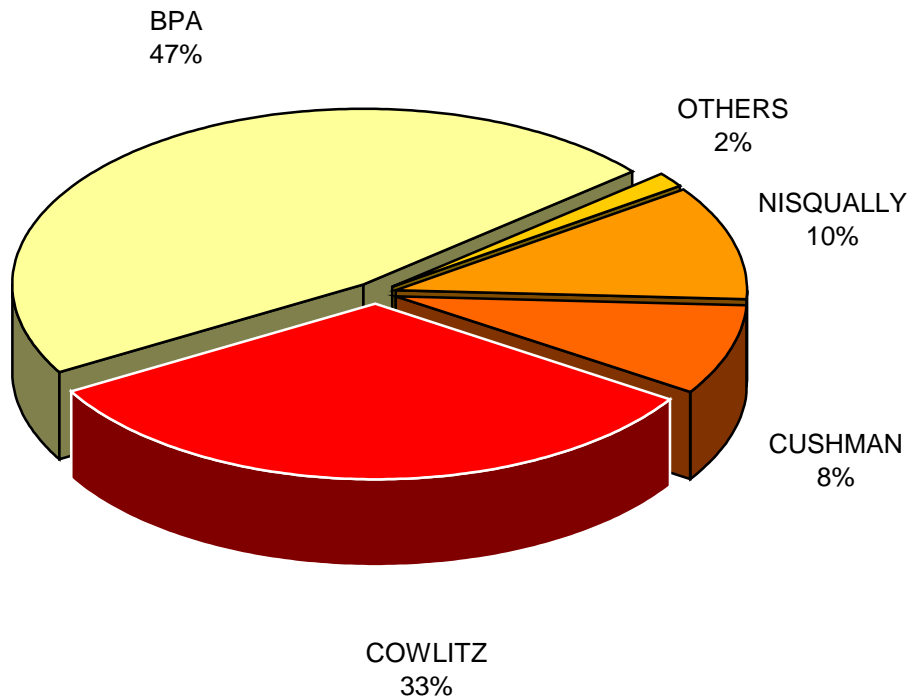




**POWER SOURCES (\*)**  
**Year to Date - March 2017**

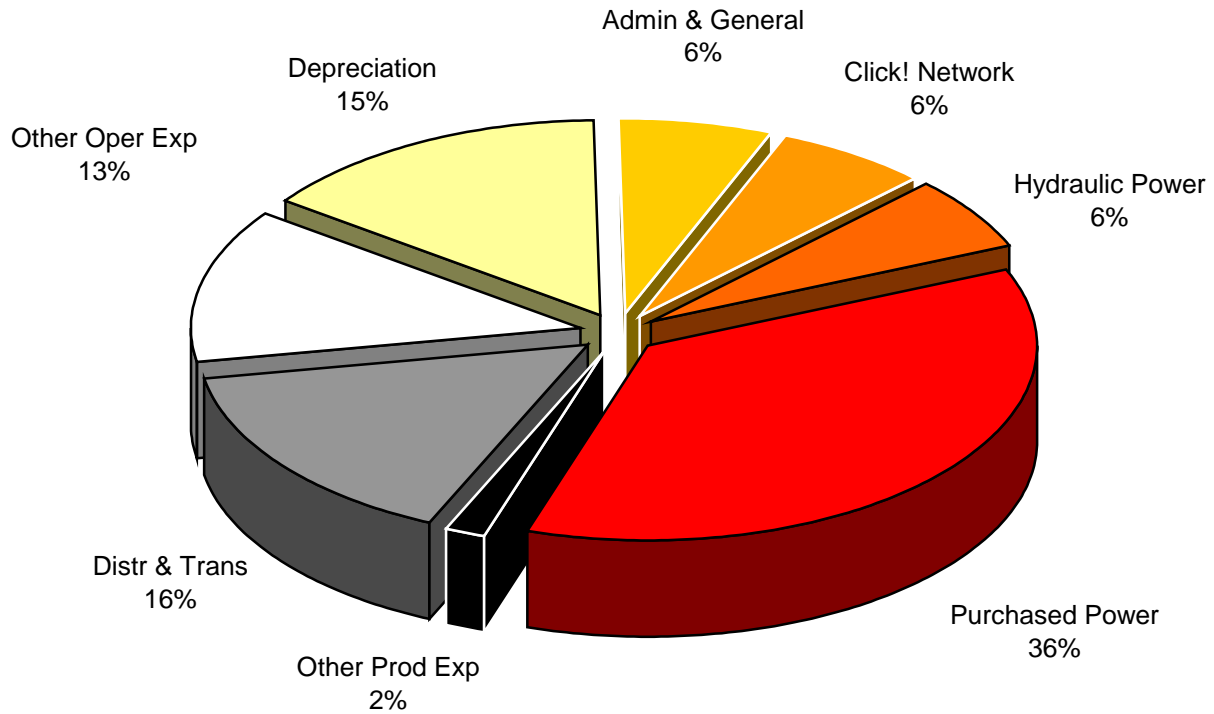


**POWER SOURCES (\*)**  
**Year to Date - March 2016**

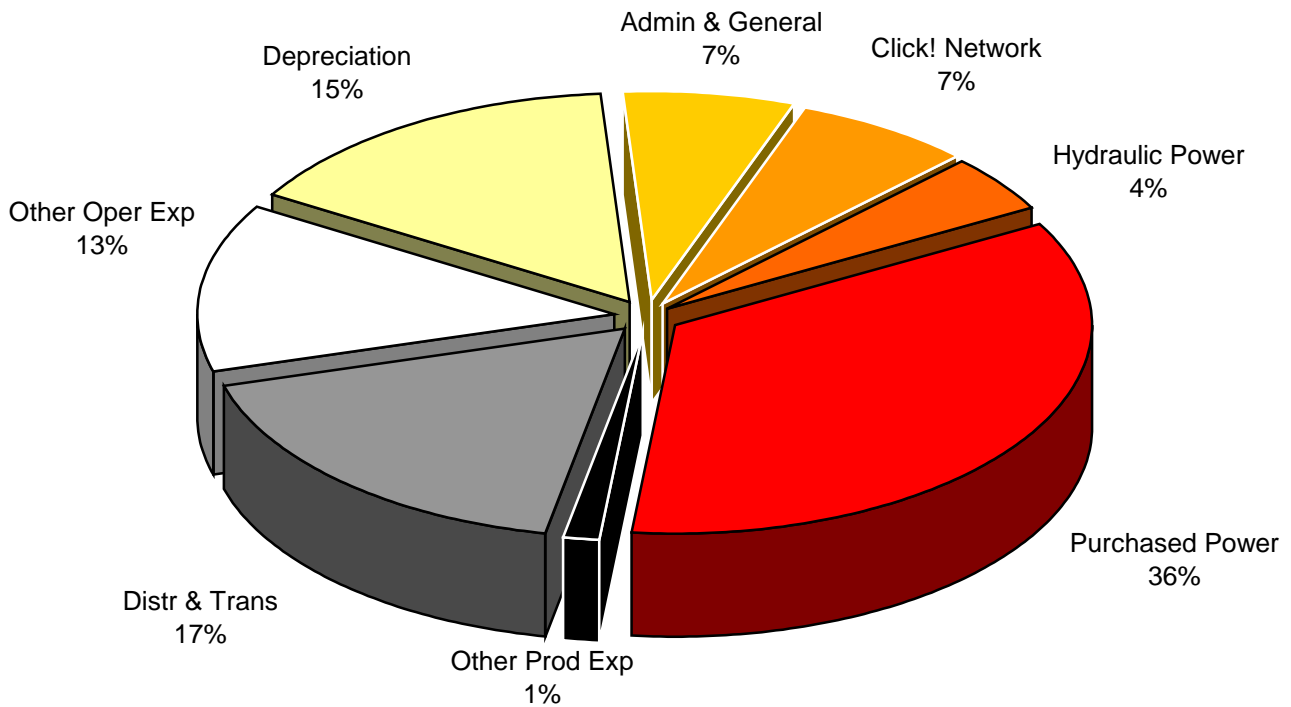


(\*) Interchange excluded

**TOTAL OPERATING EXPENSES \***  
**Year to Date - Mar 2017 (\$98,203,005)**



**TOTAL OPERATING EXPENSES \***  
**Year to Date - Mar 2016 (\$91,451,427)**



\* City Gross Earnings Taxes are not included in Total Operating Expenses.



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

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***MARCH***

***TACOMA RAIL***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

BRYAN FLINT

Member

KAREN LARKIN

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



## MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2017 year to date net operating income of \$1,141,000 compared to \$927,000 in 2016. Operating revenues increased \$924,000 (12.2%), and operating expenses increased \$709,000 (10.6%) year to date in 2017 compared to 2016.

Operating revenues were \$8.5 million at the end of first quarter 2017, compared to \$7.6 million in 2016. Total switching revenues increased \$640,000 primarily due to increases as shown in the table below.

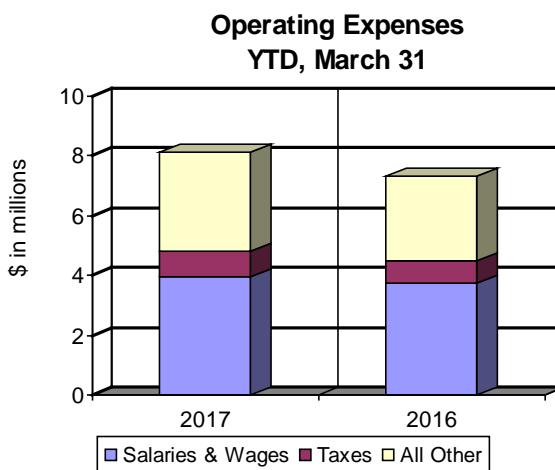
Activitiy Types	Rail Cars				Switching Revenues			
	2017	2016	Var	%Chg	2017	2016	Var	%Chg
Intermodal Line Hauls	19,893	18,681	1,212	6.5%	\$ 3,377	\$ 3,072	\$ 305	9.9%
Commercial Line Hauls	7,326	7,338	(12)	-0.2%	3,327	3,154	173	5.5%
Capital Div. Line Hauls	147	301	(154)	23.1%	61	130	(69)	-52.8%
Miscellaneous Switches	4,207	822	3,385	411.8%	713	482	231	47.9%
Total Line Hauls	31,573	27,142	4,431	16.3%	\$ 7,478	\$ 6,838	\$ 640	9.4%

Demurrage and other operating revenues increased \$284,000 primarily due to increased railcar dwell and locomotive services.

Total operating expenses were \$7.4 million year to date in 2017, compared to \$6.7 million in 2016.

Salaries and wages were \$229,000 higher due to cost of living adjustments and increased overtime.

Supplies and expenses increased \$434,000 primarily due to an increase in volume incentives.



Depreciation increased \$39,000 due to an increase in depreciable assets of \$3.5 million compared to the same period in 2016.

Tacoma Rail's working capital ratios year to date of 2017 and 2016 were 3.8 and 4.2, respectively.

William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director





CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION  
Doing Business As

## TACOMA RAIL

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF NET POSITION

<b>ASSETS</b>	<u>MARCH 31,</u> <u>2017</u>	<u>MARCH 31,</u> <u>2016</u>
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$44,811,133	\$41,309,131
Less Accumulated Depreciation .....	(19,256,728)	(17,743,831)
Total .....	<u>25,554,405</u>	<u>23,565,300</u>
Construction Work in Progress .....	2,298,598	992,610
Net Capital Assets .....	<u>27,853,003</u>	<u>24,557,910</u>
<b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	-	65,104
Total Special Funds .....	<u>-</u>	<u>65,104</u>
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	9,593,904	9,169,715
Customer Accounts Receivable .....	3,475,690	4,138,059
Prepayments .....	1,680,378	1,793,019
Materials and Supplies Inventory.....	<u>1,048,341</u>	<u>989,090</u>
Total Current Assets .....	15,798,313	16,089,883
<b>TOTAL ASSETS .....</b>	<u><u>\$43,651,316</u></u>	<u><u>\$40,712,897</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

	MARCH 31, 2017	MARCH 31, 2016
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$21,368,170	\$18,116,806
Restricted for:		
Debt Service .....	-	65,104
Unrestricted .....	8,405,726	9,530,805
TOTAL NET POSITION .....	29,773,896	27,712,715
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	-	64,238
State Loans.....	5,695,729	5,492,064
Total Long-Term Liabilities .....	5,695,729	5,556,302
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	428,174	419,147
Wages Payable .....	393,641	361,940
Unemployment and other Tax Payables .....	302,783	294,408
Volume Incentive Payable .....	2,125,000	1,750,001
Current Portion of Long Term Debt .....	789,104	884,802
Interest Payable .....	-	3,394
Current Portion of Compensated Absences .....	111,516	113,117
Total Current Liabilities .....	4,150,218	3,826,809
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	786,906	722,658
Long Term Portion of Compensated Absences .....	1,003,644	1,018,056
Other Long-Term Liabilities .....	2,240,923	1,876,357
Total Long-Term Liabilities .....	4,031,473	3,617,071
TOTAL LIABILITIES .....	13,877,420	13,000,182
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$43,651,316</b>	<b>\$40,712,897</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	MARCH 2017	MARCH 2016
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,450,366	\$2,418,402
Demurrage and Other Operating Revenues .....	395,748	232,741
Total Operating Revenues .....	<u>2,846,114</u>	<u>2,651,143</u>
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	89,215	96,576
Supplies and Expense .....	110,774	127,958
Mechanical .....		
Salaries and Wages .....	168,194	169,082
Supplies and Expense .....	248,868	146,627
Operations .....		
Salaries and Wages .....	897,789	792,825
Supplies and Expense .....	143,759	112,449
Administration .....		
Salaries and Wages .....	198,801	198,034
Supplies and Expense .....	506,144	339,712
Taxes - State .....	40,670	38,578
Depreciation .....	136,278	123,150
Total Operating Expenses .....	<u>2,540,492</u>	<u>2,144,991</u>
Net Operating Income .....	305,622	506,152
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	7,744	7,599
Miscellaneous .....	74,648	105,885
Interest Expense .....	-	(1,131)
Total Non-Operating Revenues .....	<u>82,392</u>	<u>112,353</u>
Contributions - Grants .....	36,254	-
Total Contributions .....	<u>36,254</u>	<u>-</u>
Transfers		
City of Tacoma Gross Earnings Tax .....	(237,993)	(183,101)
<b>CHANGE IN NET POSITION</b> .....	<u>\$186,275</u>	<u>\$435,404</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - MARCH 31</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR TO DATE			
MARCH 31, 2017	MARCH 31, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$7,477,850	\$6,838,175	\$639,675	9.4%
1,047,748	763,709	284,039	37.2%
8,525,598	7,601,884	923,714	12.2%
273,911	276,221	(2,310)	-0.8%
212,624	290,914	(78,290)	-26.9%
493,464	500,018	(6,554)	-1.3%
802,178	679,579	122,599	18.0%
2,596,592	2,379,459	217,133	9.1%
345,091	303,631	41,460	13.7%
620,449	599,670	20,779	3.5%
1,509,667	1,161,830	347,837	29.9%
121,312	114,142	7,170	6.3%
408,835	369,494	39,341	10.6%
7,384,123	6,674,958	709,165	10.6%
1,141,475	926,926	214,549	23.1%
45,014	43,485	1,529	3.5%
223,346	340,208	(116,862)	-34.4%
(6)	(3,394)	3,388	-99.8%
268,354	380,299	(111,945)	-29.4%
36,254	-	36,254	0.0%
36,254	-	36,254	0.0%
(706,085)	(636,171)	(69,914)	11.0%
739,998	671,054	68,944	10.3%
29,033,898	27,041,661		
\$29,773,896	\$27,712,715		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
MARCH 31, 2017 AND MARCH 31, 2016

	March 2017	March 2016
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$1,053,192	\$940,984
LINE HAULS--COMMERCIAL .....	1,202,015	1,209,250
LINE HAULS--CAPITAL DIVISION .....	18,781	33,332
MISCELLANEOUS SWITCHES .....	176,378	234,836
TOTAL SWITCHING REVENUES .....	<u>\$2,450,366</u>	<u>\$2,418,402</u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	6,209	5,806
LINE HAULS--COMMERCIAL .....	2,526	2,811
LINE HAULS--CAPITAL DIVISION .....	45	78
MISCELLANEOUS SWITCHES .....	1,075	303
TOTAL CARS SWITCHED .....	<u>9,855</u>	<u>8,998</u>

\* The Summary of Switching Activites (Cars) includes an update to allocations for 2016.

YEAR TO DATE			
March 31, 2017	March 31, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$3,376,673	\$3,072,425	\$304,248	9.9%
3,326,700	3,153,455	173,245	5.5%
61,352	129,936	(68,584)	-52.8%
713,125	482,359	230,766	47.8%
<u>\$7,477,850</u>	<u>\$6,838,175</u>	<u>\$639,675</u>	<u>9.4%</u>
19,893	18,681	1,212	6.5%
7,326	7,338	(12)	-0.2%
147	301	(154)	-51.2%
4,207	822	3,385	411.8%
<u>31,573</u>	<u>27,142</u>	<u>4,431</u>	<u>16.3%</u>



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$8,182,514	\$6,310,490
Cash Paid to Suppliers .....	(2,609,769)	(2,124,327)
Cash Paid to Employees .....	(3,745,582)	(3,522,395)
Taxes Paid .....	(108,539)	(93,198)
Net Cash Provided by Operating Activities .....	1,718,624	570,570
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(706,085)	(636,171)
Net Cash Used in Non-Capital Financing Activities .....	(706,085)	(636,171)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(45,094)	(179,016)
Principal Payments on Long-Term Debt .....	(131,924)	(60,889)
Interest Paid .....	(872)	(4,214)
Proceeds from Capital Contributions .....	36,254	-
Proceeds from Long-Term Debt .....	403,339	-
Debt Issuance Costs .....	(4,045)	-
Proceeds from Other Non-Operating Revenues .....	227,391	340,208
Net Cash Used in Capital and Related Financing Activities .....	485,049	96,089
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	45,014	43,485
Net Cash Provided by Investing Activities .....	45,014	43,485
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	1,542,602	73,973
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	<b>8,051,302</b>	<b>9,160,846</b>
<b>Cash &amp; Equity in Pooled Investments at March 31</b>	<b>\$9,593,904</b>	<b>\$9,234,819</b>

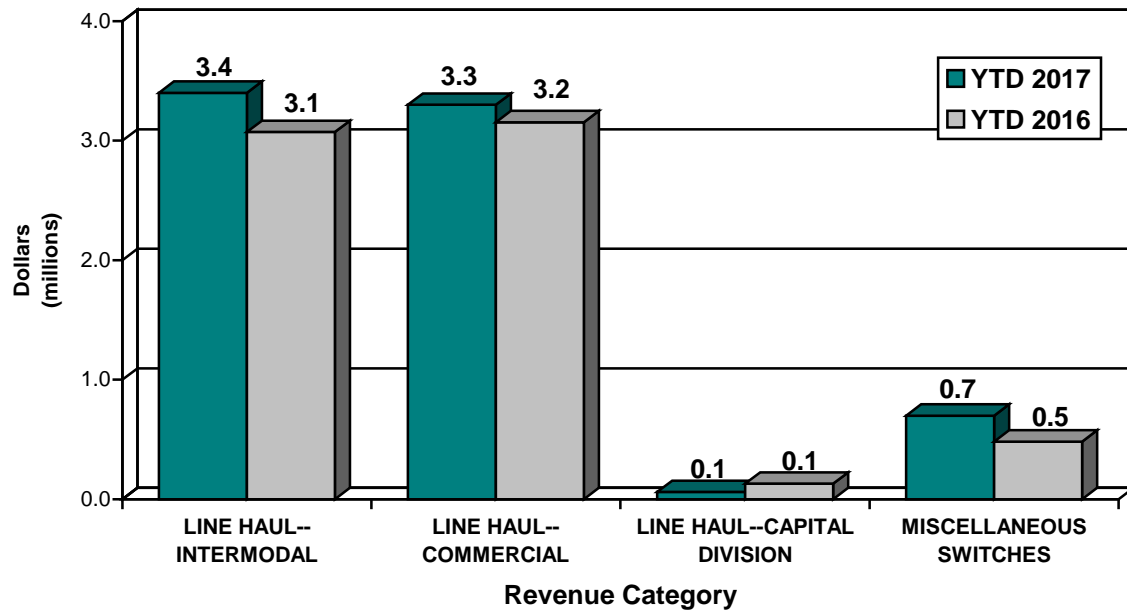
*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income .....	\$1,141,474	\$926,926
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation .....	408,835	369,494
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable .....	(342,410)	(1,298,545)
Interfund Receivable .....	9,827	53,051
Materials and Supplies Inventory .....	(24,008)	(51,629)
Prepayments .....	126,832	124,714
Accounts Payable .....	(457,516)	(117,679)
Customer Deposits .....	(10,500)	(45,900)
Unemployment and other Tax Payables .....	12,773	20,944
Wages Payable .....	225,335	231,344
Volume Incentive Payable .....	875,001	541,667
Interfund Payable .....	(260,518)	(185,446)
Other Long-Term Liabilities & OJI Reserve.....	13,499	1,629
Total Adjustments .....	577,150	(356,356)
Net Cash Provided by Operating Activities .....	<u>\$1,718,624</u>	<u>\$570,570</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	-	\$65,104
Cash and Equity in Pooled Investments in Operating Funds .....	<u>9,593,904</u>	<u>9,169,715</u>
Cash and Equity in Pooled Investments at March 31 .....	<u>\$9,593,904</u>	<u>\$9,234,819</u>

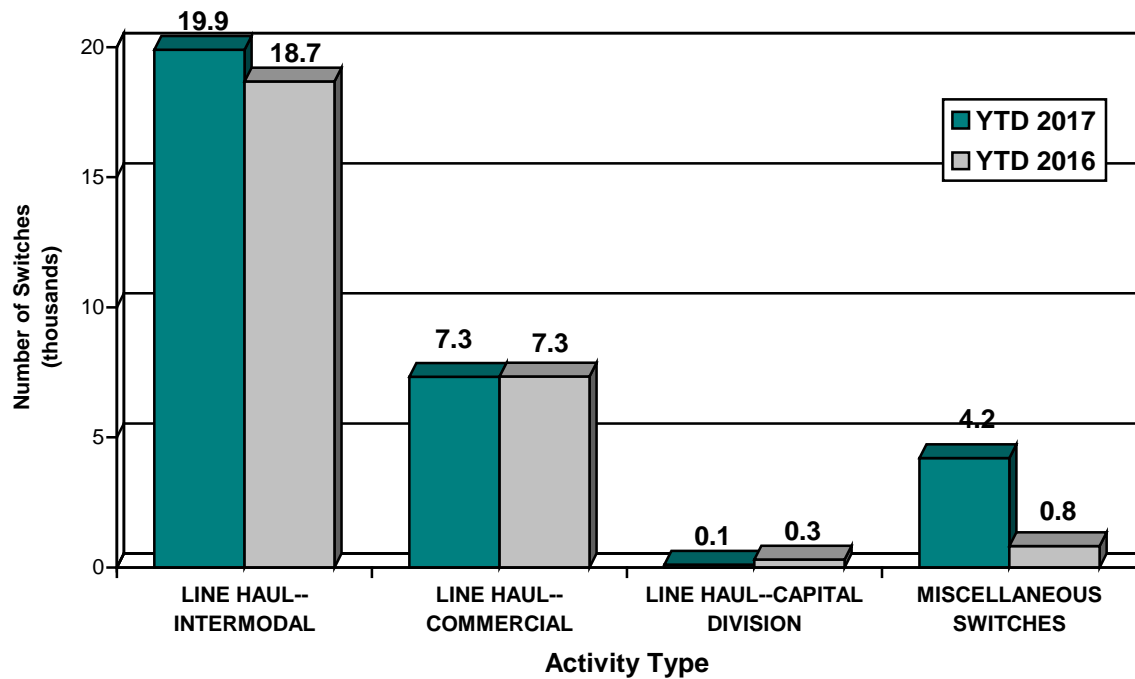
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# Supplemental Data

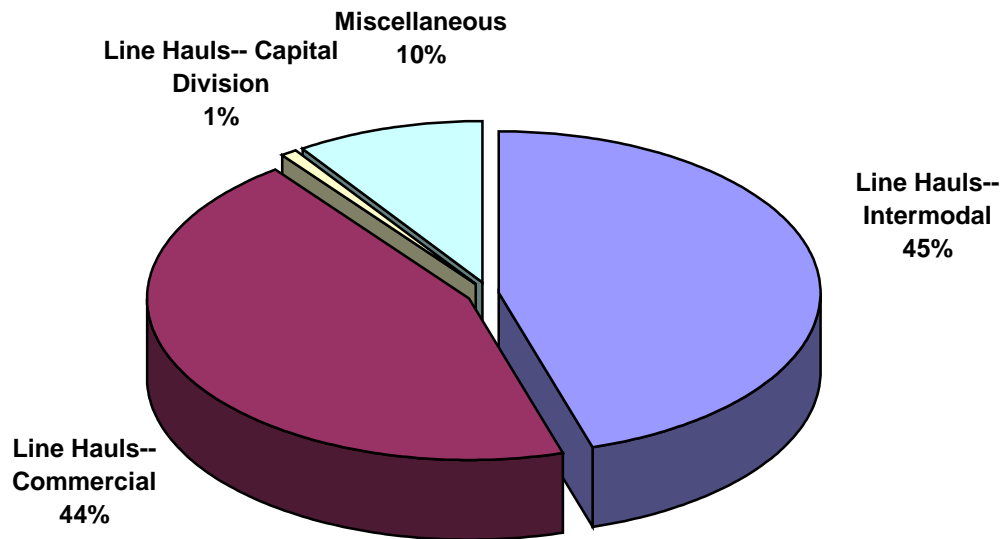
# **SWITCHING REVENUES** Year to Date - March 2017 & 2016



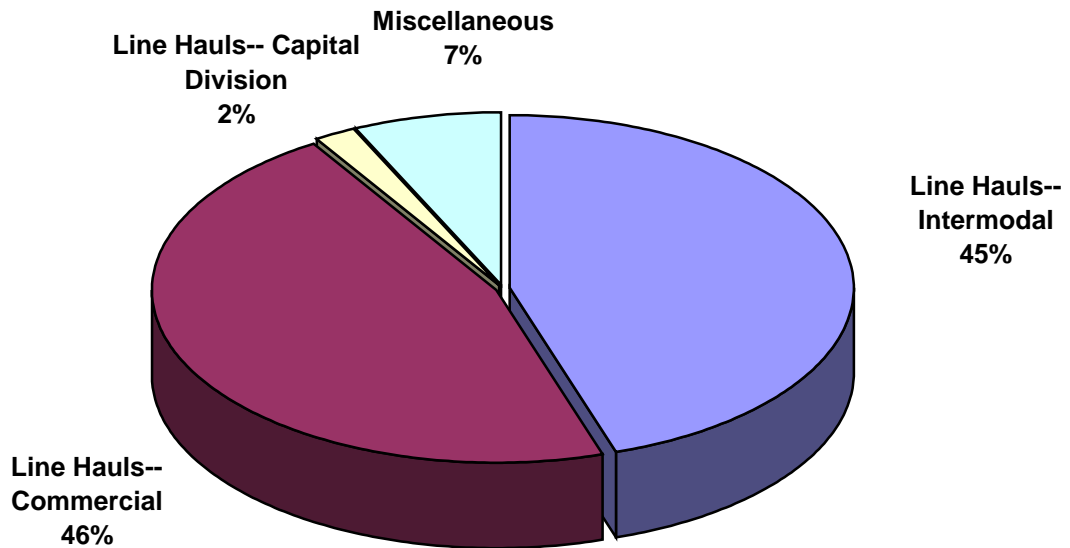
# **SWITCHING ACTIVITIES** Year to Date - March 2017 & 2016



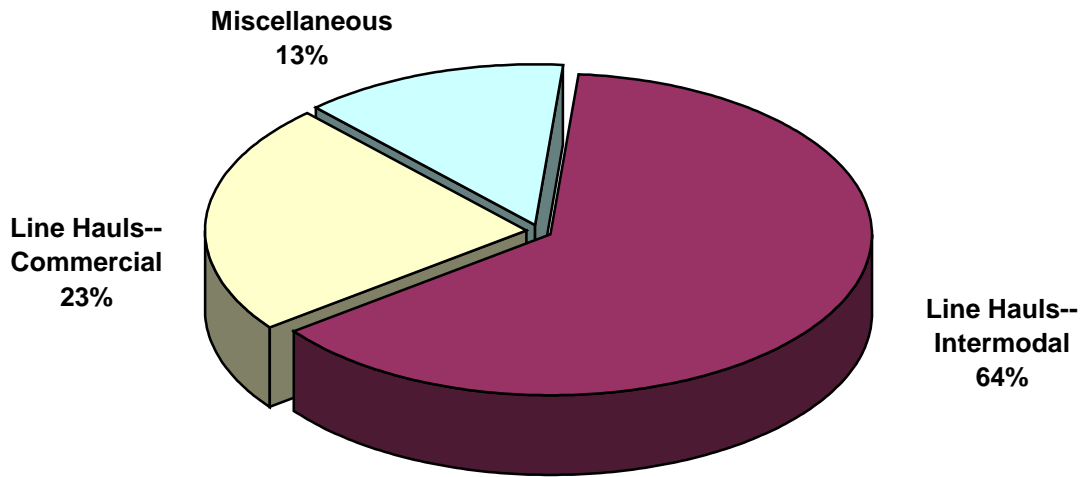
**SWITCHING REVENUES**  
**Year to Date - March 2017 (\$7,477,850)**



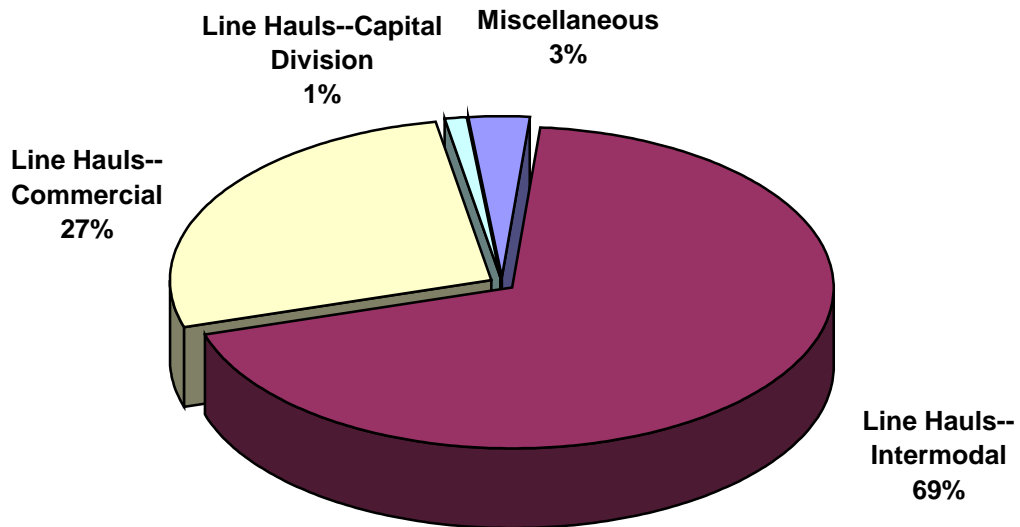
**SWITCHING REVENUES**  
**Year to Date - March 2016 (\$6,838,175)**



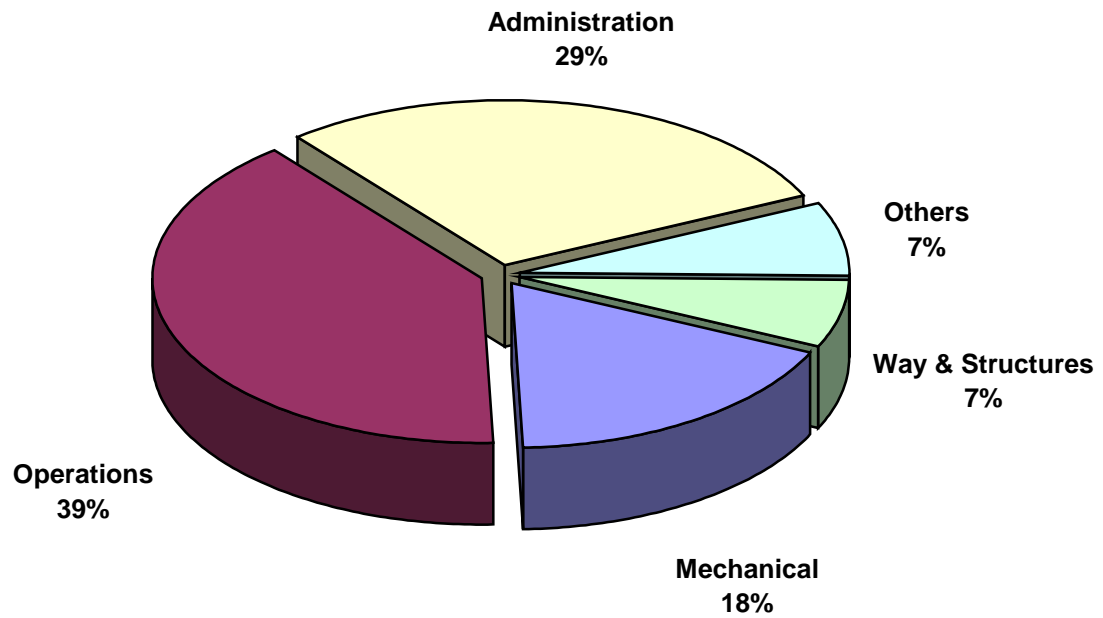
**SWITCHING ACTIVITY**  
**Year to Date - March 2017 (31,573 cars)**



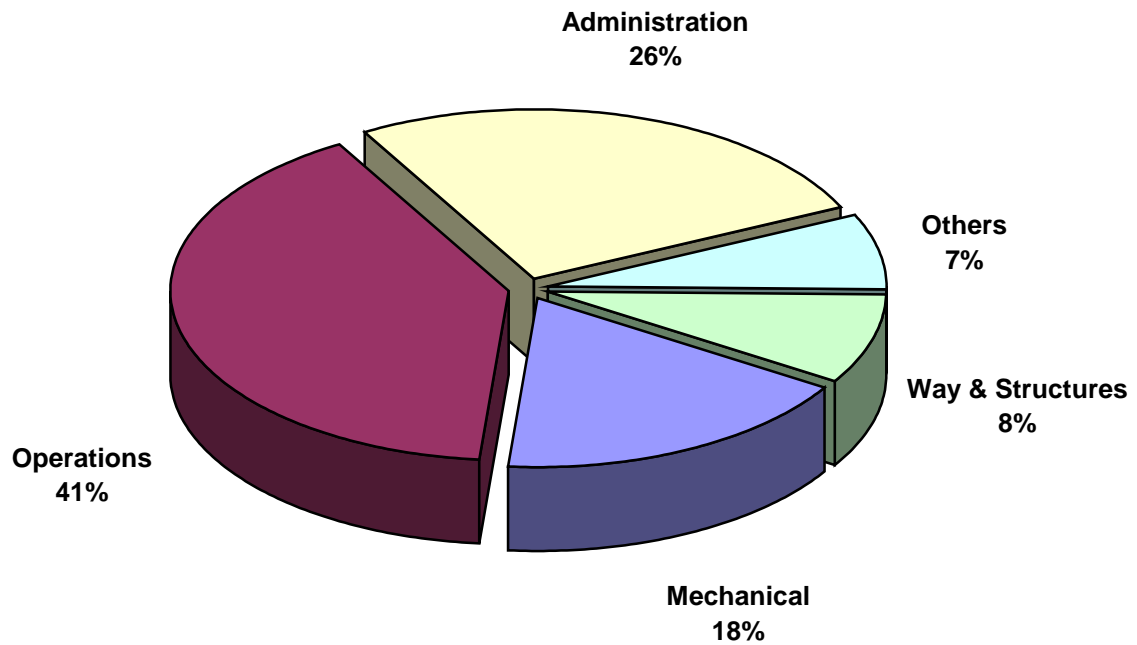
**SWITCHING ACTIVITY**  
**Year to Date - March 2016 (27,142 cars)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2017 (\$7,384,123)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2016 (\$6,674,958)**







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***MARCH***

***SELF-INSURANCE CLAIM FUND***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



## MANAGEMENT ANALYSIS

The Self Insurance fund is reporting a net loss of (\$227,000) year-to-date 2017 compared to a net gain of \$246,000 recorded for the same time period in 2016. Total revenues decreased (\$42,000) while total expenses increased \$431,000 year-to-date.

### Revenues

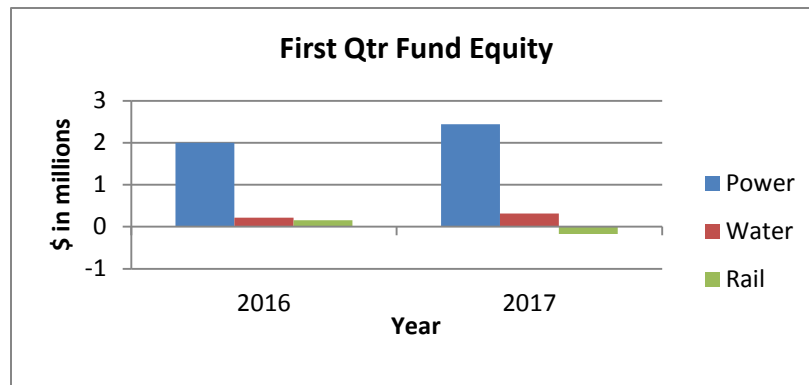
Self Insurance fund revenues are contributions from the Power, Water and Rail divisions and the interest earned. Total revenues at the end of the first quarter of 2017 and 2016 were \$304,000 and \$345,000 respectively.

### Expenses

Self Insurance fund expenses include claims and handling expenses paid during the quarter, adjustments to accrued claims and administrative expenses. Support Services claims and handling expenses are allocated to Power and Water only and based on each fund's percentage of combined claims and handling expenses for the year to date. Administrative expenses are allocated to Power, Water and Rail funds based on each fund's percentage of total claims paid.

Total expenses at the end of the first quarter of 2017 and 2016 were \$531,000 and \$100,000 respectively. The change in expenses from year to year is primarily due to adjustments in expected future claims and developments accrued by the Fund. Negative claims expense is generally the result of adjustments to the liability where expected claims were accrued in one quarter and subsequently denied or revised the next quarter.

The Fund's equity was \$2.6 million and \$2.4 million through March of 2017 and 2016 respectively. The following graph provides a visual presentation as to how the Fund's equity is shared.



William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## SELF-INSURANCE CLAIM FUND

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF NET POSITION - MARCH 31, 2017 AND MARCH 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Equity in Pooled Investments .....	<u>\$7,663,108</u>	<u>\$7,060,099</u>
<b>TOTAL ASSETS .....</b>	<u><u>\$7,663,108</u></u>	<u><u>\$7,060,099</u></u>
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Restricted:		
Interfund Contributions .....	<u>\$2,579,493</u>	<u>\$2,394,094</u>
<b>TOTAL NET POSITION .....</b>	<u>2,579,493</u>	<u>2,394,094</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable Claims .....	5,074,086	4,662,606
Accounts Payable Claims Handling .....	<u>9,529</u>	<u>3,399</u>
<b>TOTAL LIABILITIES .....</b>	<u>5,083,615</u>	<u>4,666,005</u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u>\$7,663,108</u></u>	<u><u>\$7,060,099</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MARCH 31, 2017 AND MARCH 31, 2016

	<u>MARCH 2017</u>	<u>MARCH 2016</u>
<b>INCOME</b>		
Premiums .....	\$86,667	\$103,333
Interest .....	<u>\$7,177</u>	<u>5,610</u>
TOTAL INCOME .....	93,844	108,943
 <b>EXPENSES</b>		
Claims .....	330,785	33,658
Litigation Expense and Settlements .....	65,303	4,698
Incidental and Administrative Expense .....	<u>16,878</u>	<u>10,668</u>
TOTAL EXPENSES .....	<u>412,966</u>	<u>49,024</u>
 CHANGE IN NET POSITION .....	<u><u>(\$319,122)</u></u>	<u><u>\$59,919</u></u>
 TOTAL NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - MARCH 31 .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR-TO-DATE			
MARCH 2017	MARCH 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$260,000	\$310,000	\$ (50,000)	-16.1%
43,639	35,489	8,150	23.0%
303,639	345,489	(41,850)	-12.1%
385,825	61,259	324,566	529.8%
107,289	9,738	97,551	1001.8%
37,483	28,867	8,616	29.8%
530,597	99,864	430,733	431.3%
(226,958)	245,625	(472,583)	-192.4%
2,806,451	2,148,469	657,982	
\$2,579,493	\$2,394,094	\$185,399	

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Premiums Received .....	\$260,000	\$310,000
Claims Paid .....	(121,763)	(90,882)
Administrative and Other Expenses .....	(151,897)	(50,439)
Net Cash Provided by (Used in)		
Operating Activities .....	(13,660)	168,679
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Received .....	43,639	35,489
Net Cash Provided by		
Financing Activities .....	43,639	35,489
 Net Increase in Cash and		
Equity in Pooled Investments .....	29,979	204,168
 Cash and Equity in Pooled		
Investments at January 1 .....	7,633,129	6,855,931
 Cash and Equity in Pooled		
Investments at March 31 .....	\$7,663,108	\$7,060,099

	YEAR TO DATE	
	MARCH 31, 2017	MARCH 31, 2016
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Net Income .....	(\$226,958)	\$245,625
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Interest Income .....	(43,639)	(35,489)
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Interdivision Payable .....	(12,222)	(11,339)
Accounts Payable Claims .....	264,063	(29,623)
Accounts Payable Claims Handling .....	5,096	(496)
Total Adjustments .....	213,298	(76,947)
Net Cash Provided by Operating Activities	(\$13,660)	\$168,679

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

EQUITY DISTRIBUTION AS OF MARCH 31, 2017

	<u>TACOMA POWER</u>	<u>TACOMA WATER</u>	<u>TACOMA RAIL</u>	<u>TOTAL</u>
Balance January 1, 2017 .....	\$2,407,775	\$278,502	\$120,174	\$2,806,451
Contributions (Premiums) .....	175,000	60,000	25,000	260,000
Claims .....	(163,927)	(29,357)	(192,541)	(385,825)
Claims Handling Expense .....	(9,496)	-	(97,793)	(107,289)
Administrative Expenses .....	(13,183)	(2,231)	(22,069)	(37,483)
Interest Income (1) .....	<u>41,235</u>	<u>5,282</u>	<u>(2,878)</u>	<u>43,639</u>
Balance March 31, 2017 .....	<u><u>\$2,437,404</u></u>	<u><u>\$312,196</u></u>	<u><u>(\$170,107)</u></u>	<u><u>\$2,579,493</u></u>

(1) Interest income has been allocated to each division in the same ratio as its fund balance at January 1, plus contributions and expenses to date.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS SUMMARY - MARCH 31, 2017

**NUMBER OF CLAIMS PAID (JANUARY 1 - MARCH 31, 2017)**

	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.	Total
Over \$5,000 .....	2	-	3	-	5
\$1,001 - 5,000 .....	6	2	-	-	8
\$501 - 1,000 .....	2	-	-	-	2
\$100 - 500 .....	1	3	-	-	4
Less than \$100 .....	2	-	-	-	2
	13	5	3	-	21
Total Dollar Amount of Claims Paid .....	\$57,380	\$4,603	\$ 59,779	\$ -	\$121,762

**NUMBER OF CLAIMS ACCRUED AT MARCH 31, 2017**

Over \$50,000 .....	12	-	3	-	15
\$10,000 - 50,000 .....	23	6	11	-	40
Less than \$10,000 .....	292	64	10	3	369
	327	70	24	3	424
Total Dollar Amount Accrued for Known Claims .....	\$2,825,578	\$312,730	\$1,224,470	\$655	\$4,363,433
Total Dollar Amount Accrued for Unknown Claims .....	\$412,474	\$155,722	\$136,830	\$5,627	\$710,653
Total Dollar Amount Accrued for All Claims	\$3,238,052	\$468,452	\$1,361,300	\$6,282	\$5,074,086



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS DETAIL - MARCH 31, 2017

**NUMBER OF CLAIMS PAID (JANUARY 1 - MARCH 31, 2017)**

Range	Non-Vehicular Bodily Injury/Property Damage			
	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
Over \$5,000 .....	2	-	3	-
\$1,001 - 5,000 .....	6	1	-	-
\$501 - 1,000 .....	2	-	-	-
\$100 - 500 .....	1	3	-	-
Less than \$100 .....	1	-	-	-
	12	4	3	-
Total Dollar Amount of Claims Paid .....	\$57,308	\$3,300	\$59,779	-
Median Dollar Amount of Claims Paid .....	\$4,776	\$825	\$19,926	-

**NUMBER OF CLAIMS ACCRUED AT MARCH 31, 2017**

Range	Non-Vehicular Bodily Injury/Property Damage			
	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
Over \$50,000 .....	12	-	3	-
\$10,000 - 50,000 .....	22	6	8	-
Less than \$10,000 .....	273	58	8	3
	307	64	19	3
Total Dollar Amount Accrued for Known Claims .	\$2,790,463	\$301,438	\$1,136,970	\$655
Total Dollar Amount Accrued for Unknown Claims .....	\$412,474	\$155,722	\$136,830	\$5,627
Total Dollar Amount Accrued for All Claims ...	\$3,202,937	\$457,160	\$1,273,800	\$6,282

Vehicular Bodily Injury/Property Damage				Hazardous Waste		Contract/Harassment			
Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.	Tacoma Power	Tacoma Water	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
-	-	-	-	-	-	-	-	-	-
-	1	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-
1	1	-	-	-	-	-	-	-	-
\$72	\$1,303	-	-	-	-	-	-	-	-
\$72	\$1,303	-	-	-	-	-	-	-	-

Vehicular Bodily Injury/Property Damage				Hazardous Waste		Contract/Harassment			
-	-	-	-	-	-	-	-	-	-
1	-	3	-	-	-	-	-	-	-
19	6	2	-	-	-	-	-	-	-
20	6	5	-	-	-	-	-	-	-
\$35,115	\$11,292	\$87,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$35,115	\$11,292	\$ 87,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

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***MARCH***

***TACOMA WATER***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

LINDA MCCREA

Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of the Financial Statements

### Summary

For the first quarter of 2017, Tacoma Water is reporting year-to-date operating income of \$1.7 million compared to \$2.4 million in 2016. Operating revenues decreased \$0.6 million (3.0%) and operating expenses increased \$0.1 million (0.5%). The year to date change in net position was (\$0.4) million for the first quarters of both 2017 and 2016.

### Revenues

Water sales revenues decreased by \$0.7 million (4.1%) in the first quarter of 2017 compared to the same period in 2016. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class for the first three months of 2017.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 407,798	\$ (456,405)	\$ (48,607)
Commercial and Industrial	176,087	(436,997)	(260,910)
Special Rate	21,462	(18,268)	3,194
Other	35,179	(407,944)	(372,765)
Total	\$ 640,526	\$ (1,319,614)	\$ (679,088)

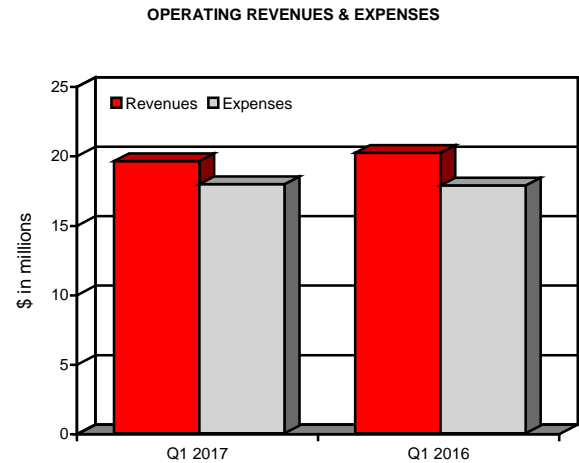
Consumption for the first three months of 2017 was 3,506 million gallons, compared to 3,812 million gallons for the same period in 2016. Regional Water Supply System (RWSS) partners received 946 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2017	2016		
Residential and Domestic	1,504.38	1,572.39	(68.01)	(4%)
Commercial and Industrial	564.79	639.45	(74.66)	(12%)
Special Rate	1,251.05	1,267.97	(16.92)	(1%)
Other	185.98	332.00	(146.02)	(44%)
Total	3,506.20	3,811.81	(305.61)	(8%)



## **Expenses**

Operating expenses were \$17.9 million for the first three months of 2017, an increase of \$0.1 million compared to 2016.



William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION  
Doing Business As

# TACOMA WATER

## TABLE OF CONTENTS

*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF NET POSITION - MARCH 31, 2017 AND MARCH 31, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Water Plant in Service .....	\$1,074,416,037	\$1,058,338,589
Less Depreciation and Amortization .....	(221,014,440)	(200,287,408)
Total .....	853,401,597	858,051,181
Construction Work in Progress .....	23,523,893	24,298,479
Net Utility Plant .....	876,925,490	882,349,660
<b>NON-UTILITY PROPERTY</b> .....	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund .....	23,236,175	9,166,021
2010 RWSS Construction Fund .....	-	29,433
2013 Construction Fund .....	15,901,392	21,545,931
Regional Water Supply System Operating Fund .....	829,421	(336,344)
Provision for Debt Payment .....	11,296,361	9,766,546
Customer Water Main Deposits .....	3,211,459	3,133,814
Water Supply Forum Fund.....	447,800	313,640
Special Bond Reserves .....	22,101,304	22,098,582
Water Customer Contribution Fund .....	(343,206)	(408,599)
Water Capital Reserves .....	29,824,301	27,814,153
Water System Development Charge .....	59,579,153	56,568,521
Total Restricted Assets .....	166,084,160	149,691,698
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	54,282,850	51,316,239
Customers' Deposits .....	334,768	338,948
Receivables:		
Customers .....	4,158,283	4,127,290
Accrued Unbilled Revenues .....	4,797,144	4,935,000
Others .....	991,448	902,889
BABs Interest Subsidies .....	1,191,920	1,193,198
Provision for Uncollectible Accounts .....	(625,017)	(363,551)
Materials and Supplies .....	2,422,261	2,465,564
Prepayments .....	1,023,394	809,275
Total Current Assets .....	68,577,051	65,724,852
<b>TOTAL ASSETS</b> .....	<u>1,112,079,664</u>	<u>1,098,259,173</u>
<b>OTHER ASSETS</b>		
Regulatory Assets - Public Fire Protection Fees .....	1,108,036	1,935,608
Regulatory Assets - Surcharges .....	1,537,700	1,655,435
Net Pension Asset .....	-	881,279
Total Other Assets .....	2,645,736	4,472,322
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds .....	1,558,740	1,840,062
Deferred Outflows for Pensions .....	8,994,103	2,092,307
Total Deferred Outflows .....	10,552,843	3,932,369
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> .....	<u>\$1,125,278,243</u>	<u>\$1,106,663,864</u>

*These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.*

<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$441,907,016	\$441,889,409
Restricted for:		
Water Capital Reserves .....	24,235,903	21,746,750
Water System Development Charge .....	24,003,707	20,993,075
Debt Service Funds .....	4,386,996	3,077,866
Pension Asset .....	-	881,279
Unrestricted .....	54,765,996	53,485,036
<b>TOTAL NET POSITION .....</b>	<b>549,299,618</b>	<b>542,073,415</b>
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding .....	5,000	5,000
2009 Water Revenue Bonds .....	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding .....	25,825,000	26,395,000
2010 Water Revenue Bonds .....	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding .....	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A .....	13,800,000	16,645,000
2015 Water Refunding Bonds, Series B .....	-	1,785,000
2010 RWSS Revenue Bonds, Series A .....	2,245,000	2,525,000
2010 RWSS Revenue Bonds, Series B .....	44,245,000	44,245,000
2013 RWSS Refunding Bonds .....	60,165,000	60,910,000
Total Outstanding Revenue Bonds .....	372,400,000	378,625,000
Plus: Unamortized Bond Premium .....	13,260,172	14,828,356
Net Outstanding Revenue Bonds .....	385,660,172	393,453,356
PWTF Pre-Construction Loans .....	800,783	960,956
PWTF Construction Loans .....	21,907,224	24,443,821
State Drinking Water Loans .....	69,844,046	59,154,872
Total Long-Term Debt .....	478,212,225	478,013,005
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	844,027	743,067
Purchases and Contracts Payable .....	578,714	930,398
Interest Expense Accrued .....	6,909,365	6,688,680
Taxes Accrued .....	1,453,833	1,160,590
Customers' and Contractors' Deposits .....	348,868	346,814
Current Portion of Long-Term Debt .....	13,334,372	10,676,432
Other Current Liabilities .....	4,059,122	3,979,530
Current Accrued Compensated Absences .....	269,819	260,047
Total Current Liabilities .....	27,798,120	24,785,558
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements .....	6,762,451	6,943,806
Customer Advances for Construction .....	5,016,857	4,183,199
Unearned Revenue .....	7,380,550	7,653,820
Other Long-Term Liabilities .....	4,495,075	4,164,835
Pension Liability .....	7,788,151	-
Long-Term Accrued Compensated Absences .....	2,428,375	2,340,426
Total Long-Term Liabilities .....	33,871,459	25,286,086
<b>TOTAL LIABILITIES .....</b>	<b>539,881,804</b>	<b>528,084,649</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization .....	35,575,447	35,575,447
Deferred Inflows for Pensions .....	521,374	930,353
Total Deferred Inflows .....	36,096,821	36,505,800
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .</b>	<b>\$1,125,278,243</b>	<b>\$1,106,663,864</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MARCH 31, 2017 AND MARCH 31, 2016

	MARCH 2017	MARCH 2016
<b>OPERATING REVENUES</b>		
Sales of Water .....	\$5,615,345	\$6,156,775
Other Operating Revenues .....	626,945	652,023
Contract Resource Obligation Revenue .....	516,658	369,026
Total Operating Revenues .....	<u>6,758,948</u>	<u>7,177,824</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Source of Supply .....	572,485	668,806
Water Treatment .....	527,708	583,258
Total Production Expense .....	<u>1,100,193</u>	<u>1,252,064</u>
Power Pumping Expense .....	71,191	48,455
Transmission and Storage Expense .....	210,523	359,343
Distribution Expense .....	906,871	1,209,329
Customer Accounting and Consumer Service ...	413,085	436,195
Taxes .....	436,004	484,907
Depreciation .....	2,005,872	1,983,666
Administrative and General .....	1,038,363	884,862
Total Operating Expenses .....	<u>6,182,102</u>	<u>6,658,821</u>
<b>OPERATING INCOME (LOSS) .....</b>	<b>576,846</b>	<b>519,003</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	201,317	161,519
Miscellaneous .....	556,114	(10,649)
Interest on Long-Term Debt .....	(1,372,711)	(1,337,715)
Interest on Long-Term Debt BABs Sub .....	(297,980)	(298,299)
Amortization Of Debt Premium .....	111,548	105,802
Interest Charged to Construction.....	35,728	39,151
Total Non-Operating Revenues (Expenses)	<u>(765,984)</u>	<u>(1,340,191)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	(189,138)	(821,188)
Capital Contributions		
Cash .....	320,183	460,349
Federal BAB Subsidies .....	297,980	298,299
Transfers Out		
City Gross Earnings Tax .....	<u>(526,260)</u>	<u>(617,044)</u>
CHANGE IN NET POSITION .....	<u>(\$97,235)</u>	<u>(\$679,584)</u>
NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - MARCH 31 .....		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
MARCH 31 2017	MARCH 31 2016		
\$ 15,913,137	\$ 16,592,225	(\$679,088)	-4.1%
2,559,517	2,633,669	(74,152)	-2.8%
1,113,638	971,876	141,762	14.6%
<u>19,586,292</u>	<u>20,197,770</u>	<u>(611,478)</u>	<u>-3.0%</u>
1,603,530	1,738,393	(134,863)	-7.8%
1,411,757	1,543,848	(132,091)	-8.6%
<u>3,015,287</u>	<u>3,282,241</u>	<u>(266,954)</u>	<u>-8.1%</u>
149,449	190,050	(40,601)	-21.4%
530,994	842,474	(311,480)	-37.0%
3,147,468	3,210,632	(63,164)	-2.0%
1,241,182	1,204,068	37,114	3.1%
992,169	689,294	302,875	43.9%
6,017,349	5,949,875	67,474	1.1%
2,839,363	2,469,719	369,644	15.0%
<u>17,933,261</u>	<u>17,838,353</u>	<u>94,908</u>	<u>0.5%</u>
1,653,031	2,359,417	(706,386)	-29.9%
1,219,285	1,006,849	212,436	21.1%
848,487	15,324	833,163	5437.0%
(4,118,334)	(4,012,965)	(105,369)	2.6%
(893,940)	(894,897)	957	-0.1%
334,644	317,406	17,238	5.4%
96,388	105,184	(8,796)	-8.4%
<u>(2,513,470)</u>	<u>(3,463,099)</u>	<u>949,629</u>	<u>-27.4%</u>
(860,439)	(1,103,682)	243,243	-22.0%
1,115,443	1,281,905	(166,462)	-13.0%
893,940	894,897	(957)	-0.1%
<u>(1,501,552)</u>	<u>(1,501,528)</u>	<u>(24)</u>	<u>0.0%</u>
(352,608)	(428,408)	75,800	-17.7%
549,652,226	542,501,823	7,150,403	
<u>\$549,299,618</u>	<u>\$542,073,415</u>	<u>\$7,226,203</u>	<u>1.3%</u>

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS  
MARCH 31, 2017 AND MARCH 31, 2016

	MARCH 2017	MARCH 2016
<b>SALES OF WATER</b>		
Residential and Domestic .....	\$3,667,970	\$4,055,358
Commercial and Industrial .....	1,277,138	1,363,876
Special Rate .....	475,522	474,044
Sales to Other Utilities .....	194,715	263,497
Total .....	<u>\$5,615,345</u>	<u>\$6,156,775</u>

**BILLINGS (NUMBER OF MONTHS BILLED)**

Residential and Domestic .....	98,197	106,582
Commercial and Industrial .....	7,182	7,657
Sales to Other Utilities .....	16	17
Total .....	<u>105,395</u>	<u>114,256</u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
MARCH 2017	MARCH 2016		
\$10,503,717	\$10,552,324	(\$48,607)	-0.5%
3,482,409	3,743,319	(260,910)	-7.0%
1,372,229	1,369,035	3,194	0.2%
554,782	927,547	(372,765)	-40.2%
<u>\$15,913,137</u>	<u>\$16,592,225</u>	<u>(\$679,088)</u>	-4.1%
283,812	280,685	3,127	1.1%
19,708	19,852	(144)	-0.7%
51	51	-	0.0%
<u>303,571</u>	<u>300,588</u>	<u>2,983</u>	1.0%



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF WATER BILLED  
MARCH 31, 2017 AND MARCH 31, 2016

MILLION GALLONS, TOTAL				
	MARCH	MARCH	YEAR TO DATE	
	2017	2016	MARCH 2017	MARCH 2016
WATER BILLED				
Residential and				
Domestic .....	519.06	567.09	1,504.38	1,572.39
Commercial and				
Industrial .....	196.91	225.26	564.79	639.45
Special Rate .....	436.73	434.97	1,251.05	1,267.97
Sales to Other				
Utilities .....	63.20	91.57	185.98	332.00
	<u>1,215.90</u>	<u>1,318.89</u>	<u>3,506.20</u>	<u>3,811.81</u>

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

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MARCH  
2017

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MARCH  
2016

---

16.74

18.29

6.35

7.27

14.09

14.03

---

2.04

---

2.95

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---

39.22

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42.54

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31 2017	MARCH 31 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$24,836,926	\$25,046,755
Cash Paid to Suppliers .....	(6,905,924)	(5,904,854)
Cash Paid to Employees .....	(6,110,660)	(6,078,411)
Taxes Paid .....	(1,030,812)	(1,392,356)
Net Cash From Operating Activities .....	10,789,530	11,671,134
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax .....	(1,501,552)	(1,501,528)
Net Cash From Non-Capital Financing Activities .....	(1,501,552)	(1,501,528)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, net.....	(3,298,801)	(3,473,244)
Principal Payments on Muckleshoort LT Liability ..	(185,889)	(190,536)
Interest Paid .....	(1,203)	(1,016)
Contributions in Aid of Construction .....	1,115,443	1,281,905
System Development Charges & Other LT Liabilities.	120,397	(549,964)
Net Cash From Capital and Related Financing Activities .....	(2,250,053)	(2,932,855)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments .....	1,219,285	1,006,849
Other Net Non-Op Revenues and Expenses .....	848,487	15,324
Net Cash From Investing Activities .....	2,067,772	1,022,173
Net Change in Cash and Equity in Pooled Investments .....	9,105,697	8,258,924
Cash & Equity in Pooled Investments at January 1 ...	211,596,081	193,087,961
Cash & Equity in Pooled Investments at March 31 ....	\$220,701,778	\$201,346,885

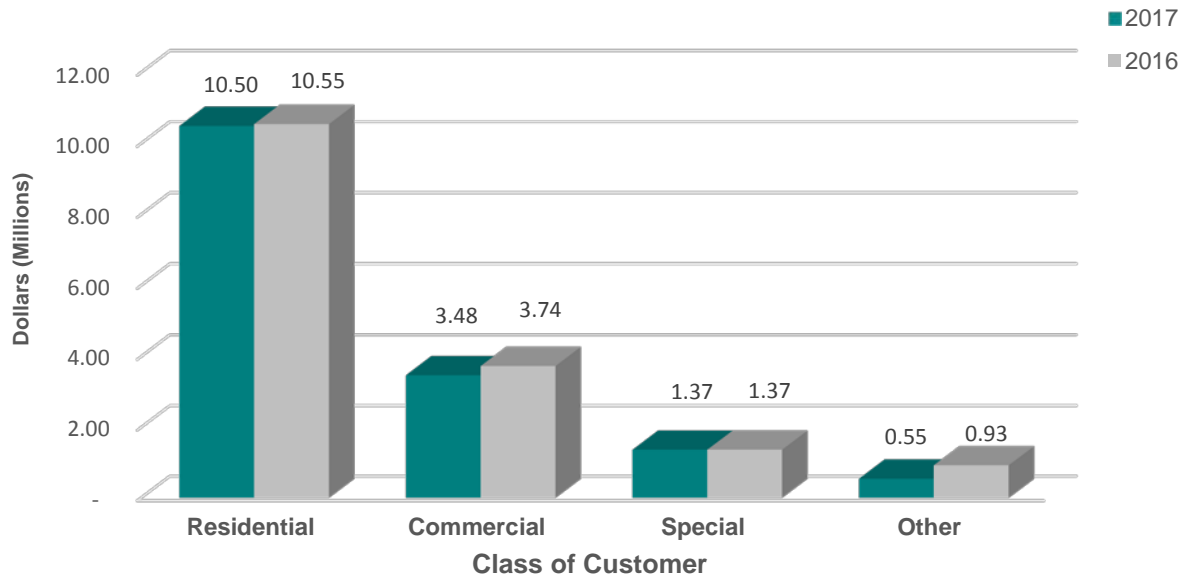
*The accompanying notes are an integral part of these financial statements.*

	YEAR TO DATE	
	MARCH 31 2017	MARCH 31 2016
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>		
Net Operating Income .....	\$1,653,031	\$2,359,417
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	6,017,349	5,949,875
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue .....	971,627	654,556
Interfund Receivables .....	107,970	686,030
Regulatory Asset-Public Fire Protection Fees ....	188,965	188,965
Regulatory Asset Surcharges.....	31,777	27,913
Materials and Supplies .....	(80,713)	21,511
Prepayments .....	94,668	161,056
Unearned Revenues .....	4,059,122	3,979,530
Accrued Taxes .....	(38,643)	(703,062)
Salaries, Wages and Fringe Benefits Payable .....	433,199	418,786
Customers' Deposits .....	(857)	(1,979)
Accrued Expenses and Contracts Payable .....	(969,076)	(488,472)
Interfund Payables .....	(1,678,889)	(1,582,992)
Total Adjustments .....	9,136,499	9,311,717
Net Cash From Operating Activities	<u>\$10,789,530</u>	<u>\$11,671,134</u>
<b>Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:</b>		
Cash and Equity in Pooled Investments		
in Special Funds .....	\$166,084,160	\$149,691,698
Cash and Equity in Pooled Investments		
in Operating Funds .....	54,617,618	51,655,187
Cash and Equity in Pooled Investments		
at March 31 .....	<u>\$220,701,778</u>	<u>\$201,346,885</u>

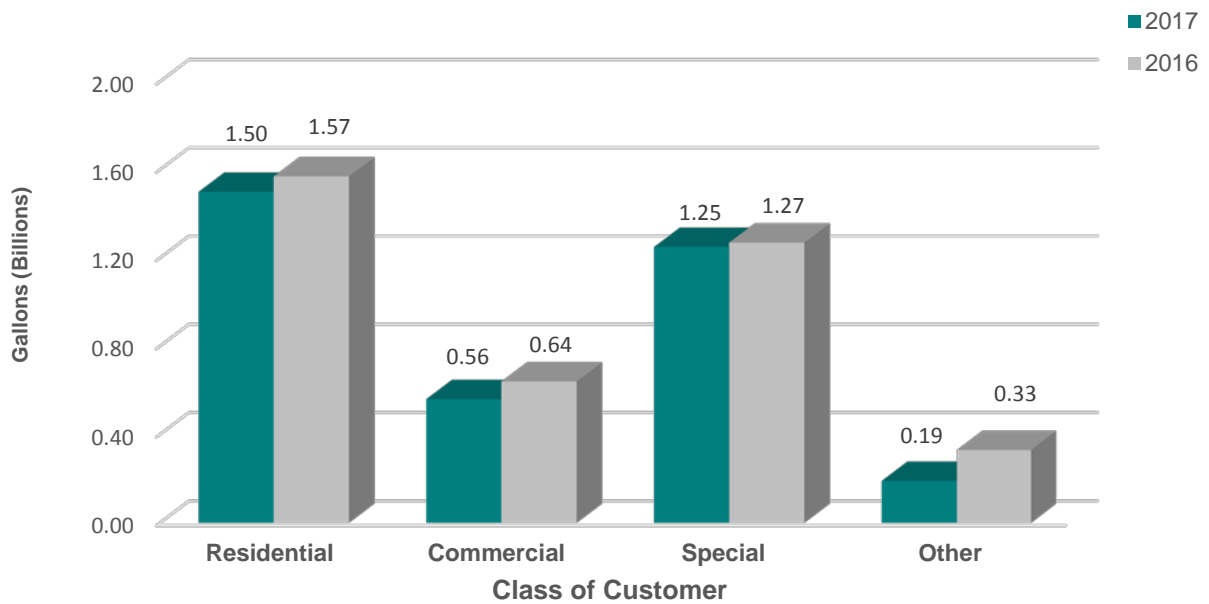
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# Supplemental Data

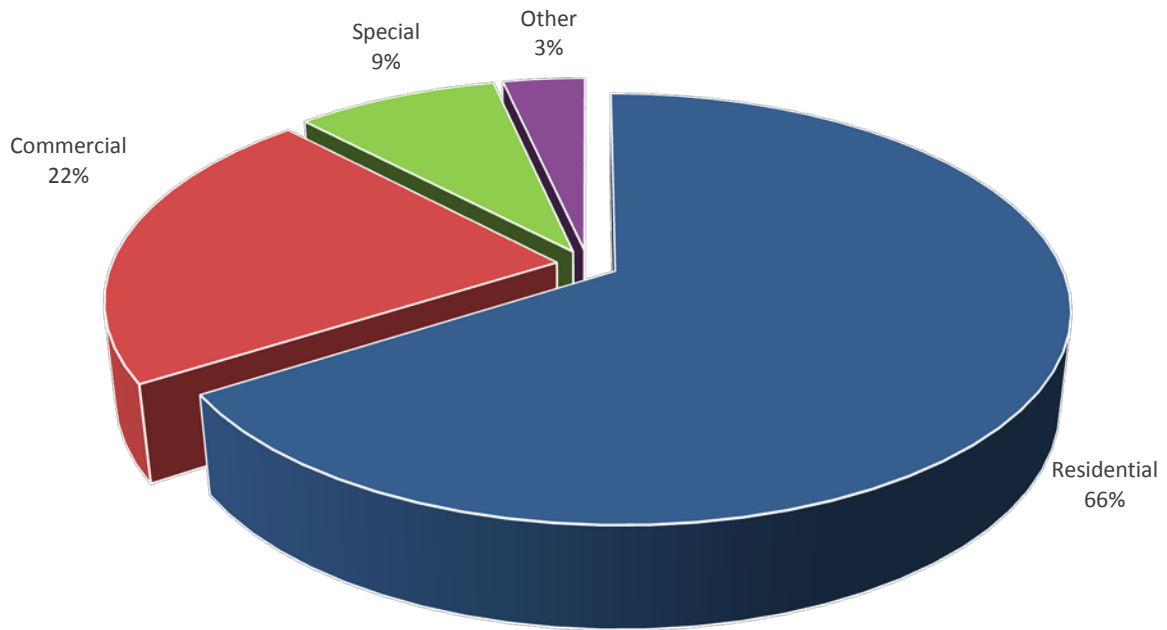
**WATER SALES**  
Year to Date - March 2017 & 2016



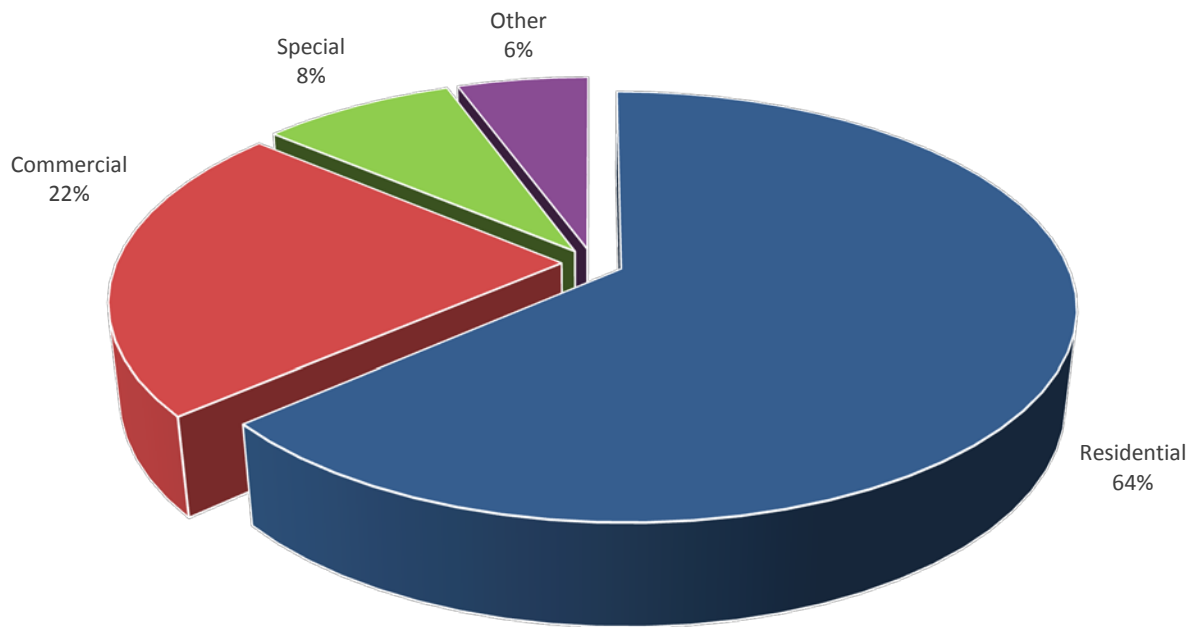
**WATER CONSUMPTION**  
Year to Date - March 2017 & 2016



**WATER SALES**  
**Year to Date - March 2017**  
**(\$15,913,137)**

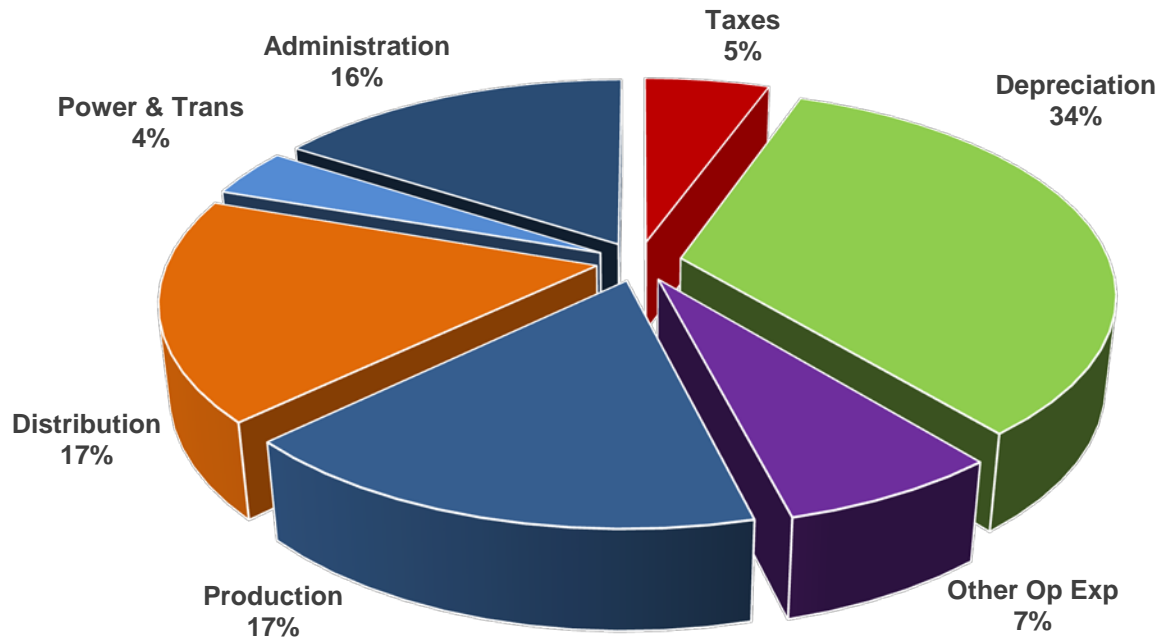


**WATER SALES**  
**Year to Date - March 2016**  
**(\$16,592,225)**

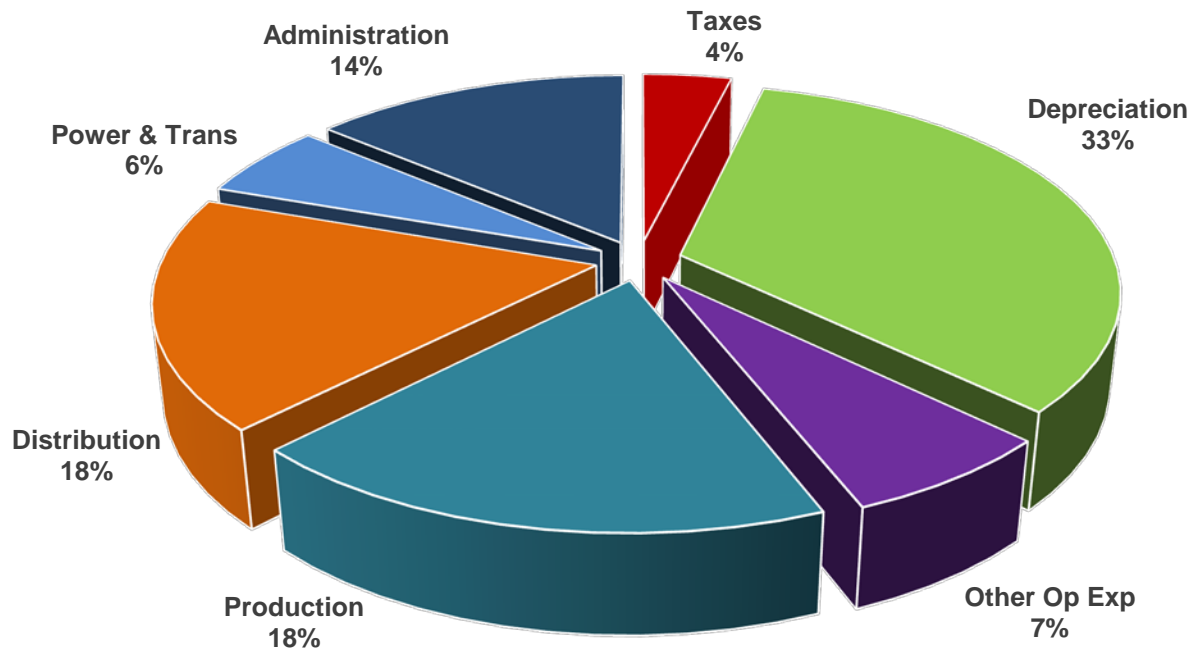




**TOTAL OPERATING EXPENSES**  
Year to Date - March 2017  
(\$17,933,261)



**TOTAL OPERATING EXPENSES**  
Year to Date - March 2016  
(\$17,838,353)



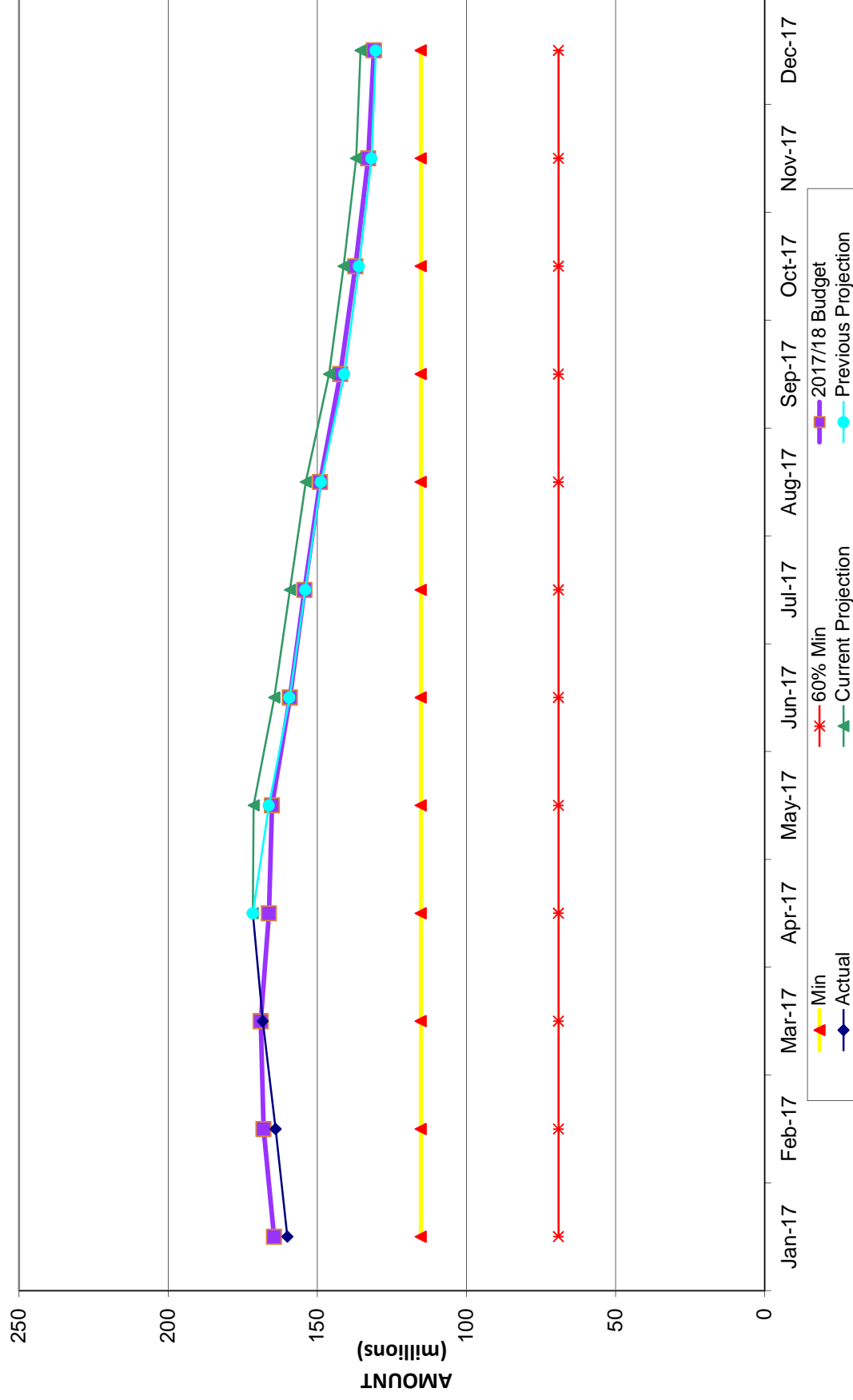


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# TACOMA POWER

## CURRENT FUND BALANCED BUDGET CASH PROJECTIONS

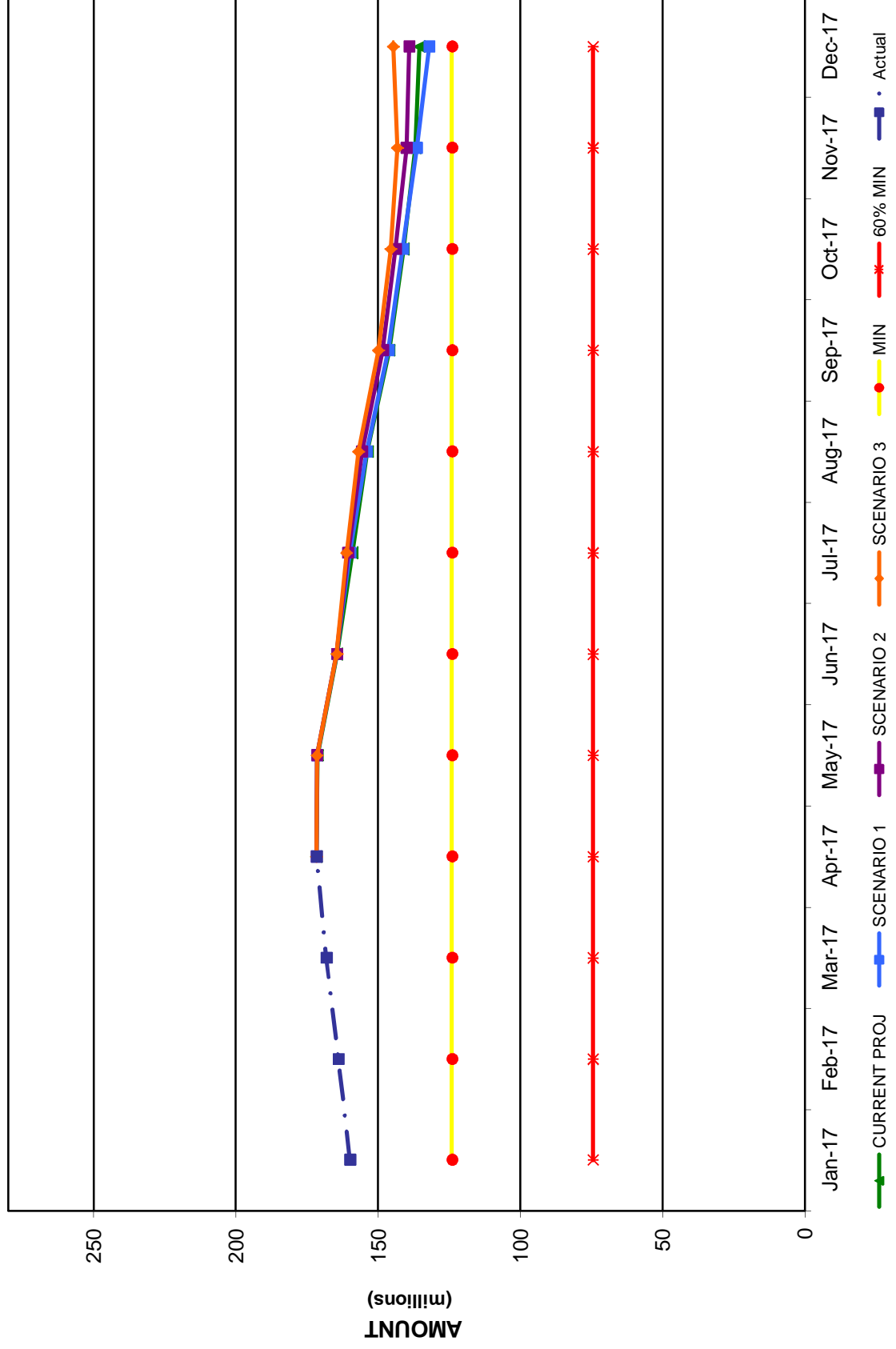
Estimated Cash for 2017-2018



# TACOMA POWER

## CURRENT FUND CASH PROJECTIONS

Actual <sup>(a)</sup> and Estimated Cash\* for 2017-2018



**TACOMA POWER**  
**2017-2018 BALANCED BUDGET CASH PROJECTION**  
**(000's omitted)**

	Apr-17	Apr-17	May-17	Jun-17	Jul-17
	Estimate	Actual			
<b>Beginning Cash Balance (4)</b>	<b>168,238</b>	<b>168,238</b>	<b>171,608</b>	<b>171,336</b>	<b>164,420</b>
<b>Cash In</b>					
Retail Sales	28,594	27,939	26,888	26,277	24,101
Wholesale Sales	5,192	4,263	5,532	4,801	3,833
Telecommunications	2,240	2,276	2,247	2,286	2,305
Other Revenue	2,017	2,211	2,017	2,017	2,017
<b>Total Cash In</b>	<b>38,043</b>	<b>36,689</b>	<b>36,684</b>	<b>35,381</b>	<b>32,256</b>
<b>Cash Out</b>					
Personnel Costs	7,710	6,854	7,710	11,565	7,710
Debt Service	2,564	2,597	2,564	2,564	3,019
Taxes	5,509	5,038	4,607	5,295	4,285
BPA Purchases	12,356	11,775	10,540	10,866	10,550
Wholesale Purchases	1,546	893	1,509	1,981	1,947
Supplies, Other Services & Charges	6,616	3,410	6,616	6,616	6,616
Capital Outlay	3,410	4,385	3,410	3,410	3,410
<b>Total Cash Out</b>	<b>39,711</b>	<b>34,952</b>	<b>36,956</b>	<b>42,297</b>	<b>37,537</b>
<b>Net</b>	<b>(1,668)</b>	<b>1,737</b>	<b>(272)</b>	<b>(6,917)</b>	<b>(5,281)</b>
Change in A/R		2,150			
Change in A/P		(517)			
<b>Ending Cash Balance</b>	<b>166,570</b>	<b>171,608</b>	<b>171,336</b>	<b>164,420</b>	<b>159,139</b>

The accompanying notes are an integral part of these cash projections.

TACOMA POWER  
2017-2018 CURRENT FUND CASH PROJECTIONS

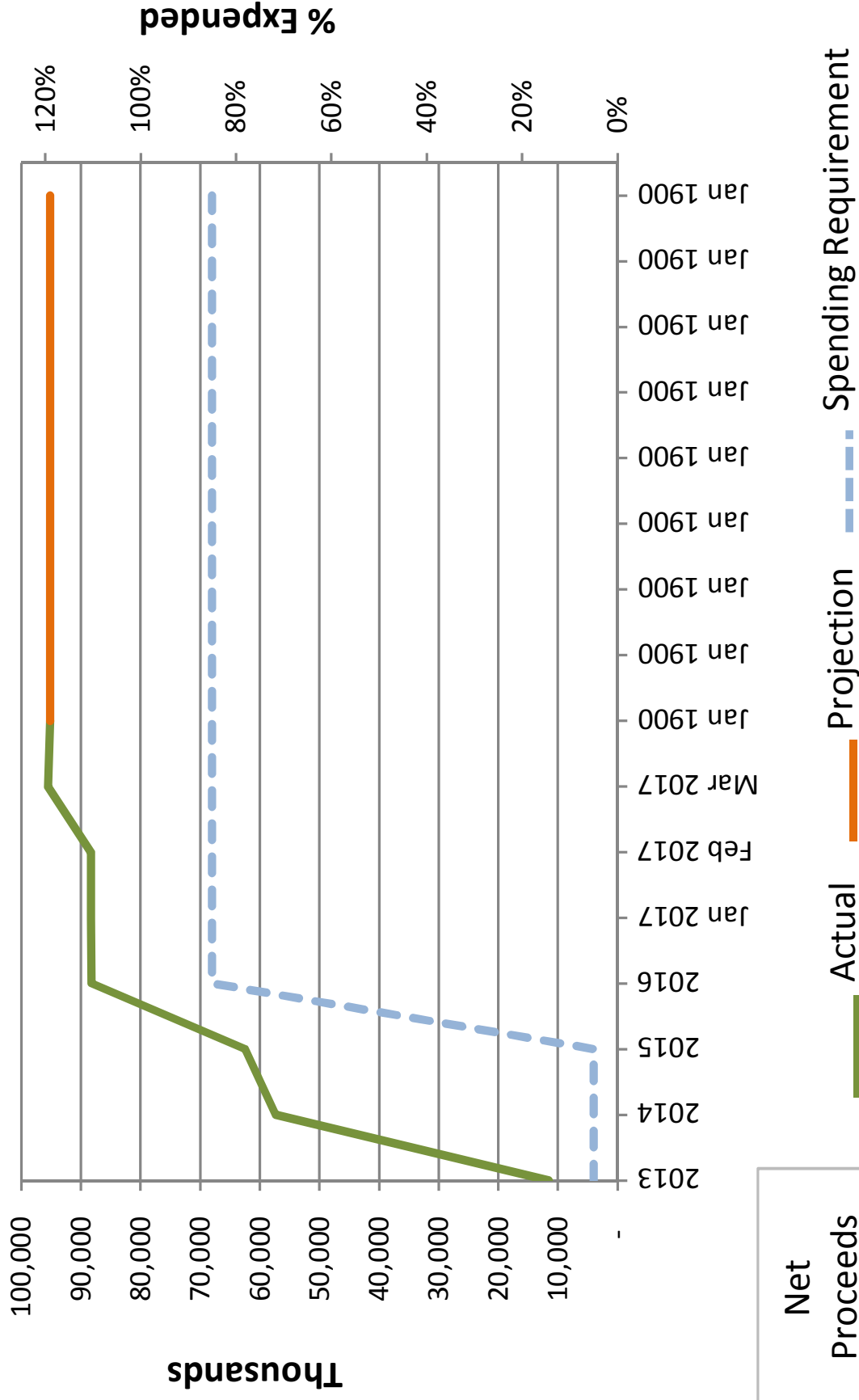
**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on Public Utility Board and City Council resolutions, the Division should maintain a minimum cash working capital balance of approximately \$115.3 million (90 days) in the 2017/2018 biennium. Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$69.2 million).
3. Commitments: These projections are based on the 2017/2018 budget.
4. "Actual" cash and investment balance as of April 1st, 2017.
5. BPA Purchase information provided by Power Management March 9th, 2017.  
BPA billings are net of Wynoochee and LaGrande/Cushman billing credits.
6. The Capital Outlay projection is based on the 2017/2018 budget.
7. Regular debt service includes the interest and principal payments on all outstanding Electric System Revenue and Refunding bonds.
8. Retail revenue in this projection is based on the Retail Sales and Forecast provided by the Rates, Planning and Analysis division.
9. On the Current Fund Cash Projections graph the most recent projection is labeled "CURRENT PROJ." Also shown are three scenarios based on estimated wholesale power sales revenues under current forward wholesale market prices and the following streamflow conditions:
  - Scenario 1 represents critical water conditions for 12 months followed by adverse water conditions.
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10. Wholesale Sale/Purchase information provided by Power Management on May 8th, 2017.

**Significant Changes:**

Supplies, Other Services & Charges came in under estimates by (\$3.2) million. These estimates are based on an even spread of the biennial budget and, therefore, will vary from actuals on a monthly basis.

# 4700-13CON Cumulative Bond Spending



Net  
Proceeds  
\$93,743 M

**Tacoma Public Utilities**  
**Power Bonds**  
**As of March 31, 2017**

	<b>4700-13CON</b>
<b>Bond Type</b>	Revenue Bonds
<b>Issue Date</b>	6/1/2013
<b>Months Transpired</b>	44

<b>Construction Fund Proceeds</b>	93,743,000
<b>Investment Revenue</b>	1,466,883
<b>Period</b>	
2013	(11,583,188)
2014	(45,757,017)
2015	(5,099,210)
2016	(25,786,936)
1/31/2017	(81,348)
2/28/2017	(12,329)
3/31/2017	(7,210,199)
4/30/2017	326,072

<b>Total Spending</b>	<b>(95,204,155)</b>
<b>Remaining Bond Balance</b>	<b>5,728</b>
<b>Actual % Spent</b>	<b>102%</b>
<b>Cash Balance</b>	<b>5,728</b>



4700-13CON

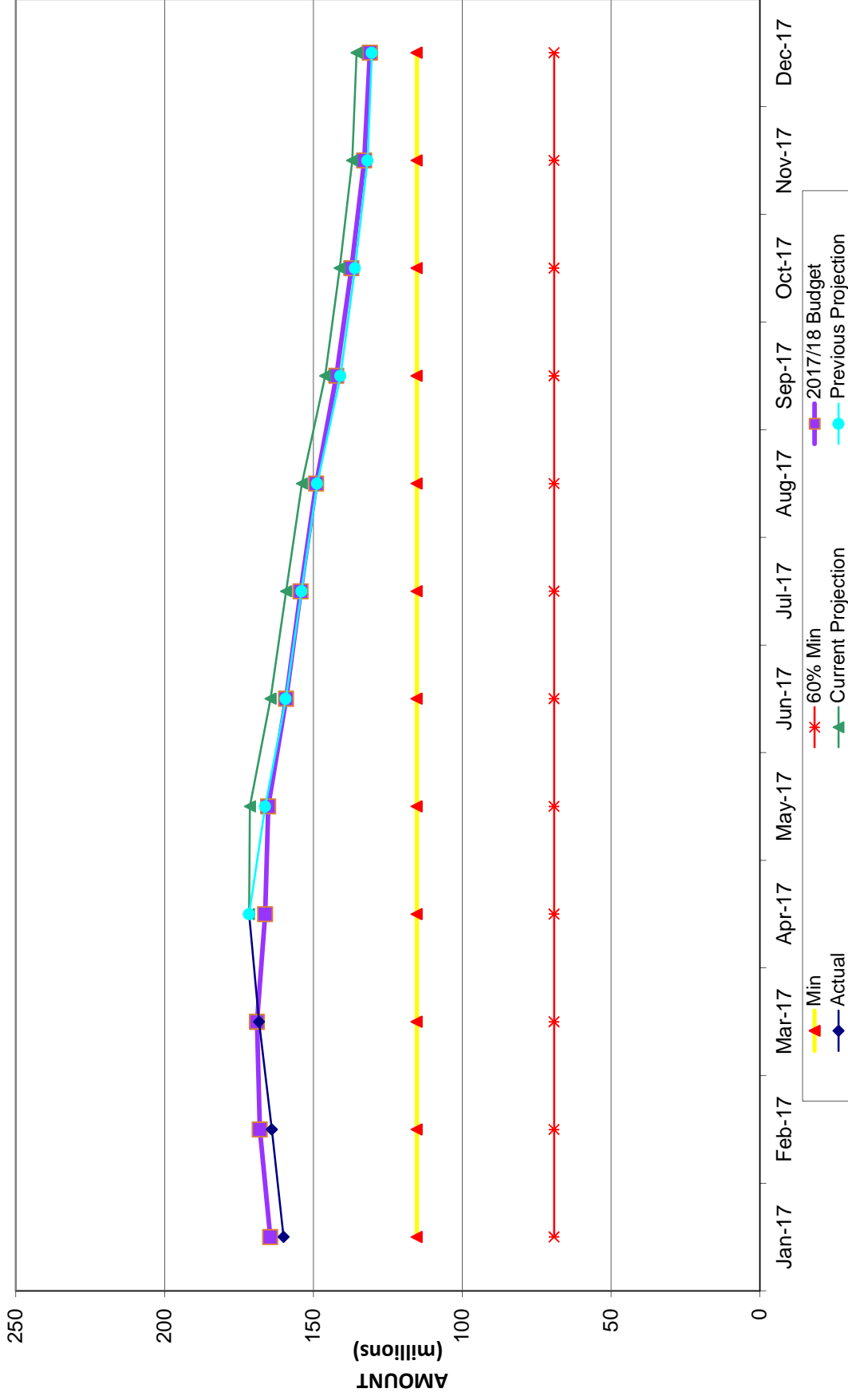
PROJECT	EST \$\$	ACT \$\$	DIFF
Reclass Bond Reimbursement Funding Source		(1,210,130)	(1,210,130)
CSH Wildlife Habitat Enhance & Protectn		593,331	593,331
Cowlitz Hatcheries		252,089	252,089
8 additional projects		38,637	38,637

TOTAL Spending vs. Projection	<u>-</u>	<u>(326,072)</u>	<u>(326,072)</u>
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# TACOMA POWER

## CURRENT FUND BALANCED BUDGET CASH PROJECTIONS

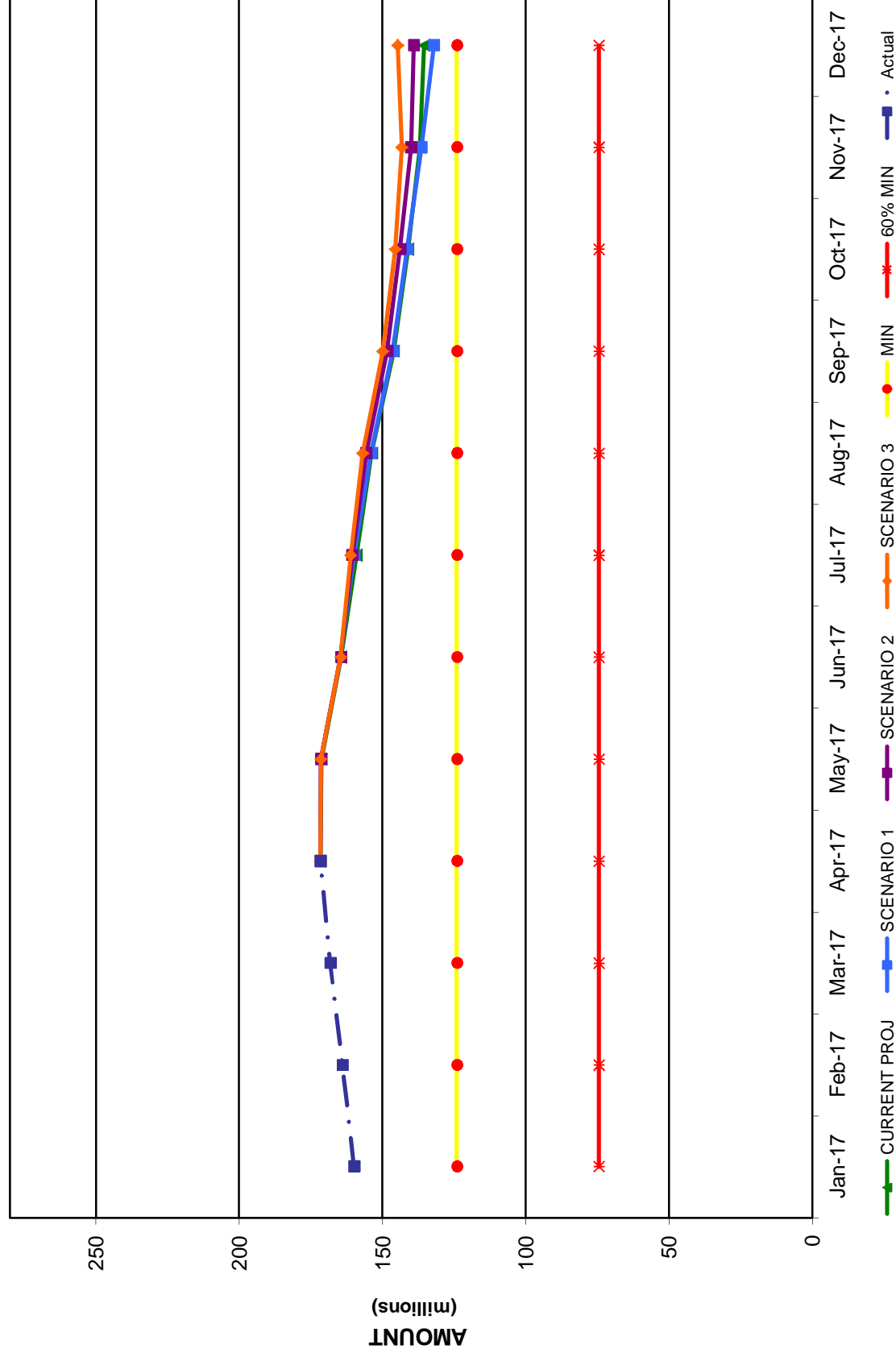
Estimated Cash for 2017-2018



# TACOMA POWER

## CURRENT FUND CASH PROJECTIONS

Actual <sup>(a)</sup> and Estimated Cash\* for 2017-2018



**TACOMA POWER**  
**2017-2018 BALANCED BUDGET CASH PROJECTION**  
**(000's omitted)**

	Apr-17	Apr-17	May-17	Jun-17	Jul-17
	Estimate	Actual			
<b>Beginning Cash Balance (4)</b>	<b>168,238</b>	<b>168,238</b>	<b>171,608</b>	<b>171,336</b>	<b>164,420</b>
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<b>Net</b>	<b>(1,668)</b>	<b>1,737</b>	<b>(272)</b>	<b>(6,917)</b>	<b>(5,281)</b>
Change in A/R		2,150			
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<b>Ending Cash Balance</b>	<b>166,570</b>	<b>171,608</b>	<b>171,336</b>	<b>164,420</b>	<b>159,139</b>

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TACOMA POWER  
2017-2018 CURRENT FUND CASH PROJECTIONS

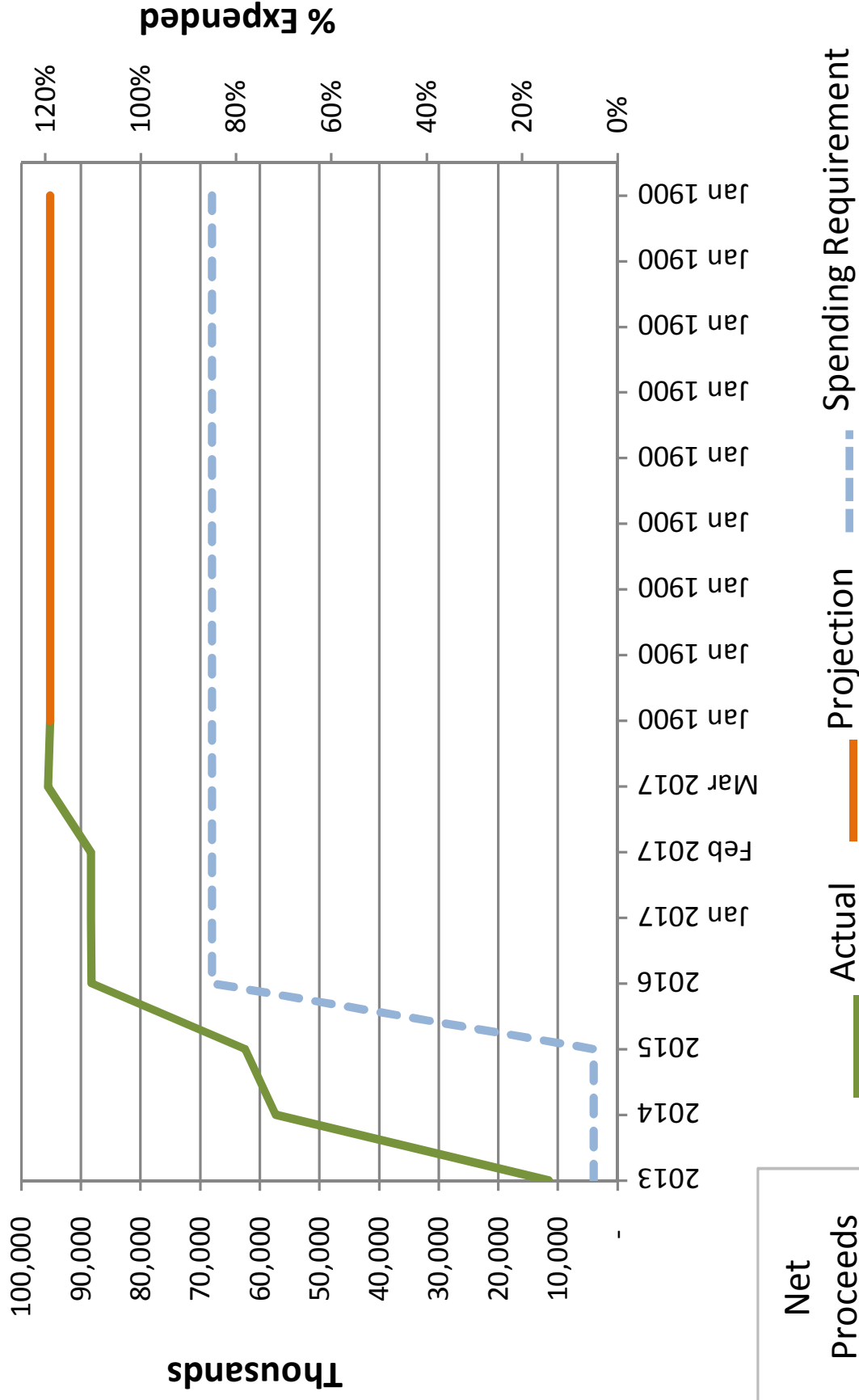
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**Significant Changes:**

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# 4700-13CON Cumulative Bond Spending



Net  
Proceeds  
\$93,743 M

**Tacoma Public Utilities**  
**Power Bonds**  
**As of March 31, 2017**

	<b>4700-13CON</b>
<b>Bond Type</b>	Revenue Bonds
<b>Issue Date</b>	6/1/2013
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<b>Construction Fund Proceeds</b>	93,743,000
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<b>Remaining Bond Balance</b>	<b>5,728</b>
<b>Actual % Spent</b>	<b>102%</b>
<b>Cash Balance</b>	<b>5,728</b>

4700-13CON

PROJECT	EST \$\$	ACT \$\$	DIFF
Reclass Bond Reimbursement Funding Source		(1,210,130)	(1,210,130)
CSH Wildlife Habitat Enhance & Protectn		593,331	593,331
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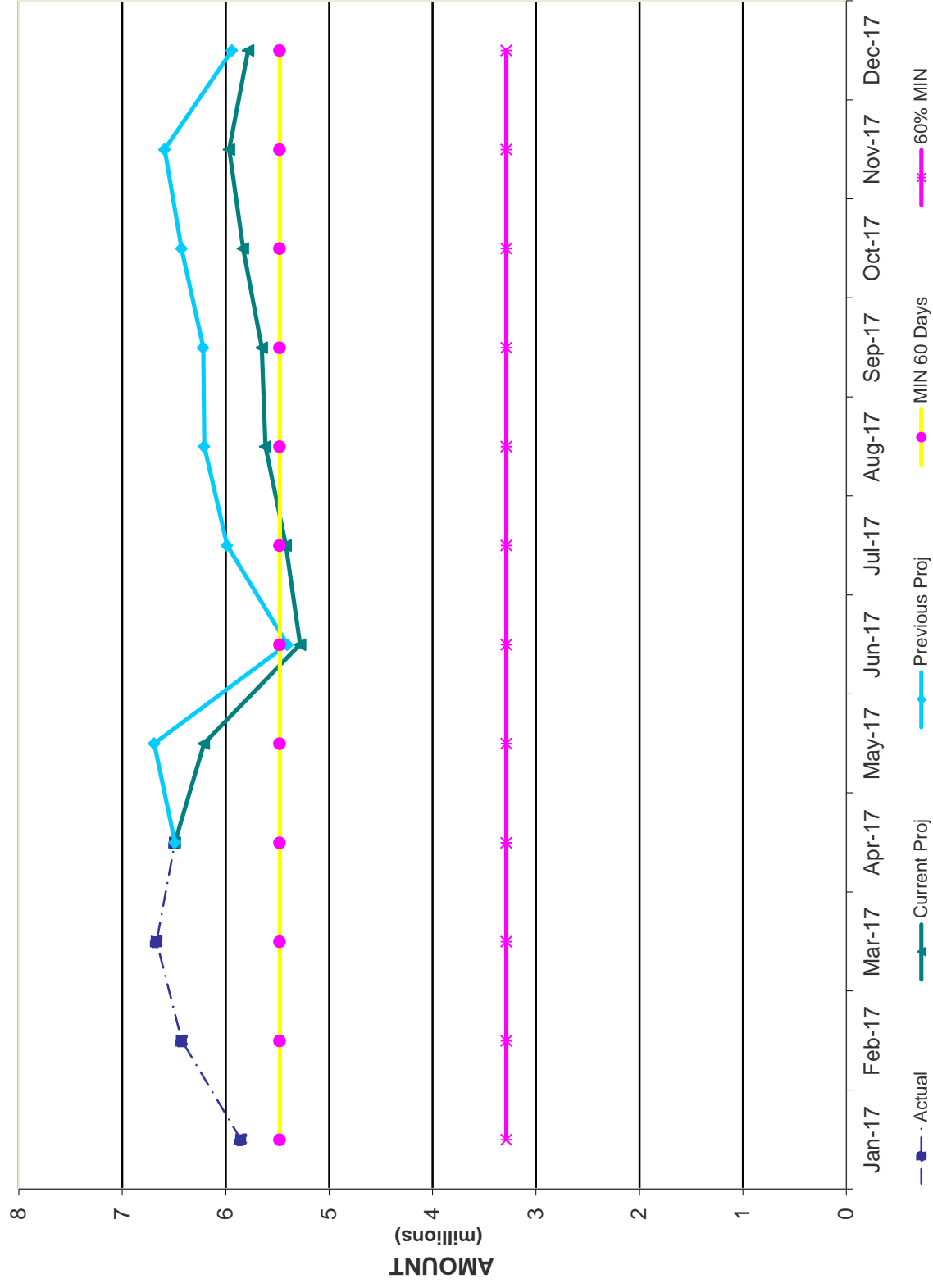
TOTAL Spending vs. Projection	<u>-</u>	<u>(326,072)</u>	<u>(326,072)</u>
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# TACOMA RAIL

## 2017 CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash



TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS  
(000's omitted)

	Apr-17 Estimate	Apr-17 Actual	May-17 Estimate	Jun-17 Estimate	Jul-17 Estimate
Beginning Cash Balance	\$6,669	\$6,669	\$6,491	\$6,210	\$5,280
<b><u>REVENUES (Cash-In)</u></b>	(1)				
Switching Revenue	2,600	2,650	2,308	2,391	2,554
Demurrage Revenue	96	64	96	96	96
Other Revenues	22	(21)	22	22	22
Lease Revenue	90	71	80	80	90
Interest Income	7	8	7	7	7
Service Maint/Trans Revenue	155	243	155	155	155
Reimbursement/Transfer Ins	38	36	-	-	-
Total Revenues	3,008	3,051	2,668	2,751	2,924
<b><u>EXPENSES (Cash-Out)</u></b>	(1)				
Personnel Costs	1,285	1,249	1,260	1,705	1,260
Taxes	279	255	250	258	274
Supplies, Other Services & Charges	579	615	617	782	529
Assessments	139	137	139	140	139
Debt Service	62	62	116	138	90
Transfer Outs	-	-	-	-	-
Volume Incentive	292	292	292	292	208
Capital Outlay	-	60	275	366	285
Total Expenses	2,636	2,670	2,949	3,681	2,785
Change in AR	(3)	(619)			
Change in AP	(3)	60			
<b>Net Increase (Decrease) in Cash</b>	372	(178)	(281)	(930)	139
Ending Cash Balance	(2) <u>\$7,042</u>	<u>\$6,491</u>	<u>\$6,210</u>	<u>\$5,280</u>	<u>5,419</u>

The accompanying notes are an integral part of these cash projections.

TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS

**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 37101, adopted February 6, 2007, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$5.478 million in the 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$3.287 million).
3. Change in AR and Change in AP are adjustments to the current month's actual cash flows from Revenues and Expenses which factor into the actual ending cash balance. A positive number in Change in AR indicates collections from outstanding accounts receivables exceeded revenues billed in the same month. Conversely, a positive number in Change in AP indicates that payments for goods and services were less than recorded expenses for the same month. The outstanding AR and AP balances at the end of the month will impact the future cash inflows and outflows, respectively.

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***APRIL***

***FLEET SERVICES FUND***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DON ASHMORE

Utilities Fleet Manager

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## FLEET SERVICES FUND

### TABLE OF CONTENTS

*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

STATEMENTS OF NET POSITION .....	1 - 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	3 - 4
SUPPLEMENTAL DATA .....	6 - 8



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF NET POSITION  
APRIL 30, 2017 AND APRIL 30, 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>FIXED</b>		
Office Furniture and Equipment .....	\$616,901	\$540,905
Stores and Shop Equipment .....	719,380	692,125
Transportation Equipment .....	42,810,288	37,625,145
Power-Operated Equipment .....	19,105,895	18,944,219
Accumulated Depreciation .....	(38,501,145)	(37,917,137)
Total Fixed Assets .....	<u>24,751,319</u>	<u>19,885,257</u>
Construction Work in Progress .....	769,267	1,775,885
Net Fixed Assets .....	<u>25,520,586</u>	<u>21,661,142</u>
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	18,627,129	22,726,237
Materials and Supplies .....	306,954	251,310
Total Current Assets .....	<u>18,934,083</u>	<u>22,977,547</u>
<b>OTHER ASSETS</b>		
Net Pension Asset .....	<u>-</u>	<u>101,261</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows for Pensions .....	<u>964,710</u>	<u>240,412</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<u><u>\$45,419,379</u></u>	<u><u>\$44,980,362</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

	2017	2016
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Invested in Capital Assets .....	\$25,520,586	\$21,661,142
Restricted for:		
Tacoma Power .....	18,095,346	18,095,346
Tacoma Water .....	7,199,933	7,199,933
Tacoma Rail .....	981,147	981,147
Net Pension Asset .....	-	101,261
Unrestricted .....	(7,715,864)	(3,561,950)
<b>TOTAL NET POSITION .....</b>	<b>44,081,148</b>	<b>44,476,879</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	88,200	53,204
Wages Payable .....	127,745	123,457
Total Current Liabilities .....	215,945	176,661
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	231,004	219,922
Net Pension Liability .....	835,359	-
Total Long-term Liabilities .....	1,066,363	219,922
<b>TOTAL LIABILITIES .....</b>	<b>1,282,308</b>	<b>396,583</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflows for Pensions .....	55,923	106,900
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$45,419,379</b>	<b>\$44,980,362</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
APRIL 30, 2017 AND APRIL 30, 2016

	APRIL 2017	APRIL 2016
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$139,981	\$134,494
Capital Recovery .....	10,440	416,734
Administrative Overhead .....	116,525	76,379
Fuel and Fuel Loading .....	4,528	3,685
Pool Car Rental .....	9,552	7,998
Total Operating Revenue .....	<u>281,026</u>	<u>639,290</u>
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	235,671	222,733
Outside Services .....	118	37
Total Repairs and Servicing .....	<u>235,789</u>	<u>222,770</u>
Stores Operations .....	30,532	25,121
Administration .....	106,699	109,386
Depreciation .....	292,841	251,579
Total Operating Expenses .....	<u>665,861</u>	<u>608,856</u>
<b>OPERATING INCOME</b> .....	(384,835)	30,434
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	6,029	4,609
Gain (Loss) on Disposition of Equipment .....	-	-
Sale of Scrap .....	-	-
Total Non-Operating Revenues (Expenses) ....	<u>6,029</u>	<u>4,609</u>
Net Income Before Transfers .....	(378,806)	35,043
Transfers In .....	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b> .....	<u>(\$378,806)</u>	<u>\$35,043</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - APRIL 30</b> .....		

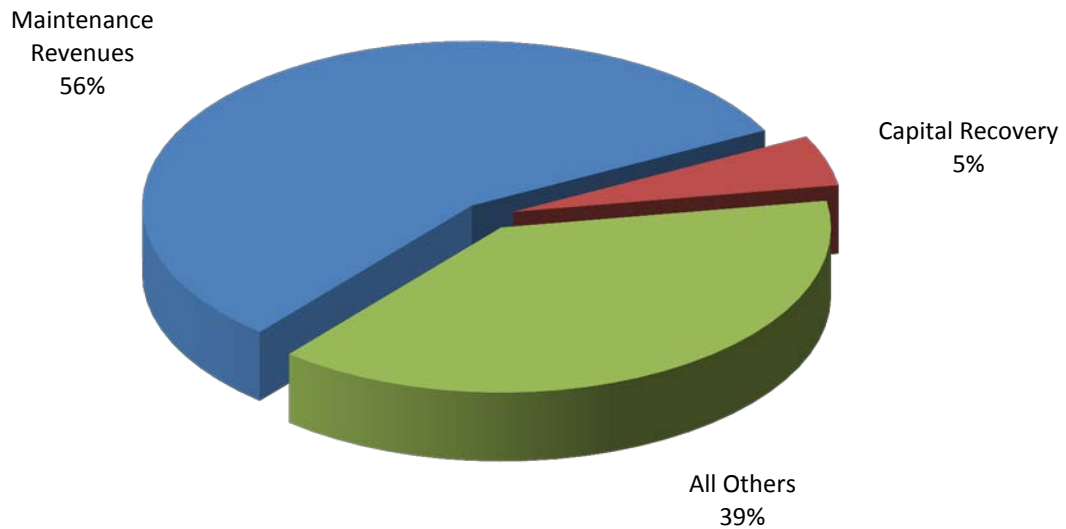
*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR TO DATE			
APRIL 2017	APRIL 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$555,720	\$502,541	\$53,179	10.6%
48,956	1,538,072	(1,489,116)	-96.8%
325,097	276,828	48,269	17.4%
18,959	14,102	4,857	34.4%
37,765	33,429	4,336	13.0%
986,497	2,364,972	(1,378,475)	-58.3%
903,010	891,882	11,128	1.2%
21,102	19,242	1,860	9.7%
924,112	911,124	12,988	1.4%
98,922	101,198	(2,276)	-2.2%
485,055	474,081	10,974	2.3%
1,176,673	1,010,343	166,330	16.5%
2,684,762	2,496,746	188,016	7.5%
(1,698,265)	(131,774)	(1,566,491)	-1188.8%
77,512	80,088	(2,576)	-3.2%
107,704	152,768	(45,064)	-29.5%
12,500	6,875	5,625	81.8%
197,716	239,731	(42,015)	-17.5%
(1,500,549)	107,957	(1,608,506)	1490.0%
-	2,181	(2,181)	0.0%
(1,500,549)	110,138	(\$1,610,687)	-1462.4%
45,581,697	44,366,741		
<u>\$44,081,148</u>	<u>\$44,476,879</u>		

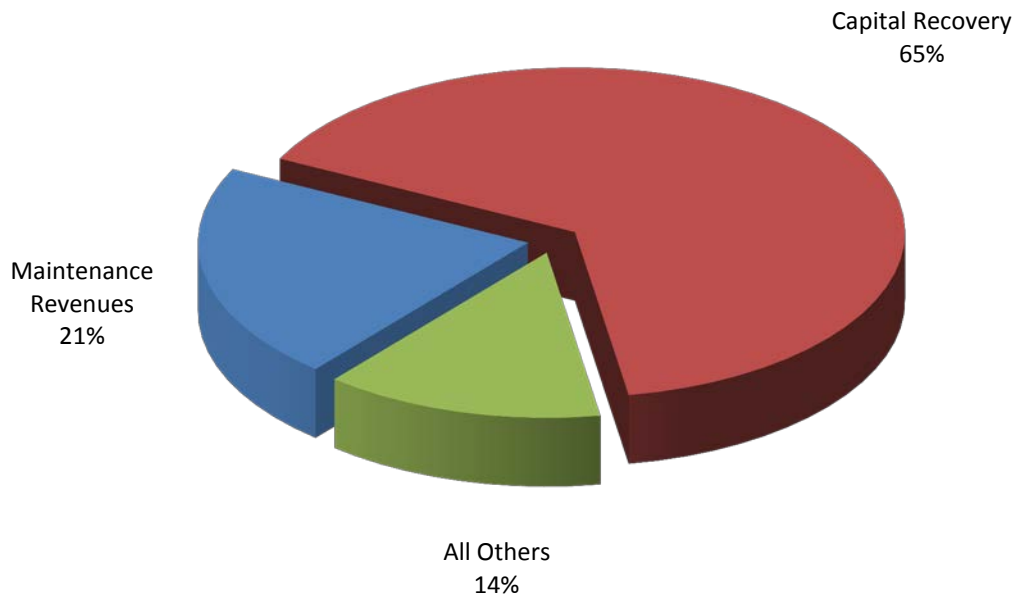
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# Supplemental Data

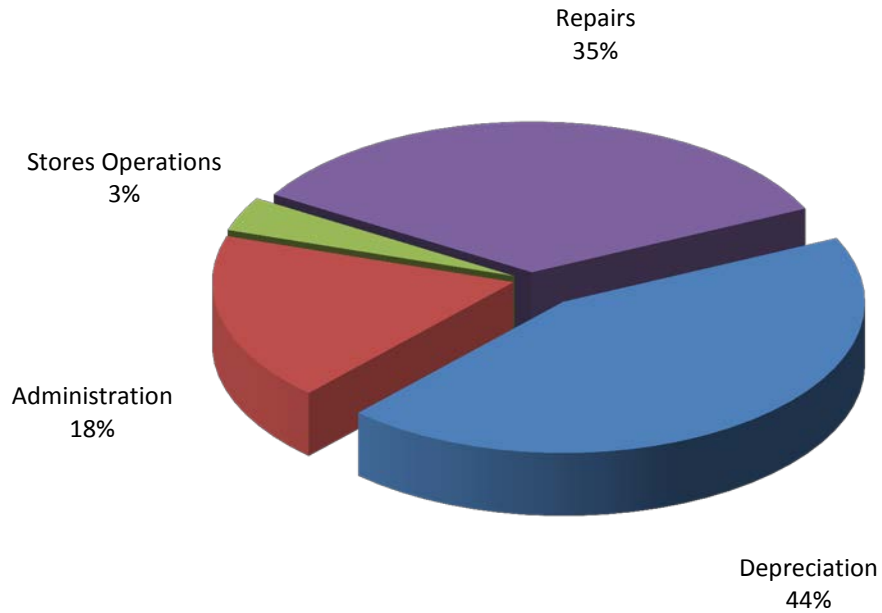
**TOTAL OPERATING REVENUES**  
**Year to Date - April 2017 (\$986,497)**



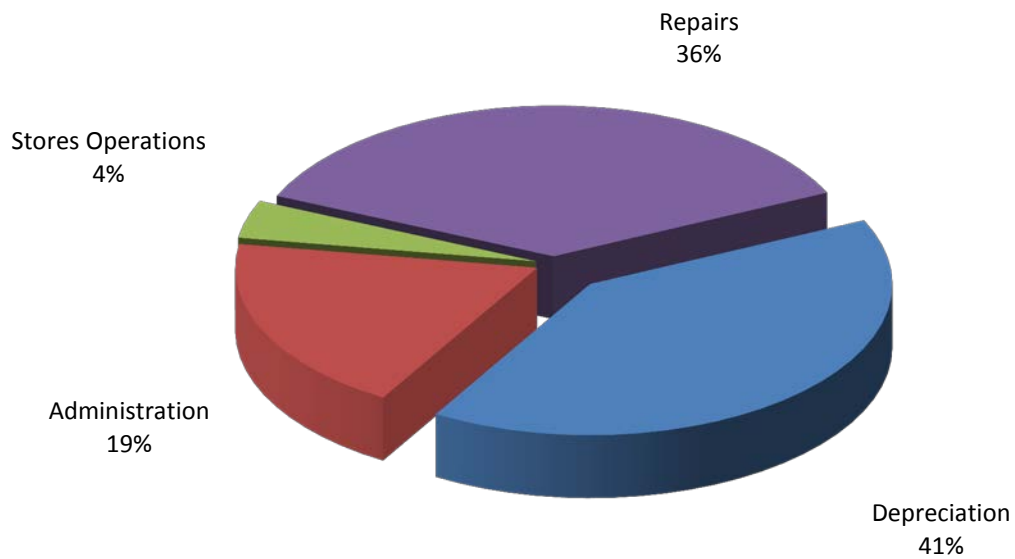
**TOTAL OPERATING REVENUES**  
**Year to Date - April 2016 (\$2,364,972)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2017 (\$2,684,762)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2016 (\$2,496,746)**







The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

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***APRIL***

***TACOMA POWER***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

BRYAN FLINT

Member

KAREN LARKIN

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION  
Doing Business As

## TACOMA POWER

### TABLE OF CONTENTS

*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF NET POSITION - April 30, 2017 AND April 30, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Electric Plant in Service .....	\$2,005,588,148	\$1,864,442,034
Less Depreciation and Amortization .....	(1,015,933,841)	(963,050,742)
Total .....	989,654,307	901,391,292
Construction Work in Progress .....	40,838,302	105,269,940
Net Utility Plant .....	1,030,492,609	1,006,661,232
<b>NON-UTILITY PROPERTY .....</b>	<b>182,051</b>	<b>182,051</b>
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010B Construction Fund .....	-	3,527,852
2013 Construction Fund .....	5,728	34,887,246
2015 Construction Fund .....	10,595,654	223,030
Provision for Debt Service .....	9,988,105	10,585,271
Special Bond Reserves .....	4,997,639	4,997,639
Wynoochee Reserve--State of Washington .....	2,574,715	2,550,003
Total Restricted Assets .....	28,161,841	56,771,041
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	171,633,785	170,585,042
Customers' and Contractors' Deposits .....	2,691,872	2,979,050
Conservation Loan Fund .....	3,614,064	3,458,491
Rate Stabilization Fund .....	48,000,000	48,000,000
Receivables:		
Customers .....	22,341,602	18,531,070
Accrued Unbilled Revenue .....	28,587,295	29,427,771
Others .....	12,761,747	13,937,221
Provision for Uncollectibles .....	(2,051,882)	(1,251,896)
Materials and Supplies .....	7,097,523	6,333,142
Prepayments and Other .....	5,986,431	5,631,416
Total Current Assets .....	300,662,437	297,631,307
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation .....	48,571,597	46,557,898
Net Pension Asset .....	-	3,823,476
Conservation Loan Fund Receivables .....	2,614,848	1,460,427
Total Other Assets .....	51,186,445	51,841,801
<b>Total Assets .....</b>	<b>1,410,685,383</b>	<b>1,413,087,432</b>
<b>DEFERRED OUTFLOWS</b>		
Deferred Outflow for Pensions .....	39,469,454	9,077,586
Unamortized Loss on Refunding Bonds .....	-	1,266,624
Total Deferred Outflows .....	39,469,454	10,344,210
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<b>\$1,450,154,837</b>	<b>\$1,423,431,642</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$589,168,159	\$595,349,677
Restricted for:		
Wynoochee Reserve - State of Washington .....	2,574,715	2,550,003
Debt Service .....	3,858,336	4,243,336
Net Pension Asset .....	-	3,823,476
Unrestricted .....	251,442,750	249,097,586
<b>TOTAL NET POSITION .....</b>	<b>847,043,960</b>	<b>855,064,078</b>
<b>LONG-TERM DEBT</b>		
2010B Electric System Refunding Bonds .....	147,070,000	147,070,000
2010C Electric System Refunding Bonds .....	24,185,000	24,185,000
2013A Electric System Rev & Refunding Bonds .....	139,885,000	151,460,000
2013B Electric System Rev & Refunding Bonds .....	35,620,000	35,620,000
Total Bonded Indebtedness .....	346,760,000	358,335,000
Less: Unamortized Bond Premiums .....	18,520,522	20,080,995
Net Bonded Indebtedness .....	365,280,522	378,415,995
Line of Credit .....	80,250,000	65,250,000
Total Long-Term Debt .....	445,530,522	443,665,995
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	3,824,478	3,643,837
Taxes and Other Payables .....	12,072,750	11,720,232
Purchases and Transmission of Power Accrued .....	11,985,950	11,578,396
Interest Payable .....	6,129,769	6,341,935
Customers' Deposits .....	2,735,633	2,944,794
Current Portion of Long-Term Debt .....	11,575,000	12,730,000
Current Accrued Compensated Absences .....	1,075,771	1,058,072
Total Current Liabilities .....	49,399,351	50,017,266
<b>LONG TERM LIABILITIES</b>		
Long Term Accrued Compensated Absences .....	9,681,941	9,522,650
Net Pension Liability .....	34,177,293	-
Other Long Term Liabilities .....	14,033,787	13,125,264
Total Long Term Liabilities .....	57,893,021	22,647,914
<b>TOTAL LIABILITIES .....</b>	<b>552,822,894</b>	<b>516,331,175</b>
<b>DEFERRED INFLOWS</b>		
Deferred Inflow for Pensions .....	2,287,983	4,036,389
Rate Stabilization .....	48,000,000	48,000,000
Total Deferred Inflows .....	50,287,983	52,036,389
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$1,450,154,837</b>	<b>\$1,423,431,642</b>



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
April 30, 2017 AND April 30, 2016

	April 2017	April 2016
<b>OPERATING REVENUES</b>		
Sales of Electric Energy .....	\$32,201,449	\$31,424,296
Other Operating Revenues .....	1,376,978	1,374,920
Click! Network Operating Revenues .....	2,275,899	2,227,578
Total Operating Revenue .....	<u>35,854,326</u>	<u>35,026,794</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Hydraulic Power Production .....	1,910,994	2,282,699
Other Production Expense .....	411,555	464,236
Total Expense Power Produced .....	<u>2,322,549</u>	<u>2,746,935</u>
Purchased Power .....	<u>11,657,144</u>	<u>10,393,454</u>
Total Production Expense .....	13,979,693	13,140,389
Transmission Expense .....	2,095,582	2,651,365
Distribution Expense .....	1,931,745	2,163,030
Click! Network Commercial Operations Expense .	2,011,492	2,172,034
Customer Accounts Expense (CIS) .....	1,116,892	1,122,286
Conservation and Other Customer Assistance ...	993,500	949,236
Taxes .....	1,297,902	1,194,753
Depreciation .....	4,749,150	4,625,108
Administrative and General .....	1,685,216	1,549,583
Total Operating Expenses .....	<u>29,861,172</u>	<u>29,567,784</u>
<b>OPERATING INCOME (LOSS) .....</b>	<u>5,993,154</u>	<u>5,459,010</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	223,361	212,668
Contribution to Family Need .....	(8,333)	(40,000)
Other Net Non-Op Revenues and Deductions .....	77,254	97,353
Interest on Long-Term Debt .....	(1,632,224)	(1,635,194)
Amort. of Debt Related Costs .....	124,051	(25,294)
Interest Charged to Construction .....	228,084	389,440
Total Non-Operating Revenues (Expenses) ..	<u>(987,807)</u>	<u>(1,001,027)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	5,005,347	4,457,983
Capital Contributions		
Cash .....	296,411	192,331
Donated Fixed Assets .....	-	-
BABs and CREBs Interest Subsidies	329,553	329,553
Transfers		
City Gross Earnings Tax .....	(2,977,115)	(2,494,895)
Transfers from (to) Other Funds .....	<u>-</u>	<u>(2,181)</u>
<b>CHANGE IN NET POSITION .....</b>	<u>\$2,654,196</u>	<u>\$2,482,791</u>
<b>TOTAL NET POSITION - January 1 .....</b>		
<b>TOTAL NET POSITION - April 30 .....</b>		

YEAR TO DATE		2017 OVER (UNDER)	PERCENT CHANGE
April 30, 2017	April 30, 2016	2016	
\$147,541,941	\$146,324,536	\$1,217,405	0.8%
6,231,496	6,049,926	181,570	3.0%
8,787,588	8,919,636	(132,048)	-1.5%
162,561,025	161,294,098	1,266,927	0.8%
7,826,786	6,374,769	1,452,017	22.8%
1,892,246	1,721,175	171,071	9.9%
9,719,032	8,095,944	1,623,088	20.0%
47,544,097	42,009,309	5,534,788	13.2%
57,263,129	50,105,253	7,157,876	14.3%
9,746,957	10,567,490	(820,533)	-7.8%
9,588,868	10,250,285	(661,417)	-6.5%
8,222,117	8,604,175	(382,058)	-4.4%
4,657,959	4,483,632	174,327	3.9%
4,301,517	3,926,637	374,880	9.5%
7,077,944	6,894,193	183,751	2.7%
19,162,861	18,529,600	633,261	3.4%
8,042,827	7,657,947	384,880	5.0%
128,064,179	121,019,212	7,044,967	5.8%
34,496,846	40,274,886	(5,778,040)	-14.3%
1,663,789	1,584,604	79,185	5.0%
(33,333)	(160,000)	126,667	-79.2%
230,041	525,410	(295,369)	-56.2%
(6,355,314)	(6,467,707)	112,393	-1.7%
496,204	(101,172)	597,376	590.5%
378,717	1,464,236	(1,085,519)	-74.1%
(3,619,896)	(3,154,629)	(465,267)	14.7%
30,876,950	37,120,257	(6,243,307)	-16.8%
5,293,619	1,755,498	3,538,121	201.5%
6,436	33,873	(27,437)	-81.0%
1,318,213	1,318,213	-	0.0%
(12,446,951)	(11,094,879)	(1,352,072)	12.2%
-	(2,181)	2,181	-100.0%
25,048,267	29,130,781	(4,082,514)	-14.0%
821,995,693	825,933,297	(3,937,604)	-0.5%
\$847,043,960	\$855,064,078	(8,020,118)	

These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

SUMMARY OF REVENUES AND BILLINGS  
April 30, 2017 AND April 30, 2016

	For the month of <u>April 2017</u>	For the month of <u>April 2016</u>
<b>OPERATING REVENUE</b>		
Sales of Electric Energy		
Residential .....	\$14,505,898	\$12,685,402
Commercial .....	2,207,653	2,016,705
General .....	9,306,858	9,792,219
Contract Industrial .....	1,850,149	1,807,375
Public Street and Highway Lighting .....	30,936	398,223
Sales to Other Electric Utilities .....	37,447	30,772
Total Sales to Customers .....	<u>27,938,941</u>	<u>26,730,696</u>
Bulk Power Sales .....	<u>4,262,508</u>	<u>4,693,600</u>
Total Sales of Electric Energy .....	<u>32,201,449</u>	<u>31,424,296</u>
Other Operating Revenue		
Rentals and Leases from Elect. Property ...	100,352	185,418
Wheeling .....	827,599	779,399
Service Fees and Other .....	449,027	410,103
Telecommunications Revenue .....	2,275,899	2,227,578
Total Other Operating Revenues .....	<u>3,652,877</u>	<u>3,602,498</u>
TOTAL OPERATING REVENUES .....	<u><u>\$35,854,326</u></u>	<u><u>\$35,026,794</u></u>
 <b>BILLINGS (Number of Months Billed)</b>		
Residential .....	150,670	152,975
Commercial .....	13,723	14,814
General .....	2,425	2,726
Contract Industrial .....	2	2
Public Streets and Highway Lighting .....	684	713
Sales to Other Utilities .....	<u>1</u>	<u>1</u>
TOTAL BILLINGS .....	<u><u>167,505</u></u>	<u><u>171,231</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
April 30, 2017	April 30, 2016		
\$70,677,097	\$66,177,878	\$4,499,219	6.8%
10,682,045	10,262,081	419,964	4.1%
39,538,381	40,262,930	(724,549)	-1.8%
6,780,250	6,848,798	(68,548)	-1.0%
296,574	529,847	(233,273)	-44.0%
167,878	136,284	31,594	23.2%
128,142,225	124,217,818	3,924,407	3.2%
19,399,716	22,106,718	(2,707,002)	-12.2%
147,541,941	146,324,536	1,217,405	0.8%
945,015	1,011,374	(66,359)	-6.6%
3,447,825	3,362,068	85,757	2.6%
1,838,656	1,676,484	162,172	9.7%
8,787,588	8,919,636	(132,048)	-1.5%
15,019,084	14,969,562	49,522	0.3%
\$162,561,025	\$161,294,098	\$1,266,927	0.8%
619,215	627,788	(8,573)	-1.4%
61,600	62,300	(700)	-1.1%
9,949	10,720	(771)	-7.2%
8	8	-	0.0%
3,600	3,627	(27)	-0.7%
4	4	-	0.0%
694,376	704,447	(10,071)	-1.4%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

GROSS GENERATION REPORT - Apr 30, 2017 AND Apr 30, 2016

	For the month of Apr 2017	For the month of Apr 2016
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross		
Generated - LaGrande .....	45,247,000	36,335,000
Generated - Alder .....	25,556,000	23,956,000
TOTAL NISQUALLY .....	70,803,000	60,291,000
Generated - Cushman No. 1 .....	17,814,000	9,229,000
Generated - Cushman No. 2 .....	29,871,000	13,980,000
TOTAL CUSHMAN .....	47,685,000	23,209,000
Generated - Mossyrock .....	149,540,000	109,220,000
Generated - Mayfield .....	97,978,000	64,573,000
TOTAL COWLITZ .....	247,518,000	173,793,000
Generated - Wynoochee .....	2,957,000	1,432,000
Generated - Hood Street .....	-	366,500
Tacoma's Share of Priest Rapids .....	2,831,000	2,607,000
Tacoma's Share of GCPHA .....	17,304,000	38,321,000
TOTAL KWH GENERATED - TACOMA SYSTEM .....	389,098,000	300,019,500
Purchased Power		
BPA Slice Contract .....	132,466,000	241,668,000
BPA Block Contract .....	252,721,000	130,515,000
Interchange Net .....	(381,559,000)	(309,526,000)
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED ..	392,726,000	362,676,500
Losses .....	4,070,674	4,641,972
Baldi Replacement .....	20,880	129,790
Ketron .....	20,004	14,155
NT PC Mutuals Schedules .....	(2,881,000)	(2,077,000)
PC Mutual Inadvertent .....	635,504	25,695
TACOMA SYSTEM FIRM LOAD .....	394,592,062	365,411,112
Maximum Kilowatts (System Firm Load) .....	656,084	659,565
Average Kilowatts (System Firm Load) .....	548,045	507,422
PIERCE COUNTY MUTUAL LOAD .....	119,822,000	102,530,000
KWH BILLED		
Residential Sales .....	174,508,678	150,467,350
Commercial Sales .....	24,835,047	23,095,875
General .....	158,911,689	164,028,903
Contract Industrial .....	44,484,060	42,599,480
Public Street and Highway Lighting .....	679,685	9,066,475
Sales to Other Electric Utilities .....	700,200	572,400
TOTAL FIRM .....	404,119,359	389,830,483
Bulk Power Sales .....	397,206,000	323,311,000
TOTAL KWH BILLED .....	801,325,359	713,141,483

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
Apr 30 2017	Apr 30 2016		
156,186,000	171,907,000	(15,721,000)	-9.1%
90,822,000	122,780,000	(31,958,000)	-26.0%
247,008,000	294,687,000	(47,679,000)	-16.2%
46,466,000	76,909,000	(30,443,000)	-39.6%
74,376,000	133,420,000	(59,044,000)	-44.3%
120,842,000	210,329,000	(89,487,000)	-42.5%
472,907,000	542,743,000	(69,836,000)	-12.9%
359,053,000	360,924,000	(1,871,000)	-0.5%
831,960,000	903,667,000	(71,707,000)	-7.9%
18,293,000	20,978,000	(2,685,000)	-12.8%
767,700	1,339,600	(571,900)	-42.7%
11,082,000	9,821,000	1,261,000	12.8%
18,597,000	44,560,000	(25,963,000)	-58.3%
1,248,549,700	1,485,381,600	(236,831,900)	-15.9%
857,273,000	850,466,000	6,807,000	0.8%
707,780,000	578,869,000	128,911,000	22.3%
(968,364,000)	(1,185,165,000)	216,801,000	0.0%
1,845,238,700	1,729,551,600	115,687,100	6.7%
12,788,504	17,093,623	(4,305,119)	-25.2%
388,319	892,566	(504,247)	-56.5%
131,203	93,984	37,219	39.6%
(13,230,000)	(11,551,000)	(1,679,000)	0.0%
21,104,199	1,216,230	19,887,969	0.0%
1,866,420,925	1,737,297,003	129,123,922	7.4%
603,088,000	538,905,000	64,183,000	11.9%
870,346,249	809,671,144	60,675,105	7.5%
123,652,346	119,834,019	3,818,327	3.2%
674,674,598	687,205,533	(12,530,935)	-1.8%
157,409,640	133,250,790	24,158,850	18.1%
6,681,332	12,035,274	(5,353,942)	-44.5%
3,116,700	2,448,000	668,700	27.3%
1,835,880,865	1,764,444,760	71,436,105	4.0%
1,129,714,000	1,234,336,000	(104,622,000)	-8.5%
2,965,594,865	2,998,780,760	(33,185,895)	-1.1%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
CLICK! NETWORK  
COMMERCIAL OPERATIONS

OPERATIONAL SUMMARY - April 30, 2017

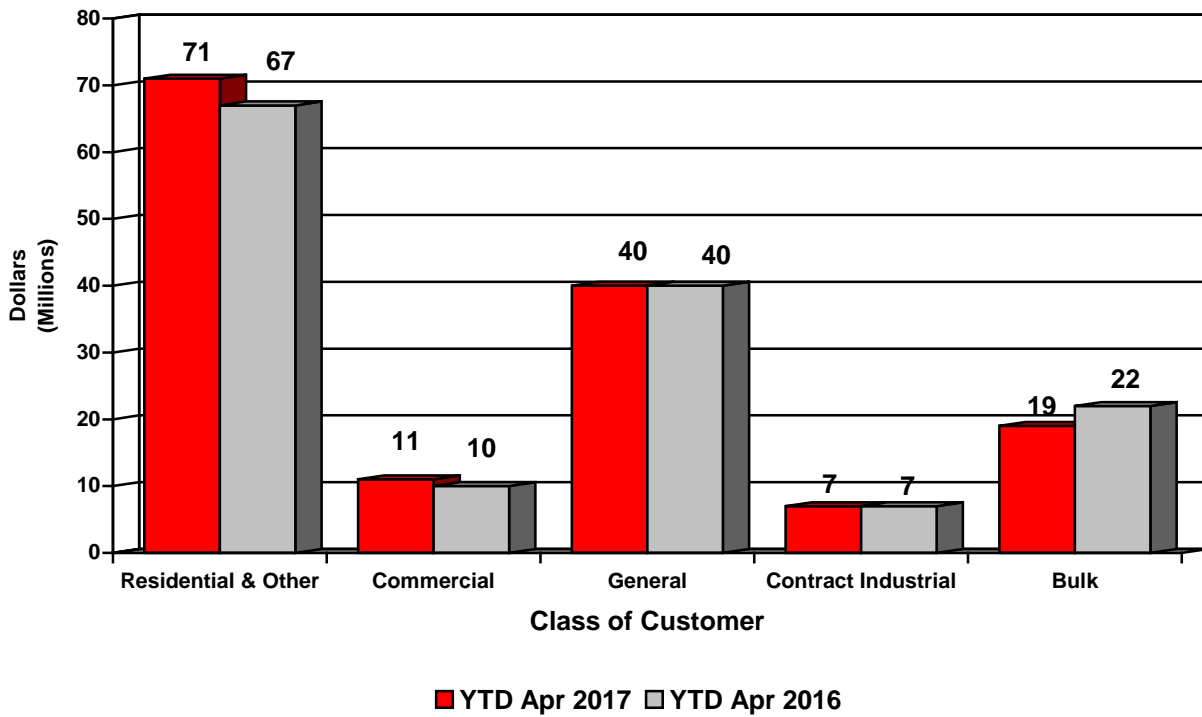
	April 2017	April 2016
<b>TELECOMMUNICATIONS REVENUE</b>		
CATV .....	\$1,525,888	\$1,518,321
Broadband .....	110,545	95,897
ISP .....	617,575	587,787
Interdepartmental .....	21,891	25,573
Total Operating Revenue .....	<u>2,275,899</u>	<u>2,227,578</u>
<b>TELECOMMUNICATIONS EXPENSE-COMMERCIAL</b>		
Administration & Sales Expense .....		
Salaries & Wages Expense .....	251,863	258,158
General Expense .....	43,158	95,104
Contract Services .....	1,033,810	1,153,395
IS & Intergovernmental Services .....	130,863	113,931
Fleet Services .....	849	204
Capitalized A & G Expense .....	(2,194)	(4,373)
Total Admin. & Sales Expense .....	<u>1,458,349</u>	<u>1,616,419</u>
Operations & Maintenance Expense ...		
Salaries & Wages Expense .....	446,910	440,126
General Expense .....	30,448	26,928
Contract Services .....	58,735	60,764
IS & Intergovernmental Services .....	3,921	3,528
Fleet Services .....	20,672	32,527
New Connect Capital .....	(7,543)	(8,258)
Total Oper. & Maint. Expense .....	<u>553,143</u>	<u>555,615</u>
Total Telecommunications Expense .	2,011,492	2,172,034
Net Revenues (Expenses) Before Taxes and Depreciation and Amortization ....	264,407	55,544
Taxes .....	316,273	322,079
Depreciation and Amortization .....	<u>205,406</u>	<u>224,107</u>
	521,679	546,186
NET OPERATING REVENUES (EXPENSES) ....	<u>(257,272)</u>	<u>(490,642)</u>

YEAR TO DATE			
April 30 2017	April 30 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$5,878,544	\$6,094,647	(\$216,103)	-3.5%
382,240	398,121	(15,881)	-4.0%
2,439,795	2,324,577	115,218	5.0%
87,009	102,291	(15,282)	-14.9%
<u>8,787,588</u>	<u>8,919,636</u>	<u>(132,048)</u>	-1.5%
1,062,706	1,096,473	(33,767)	-3.1%
140,920	250,008	(109,088)	-43.6%
4,310,053	4,447,180	(137,127)	-3.1%
521,431	473,297	48,134	10.2%
2,352	802	1,550	193.3%
(17,597)	(6,083)	(11,514)	-189.3%
<u>6,019,865</u>	<u>6,261,677</u>	<u>(241,812)</u>	-3.9%
1,798,583	1,866,318	(67,735)	-3.6%
134,821	107,823	26,998	25.0%
209,495	273,783	(64,288)	-23.5%
18,842	11,010	7,832	71.1%
75,147	121,511	(46,364)	-38.2%
(34,636)	(37,947)	3,311	8.7%
<u>2,202,252</u>	<u>2,342,498</u>	<u>(140,246)</u>	-6.0%
8,222,117	8,604,175	(382,058)	-4.4%
565,471	315,461	250,010	79.3%
1,215,732	1,222,433	(6,701)	-0.5%
823,003	908,180	(85,177)	-9.4%
<u>2,038,735</u>	<u>2,130,613</u>	<u>(91,878)</u>	
<u>(1,473,264)</u>	<u>(1,815,152)</u>	<u>341,888</u>	18.8%

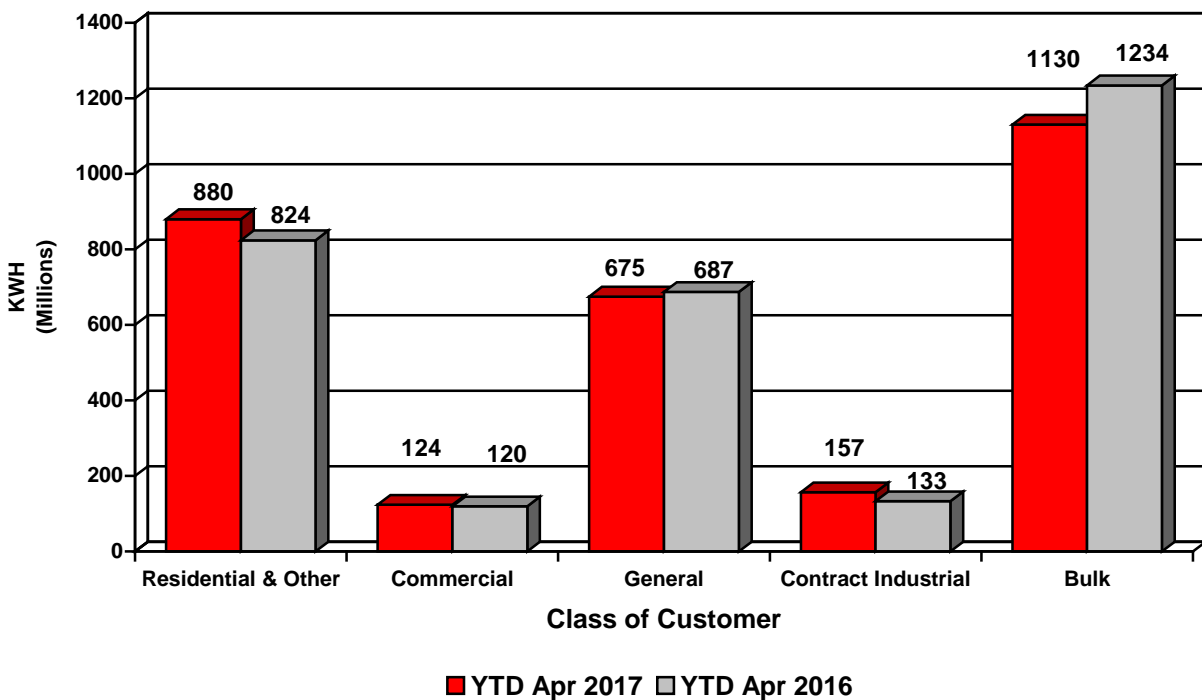


# Supplemental Data

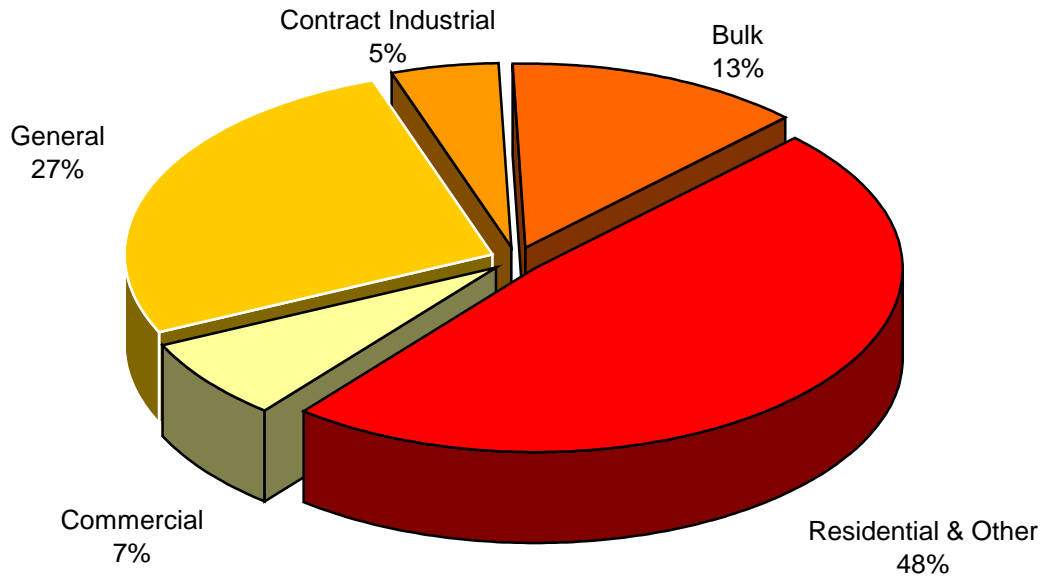
**SALES OF ELECTRIC ENERGY**  
Year to Date - April 2017 & 2016



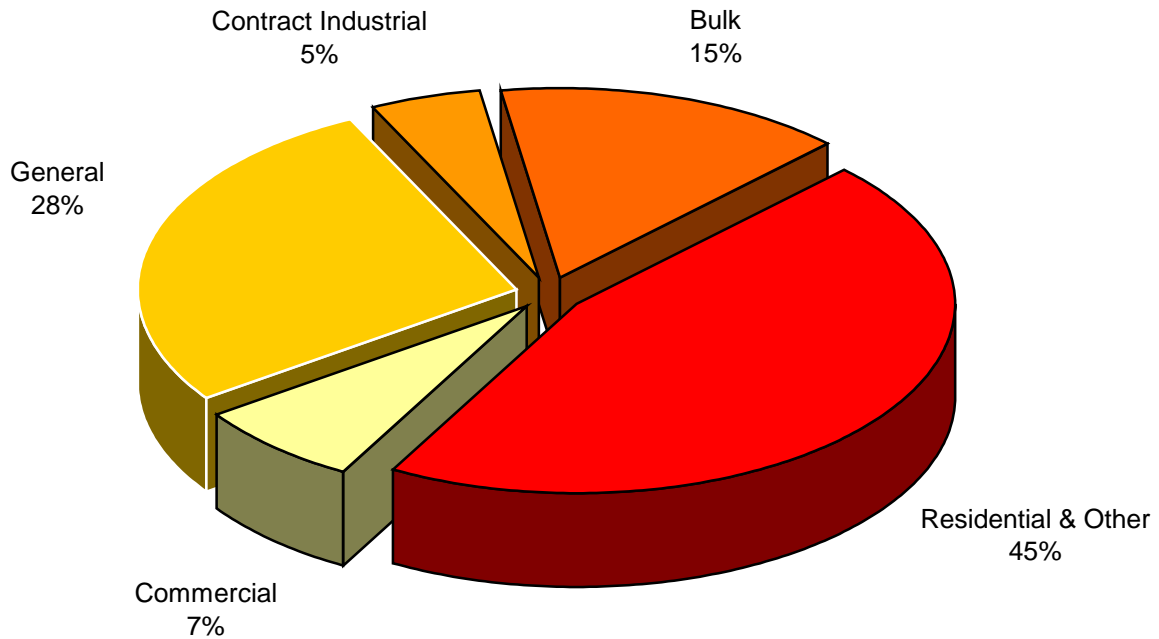
**TOTAL POWER BILLED**  
Year to Date - April 2017 & 2016



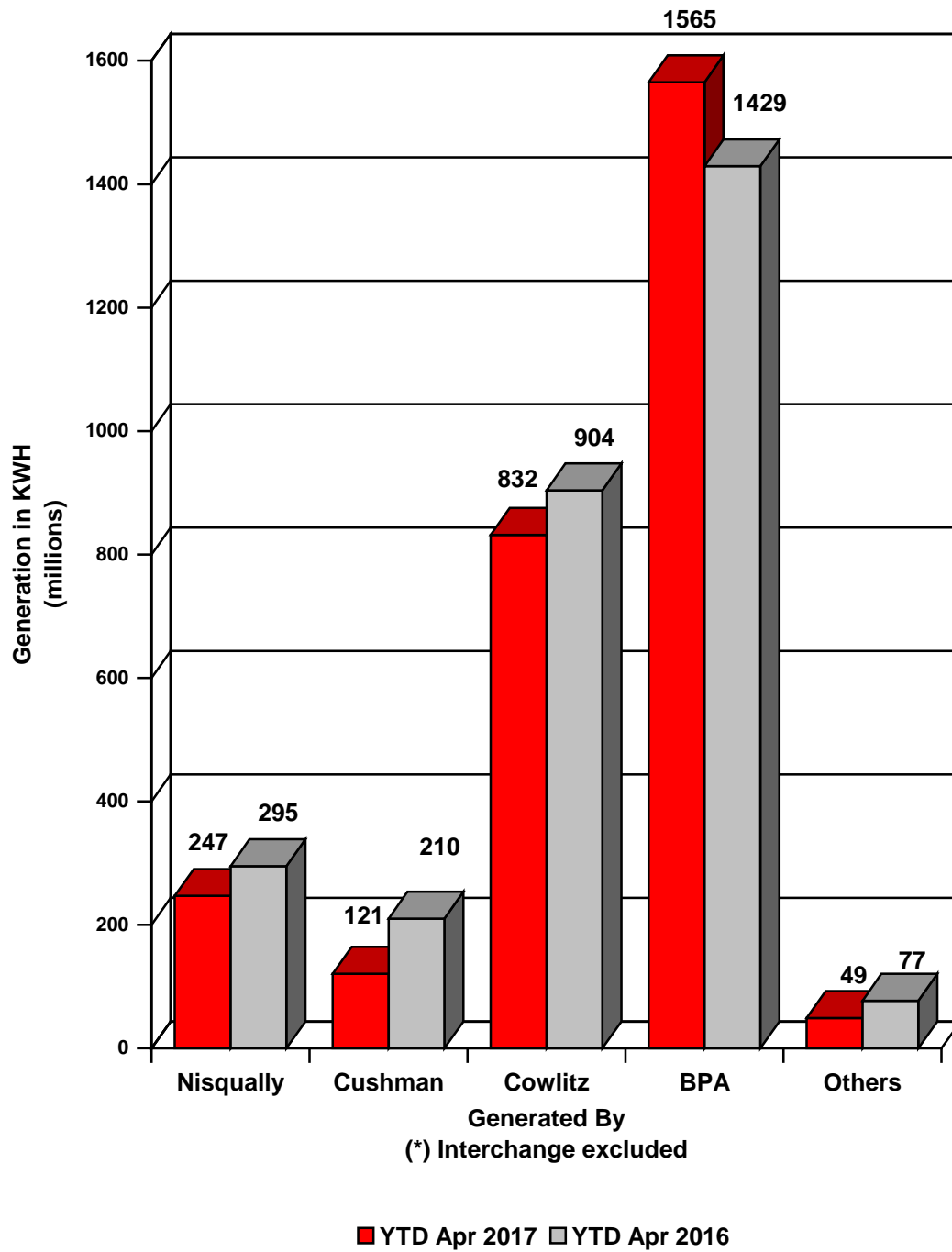
**SALES OF ELECTRIC ENERGY**  
**Year to Date - April 2017 (\$147,541,941)**



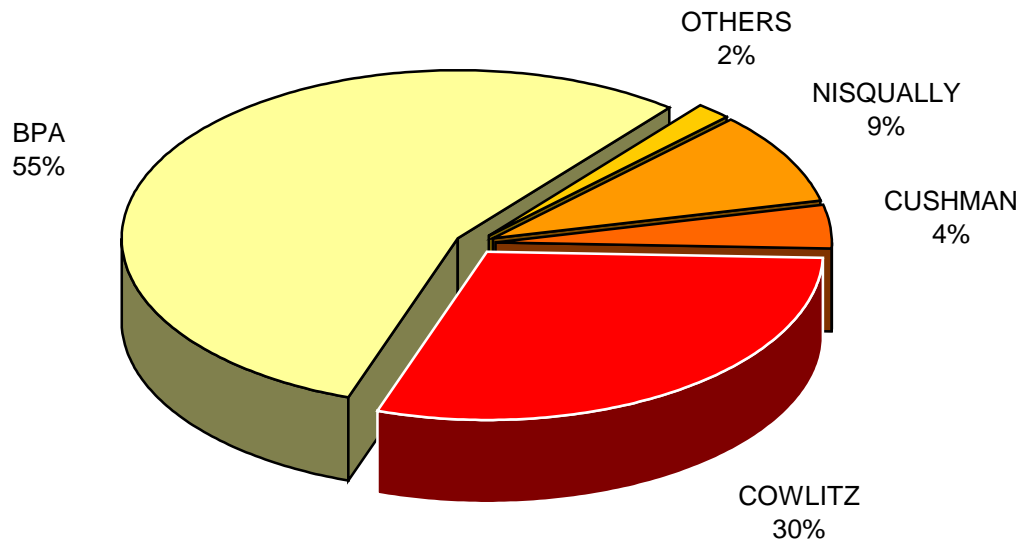
**SALES OF ELECTRIC ENERGY**  
**Year to Date - Apr 2016 (\$146,324,536)**



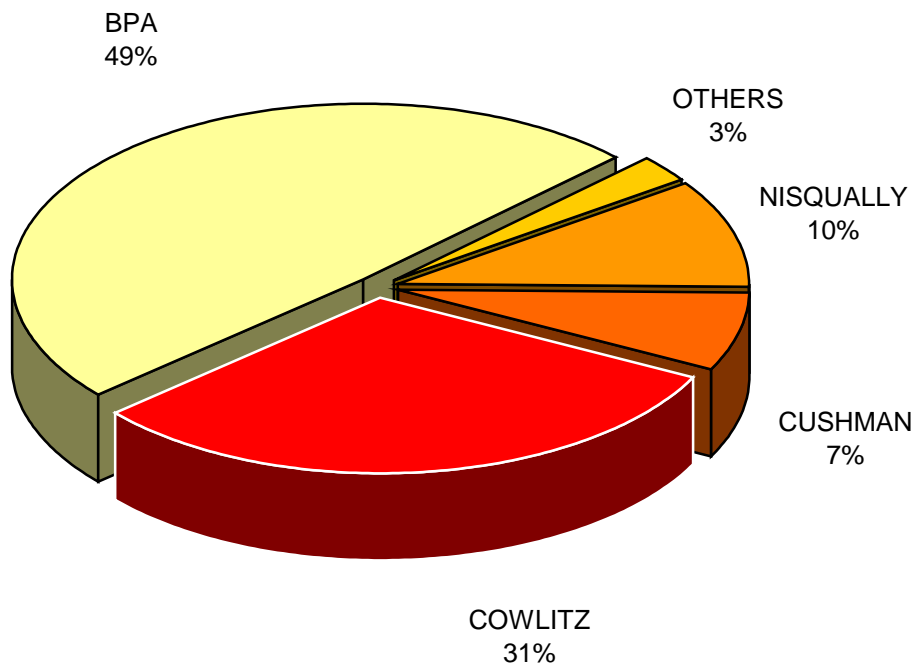
**POWER SOURCES (\*)**  
**Year to Date April 2017 & 2016**



**POWER SOURCES (\*)**  
**Year to Date - April 2017**

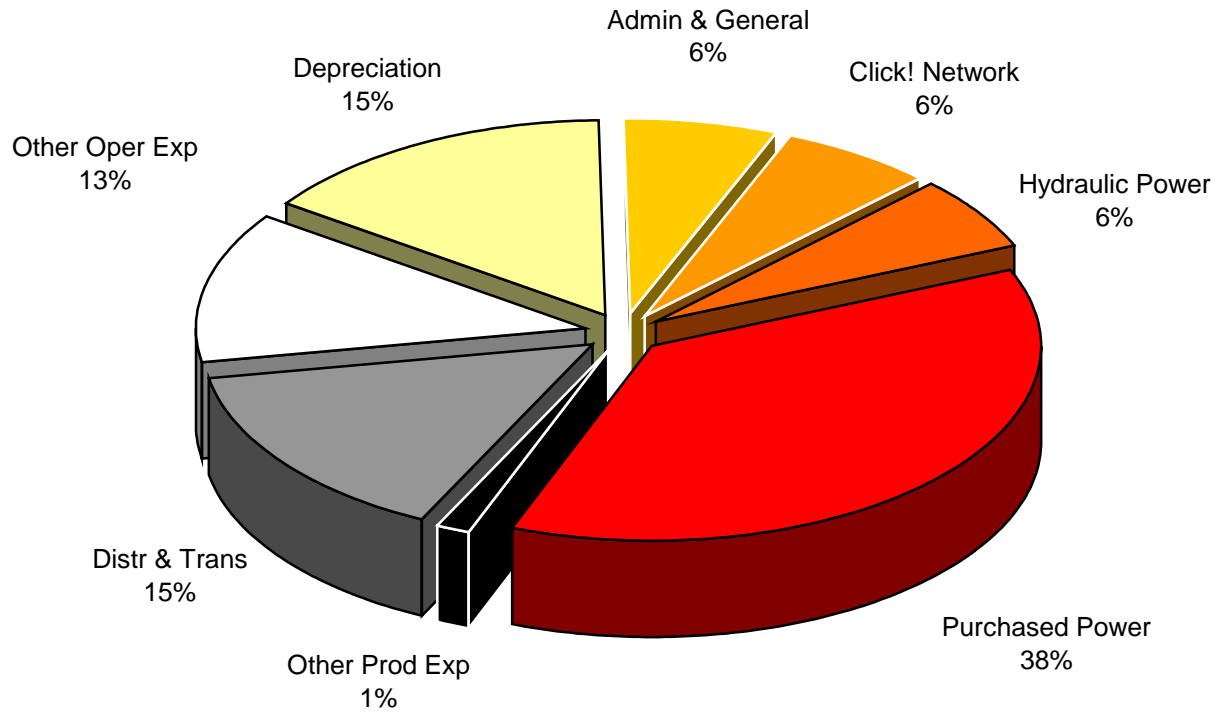


**POWER SOURCES (\*)**  
**Year to Date - April 2016**

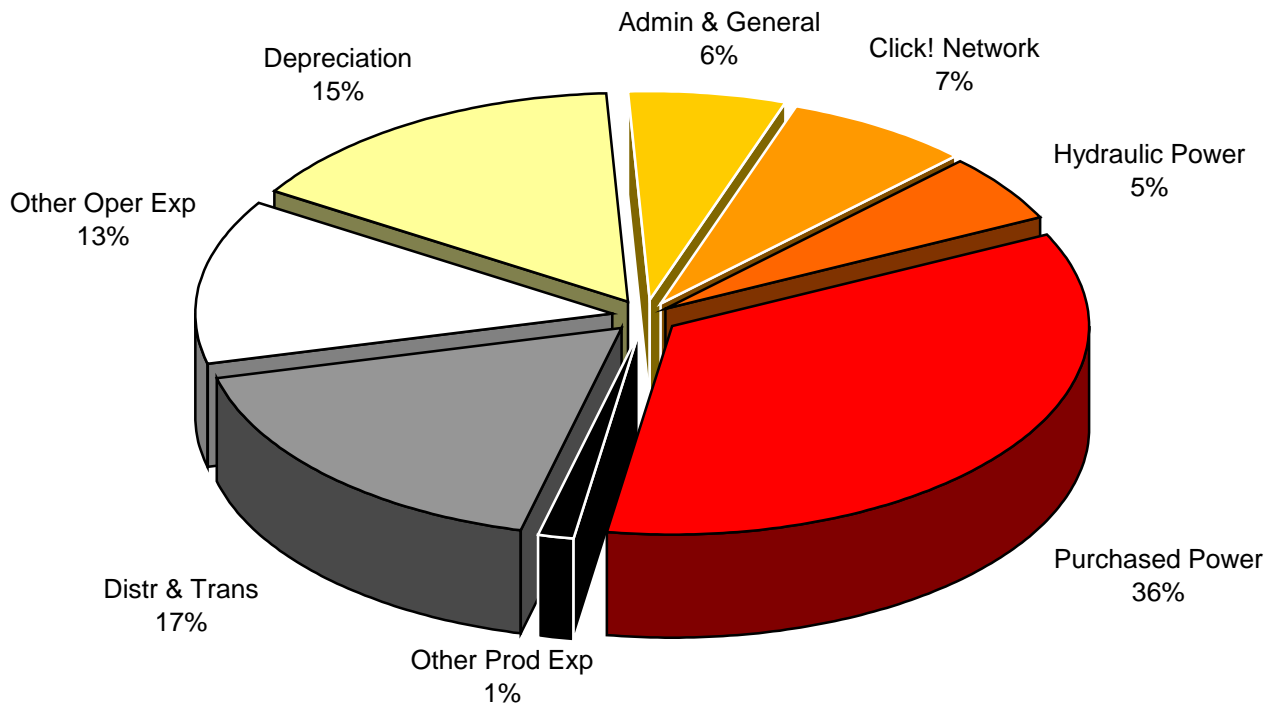


(\*) Interchange excluded

**TOTAL OPERATING EXPENSES \***  
**Year to Date - Apr 2017 (\$128,064,179)**



**TOTAL OPERATING EXPENSES \***  
**Year to Date - Apr 2016 (\$121,019,212)**



\* City Gross Earnings Taxes are not included in Total Operating Expenses.



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***APRIL***

***TACOMA RAIL***

**2017**

**FINANCIAL  
REPORT**







# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION  
Doing Business As

## TACOMA RAIL

### TABLE OF CONTENTS

*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

STATEMENTS OF NET POSITION .....	1 - 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	3 - 4
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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF NET POSITION

<b>ASSETS</b>	<u>APRIL 30, 2017</u>	<u>APRIL 30, 2016</u>
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$44,810,749	\$41,309,366
Less Accumulated Depreciation .....	(19,393,001)	(17,866,438)
Total .....	<u>25,417,748</u>	<u>23,442,928</u>
Construction Work in Progress .....	2,359,222	1,065,283
Net Capital Assets .....	<u>27,776,970</u>	<u>24,508,211</u>
<b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	-	83,411
Total Special Funds .....	<u>-</u>	<u>83,411</u>
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	9,690,769	10,812,924
Customer Accounts Receivable .....	4,094,519	2,896,693
Prepayments .....	1,638,101	1,751,448
Materials and Supplies Inventory.....	<u>1,058,501</u>	<u>984,340</u>
Total Current Assets .....	<u>16,481,890</u>	<u>16,445,405</u>
<b>TOTAL ASSETS .....</b>	<u><u>\$44,258,860</u></u>	<u><u>\$41,037,027</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

NET POSITION AND LIABILITIES	APRIL 30,	APRIL 30,
	2017	2016
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$21,353,999	\$18,181,629
Restricted for:		
Debt Service .....	-	21,701
Unrestricted .....	8,710,895	9,702,575
TOTAL NET POSITION .....	30,064,894	27,905,905
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	-	64,238
State Loans.....	5,633,867	5,451,952
Total Long-Term Liabilities .....	5,633,867	5,516,190
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	510,463	546,406
Wages Payable .....	433,714	404,011
Unemployment and other Tax Payables .....	284,417	249,359
Volume Incentive Payable .....	2,416,667	1,875,001
Current Portion of Long Term Debt .....	789,104	810,391
Interest Payable .....	-	4,248
Current Portion of Compensated Absences .....	111,516	113,117
Total Current Liabilities .....	4,545,881	4,002,533
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	769,651	717,986
Long Term Portion of Compensated Absences .....	1,003,644	1,018,056
Other Long-Term Liabilities .....	2,240,923	1,876,357
Total Long-Term Liabilities .....	4,014,218	3,612,399
TOTAL LIABILITIES .....	14,193,966	13,131,122
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$44,258,860</b>	<b>\$41,037,027</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	APRIL 2017	APRIL 2016
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,649,523	\$2,262,604
Demurrage and Other Operating Revenues .....	322,633	300,312
Total Operating Revenues .....	<u>2,972,156</u>	<u>2,562,916</u>
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	80,048	74,544
Supplies and Expense .....	108,530	370,409
Mechanical .....		
Salaries and Wages .....	160,736	161,030
Supplies and Expense .....	264,605	120,137
Operations .....		
Salaries and Wages .....	873,339	727,258
Supplies and Expense .....	116,181	124,898
Administration .....		
Salaries and Wages .....	178,980	178,977
Supplies and Expense .....	586,215	363,857
Taxes - State .....	38,782	33,857
Depreciation .....	136,273	122,608
Total Operating Expenses .....	<u>2,543,689</u>	<u>2,277,575</u>
Net Operating Income .....	428,467	285,341
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	7,705	7,164
Miscellaneous .....	70,933	93,563
Interest Expense .....	-	(4,248)
Total Non-Operating Revenues .....	<u>78,638</u>	<u>96,479</u>
Contributions - Grants .....	<u>-</u>	<u>-</u>
Transfers		
City of Tacoma Gross Earnings Tax .....	(216,107)	(188,630)
<b>CHANGE IN NET POSITION</b> .....	<u>\$290,998</u>	<u>\$193,190</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - APRIL 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR TO DATE			
APRIL 30, 2017	APRIL 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$10,127,373	\$9,100,779	\$1,026,594	11.3%
1,370,381	1,064,022	306,359	28.8%
11,497,754	10,164,801	1,332,953	13.1%
353,959	350,765	3,194	0.9%
321,154	661,323	(340,169)	-51.4%
654,200	661,048	(6,848)	-1.0%
1,066,783	799,716	267,067	33.4%
3,469,930	3,106,717	363,213	11.7%
461,273	428,529	32,744	7.6%
799,429	778,647	20,782	2.7%
2,095,882	1,525,687	570,195	37.4%
160,094	147,999	12,095	8.2%
545,108	492,101	53,007	10.8%
9,927,812	8,952,532	975,280	10.9%
1,569,942	1,212,269	357,673	29.5%
52,720	50,648	2,072	4.1%
294,279	433,770	(139,491)	-32.2%
(6)	(7,642)	7,636	-99.9%
346,993	476,776	(129,783)	-27.2%
36,254	-	36,254	100.0%
(922,193)	(824,801)	(97,392)	11.8%
1,030,996	864,244	\$166,752	19.3%
29,033,898	27,041,661		
\$30,064,894	\$27,905,905		



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
APRIL 30, 2017 AND APRIL 30, 2016

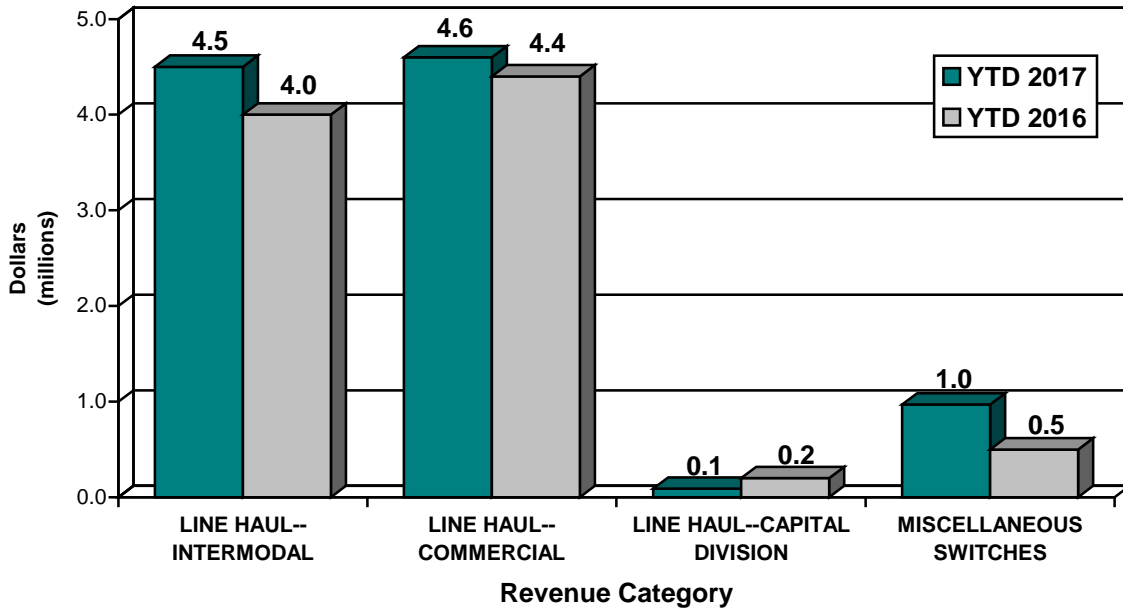
	April 2017	April 2016
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$1,087,017	\$972,413
LINE HAULS--COMMERCIAL .....	1,280,170	1,217,665
LINE HAULS--CAPITAL DIVISION .....	25,042	20,889
MISCELLANEOUS SWITCHES .....	257,294	51,638
TOTAL SWITCHING REVENUES .....	<u>\$2,649,523</u>	<u>\$2,262,604</u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	6,138	5,830
LINE HAULS--COMMERCIAL .....	2,649	2,825
LINE HAULS--CAPITAL DIVISION .....	60	50
MISCELLANEOUS SWITCHES .....	1,544	265
TOTAL CARS SWITCHED .....	<u>10,391</u>	<u>8,970</u>

\* The Summary of Switching Activities (Cars) includes an update to allocations for 2016.

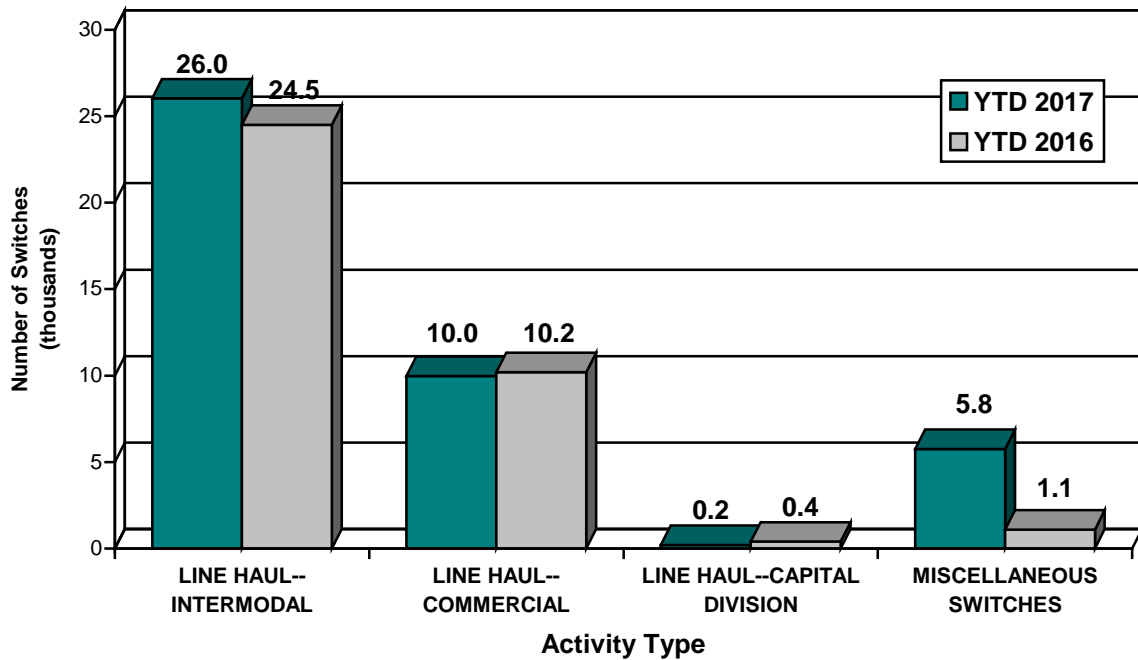
YEAR TO DATE			
April 30, 2017	April 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$4,463,690	\$4,044,838	\$418,852	10.4%
4,606,870	4,371,120	235,750	5.4%
86,394	150,824	(64,431)	-42.7%
970,419	533,997	436,423	81.7%
<u>\$10,127,373</u>	<u>\$9,100,779</u>	<u>\$1,026,594</u>	<u>11.3%</u>
26,031	24,511	1,520	6.2%
9,975	10,163	(188)	-1.8%
207	351	(144)	-41.0%
5,751	1,087	4,664	429.1%
<u>41,964</u>	<u>36,112</u>	<u>5,852</u>	<u>16.2%</u>

# Supplemental Data

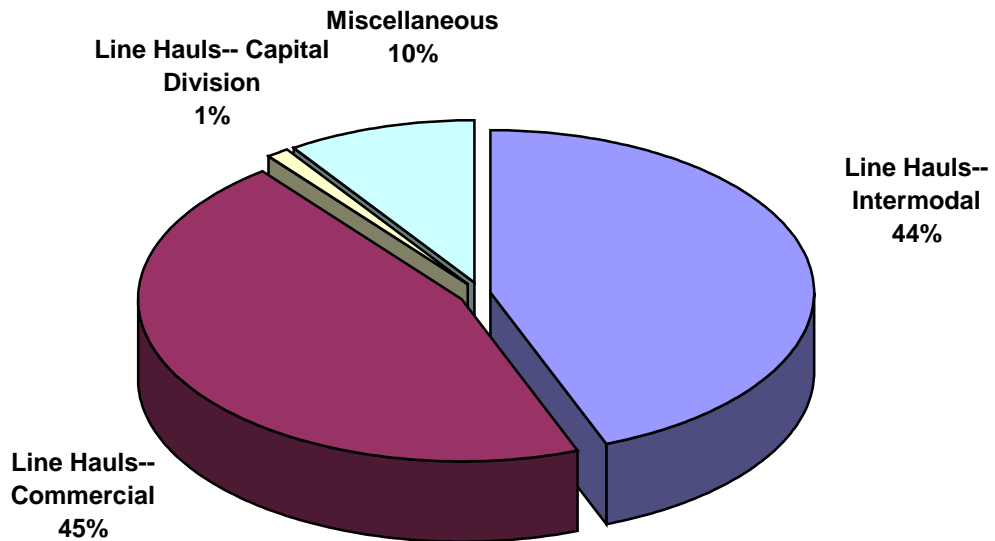
**SWITCHING REVENUES**  
Year to Date - April 2017 & 2016



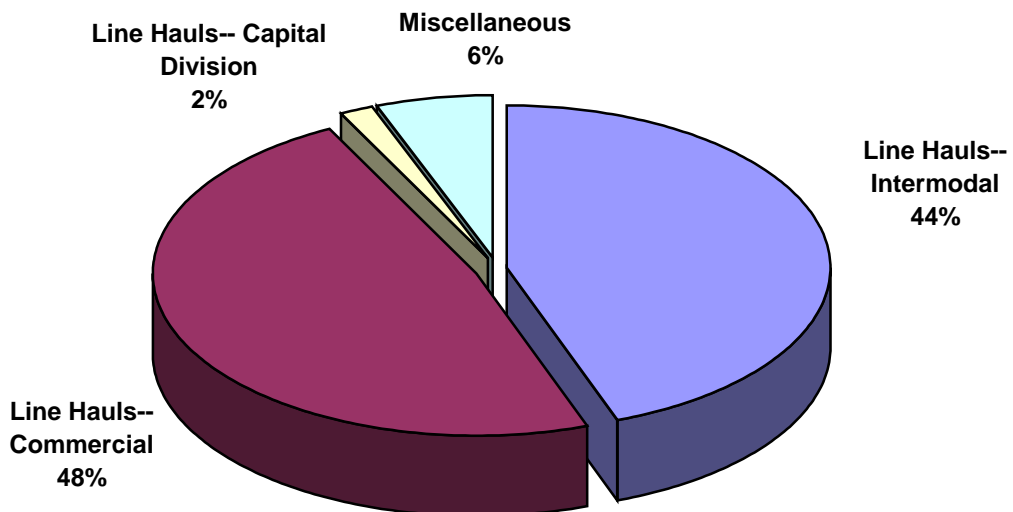
**SWITCHING ACTIVITIES**  
Year to Date - April 2017 & 2016



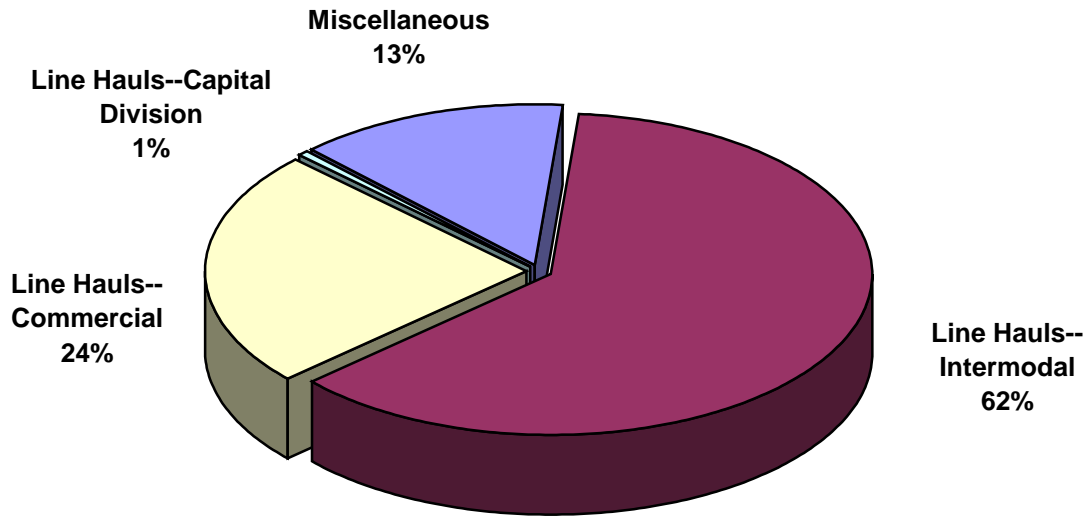
**SWITCHING REVENUES**  
**Year to Date - April 2017 (\$10,127,373)**



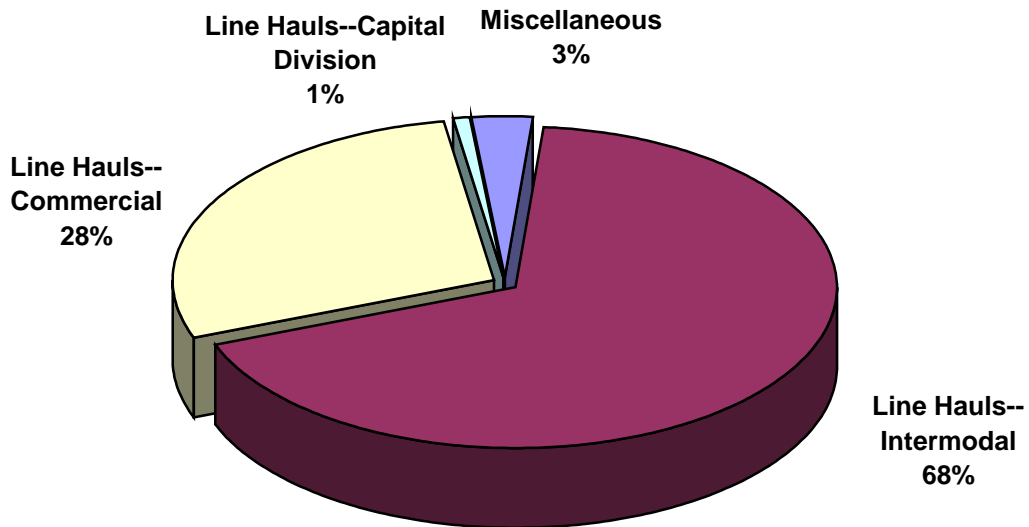
**SWITCHING REVENUES**  
**Year to Date - April 2016 (\$9,100,779)**



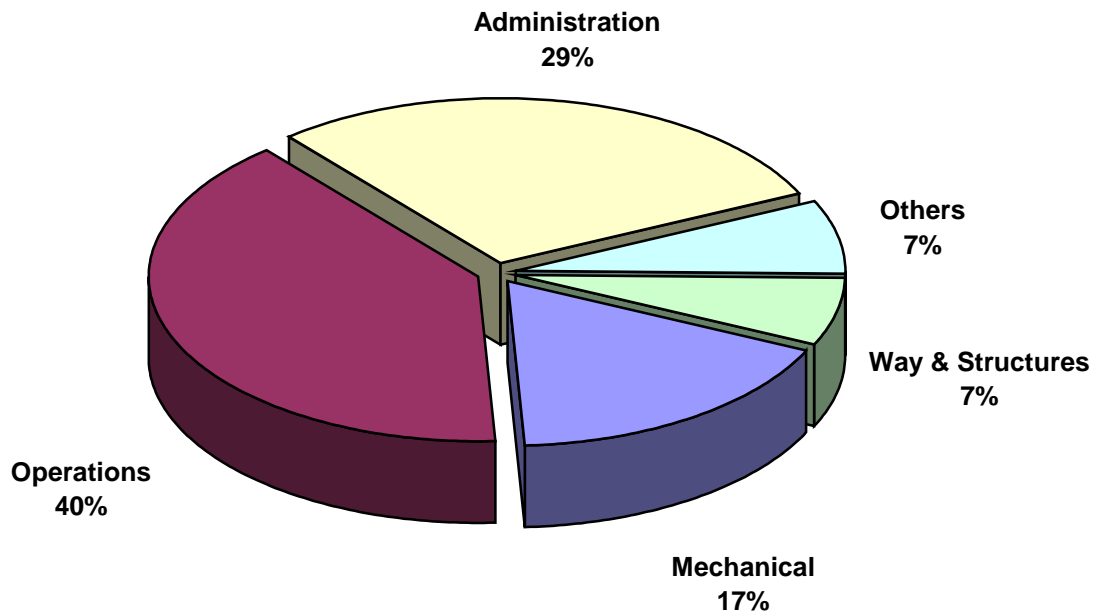
**SWITCHING ACTIVITY**  
**Year to Date - April 2017 (41,964 cars)**



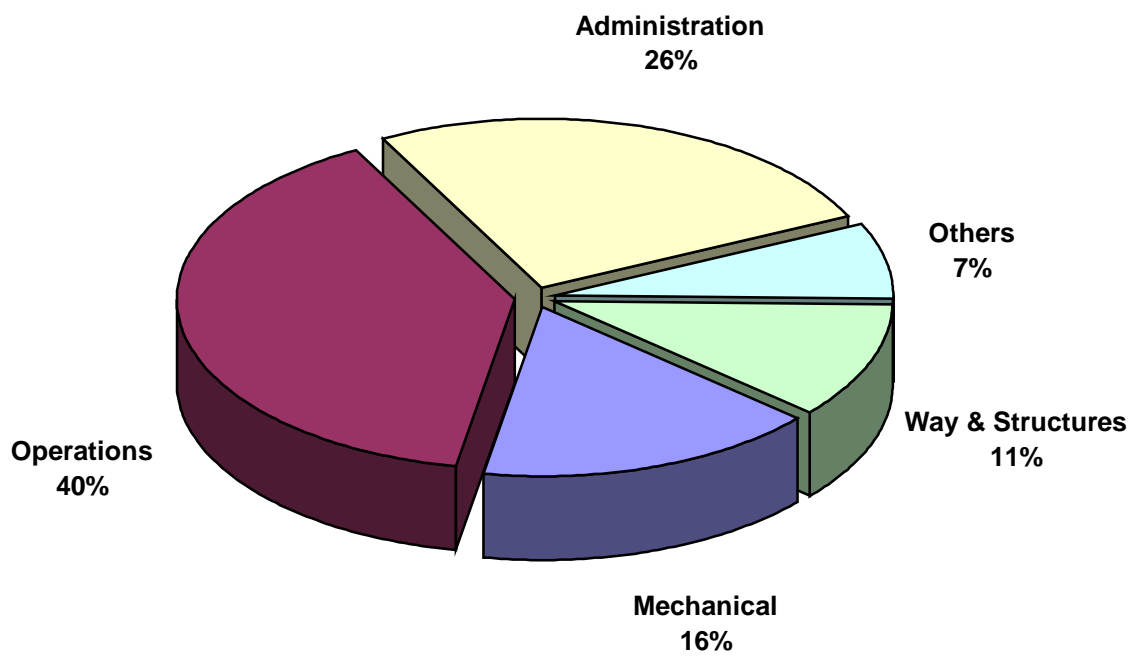
**SWITCHING ACTIVITY**  
**Year to Date - April 2016 (36,112 cars)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2017 (\$9,927,812)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2016 (\$8,952,532)**





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***APRIL***

***SELF-INSURANCE CLAIM FUND***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## SELF-INSURANCE CLAIM FUND

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

STATEMENTS OF NET POSITION .....	1
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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF NET POSITION - APRIL 30, 2017 AND APRIL 30, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Equity in Pooled Investments .....	<u>\$7,661,449</u>	<u>\$7,093,421</u>
<b>TOTAL ASSETS .....</b>	<b><u><u>\$7,661,449</u></u></b>	<b><u><u>\$7,093,421</u></u></b>
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Restricted:		
Interfund Contributions .....	<u>\$2,577,047</u>	<u>\$2,441,930</u>
<b>TOTAL NET POSITION .....</b>	<b>2,577,047</b>	<b>2,441,930</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable Claims .....	5,074,086	4,645,865
Accounts Payable Claims Handling .....	<u>10,316</u>	<u>5,626</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>5,084,402</u></b>	<b><u>4,651,491</u></b>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b><u><u>\$7,661,449</u></u></b>	<b><u><u>\$7,093,421</u></u></b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
APRIL 30, 2017 AND APRIL 30, 2016

	APRIL 2017	APRIL 2016
<b>INCOME</b>		
Premiums .....	\$86,667	\$103,333
Interest .....	<u>6,793</u>	<u>5,305</u>
TOTAL INCOME .....	93,460	108,638
<b>EXPENSES</b>		
Claims .....	39,130	43,293
Litigation Expense and Settlements .....	45,300	6,004
Incidental and Administrative Expense .....	<u>11,476</u>	<u>11,507</u>
TOTAL EXPENSES .....	<u>95,906</u>	<u>60,804</u>
CHANGE IN NET POSITION .....	<u>(\$2,446)</u>	<u>\$47,834</u>
TOTAL NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - APRIL 30 .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR-TO-DATE			
APRIL 2017	APRIL 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$346,667	\$413,333	\$ (66,666)	-16.1%
50,431	40,793	9,638	23.6%
397,098	454,126	(57,028)	-12.6%
424,954	104,551	320,403	306.5%
152,589	15,741	136,848	869.4%
48,959	40,373	8,586	21.3%
626,502	160,665	465,837	289.9%
(229,404)	293,461	(522,865)	-178.2%
2,806,451	2,148,469	657,982	
\$2,577,047	\$2,441,930	\$135,117	



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***APRIL***

***TACOMA WATER***

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

Chris McMeen

Heather Pennington

Acting Water Division Superintendents

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION  
Doing Business As

# TACOMA WATER

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF NET POSITION - APRIL 30, 2017 AND APRIL 30, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Water Plant in Service .....	\$1,074,978,105	\$1,058,817,082
Less Depreciation and Amortization .....	(223,021,407)	(202,252,372)
Total .....	851,956,698	856,564,710
Construction Work in Progress .....	25,006,585	25,319,011
Net Utility Plant .....	876,963,283	881,883,721
<b>NON-UTILITY PROPERTY</b> .....	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund .....	21,659,659	8,832,906
2010 RWSS Construction Fund .....	-	591
2013 Construction Fund .....	15,878,283	20,818,234
Regional Water Supply System Operating Fund .....	1,039,537	(7,015)
Provision for Debt Payment .....	13,594,678	11,807,733
Customer Water Main Deposits .....	3,216,459	3,138,064
Water Supply Forum Fund.....	439,913	294,103
Special Bond Reserves .....	22,101,572	22,098,809
Water Customer Contribution Fund .....	(234,837)	(344,936)
Water Capital Reserves .....	29,834,475	27,754,713
Water System Development Charge .....	59,882,271	56,868,439
Total Restricted Assets .....	167,412,010	151,261,641
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	54,156,078	51,660,837
Customers' Deposits .....	331,533	336,924
Receivables:		
Customers .....	4,335,779	4,152,734
Accrued Unbilled Revenues .....	4,797,144	4,935,000
Others .....	824,378	1,488,777
BABs Interest Subsidies .....	1,489,900	1,491,498
Provision for Uncollectible Accounts .....	(378,065)	(339,190)
Materials and Supplies .....	2,317,890	2,490,390
Prepayments .....	971,006	779,638
Total Current Assets .....	68,845,643	66,996,608
<b>TOTAL ASSETS</b> .....	<u>1,113,713,899</u>	<u>1,100,634,933</u>
<b>OTHER ASSETS</b>		
Regulatory Assets - Public Fire Protection Fees .....	1,045,048	1,872,620
Regulatory Assets - Surcharges .....	1,526,583	1,646,118
Net Pension Asset .....	-	881,279
Total Other Assets .....	2,571,631	4,400,017
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds .....	1,535,297	1,816,618
Deferred Outflows for Pensions .....	8,994,103	2,092,307
Total Deferred Outflows .....	10,529,400	3,908,925
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> .....	<u>\$1,126,814,930</u>	<u>\$1,108,943,875</u>

*These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.*

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2017	2016
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$440,457,001	\$440,439,844
Restricted for:		
Water Capital Reserves .....	24,246,077	21,687,310
Water System Development Charge .....	24,306,825	21,292,993
Debt Service Funds .....	5,014,956	3,483,438
Pension Asset .....	-	881,279
Unrestricted .....	55,840,490	54,996,108
TOTAL NET POSITION .....	549,865,349	542,780,972
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding .....	5,000	5,000
2009 Water Revenue Bonds .....	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding .....	25,825,000	26,395,000
2010 Water Revenue Bonds .....	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding .....	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A .....	13,800,000	16,645,000
2015 Water Refunding Bonds, Series B .....	-	1,785,000
2010 RWSS Revenue Bonds, Series A .....	2,245,000	2,525,000
2010 RWSS Revenue Bonds, Series B .....	44,245,000	44,245,000
2013 RWSS Refunding Bonds .....	60,165,000	60,910,000
Total Outstanding Revenue Bonds .....	372,400,000	378,625,000
Plus: Unamortized Bond Premium .....	13,125,180	14,699,111
Net Outstanding Revenue Bonds .....	385,525,180	393,324,111
PWTF Pre-Construction Loans .....	800,783	960,956
PWTF Construction Loans .....	21,907,224	24,443,821
State Drinking Water Loans .....	69,844,046	59,154,872
Total Long-Term Debt .....	478,077,233	477,883,760
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	821,866	832,786
Purchases and Contracts Payable .....	870,034	897,925
Interest Expense Accrued .....	8,579,722	8,324,295
Taxes Accrued .....	1,467,780	1,404,816
Customers' and Contractors' Deposits .....	345,485	347,682
Current Portion of Long-Term Debt .....	13,334,372	10,676,432
Other Current Liabilities .....	3,608,109	3,537,360
Current Accrued Compensated Absences .....	269,819	260,047
Total Current Liabilities .....	29,297,187	26,281,343
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements .....	6,762,451	6,943,806
Customer Advances for Construction .....	4,564,206	4,356,675
Unearned Revenue .....	7,456,470	7,710,570
Other Long-Term Liabilities .....	4,478,687	4,140,523
Pension Liability .....	7,788,151	-
Long-Term Accrued Compensated Absences .....	2,428,375	2,340,426
Total Long-Term Liabilities .....	33,478,340	25,492,000
TOTAL LIABILITIES .....	540,852,760	529,657,103
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization .....	35,575,447	35,575,447
Deferred Inflows for Pensions .....	521,374	930,353
Total Deferred Inflows .....	36,096,821	36,505,800
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,126,814,930	\$1,108,943,875

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
APRIL 30, 2017 AND APRIL 30, 2016

	APRIL 2017	APRIL 2016
<b>OPERATING REVENUES</b>		
Sales of Water .....	\$5,526,547	\$5,684,012
Other Operating Revenues .....	1,006,653	813,459
Contract Resource Obligation Revenue .....	370,068	879,949
Total Operating Revenues .....	<u>6,903,268</u>	<u>7,377,420</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Source of Supply .....	605,251	628,741
Water Treatment .....	482,993	384,387
Total Production Expense .....	<u>1,088,244</u>	<u>1,013,128</u>
Power Pumping Expense .....	43,048	40,950
Transmission and Storage Expense .....	199,403	282,169
Distribution Expense .....	1,093,161	977,693
Customer Accounting and Consumer Service ...	385,302	361,133
Taxes .....	352,837	668,758
Depreciation .....	2,006,966	1,983,520
Administrative and General .....	602,758	731,238
Total Operating Expenses .....	<u>5,771,719</u>	<u>6,058,589</u>
<b>OPERATING INCOME (LOSS) .....</b>	<b>1,131,549</b>	<b>1,318,831</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	195,673	160,632
Miscellaneous .....	9,736	(10,664)
Interest on Long-Term Debt .....	(1,372,682)	(1,337,902)
Interest on Long-Term Debt BABs Sub .....	(297,980)	(298,299)
Amortization Of Debt Premium .....	111,548	105,802
Interest Charged to Construction.....	40,966	42,208
Total Non-Operating Revenues (Expenses)	<u>(1,312,739)</u>	<u>(1,338,223)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	(181,190)	(19,392)
Capital Contributions		
Cash .....	862,357	375,265
Donated Fixed Assets .....	105,308	386,241
Federal BAB Subsidies .....	297,980	298,299
Transfers Out		
City Gross Earnings Tax .....	(518,724)	(332,857)
CHANGE IN NET POSITION .....	<u>\$565,731</u>	<u>\$707,556</u>
NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - APRIL 30 .....		



YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
APRIL 30 2017	APRIL 30 2016		
\$ 21,439,683	\$ 22,276,237	(\$836,554)	-3.8%
3,566,171	3,447,128	119,043	3.5%
1,483,706	1,851,825	(368,119)	-19.9%
<u>26,489,560</u>	<u>27,575,190</u>	<u>(1,085,630)</u>	<u>-3.9%</u>
2,208,782	2,367,134	(158,352)	-6.7%
1,894,750	1,928,235	(33,485)	-1.7%
<u>4,103,532</u>	<u>4,295,369</u>	<u>(191,837)</u>	<u>-4.5%</u>
192,497	231,000	(38,503)	-16.7%
730,397	1,124,643	(394,246)	-35.1%
4,240,628	4,188,325	52,303	1.2%
1,626,484	1,565,201	61,283	3.9%
1,345,006	1,358,051	(13,045)	-1.0%
8,024,316	7,933,395	90,921	1.1%
3,442,120	3,200,959	241,161	7.5%
<u>23,704,980</u>	<u>23,896,943</u>	<u>(191,963)</u>	<u>-0.8%</u>
2,784,580	3,678,247	(893,667)	-24.3%
1,414,958	1,167,481	247,477	21.2%
858,223	4,662	853,561	18308.9%
(5,491,016)	(5,350,867)	(140,149)	2.6%
(1,191,920)	(1,193,196)	1,276	-0.1%
446,192	423,208	22,984	5.4%
137,354	147,392	(10,038)	-6.8%
<u>(3,826,209)</u>	<u>(4,801,320)</u>	<u>975,111</u>	<u>-20.3%</u>
(1,041,629)	(1,123,073)	81,444	-7.3%
1,977,800	1,657,170	320,630	19.3%
105,308	386,241	(280,933)	-72.7%
1,191,920	1,193,196	(1,276)	-0.1%
<u>(2,020,276)</u>	<u>(1,834,385)</u>	<u>(185,891)</u>	<u>10.1%</u>
213,123	279,149	(66,026)	-23.7%
549,652,226	542,501,823	7,150,403	
<u>\$549,865,349</u>	<u>\$542,780,972</u>	<u>\$7,084,377</u>	<u>1.3%</u>

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS  
APRIL 30, 2017 AND APRIL 30, 2016

	APRIL 2017	APRIL 2016
<b>SALES OF WATER</b>		
Residential and Domestic .....	\$3,760,355	\$3,831,601
Commercial and Industrial .....	1,089,328	1,110,527
Special Rate .....	522,678	500,022
Sales to Other Utilities .....	154,186	241,862
Total .....	<u>\$5,526,547</u>	<u>\$5,684,012</u>

**BILLINGS (NUMBER OF MONTHS BILLED)**

Residential and Domestic .....	98,120	99,934
Commercial and Industrial .....	6,031	6,376
Sales to Other Utilities .....	17	17
Total .....	<u>104,168</u>	<u>106,327</u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
APRIL 2017	APRIL 2016		
\$14,264,071	\$14,383,925	(\$119,854)	-0.8%
4,571,737	4,853,846	(282,109)	-5.8%
1,894,907	1,869,057	25,850	1.4%
708,968	1,169,409	(460,441)	-39.4%
<u>\$21,439,683</u>	<u>\$22,276,237</u>	<u>(\$836,554)</u>	-3.8%
381,932	380,619	1,313	0.3%
25,739	26,228	(489)	-1.9%
68	68	-	0.0%
<u>407,739</u>	<u>406,915</u>	<u>824</u>	0.2%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF WATER BILLED  
APRIL 30, 2017 AND APRIL 30, 2016

MILLION GALLONS, TOTAL				
	APRIL	APRIL	YEAR TO DATE	
	2017	2016	APRIL 2017	APRIL 2016
WATER BILLED				
Residential and				
Domestic .....	500.87	523.55	2,005.25	2,095.94
Commercial and				
Industrial .....	171.45	183.58	736.24	823.03
Special Rate .....	488.05	463.10	1,739.10	1,731.07
Sales to Other				
Utilities .....	50.13	83.62	236.11	415.62
	<u>1,210.50</u>	<u>1,253.85</u>	<u>4,716.70</u>	<u>5,065.66</u>

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

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APRIL  
2017

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APRIL  
2016

---

16.70

17.45

5.72

6.12

16.27

15.44

---

1.67

---

2.79

---

40.36

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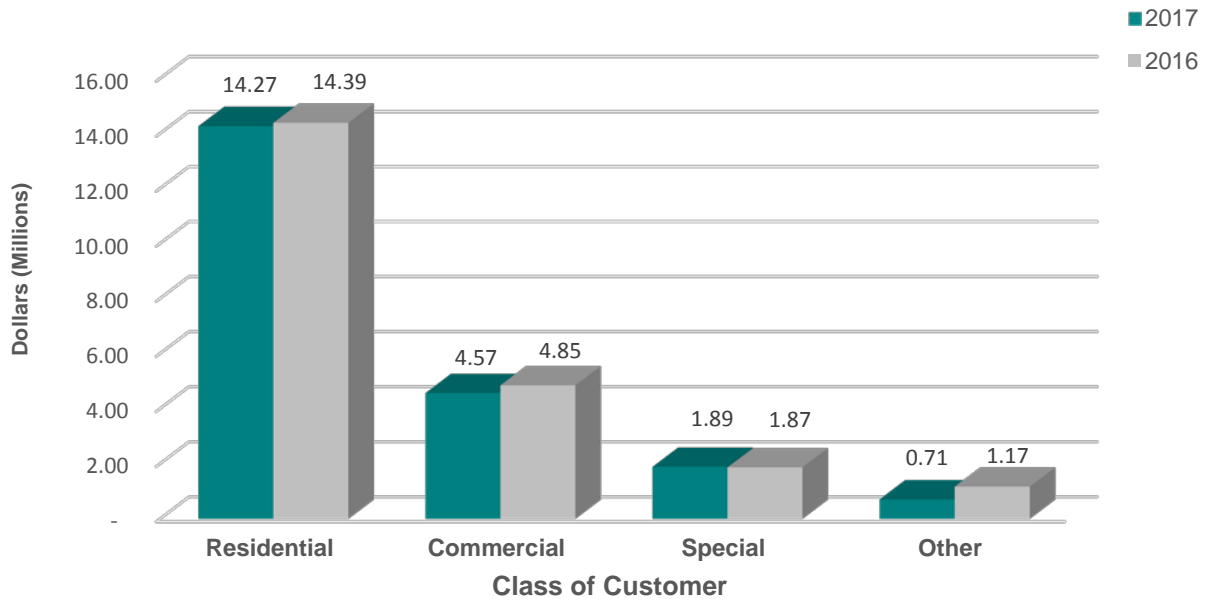
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41.80

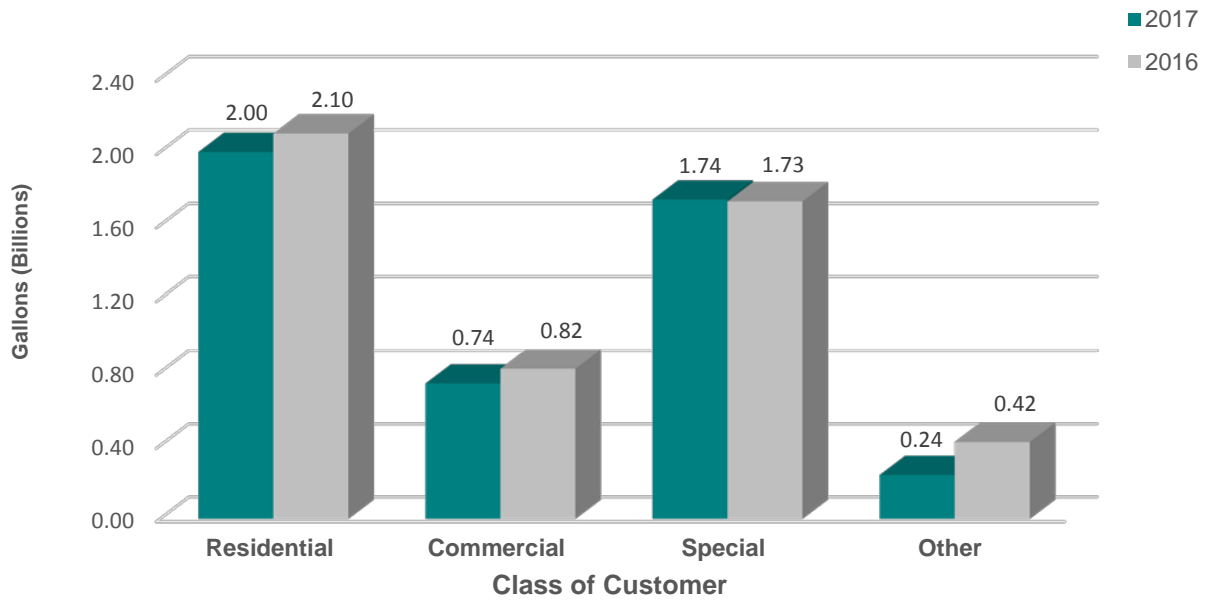
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# Supplemental Data

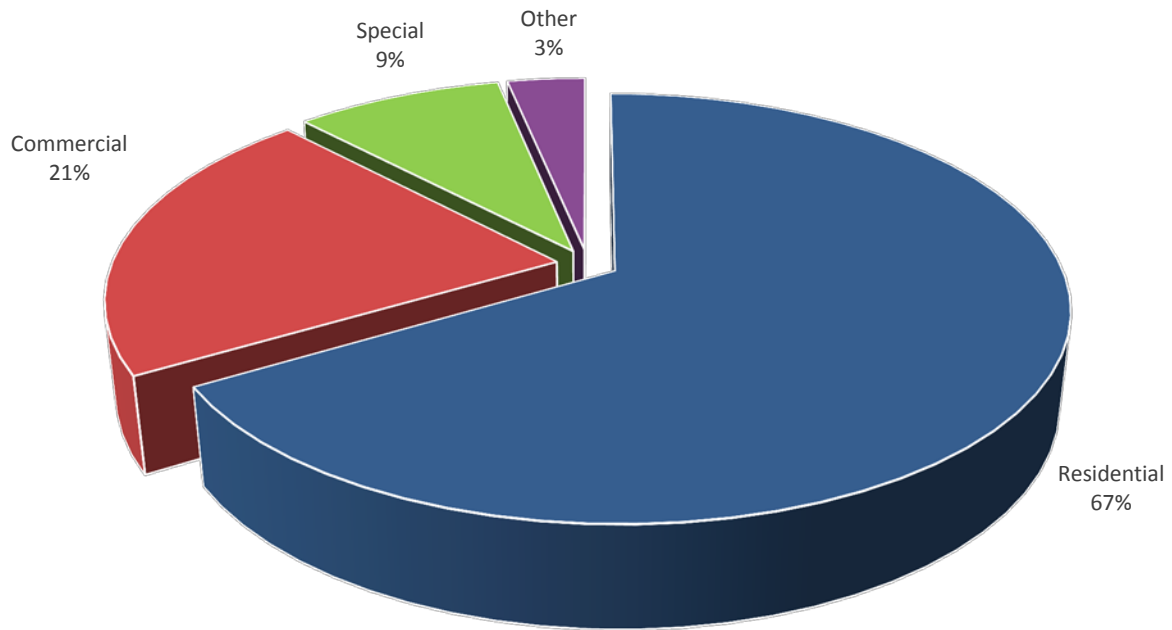
**WATER SALES**  
Year to Date - April 2017 & 2016



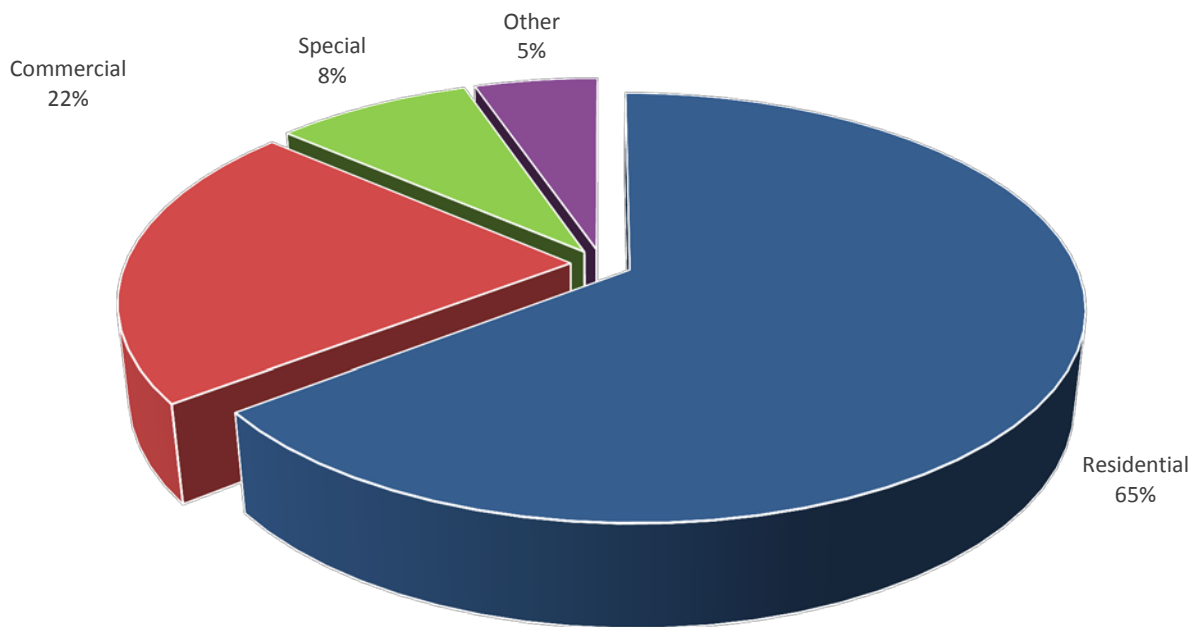
**WATER CONSUMPTION**  
Year to Date - April 2017 & 2016



**WATER SALES**  
**Year to Date - April 2017**  
**(\$21,439,683)**

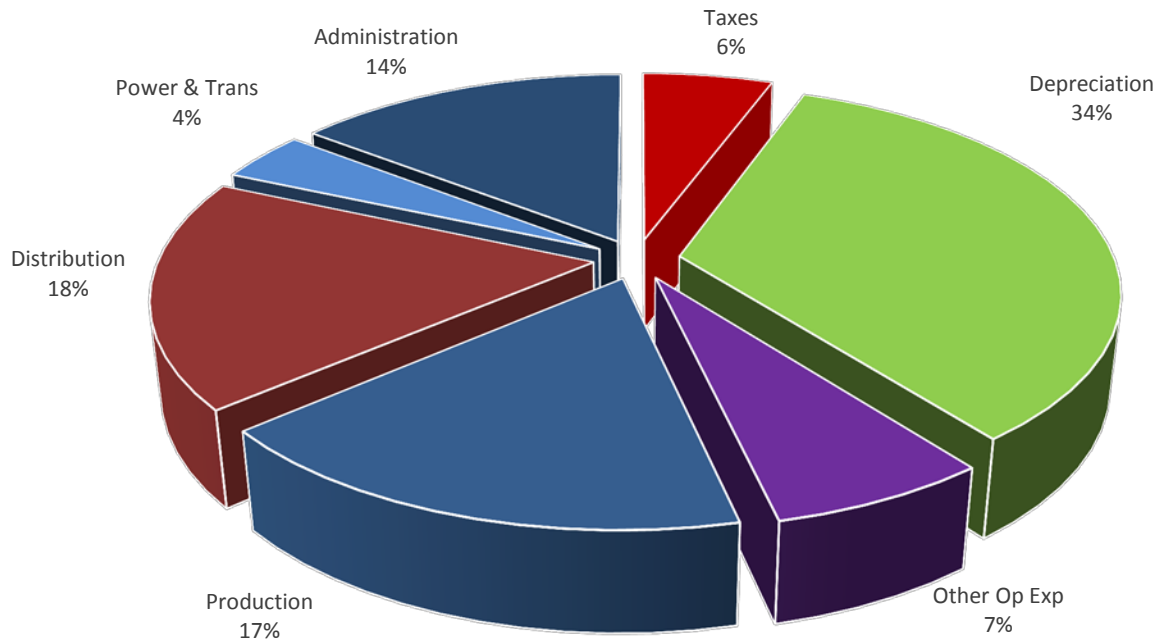


**WATER SALES**  
**Year to Date - April 2016**  
**(\$22,276,237)**

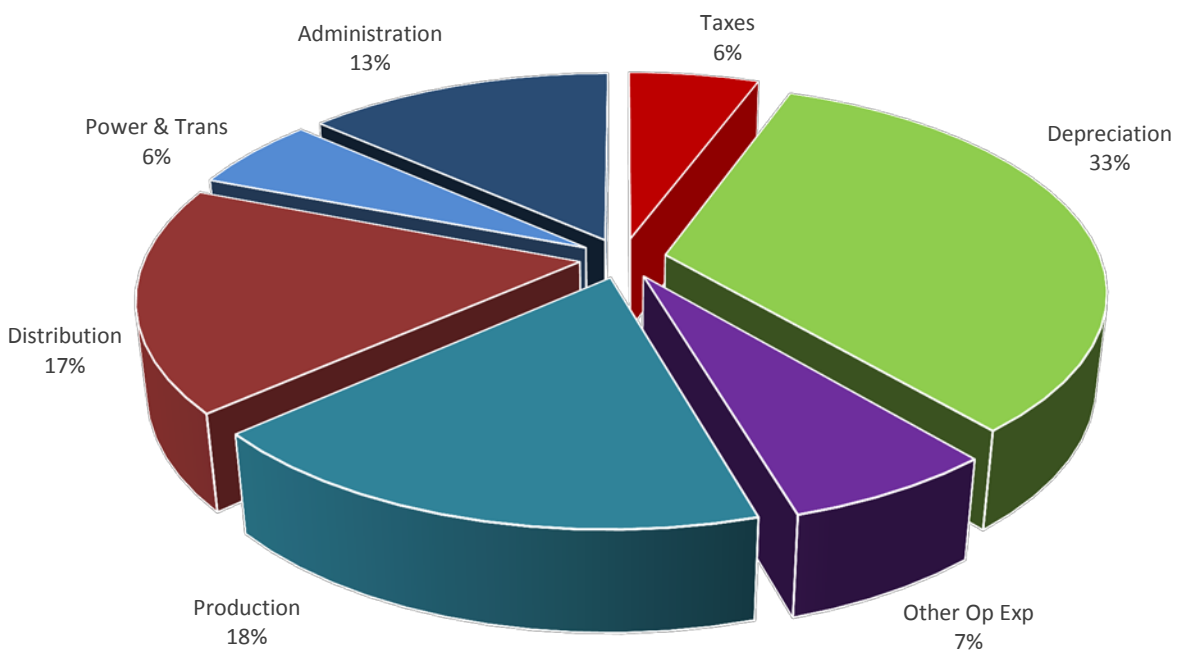




**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2017**  
**(\$23,704,980)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - April 2016**  
**(\$23,896,943)**



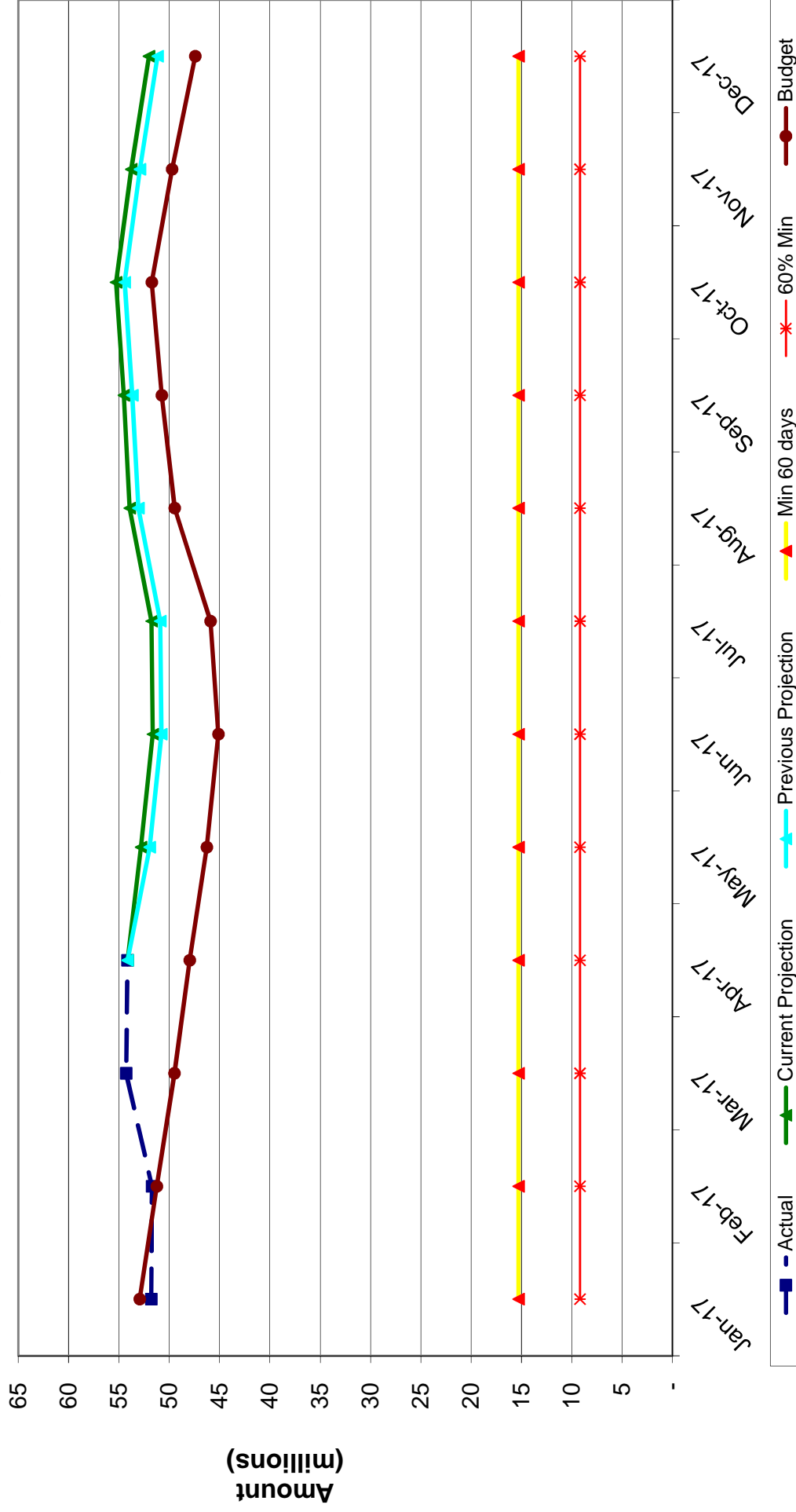


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# TACOMA WATER

## CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash for 2017/2018



**TACOMA WATER**  
**2017/2018 CURRENT FUND CASH PROJECTIONS**  
(000's omitted)

	Apr-17 Estimate	Apr-17 Actual	May-17 Estimate	Jun-17 Estimate	Jul-17 Estimate
<b>Beginning Cash Balance</b>	<b>54,283</b>	<b>54,283</b>	<b>54,156</b>	<b>52,804</b>	<b>51,636</b>
<b>Cash In</b>					
Water Sales	5,527	5,527	5,180	6,576	7,004
Public Fire Protection (collected)	284	340	226	279	233
Interest	23	72	23	23	23
Other Revenue	284	337	283	297	306
BABs Subsidies	231	231	231	231	231
<b>Total Cash In</b>	<b>6,348</b>	<b>6,507</b>	<b>5,943</b>	<b>7,406</b>	<b>7,797</b>
<b>Cash Out</b>					
Personnel Costs	2,055	1,922	2,055	3,082	2,055
Supplies, Other Services & Charges	2,297	1,669	2,303	2,213	2,420
Taxes	764	858	723	1,065	989
Debt Service	2,214	2,190	2,214	2,214	2,213
Capital Outlay	-	30	-	-	-
<b>Total Cash Out</b>	<b>7,329</b>	<b>6,669</b>	<b>7,295</b>	<b>8,574</b>	<b>7,677</b>
Change in A/R	-	(347)	-	-	-
Change in A/P	-	382	-	-	-
<b>Net Change in Cash</b>	<b>(981)</b>	<b>(127)</b>	<b>(1,352)</b>	<b>(1,168)</b>	<b>120</b>
<b>Ending Cash Balance</b>	<b>53,302</b>	<b>54,156</b>	<b>52,804</b>	<b>51,636</b>	<b>51,756</b>

TACOMA WATER  
2017/2018 CURRENT FUND CASH PROJECTIONS

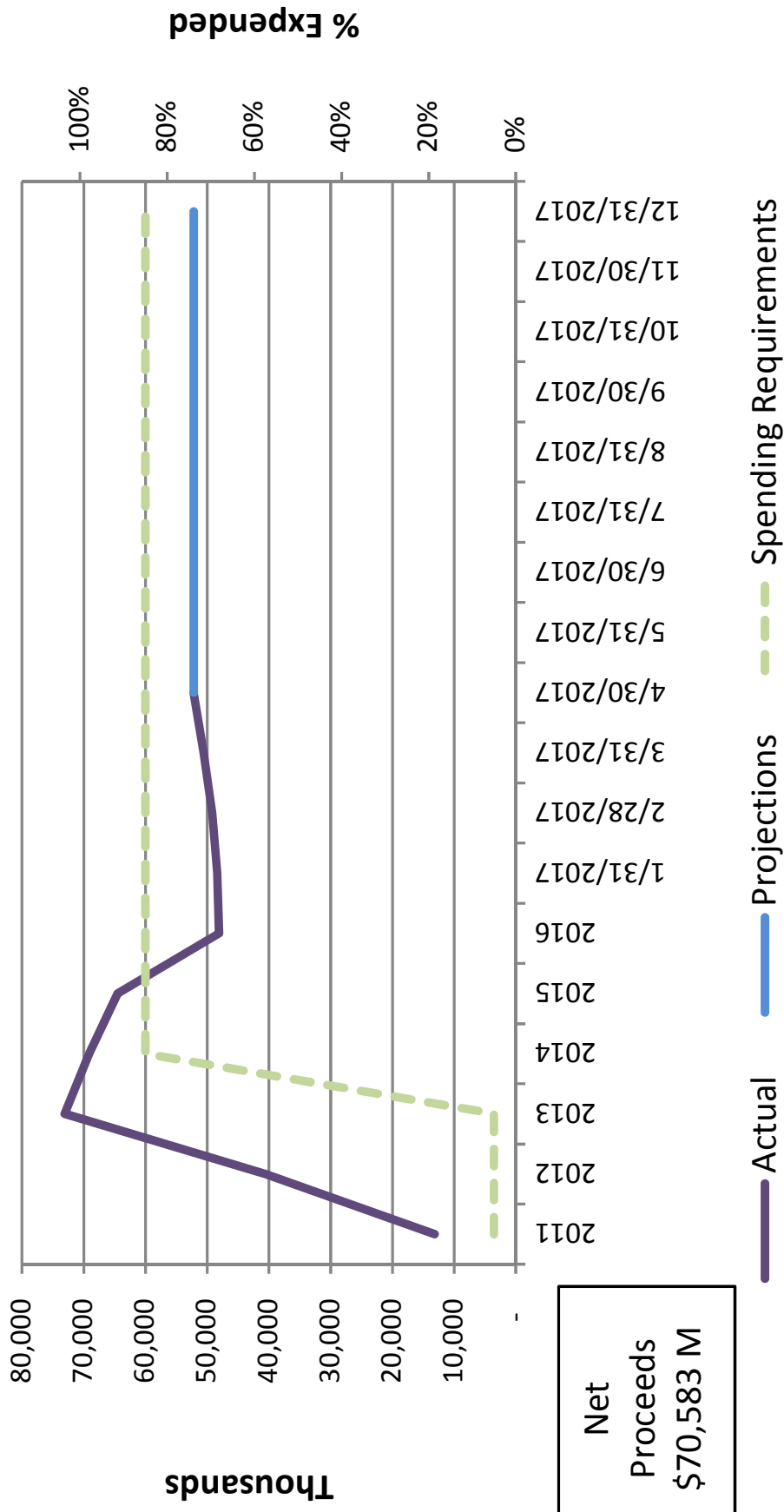
**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 38215, adopted March 8, 2011, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$15.964 million in 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$9.578 million).
3. Projections for changes in A/P and A/R are not provided due to the variable nature of these accounts. In general, a change in A/R is a result of a change in current month billings and collections, both of which are indicators of current and future cash inflows. A change in A/P is a result of a change in current month purchases and payments, both of which are indicators of current and future cash outflows.

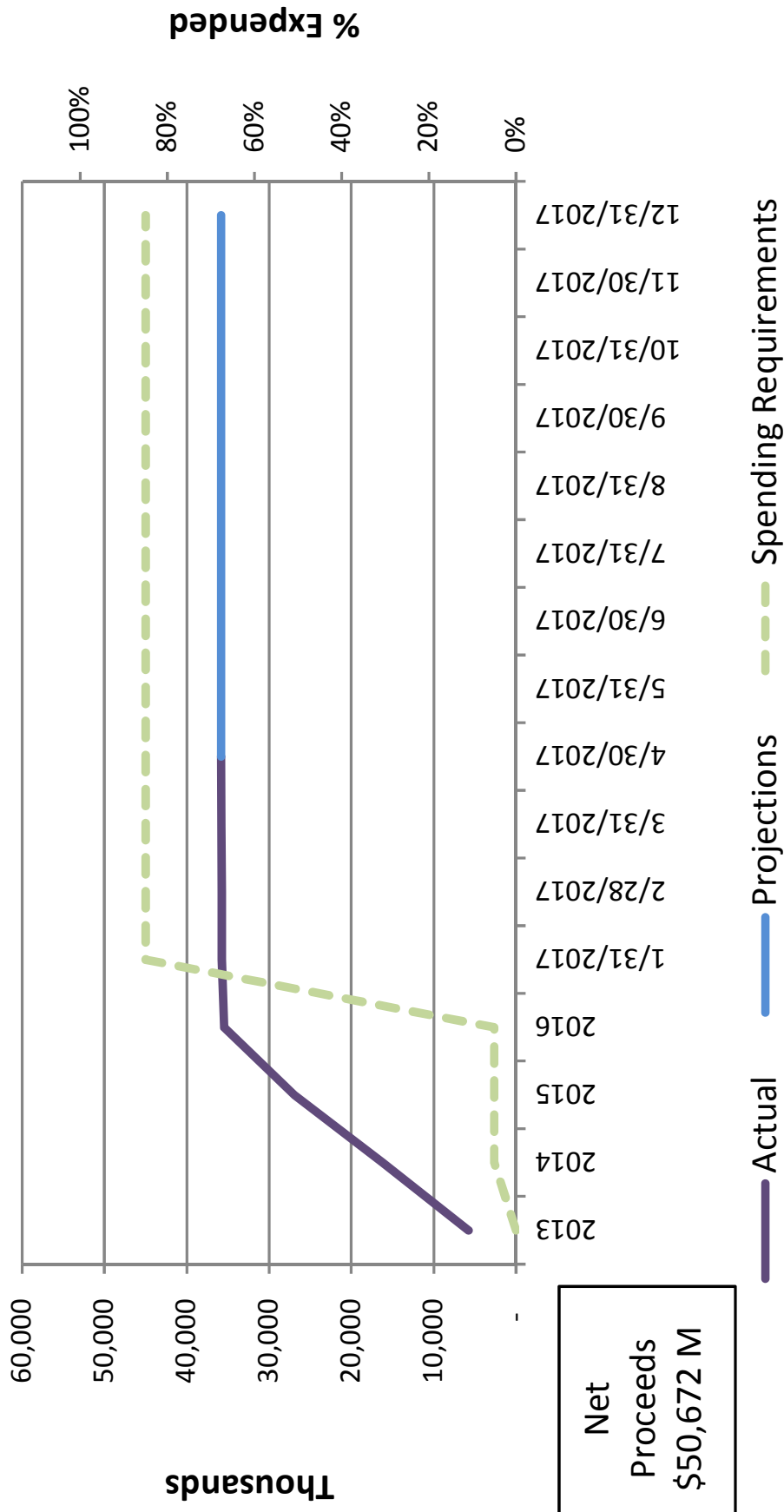
**Explanation of Variances and/or Changes in Projections:**

Supplies, Other Services and Charges came in under estimates by \$0.6 million for the month of April. The projections are estimates and may differ from actual spending on a monthly basis.

# Water 4600-10WC Cumulative Bond Spending



# Water 4600-13WC Cumulative Bond Spending



**Tacoma Public Utilities**  
**Water Bonds**  
**As of April 30, 2017**

	Water	
	4600-10WC	4600-13WC
<b>Bond Type</b>	Taxable Build America Bonds	Revenue and Refunding Bonds
<b>Issue Date</b>	8/26/2010	5/7/2013
<b>Months Transpired</b>	81	48

<b>Construction Fund Proceeds</b>	70,583,000	50,672,000
<b>Interest Income</b>	3,226,845	1,036,941
<b>Period</b>		
2011	(13,126,630)	-
2012	(27,346,085)	-
2013	(32,598,851)	(5,767,218)
2014	4,004,026	(10,470,130)
2015	4,610,670	(10,684,407)
2016	16,395,475	(8,545,727)
1/31/2017	(277,688)	(272,288)
2/28/2017	(825,242)	(18,652)
3/31/2017	(1,388,636)	(35,048)
4/30/2017	(1,597,225)	(37,188)

<b>Total Spending</b>	<b>(52,150,186)</b>	<b>(35,830,658)</b>
<b>Remaining Bond Balance</b>	<b>21,659,659</b>	<b>15,878,283</b>
<b>Actual % Spent</b>	<b>74%</b>	<b>71%</b>
<b>Cash Balance</b>	<b>21,659,659</b>	<b>15,878,283</b>



## 4600-10WC

PROJECT	EST \$\$	ACT \$\$	DIFF
13/14 Distr Main Upgrades & Renewals	-	176,913	176,913
13/14 Private Contracts	-	113,080	113,080
15/16 Distribution Main Upgrades & Renew	-	796,794	796,794
17/18 Water Service Replace & Renewals	-	155,201	155,201
28 projects	-	355,238	355,238

TOTAL Spending vs. Projection

-	1,597,225	1,597,225
---	-----------	-----------

## 4600-13WC

PROJECT	EST \$\$	ACT \$\$	DIFF
9 projects	-	37,188	37,188
			-
			-
			-
			-

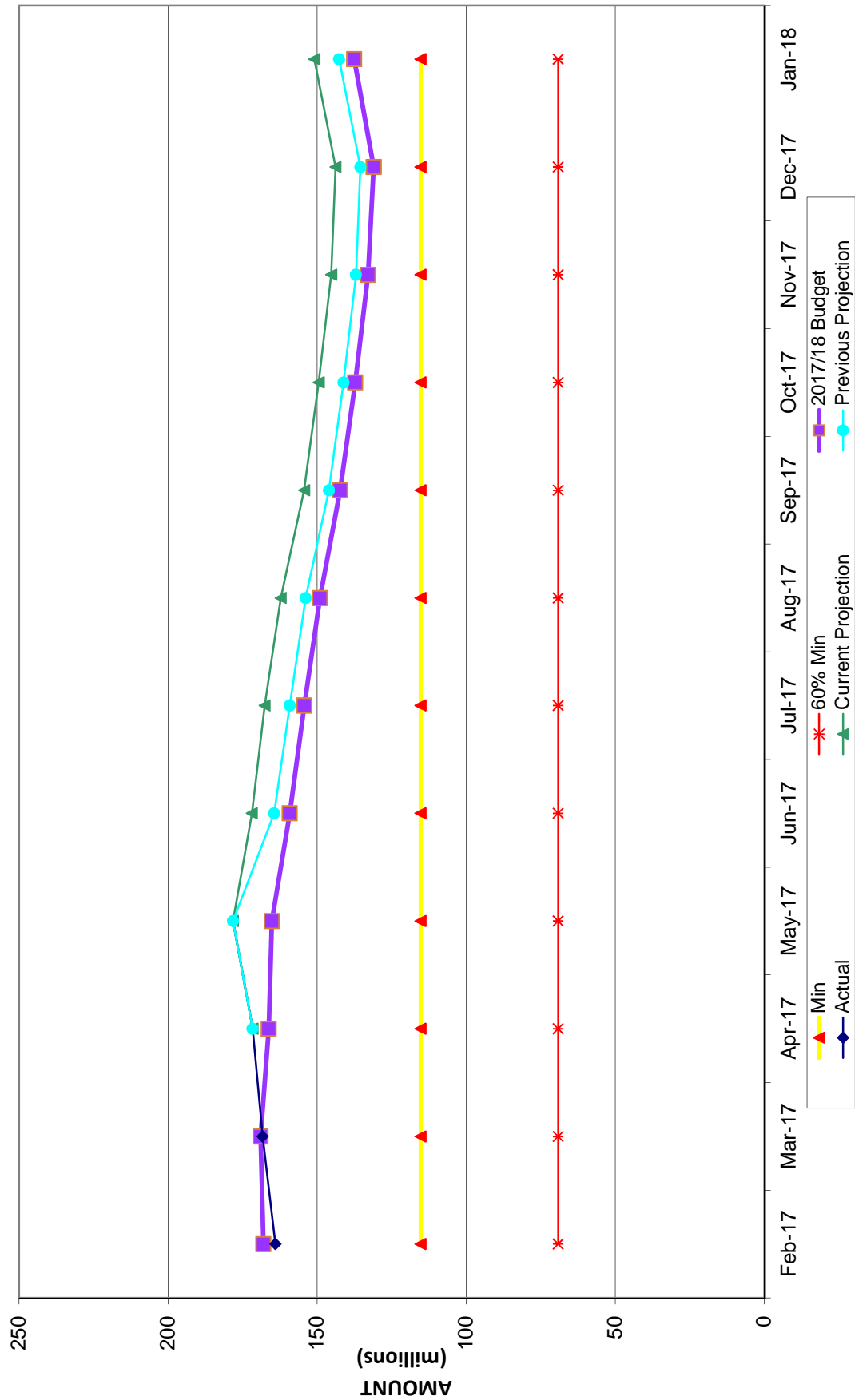
TOTAL Spending vs. Projection

-	37,188	37,188
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# TACOMA POWER

## CURRENT FUND BALANCED BUDGET CASH PROJECTIONS

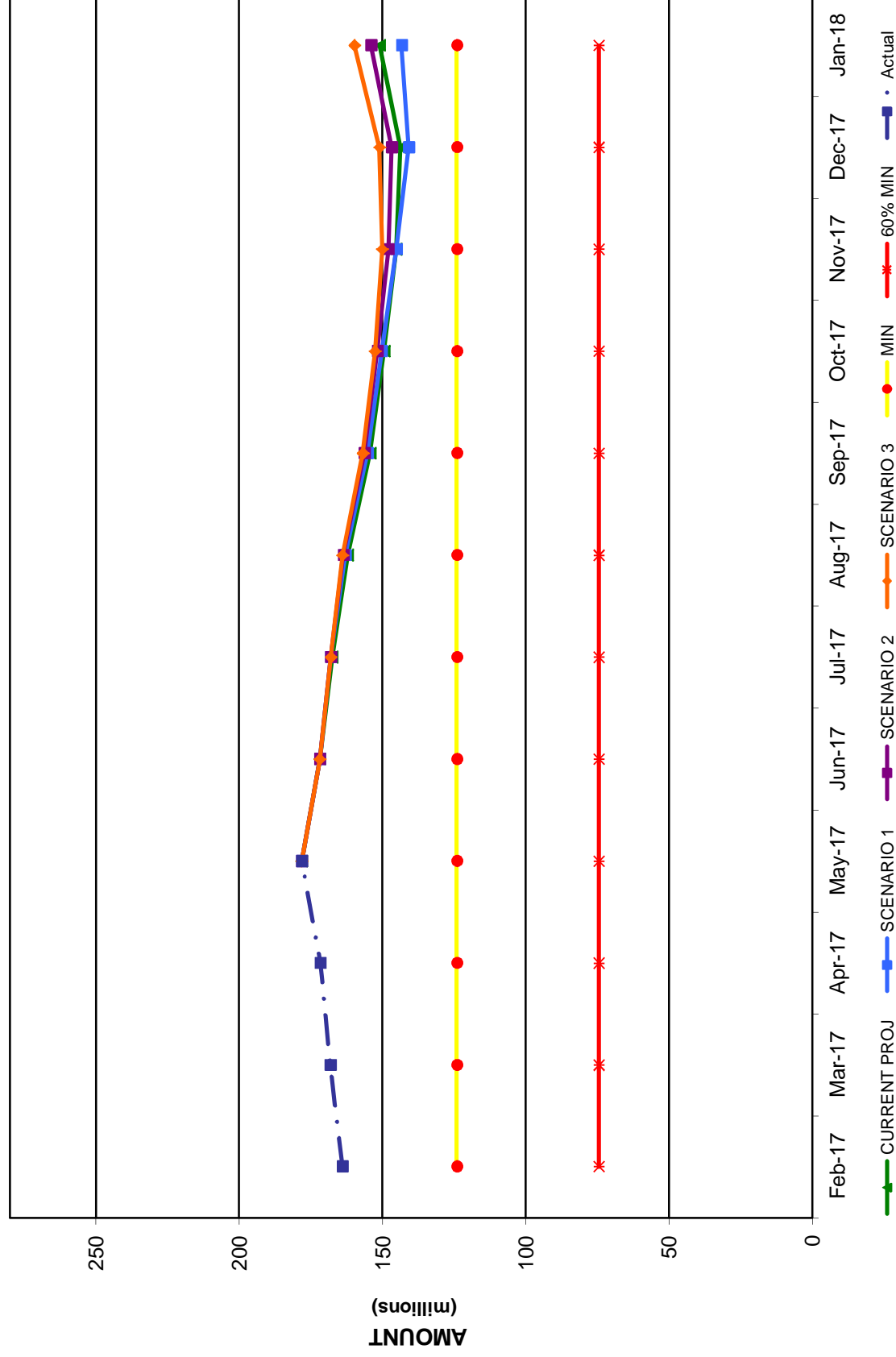
Estimated Cash for 2017-2018



# TACOMA POWER

## CURRENT FUND CASH PROJECTIONS

Actual <sup>(a)</sup> and Estimated Cash\* for 2017-2018



**TACOMA POWER**  
**2017-2018 BALANCED BUDGET CASH PROJECTION**  
(000's omitted)

	May-17	May-17	Jun-17	Jul-17	Aug-17
	Estimate	Actual			
<b>Beginning Cash Balance (4)</b>	<b>171,608</b>	<b>171,608</b>	<b>178,194</b>	<b>171,874</b>	<b>167,590</b>
<b>Cash In</b>					
Retail Sales	26,888	28,095	26,277	24,101	24,730
Wholesale Sales	5,532	5,702	5,628	4,930	2,677
Telecommunications	2,247	2,265	2,286	2,305	2,407
Other Revenue	2,017	2,505	2,017	2,017	2,017
<b>Total Cash In</b>	<b>36,684</b>	<b>38,567</b>	<b>36,208</b>	<b>33,353</b>	<b>31,831</b>
<b>Cash Out</b>					
Personnel Costs	7,710	7,338	11,565	7,710	7,710
Debt Service	2,564	2,470	2,564	3,019	3,019
Taxes	4,443	4,364	5,523	4,385	4,039
BPA Purchases	10,540	9,344	10,866	10,550	10,900
Wholesale Purchases	1,509	560	1,984	1,947	1,554
Supplies, Other Services & Charges	6,616	5,123	6,616	6,616	6,616
Capital Outlay	3,410	281	3,410	3,410	3,410
<b>Total Cash Out</b>	<b>36,792</b>	<b>29,480</b>	<b>42,528</b>	<b>37,637</b>	<b>37,248</b>
<b>Net</b>	<b>(108)</b>	<b>9,087</b>	<b>(6,320)</b>	<b>(4,284)</b>	<b>(5,417)</b>
Change in A/R		(1,367)			
Change in A/P		(1,134)			
<b>Ending Cash Balance</b>	<b>171,500</b>	<b>178,194</b>	<b>171,874</b>	<b>167,590</b>	<b>162,173</b>

The accompanying notes are an integral part of these cash projections.

TACOMA POWER  
2017-2018 CURRENT FUND CASH PROJECTIONS

**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on Public Utility Board and City Council resolutions, the Division should maintain a minimum cash working capital balance of approximately \$115.3 million (90 days) in the 2017/2018 biennium. Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$69.2 million).
3. Commitments: These projections are based on the 2017/2018 budget.
4. "Actual" cash and investment balance as of May 1st, 2017.
5. BPA Purchase information provided by Power Management March 9th, 2017.  
BPA billings are net of Wynoochee and LaGrande/Cushman billing credits.
6. The Capital Outlay projection is based on the 2017/2018 budget.
7. Regular debt service includes the interest and principal payments on all outstanding Electric System Revenue and Refunding bonds.
8. Retail revenue in this projection is based on the Retail Sales and Forecast provided by the Rates, Planning and Analysis division.
9. On the Current Fund Cash Projections graph the most recent projection is labeled "CURRENT PROJ." Also shown are three scenarios based on estimated wholesale power sales revenues under current forward wholesale market prices and the following streamflow conditions:
  - Scenario 1 represents critical water conditions for 12 months followed by adverse water conditions.
  - Scenario 2 represents adverse water conditions.
  - Scenario 3 represents average water conditions.
10. Wholesale Sale/Purchase information provided by Power Management on June 12th, 2017.

**Significant Changes:**

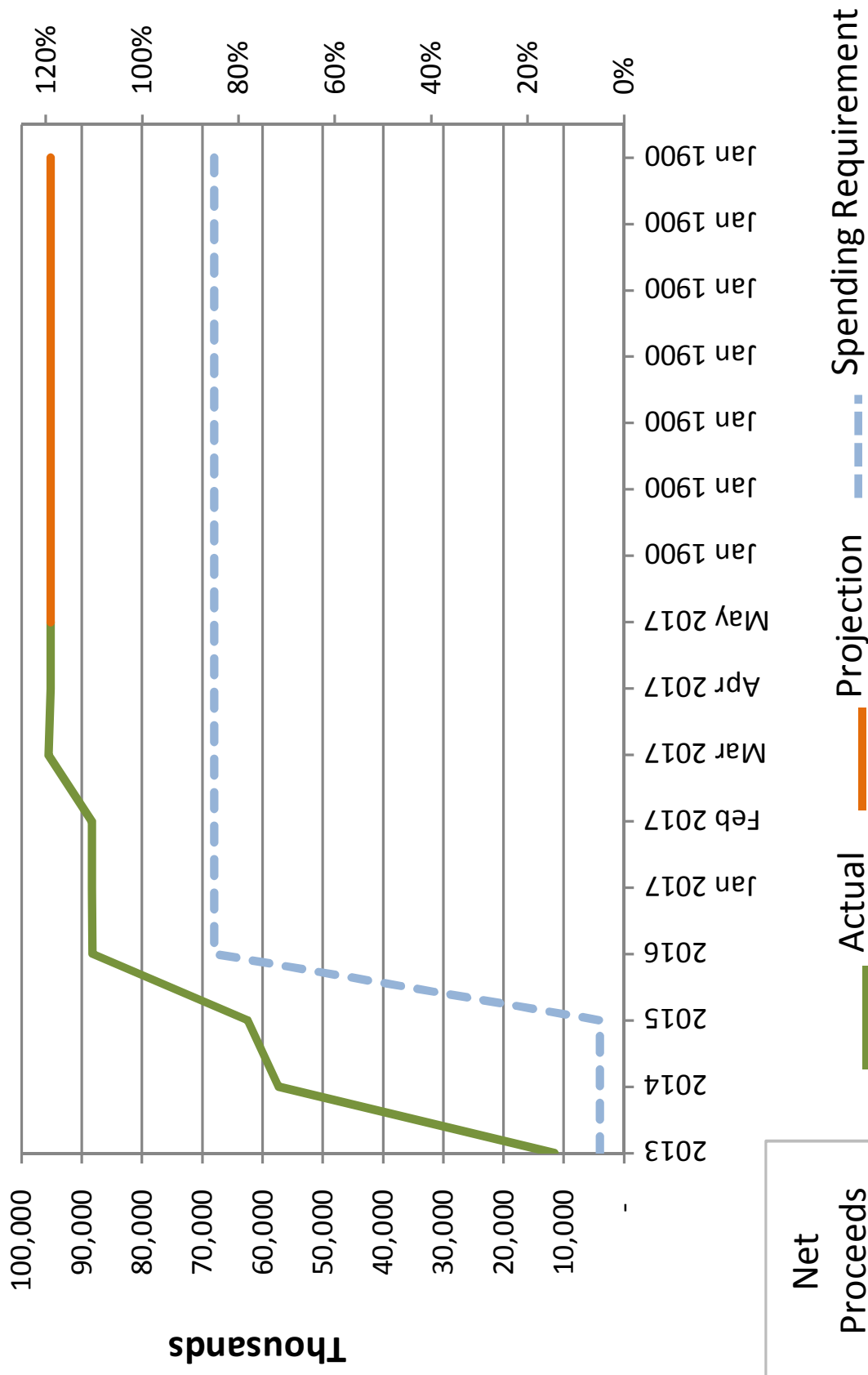
Retail Sales were \$1.2 million more than projected predominantly due to higher consumption than projected in the Residential, Small General, and General rate categories.

BPA Purchases were (\$1.2) million less due to lower costs than projected.

Supplies, Other Services & Charges came in under estimates by (\$1.5) million. These estimates are based on an even spread of the biennial budget and, therefore, will vary from actuals on a monthly basis.

Capital Outlay was (\$3.1) million less than estimated for the month of May. The projections are estimates and may differ from actual spending on a monthly basis

# 4700-13CON Cumulative Bond Spending



**Tacoma Public Utilities**  
**Power Bonds**  
**As of May 31, 2017**

	<b>4700-13CON</b>
<b>Bond Type</b>	Revenue Bonds
<b>Issue Date</b>	6/1/2013
<b>Months Transpired</b>	45

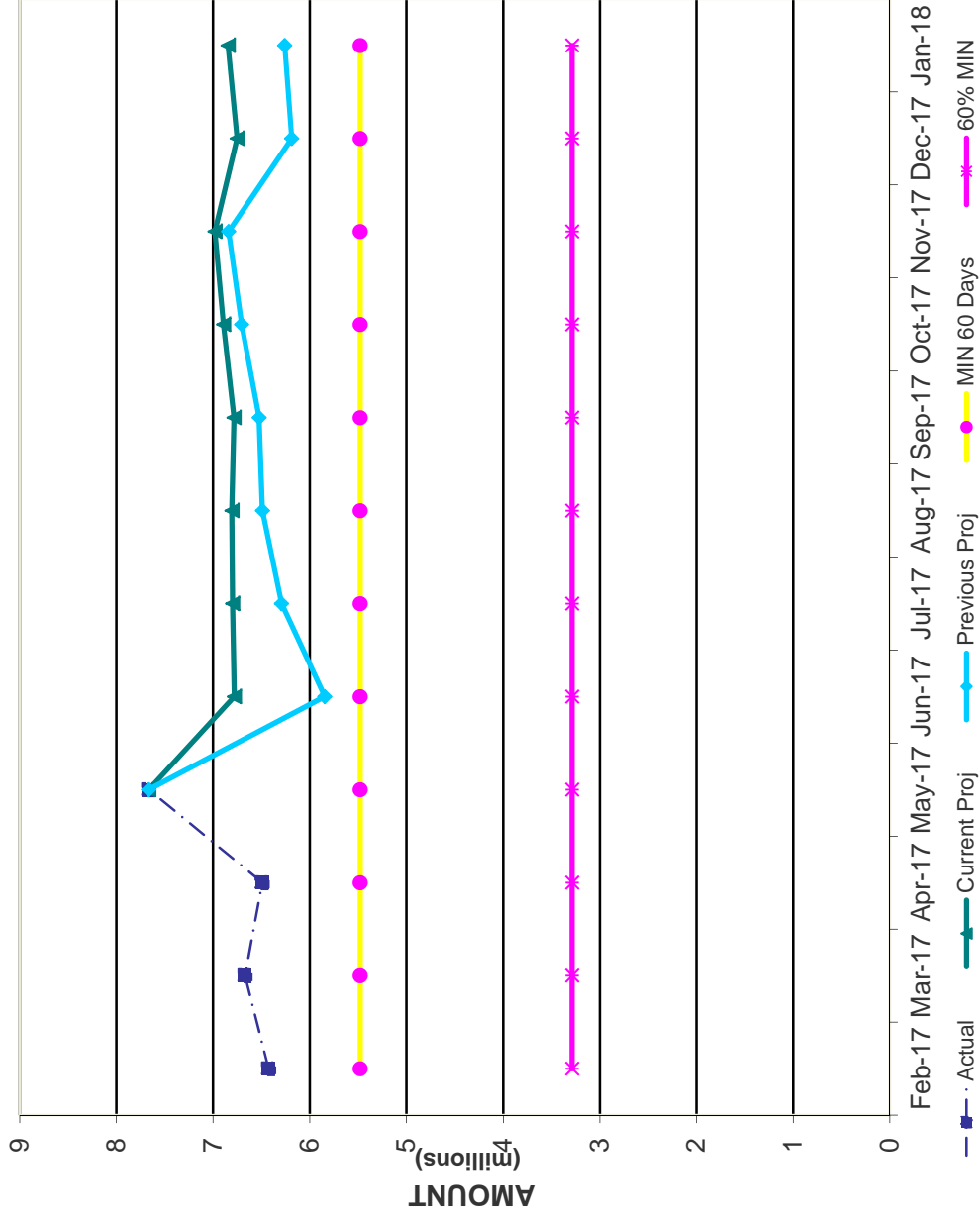
<b>Construction Fund Proceeds</b>	93,743,000
<b>Investment Revenue</b>	1,466,867
<b>Period</b>	
2013	(11,583,188)
2014	(45,757,017)
2015	(5,099,210)
2016	(25,786,936)
1/31/2017	(81,348)
2/28/2017	(12,329)
3/31/2017	(7,210,199)
4/30/2017	326,072
5/31/2017	-

<b>Total Spending</b>	<b>(95,204,155)</b>
<b>Remaining Bond Balance</b>	<b>5,712</b>
<b>Actual % Spent</b>	<b>102%</b>
<b>Cash Balance</b>	<b>5,712</b>

# TACOMA RAIL

## 2017 CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash





TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS  
(000's omitted)

	May-17 Estimate	May-17 Actual	Jun-17 Estimate	Jul-17 Estimate	Aug-17 Estimate
Beginning Cash Balance	\$6,491	\$6,491	\$7,665	\$6,780	\$6,798
<b><u>REVENUES (Cash-In)</u></b>	(1)				
Switching Revenue	2,308	2,152	2,047	2,240	2,335
Demurrage Revenue	96	157	96	96	96
Other Revenues	22	4	22	22	22
Lease Revenue	80	78	80	90	90
Interest Income	7	8	8	8	8
Service Maint/Trans Revenue	155	225	155	155	155
Reimbursement/Transfer Ins	-	-	-	-	-
Total Revenues	2,668	2,624	2,408	2,611	2,706
<b><u>EXPENSES (Cash-Out)</u></b>	(1)				
Personnel Costs	1,260	1,186	1,663	1,240	1,240
Taxes	250	249	226	245	254
Supplies, Other Services & Charges	617	647	801	669	570
Assessments	139	150	140	139	140
Debt Service	116	116	138	90	108
Transfer Outs	-	-	-	-	-
Volume Incentive	292	83	-	-	42
Capital Outlay	275	281	325	210	345
Total Expenses	2,949	2,712	3,293	2,593	2,699
Change in AR	(3)	1,010			
Change in AP	(3)	252			
<b>Net Increase (Decrease) in Cash</b>	(281)	1,174	(885)	18	7
Ending Cash Balance	(2) <u>\$6,210</u>	<u>\$7,665</u>	<u>6,780</u>	<u>6,798</u>	<u>\$6,805</u>

The accompanying notes are an integral part of these cash projections.

TACOMA RAIL  
2017 CURRENT FUND CASH PROJECTIONS

**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 37101, adopted February 6, 2007, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$5.478 million in the 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$3.287 million).
3. Change in AR and Change in AP are adjustments to the current month's actual cash flows from Revenues and Expenses which factor into the actual ending cash balance. A positive number in Change in AR indicates collections from outstanding accounts receivables exceeded revenues billed in the same month. Conversely, a positive number in Change in AP indicates that payments for goods and services were less than recorded expenses for the same month. The outstanding AR and AP balances at the end of the month will impact the future cash inflows and outflows, respectively.

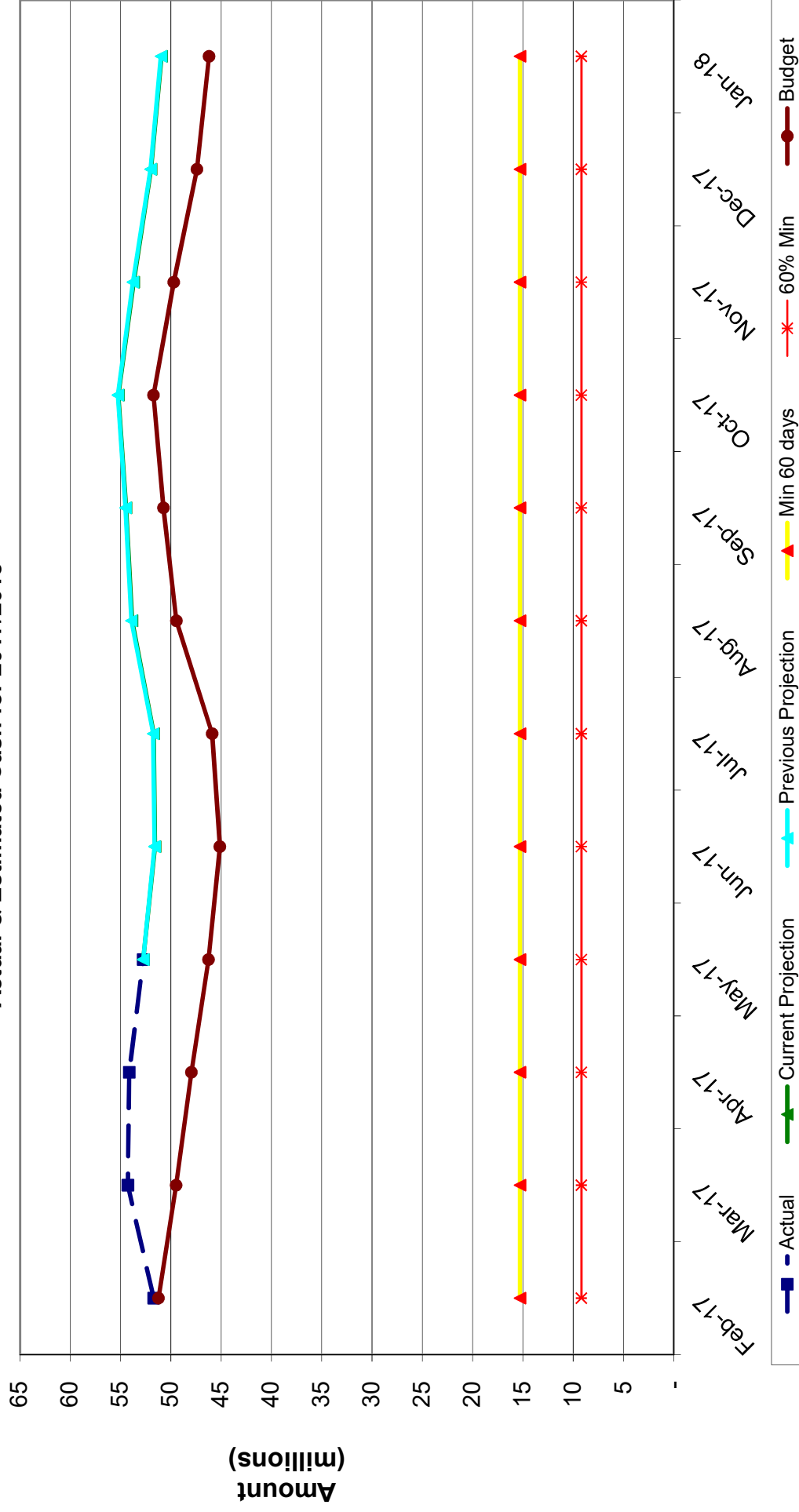
**Significant changes since last projection:**

1. The variance of (\$156,000) in Switching revenue is primarily due to a decrease from anticipated Intermodal traffic going through the Port of Seattle.
2. The variance in personnel cost of (\$73,000) is due to a decrease in freight railcar traffic which lead to a decrease in labor costs.
3. The variance of (\$208,000) in Volume Incentive is due to container traffic now going though the Port of Seattle.

# TACOMA WATER

## CURRENT FUND CASH PROJECTIONS

Actual & Estimated Cash for 2017/2018



**TACOMA WATER**  
**2017/2018 CURRENT FUND CASH PROJECTIONS**  
(000's omitted)

	May-17 Estimate	May-17 Actual	Jun-17 Estimate	Jul-17 Estimate	Aug-17 Estimate
<b>Beginning Cash Balance</b>	<b>54,156</b>	<b>54,156</b>	<b>52,746</b>	<b>51,578</b>	<b>51,698</b>
<b>Cash In</b>					
Water Sales	5,180	5,534	6,576	7,004	9,397
Public Fire Protection (collected)	226	307	279	233	287
Interest	23	76	23	23	23
Other Revenue	283	323	297	306	331
BABs Subsidies	231	231	231	231	231
<b>Total Cash In</b>	<b>5,943</b>	<b>6,471</b>	<b>7,406</b>	<b>7,797</b>	<b>10,269</b>
<b>Cash Out</b>					
Personnel Costs	2,055	1,794	3,082	2,055	2,055
Supplies, Other Services & Charges	2,303	2,773	2,213	2,420	2,526
Taxes	723	840	1,065	989	1,307
Debt Service	2,214	2,189	2,214	2,213	2,213
Capital Outlay	-	43	-	-	-
<b>Total Cash Out</b>	<b>7,294</b>	<b>7,639</b>	<b>8,574</b>	<b>7,677</b>	<b>8,101</b>
Change in A/R	-	409	-	-	-
Change in A/P	-	(651)	-	-	-
<b>Net Change in Cash</b>	<b>(1,351)</b>	<b>(1,410)</b>	<b>(1,168)</b>	<b>120</b>	<b>2,168</b>
<b>Ending Cash Balance</b>	<b>52,806</b>	<b>52,746</b>	<b>51,578</b>	<b>51,698</b>	<b>53,866</b>

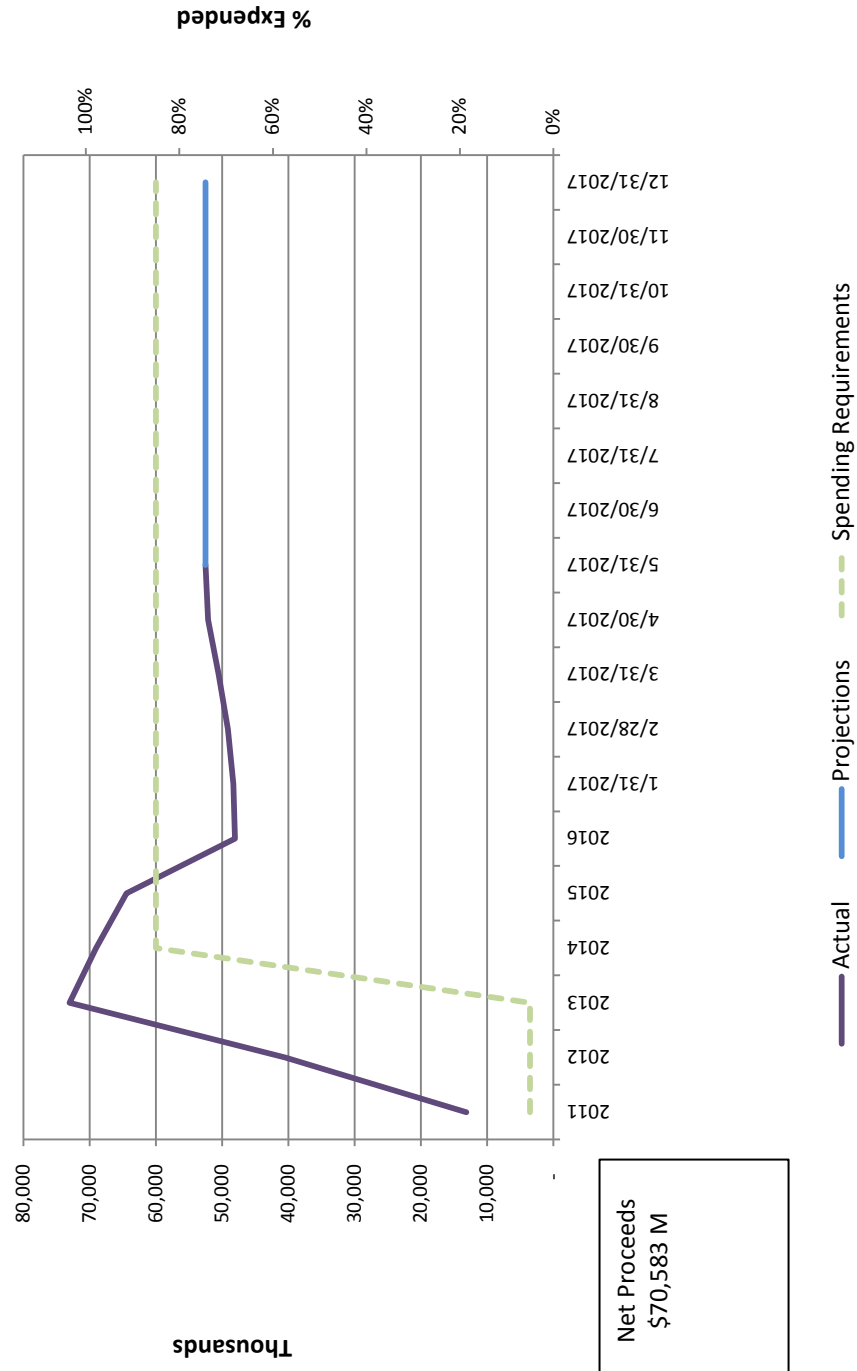
## TACOMA WATER

### 2017/2018 CURRENT FUND CASH PROJECTIONS

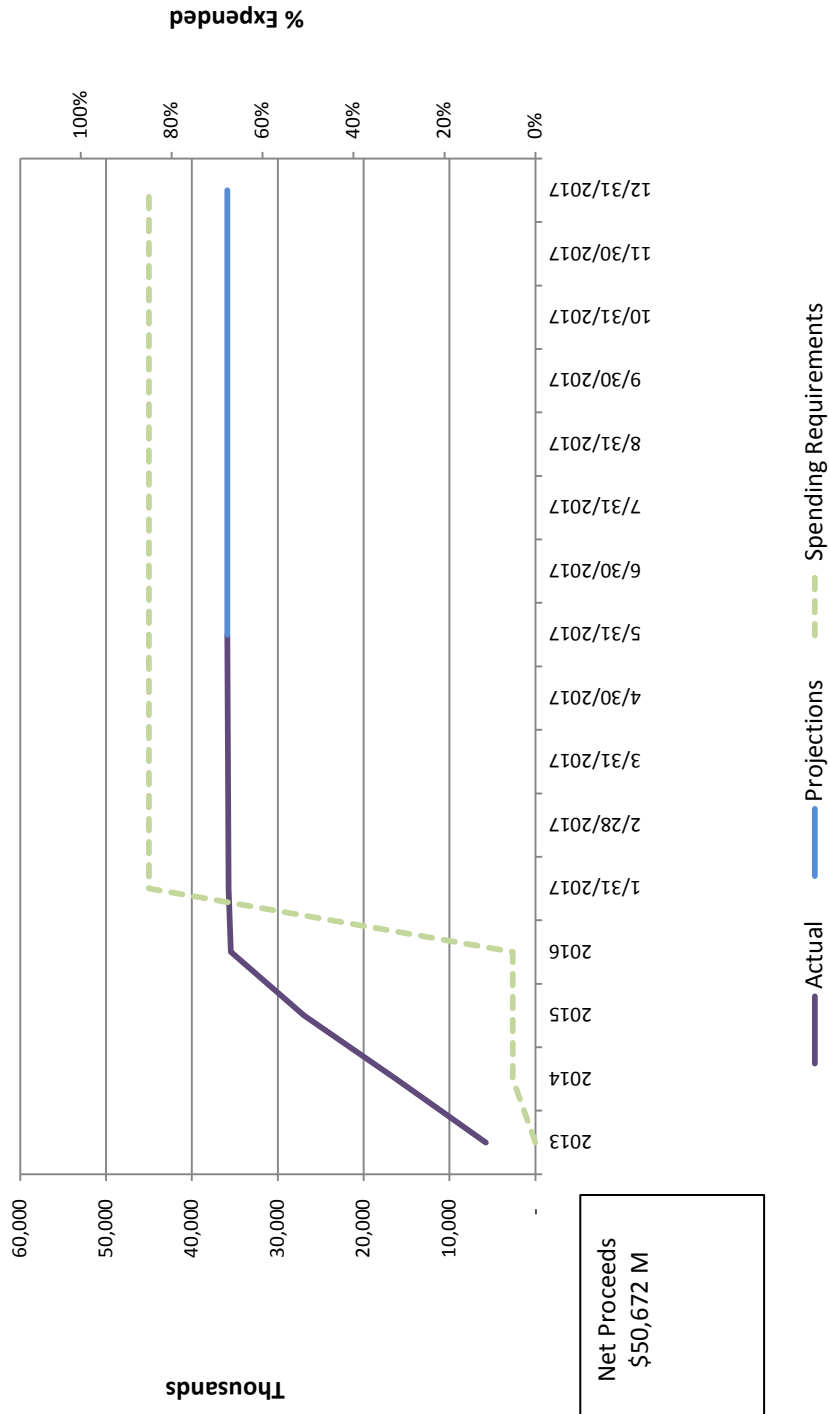
**Notes:**

1. While this projection is based primarily on historic patterns, it is factored by actual revenue and expense elements when known or when they can reasonably be estimated.
2. Based on City Council Resolution No. 38215, adopted March 8, 2011, the Division should maintain a minimum cash balance equal to 60 days of current expenditures (\$15.964 million in 2017/2018). Due to seasonal fluctuations, however, the Division may on occasion drop below this recommended level. The cash balance in any month should never be allowed to drop more than 40% below the recommended level (\$9.578 million).
3. Projections for changes in A/P and A/R are not provided due to the variable nature of these accounts. In general, a change in A/R is a result of a change in current month billings and collections, both of which are indicators of current and future cash inflows. A change in A/P is a result of a change in current month purchases and payments, both of which are indicators of current and future cash outflows.

## Water 4600-10WC Cumulative Bond Spending



## Water 4600-13WC Cumulative Bond Spending



**Tacoma Public Utilities**  
**Water Bonds**  
**As of May 31, 2017**

	Water	
	4600-10WC	4600-13WC
<b>Bond Type</b>	Taxable Build America Bonds	Revenue and Refunding Bonds
<b>Issue Date</b>	8/26/2010	5/7/2013
<b>Months Transpired</b>	82	49

<b>Construction Fund Proceeds</b>	70,583,000	50,672,000
<b>Interest Income</b>	3,246,537	1,051,313
<b>Period</b>		
2011	(13,126,630)	-
2012	(27,346,085)	-
2013	(32,598,851)	(5,767,218)
2014	4,004,026	(10,470,130)
2015	4,610,670	(10,684,407)
2016	16,395,475	(8,545,727)
1/31/2017	(277,688)	(272,288)
2/28/2017	(825,242)	(18,652)
3/31/2017	(1,388,636)	(35,048)
4/30/2017	(1,597,225)	(37,188)
5/31/2017	(379,296)	(34,769)

<b>Total Spending</b>	<b>(52,529,482)</b>	<b>(35,865,427)</b>
<b>Remaining Bond Balance</b>	<b>21,300,055</b>	<b>15,857,886</b>
<b>Actual % Spent</b>	<b>74%</b>	<b>71%</b>
<b>Cash Balance</b>	<b>21,300,055</b>	<b>15,857,886</b>



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*MAY*

*FLEET SERVICES FUND*

2017

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DON ASHMORE

Utilities Fleet Manager

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## FLEET SERVICES FUND

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF NET POSITION  
MAY 31, 2017 AND MAY 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>FIXED</b>		
Office Furniture and Equipment .....	\$616,901	\$616,901
Stores and Shop Equipment .....	719,381	692,125
Transportation Equipment .....	42,810,288	37,625,145
Power-Operated Equipment .....	19,105,895	18,944,219
Accumulated Depreciation .....	<u>(38,793,987)</u>	<u>(38,167,171)</u>
Total Fixed Assets .....	24,458,478	19,711,219
Construction Work in Progress .....	<u>1,216,994</u>	<u>2,268,392</u>
Net Fixed Assets .....	25,675,472	21,979,611
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	18,984,619	22,804,762
Materials and Supplies .....	<u>301,389</u>	<u>264,737</u>
Total Current Assets .....	19,286,008	23,069,499
<b>OTHER ASSETS</b>		
Net Pension Assets .....	<u>-</u>	<u>101,261</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows for Pensions .....	<u>964,710</u>	<u>240,412</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<u><u>\$45,926,190</u></u>	<u><u>\$45,390,783</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

	2017	2016
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$25,675,472	\$21,979,611
Restricted for:		
Tacoma Power .....	18,095,346	18,095,346
Tacoma Water .....	7,199,933	7,199,933
Tacoma Rail .....	981,147	981,147
Net Pension Asset .....	-	101,261
Unrestricted .....	(7,372,059)	(3,577,385)
<b>TOTAL NET POSITION .....</b>	<b>44,579,839</b>	<b>44,779,913</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable & Other .....	68,699	141,589
Wages Payable .....	155,366	142,459
Total Current Liabilities .....	224,065	284,048
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	231,004	219,922
Net Pension Liability .....	835,359	-
Total Long-term Liabilities .....	1,066,363	219,922
<b>TOTAL LIABILITIES .....</b>	<b>1,290,428</b>	<b>503,970</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflows for Pensions .....	55,923	106,900
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$45,926,190</b>	<b>\$45,390,783</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
MAY 31, 2017 AND MAY 31, 2016

	MAY 2017	MAY 2016
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$147,771	\$441,927
Capital Recovery .....	864,703	383,668
Administrative Overhead .....	114,016	68,902
Fuel and Fuel Loading .....	4,685	2,211
Pool Car Rental .....	13,656	12,476
Total Operating Revenue .....	<u>1,144,831</u>	<u>909,184</u>
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	221,813	214,551
Outside Services .....	2,340	756
Total Repairs and Servicing .....	<u>224,153</u>	<u>215,307</u>
Stores Operations .....	25,230	22,914
Administration .....	106,158	121,585
Depreciation .....	292,841	250,034
Total Operating Expenses .....	<u>648,382</u>	<u>609,840</u>
<b>OPERATING INCOME</b> .....	496,449	299,344
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	2,229	3,690
Gain (Loss) on Disposition of Equipment .....	-	-
Sale of Scrap .....	13	-
Total Non-Operating Revenues (Expenses) ....	<u>2,242</u>	<u>3,690</u>
 Net Income Before Transfers .....	 498,691	 303,034
Transfers In .....	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b> .....	<u><u>\$498,691</u></u>	<u><u>\$303,034</u></u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - MAY 31</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

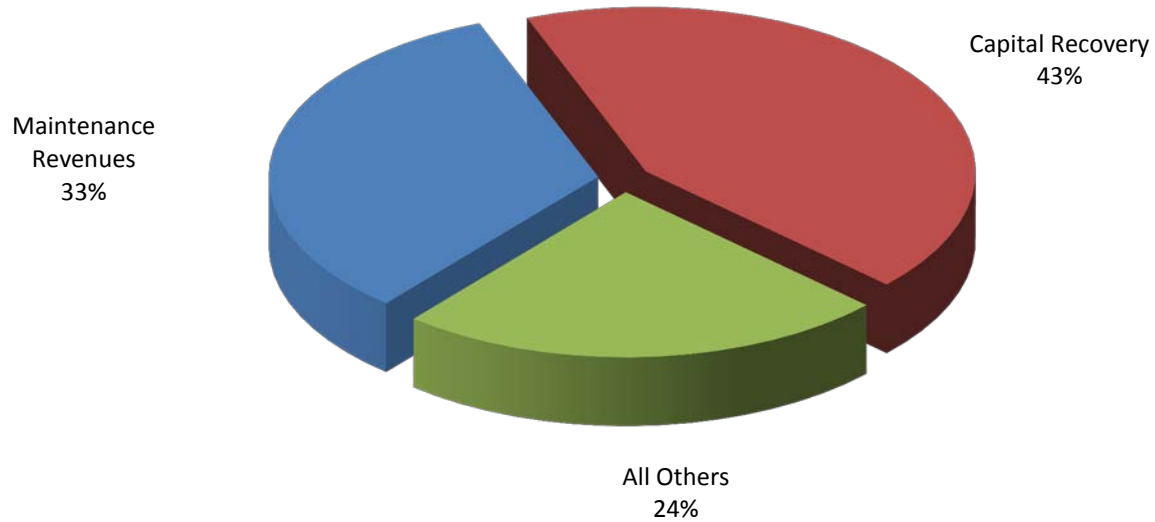


YEAR TO DATE			
MAY 2017	MAY 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$703,491	\$944,468	(\$240,977)	-25.5%
913,658	1,921,740	(1,008,082)	-52.5%
439,114	345,730	93,384	27.0%
23,644	16,313	7,331	44.9%
51,421	45,905	5,516	12.0%
2,131,328	3,274,156	(1,142,828)	-34.9%
1,124,823	1,106,433	18,390	1.7%
23,442	19,998	3,444	17.2%
1,148,265	1,126,431	21,834	1.9%
124,153	124,112	41	0.0%
591,212	595,666	(4,454)	-0.7%
1,469,514	1,260,377	209,137	16.6%
3,333,144	3,106,586	226,558	7.3%
(1,201,816)	167,570	(1,369,386)	-817.2%
79,742	83,778	(4,036)	-4.8%
107,703	152,768	(45,065)	-29.5%
12,513	6,875	5,638	82.0%
199,958	243,421	(43,463)	-17.9%
(1,001,858)	410,991	(1,412,849)	-343.8%
-	2,181	(2,181)	
(1,001,858)	413,172	(\$1,415,030)	-342.5%
45,581,697	44,366,741		
<u>\$44,579,839</u>	<u>\$44,779,913</u>		

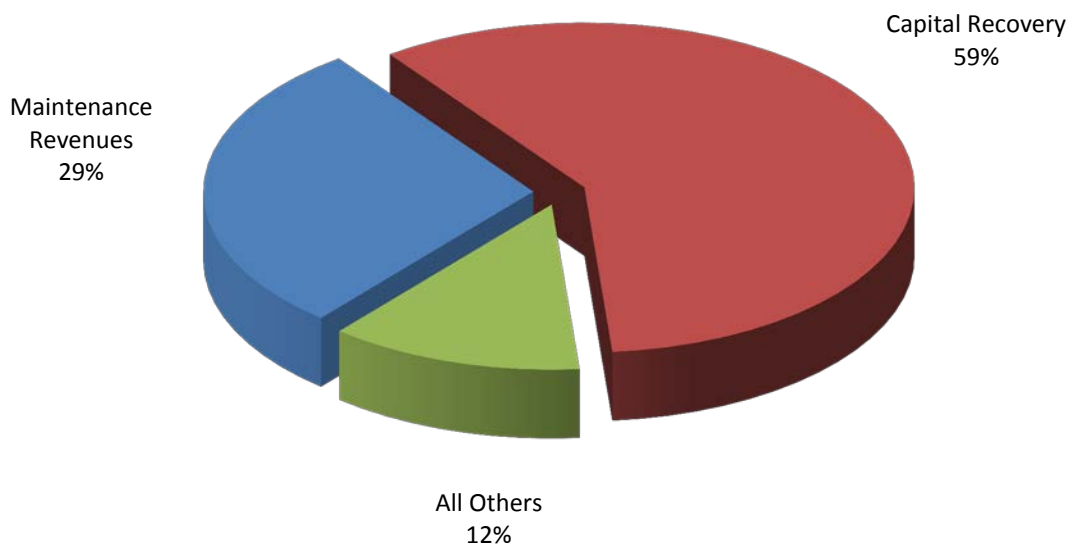
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# Supplemental Data

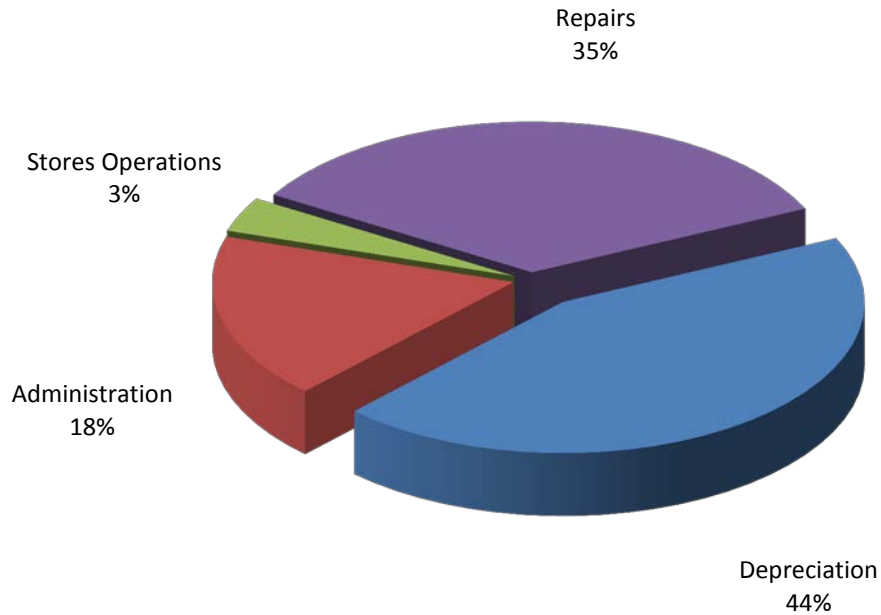
**TOTAL OPERATING REVENUES**  
**Year to Date - May 2017 (\$2,131,328)**



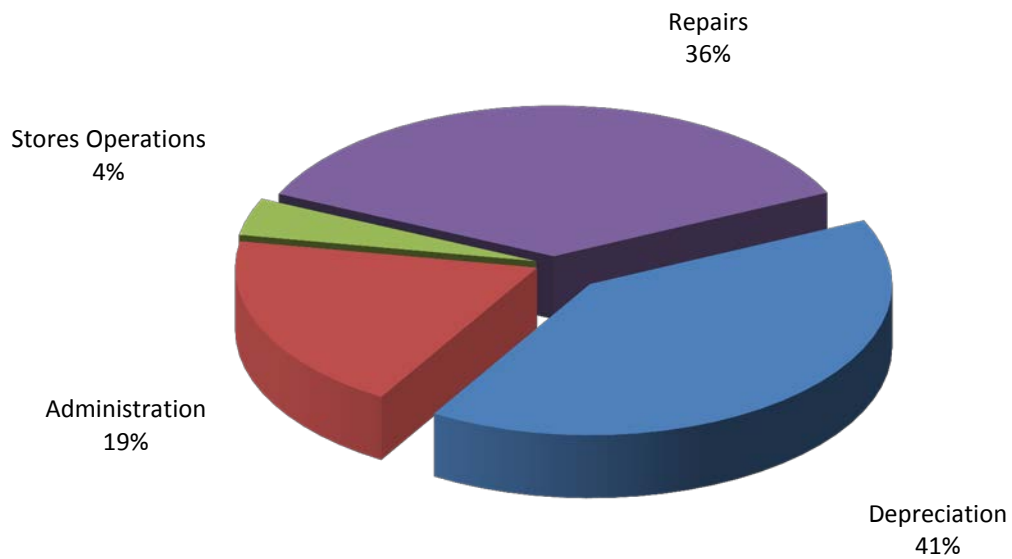
**TOTAL OPERATING REVENUES**  
**Year to Date - May 2016 (\$3,274,156)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - May 2017 (\$3,333,144)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - May 2016 (\$3,106,586)**





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

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*MAY*

*TACOMA POWER*

2017

**FINANCIAL  
REPORT**







# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

BRYAN FLINT

Member

KAREN LARKIN

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION  
Doing Business As

## TACOMA POWER

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF NET POSITION - May 31, 2017 AND May 31, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Electric Plant in Service .....	\$2,005,815,090	\$1,882,420,852
Less Depreciation and Amortization .....	(1,020,675,294)	(967,407,698)
Total .....	985,139,796	915,013,154
Construction Work in Progress .....	45,881,096	93,036,506
Net Utility Plant .....	1,031,020,892	1,008,049,660
<b>NON-UTILITY PROPERTY .....</b>	<b>182,051</b>	<b>182,051</b>
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010B Construction Fund .....	-	2,912,277
2013 Construction Fund .....	5,712	34,818,558
2015 Construction Fund .....	9,970,459	223,765
Provision for Debt Service .....	12,485,131	13,231,589
Special Bond Reserves .....	4,997,639	4,997,639
Wynoochee Reserve--State of Washington .....	2,577,045	2,551,860
Total Restricted Assets .....	30,035,986	58,735,688
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	178,220,130	169,857,185
Customers' and Contractors' Deposits .....	2,681,275	2,960,369
Conservation Loan Fund .....	3,653,199	3,485,909
Rate Stabilization Fund .....	48,000,000	48,000,000
Receivables:		
Customers .....	18,706,354	16,216,457
Accrued Unbilled Revenue .....	28,587,295	29,427,771
Others .....	17,894,859	12,945,656
Provision for Uncollectibles .....	(2,206,511)	(1,387,768)
Materials and Supplies .....	7,109,549	6,371,379
Prepayments and Other .....	5,933,715	5,583,435
Total Current Assets .....	308,579,865	293,460,393
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation .....	48,506,127	46,660,619
Net Pension Asset .....	-	3,823,476
Conservation Loan Fund Receivables .....	2,615,639	1,427,955
Total Other Assets .....	51,121,766	51,912,050
<b>Total Assets .....</b>	<b>1,420,940,560</b>	<b>1,412,339,842</b>
<b>DEFERRED OUTFLOWS</b>		
Deferred Outflow for Pensions .....	39,469,454	9,077,586
Unamortized Loss on Refunding Bonds .....	-	1,108,296
Total Deferred Outflows .....	39,469,454	10,185,882
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<b>\$1,460,410,014</b>	<b>\$1,422,525,724</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$589,195,282	\$596,029,284
Restricted for:		
Wynoochee Reserve - State of Washington .....	2,577,045	2,551,860
Debt Service .....	4,822,919	5,304,169
Net Pension Asset .....	-	3,823,476
Unrestricted .....	259,268,730	245,045,826
<b>TOTAL NET POSITION .....</b>	<b>855,863,976</b>	<b>852,754,615</b>
<b>LONG-TERM DEBT</b>		
2010B Electric System Refunding Bonds .....	147,070,000	147,070,000
2010C Electric System Refunding Bonds .....	24,185,000	24,185,000
2013A Electric System Rev & Refunding Bonds .....	139,885,000	151,460,000
2013B Electric System Rev & Refunding Bonds .....	35,620,000	35,620,000
Total Bonded Indebtedness .....	346,760,000	358,335,000
Less: Unamortized Bond Premiums .....	18,396,471	19,947,962
Net Bonded Indebtedness .....	365,156,471	378,282,962
Line of Credit .....	80,250,000	65,250,000
Total Long-Term Debt .....	445,406,471	443,532,962
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	4,928,979	4,432,862
Taxes and Other Payables .....	13,060,665	12,027,882
Purchases and Transmission of Power Accrued .....	9,935,464	10,450,613
Interest Payable .....	7,662,212	7,927,420
Customers' Deposits .....	2,720,472	2,926,995
Current Portion of Long-Term Debt .....	11,575,000	12,730,000
Current Accrued Compensated Absences .....	1,075,771	1,058,072
Total Current Liabilities .....	50,958,563	51,553,844
<b>LONG TERM LIABILITIES</b>		
Long Term Accrued Compensated Absences .....	9,681,941	9,522,650
Net Pension Liability .....	34,177,293	-
Other Long Term Liabilities .....	14,033,787	13,125,264
Total Long Term Liabilities .....	57,893,021	22,647,914
<b>TOTAL LIABILITIES .....</b>	<b>554,258,055</b>	<b>517,734,720</b>
<b>DEFERRED INFLOWS</b>		
Deferred Inflow for Pensions .....	2,287,983	4,036,389
Rate Stabilization .....	48,000,000	48,000,000
Total Deferred Inflows .....	50,287,983	52,036,389
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$1,460,410,014</b>	<b>\$1,422,525,724</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
May 31, 2017 AND May 31, 2016

	May 2017	May 2016
<b>OPERATING REVENUES</b>		
Sales of Electric Energy .....	\$33,796,727	\$28,209,685
Other Operating Revenues .....	1,771,915	1,681,281
Click! Network Operating Revenues .....	2,265,542	2,242,596
Total Operating Revenue .....	<u>37,834,184</u>	<u>32,133,562</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Hydraulic Power Production .....	2,787,188	2,740,139
Other Production Expense .....	296,347	470,962
Total Expense Power Produced .....	3,083,535	3,211,101
Purchased Power .....	8,813,292	10,556,998
Total Production Expense .....	11,896,827	13,768,099
Transmission Expense .....	2,697,611	2,694,982
Distribution Expense .....	2,667,701	2,856,595
Click! Network Commercial Operations Expense .	2,190,875	2,040,250
Customer Accounts Expense (CIS) .....	1,374,190	1,144,447
Conservation and Other Customer Assistance ...	1,108,026	971,776
Taxes .....	1,776,645	1,548,445
Depreciation .....	4,742,659	4,630,868
Administrative and General .....	2,218,778	2,091,794
Total Operating Expenses .....	<u>30,673,312</u>	<u>31,747,256</u>
<b>OPERATING INCOME (LOSS) .....</b>	<u>7,160,872</u>	<u>386,306</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	324,087	205,072
Contribution to Family Need .....	(8,333)	(40,000)
Other Net Non-Op Revenues and Deductions .....	25,236	34,838
Interest on Long-Term Debt .....	(1,597,228)	(1,622,768)
Amort. of Debt Related Costs .....	124,051	(25,294)
Interest Charged to Construction .....	144,366	338,641
Total Non-Operating Revenues (Expenses) ..	<u>(987,821)</u>	<u>(1,109,511)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	6,173,051	(723,205)
Capital Contributions		
Cash .....	4,916,531	468,411
Donated Fixed Assets .....	-	-
BABs and CREBs Interest Subsidies	329,553	329,553
Transfers		
City Gross Earnings Tax .....	(2,599,120)	(2,384,223)
Transfers from (to) Other Funds .....	-	-
<b>CHANGE IN NET POSITION .....</b>	<u>\$8,820,015</u>	<u>(\$2,309,464)</u>
<b>TOTAL NET POSITION - January 1 .....</b>		
<b>TOTAL NET POSITION - May 31 .....</b>		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
May 31, 2017	May 31, 2016		
\$181,338,667	\$174,534,221	\$6,804,446	3.9%
8,003,411	7,731,208	272,203	3.5%
11,053,129	11,162,232	(109,103)	-1.0%
200,395,207	193,427,661	6,967,546	3.6%
10,613,975	9,114,909	1,499,066	16.4%
2,188,593	2,192,137	(3,544)	-0.2%
12,802,568	11,307,046	1,495,522	13.2%
56,357,389	52,566,306	3,791,083	7.2%
69,159,957	63,873,352	5,286,605	8.3%
12,444,568	13,262,472	(817,904)	-6.2%
12,256,569	13,106,880	(850,311)	-6.5%
10,412,993	10,644,424	(231,431)	-2.2%
6,032,149	5,628,079	404,070	7.2%
5,409,542	4,898,412	511,130	10.4%
8,854,588	8,442,638	411,950	4.9%
23,905,519	23,160,468	745,051	3.2%
10,261,602	9,749,741	511,861	5.2%
158,737,487	152,766,466	5,971,021	3.9%
41,657,720	40,661,195	996,525	2.5%
1,987,876	1,789,676	198,200	11.1%
(41,667)	(200,000)	158,333	-79.2%
255,278	560,248	(304,970)	-54.4%
(7,952,542)	(8,090,475)	137,933	-1.7%
620,254	(126,467)	746,721	590.4%
523,083	1,802,877	(1,279,794)	-71.0%
(4,607,718)	(4,264,141)	(343,577)	8.1%
37,050,002	36,397,054	652,948	1.8%
10,210,150	2,223,908	7,986,242	359.1%
6,436	33,873	(27,437)	-81.0%
1,647,766	1,647,766	-	0.0%
(15,046,071)	(13,479,102)	(1,566,969)	11.6%
-	(2,181)	2,181	-100.0%
33,868,283	26,821,318	7,046,965	26.3%
821,995,693	825,933,297	(3,937,604)	-0.5%
\$855,863,976	\$852,754,615	3,109,361	

These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

SUMMARY OF REVENUES AND BILLINGS  
May 31, 2017 AND May 31, 2016

	For the month of May 2017	For the month of May 2016
<b>OPERATING REVENUE</b>		
Sales of Electric Energy		
Residential .....	\$13,827,576	\$11,009,853
Commercial .....	2,449,175	2,173,798
General .....	9,885,854	9,077,890
Contract Industrial .....	1,843,425	1,757,545
Public Street and Highway Lighting .....	58,076	34,445
Sales to Other Electric Utilities .....	31,049	23,389
Total Sales to Customers .....	28,095,155	24,076,920
Bulk Power Sales .....	5,701,572	4,132,765
Total Sales of Electric Energy .....	33,796,727	28,209,685
Other Operating Revenue		
Rentals and Leases from Elect. Property ...	519,530	475,743
Wheeling .....	826,424	807,852
Service Fees and Other .....	425,961	397,686
Telecommunications Revenue .....	2,265,542	2,242,596
Total Other Operating Revenues .....	4,037,457	3,923,877
TOTAL OPERATING REVENUES .....	\$37,834,184	\$32,133,562
 <b>BILLINGS (Number of Months Billed)</b>		
Residential .....	165,503	158,515
Commercial .....	17,678	16,507
General .....	2,684	2,530
Contract Industrial .....	2	2
Public Streets and Highway Lighting .....	1,177	1,099
Sales to Other Utilities .....	1	1
TOTAL BILLINGS .....	187,045	178,654



YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
May 31, 2017	May 31, 2016		
\$84,504,672	\$77,187,729	\$7,316,943	9.5%
13,131,220	12,435,880	695,340	5.6%
49,424,235	49,340,820	83,415	0.2%
8,623,675	8,606,344	17,331	0.2%
354,650	564,292	(209,642)	-37.2%
198,927	159,673	39,254	24.6%
156,237,379	148,294,738	7,942,641	5.4%
25,101,288	26,239,483	(1,138,195)	-4.3%
181,338,667	174,534,221	6,804,446	3.9%
1,464,545	1,487,116	(22,571)	-1.5%
4,274,248	4,169,922	104,326	2.5%
2,264,618	2,074,170	190,448	9.2%
11,053,129	11,162,232	(109,103)	-1.0%
19,056,540	18,893,440	163,100	0.9%
\$200,395,207	\$193,427,661	\$6,967,546	3.6%
784,718	786,303	(1,585)	-0.2%
79,278	78,807	471	0.6%
12,633	13,250	(617)	-4.7%
10	10	-	0.0%
4,777	4,726	51	1.1%
5	5	-	0.0%
881,421	883,101	(1,680)	-0.2%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

GROSS GENERATION REPORT - May 31, 2017 AND May 31, 2016

	For the month of May 2017	For the month of May 2016
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross		
Generated - LaGrande .....	42,558,000	24,226,000
Generated - Alder .....	17,505,000	13,868,000
TOTAL NISQUALLY .....	<u>60,063,000</u>	<u>38,094,000</u>
Generated - Cushman No. 1 .....	12,627,000	2,681,000
Generated - Cushman No. 2 .....	18,770,000	2,640,000
TOTAL CUSHMAN .....	<u>31,397,000</u>	<u>5,321,000</u>
Generated - Mossyrock .....	179,804,000	96,036,000
Generated - Mayfield .....	112,342,000	53,762,000
TOTAL COWLITZ .....	<u>292,146,000</u>	<u>149,798,000</u>
Generated - Wynoochee .....	-	-
Generated - Hood Street .....	-	-
Tacoma's Share of Priest Rapids .....	2,705,000	2,745,000
Tacoma's Share of GCPHA .....	37,688,000	43,154,000
TOTAL KWH GENERATED - TACOMA SYSTEM .....	423,999,000	239,112,000
Purchased Power		
BPA Slice Contract .....	257,381,000	224,986,000
BPA Block Contract .....	118,440,000	116,696,000
Interchange Net .....	(435,538,000)	(224,612,000)
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED ..	<u>364,282,000</u>	<u>356,182,000</u>
Losses .....	4,077,637	4,236,838
Baldi Replacement .....	101,514	126,454
Ketron .....	18,763	15,523
NT PC Mutuals Schedules .....	(2,149,000)	(1,869,000)
PC Mutual Inadvertent .....	2,887,419	(209,717)
TACOMA SYSTEM FIRM LOAD .....	<u>369,218,333</u>	<u>358,482,098</u>
Maximum Kilowatts (System Firm Load) .....	638,641	580,005
Average Kilowatts (System Firm Load) .....	496,261	481,831
PIERCE COUNTY MUTUAL LOAD .....	103,582,000	97,369,000
KWH BILLED		
Residential Sales .....	156,552,721	126,383,665
Commercial Sales .....	27,082,226	24,435,092
General .....	158,002,971	151,828,751
Contract Industrial .....	42,792,960	40,790,520
Public Street and Highway Lighting .....	991,828	761,308
Sales to Other Electric Utilities .....	576,900	427,500
TOTAL FIRM .....	<u>385,999,606</u>	<u>344,626,836</u>
Bulk Power Sales .....	<u>448,324,000</u>	<u>283,889,000</u>
TOTAL KWH BILLED .....	<u><u>834,323,606</u></u>	<u><u>628,515,836</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
May 31 2017	May 31 2016		
198,744,000	196,133,000	2,611,000	1.3%
108,327,000	136,648,000	(28,321,000)	-20.7%
307,071,000	332,781,000	(25,710,000)	-7.7%
59,093,000	79,590,000	(20,497,000)	-25.8%
93,146,000	136,060,000	(42,914,000)	-31.5%
152,239,000	215,650,000	(63,411,000)	-29.4%
652,711,000	638,779,000	13,932,000	2.2%
471,395,000	414,686,000	56,709,000	13.7%
1,124,106,000	1,053,465,000	70,641,000	6.7%
18,293,000	20,978,000	(2,685,000)	-12.8%
767,700	1,339,600	(571,900)	-42.7%
13,787,000	12,566,000	1,221,000	9.7%
56,285,000	87,714,000	(31,429,000)	-35.8%
1,672,548,700	1,724,493,600	(51,944,900)	-3.0%
1,114,654,000	1,075,452,000	39,202,000	3.6%
826,220,000	695,565,000	130,655,000	18.8%
(1,403,902,000)	(1,409,777,000)	5,875,000	0.0%
2,209,520,700	2,085,733,600	123,787,100	5.9%
16,866,141	21,330,461	(4,464,320)	-20.9%
489,833	1,019,020	(529,187)	-51.9%
149,966	109,507	40,459	36.9%
(15,379,000)	(13,420,000)	(1,959,000)	0.0%
23,991,618	1,006,513	22,985,105	0.0%
2,235,639,258	2,095,779,101	139,860,157	6.7%
706,670,000	636,274,000	70,396,000	11.1%
1,026,898,970	936,054,809	90,844,161	9.7%
150,734,572	144,269,111	6,465,461	4.5%
767,279,581	839,034,284	(71,754,703)	-8.6%
200,202,600	174,041,310	26,161,290	15.0%
7,673,160	12,796,582	(5,123,422)	-40.0%
3,693,600	2,875,500	818,100	28.5%
2,156,482,483	2,109,071,596	47,410,887	2.2%
1,578,038,000	1,518,225,000	59,813,000	3.9%
3,734,520,483	3,627,296,596	107,223,887	3.0%

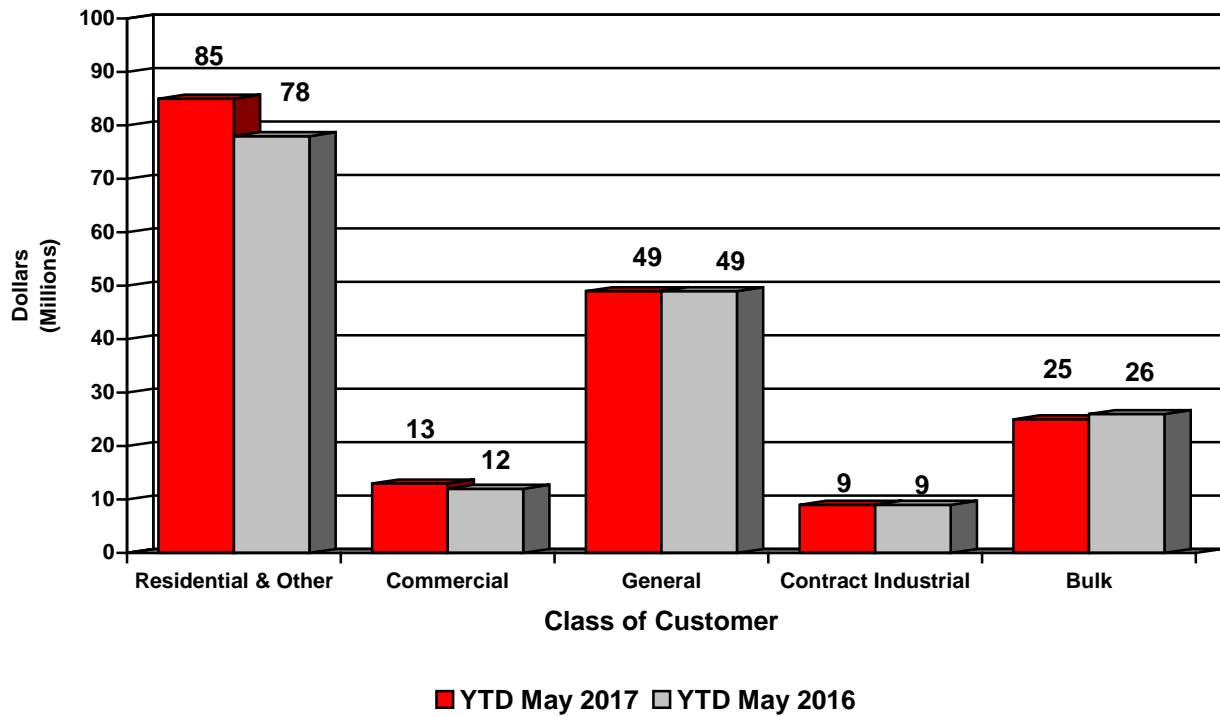
CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
CLICK! NETWORK  
COMMERCIAL OPERATIONS  
  
OPERATIONAL SUMMARY - May 31, 2017

	May 2017	May 2016
<b>TELECOMMUNICATIONS REVENUE</b>		
CATV .....	\$1,541,080	\$1,535,156
Broadband .....	90,217	95,035
ISP .....	612,507	586,641
Interdepartmental .....	21,738	25,764
Total Operating Revenue .....	<u>2,265,542</u>	<u>2,242,596</u>
<b>TELECOMMUNICATIONS EXPENSE-COMMERCIAL</b>		
Administration & Sales Expense .....		
Salaries & Wages Expense .....	278,478	271,150
General Expense .....	32,789	34,923
Contract Services .....	1,193,899	1,052,011
IS & Intergovernmental Services .....	131,083	125,719
Fleet Services .....	422	839
Capitalized A & G Expense .....	(505)	(2,060)
Total Admin. & Sales Expense .....	<u>1,636,166</u>	<u>1,482,582</u>
Operations & Maintenance Expense ...		
Salaries & Wages Expense .....	486,374	454,174
General Expense .....	35,059	32,916
Contract Services .....	12,746	28,737
IS & Intergovernmental Services .....	3,669	3,603
Fleet Services .....	23,727	46,412
New Connect Capital .....	(6,866)	(8,174)
Total Oper. & Maint. Expense .....	<u>554,709</u>	<u>557,668</u>
Total Telecommunications Expense .	2,190,875	2,040,250
Net Revenues (Expenses) Before Taxes and Depreciation and Amortization ....	74,667	202,346
Taxes .....	314,094	307,351
Depreciation and Amortization .....	<u>204,485</u>	<u>223,519</u>
	518,579	530,870
NET OPERATING REVENUES (EXPENSES) ....	<u>(443,912)</u>	<u>(328,524)</u>

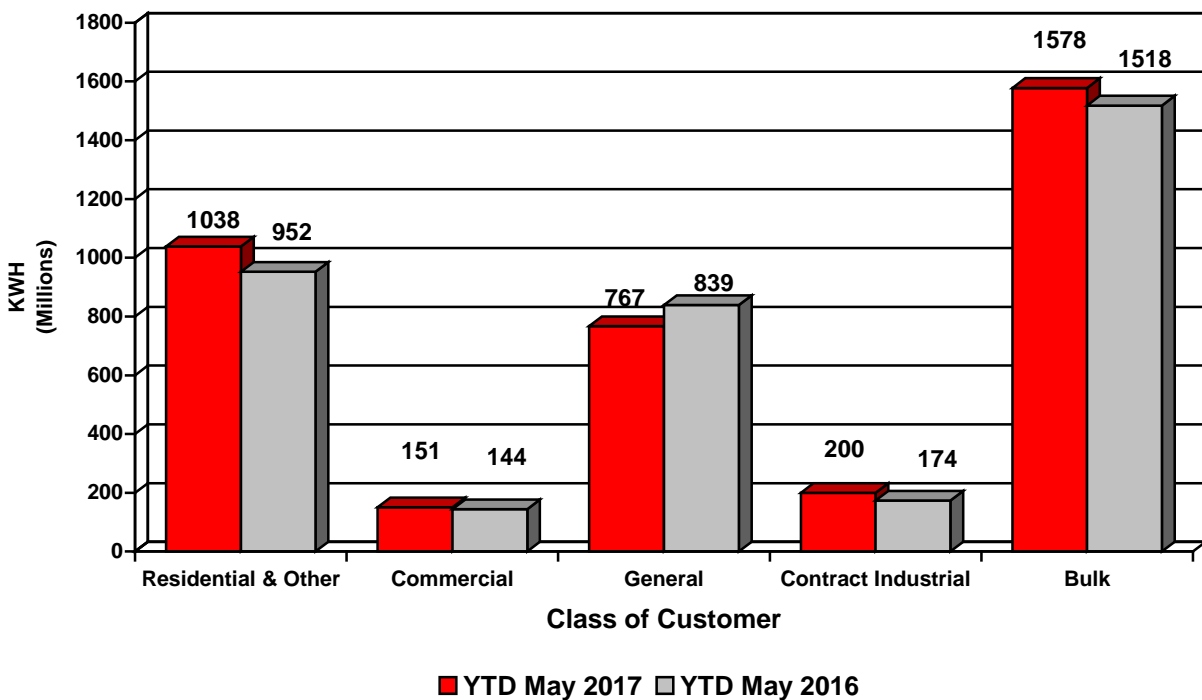
YEAR TO DATE			
May 31 2017	May 31 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$7,419,623	\$7,629,803	(\$210,180)	-2.8%
472,457	493,156	(20,699)	-4.2%
3,052,302	2,911,218	141,084	4.8%
108,747	128,055	(19,308)	-15.1%
<u>11,053,129</u>	<u>11,162,232</u>	<u>(109,103)</u>	-1.0%
1,341,184	1,367,623	(26,439)	-1.9%
173,709	284,931	(111,222)	-39.0%
5,503,953	5,499,191	4,762	0.1%
652,514	599,015	53,499	8.9%
2,774	1,641	1,133	69.0%
(18,102)	(8,143)	(9,959)	-122.3%
<u>7,656,032</u>	<u>7,744,258</u>	<u>(88,226)</u>	-1.1%
2,284,957	2,320,492	(35,535)	-1.5%
169,880	140,739	29,141	20.7%
222,241	302,520	(80,279)	-26.5%
22,511	14,613	7,898	54.0%
98,874	167,923	(69,049)	-41.1%
(41,502)	(46,121)	4,619	10.0%
<u>2,756,961</u>	<u>2,900,166</u>	<u>(143,205)</u>	-4.9%
10,412,993	10,644,424	(231,431)	-2.2%
640,136	517,808	122,328	23.6%
1,529,826	1,529,784	42	0.0%
1,028,409	1,131,699	(103,290)	-9.1%
<u>2,558,235</u>	<u>2,661,483</u>	<u>(103,248)</u>	
<u>(1,918,099)</u>	<u>(2,143,675)</u>	<u>225,576</u>	10.5%

# Supplemental Data

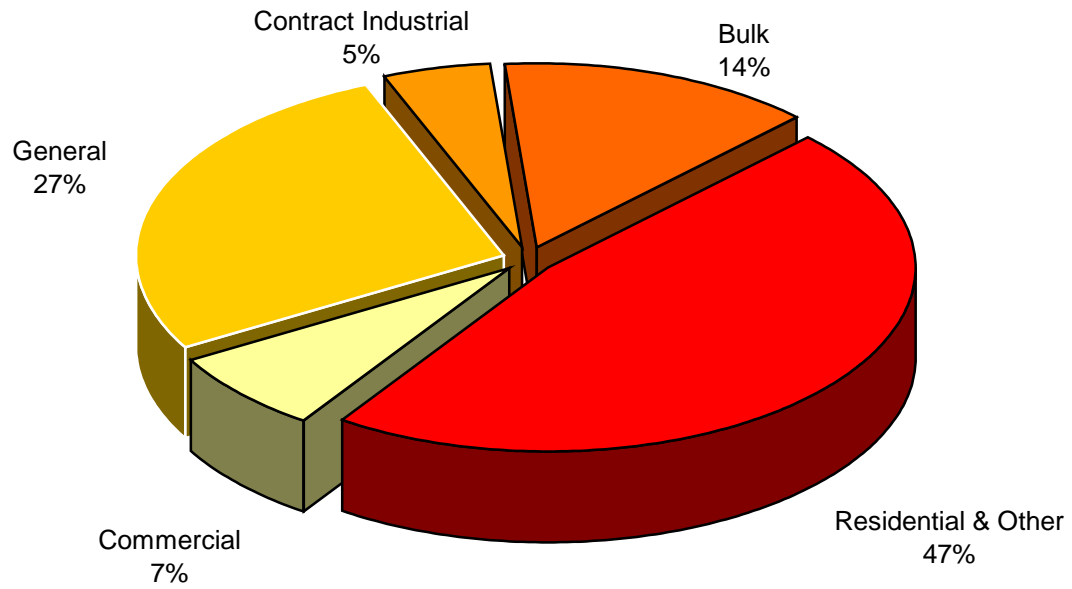
**SALES OF ELECTRIC ENERGY**  
Year to Date - May 2017 & 2016



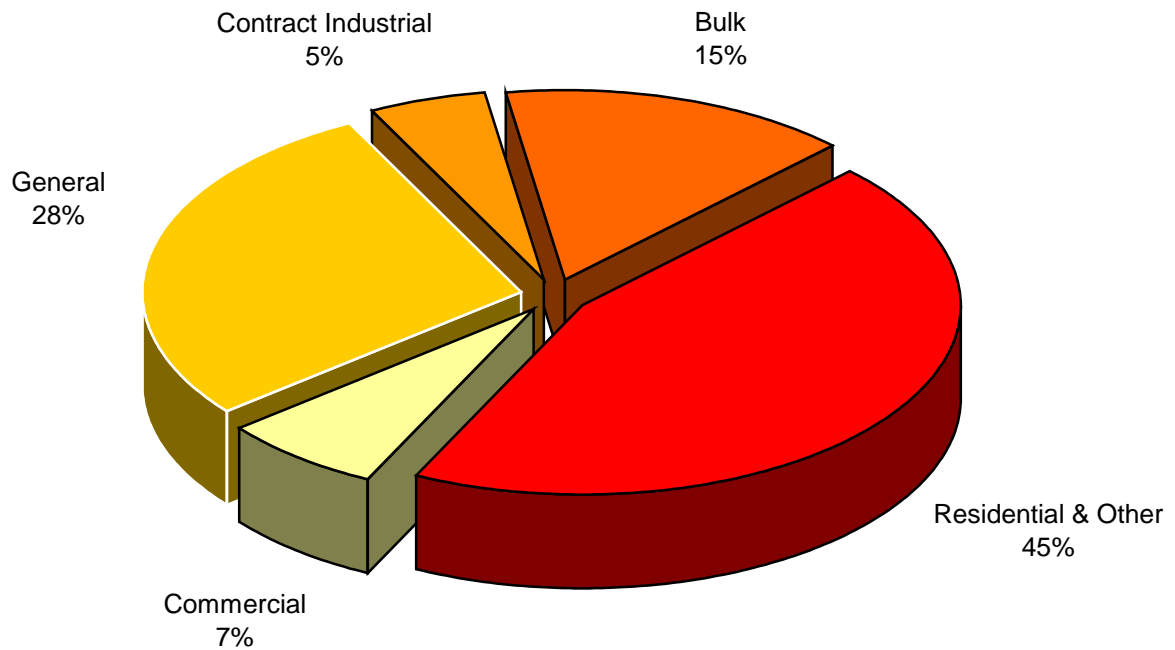
**TOTAL POWER BILLED**  
Year to Date - May 2017 & 2016



**SALES OF ELECTRIC ENERGY**  
**Year to Date - May 2017 (\$181,338,667)**

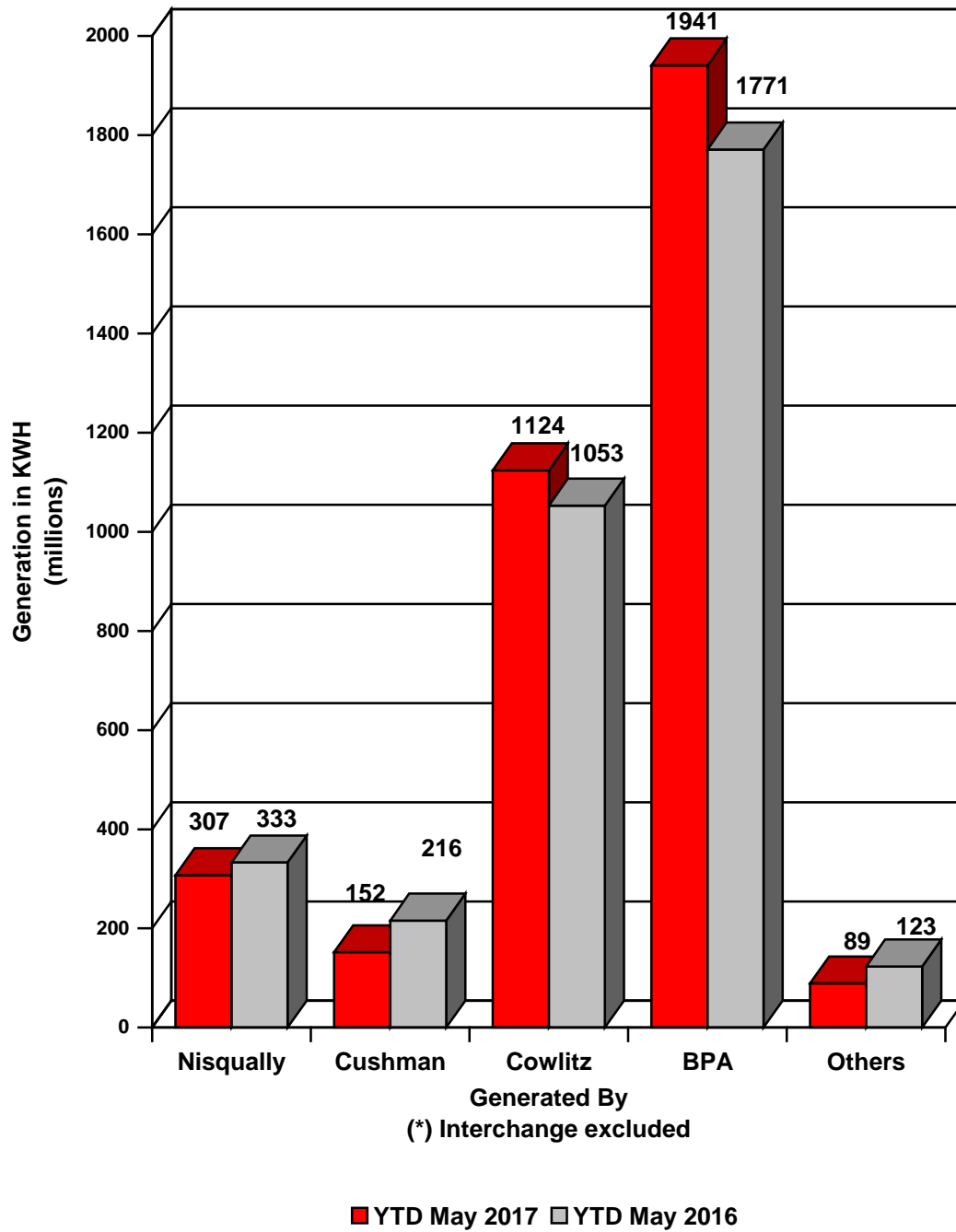


**SALES OF ELECTRIC ENERGY**  
**Year to Date - May 2016 (\$174,534,221)**

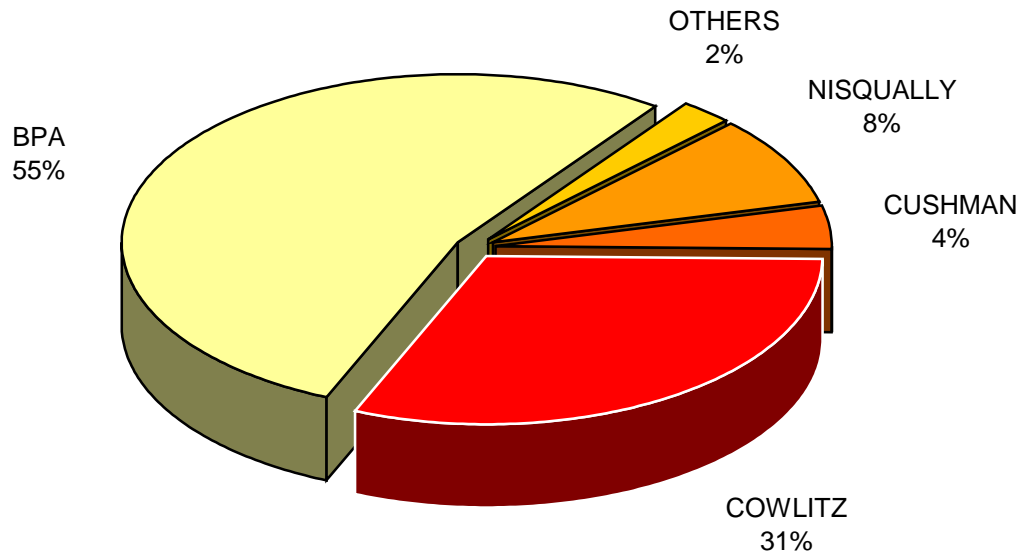




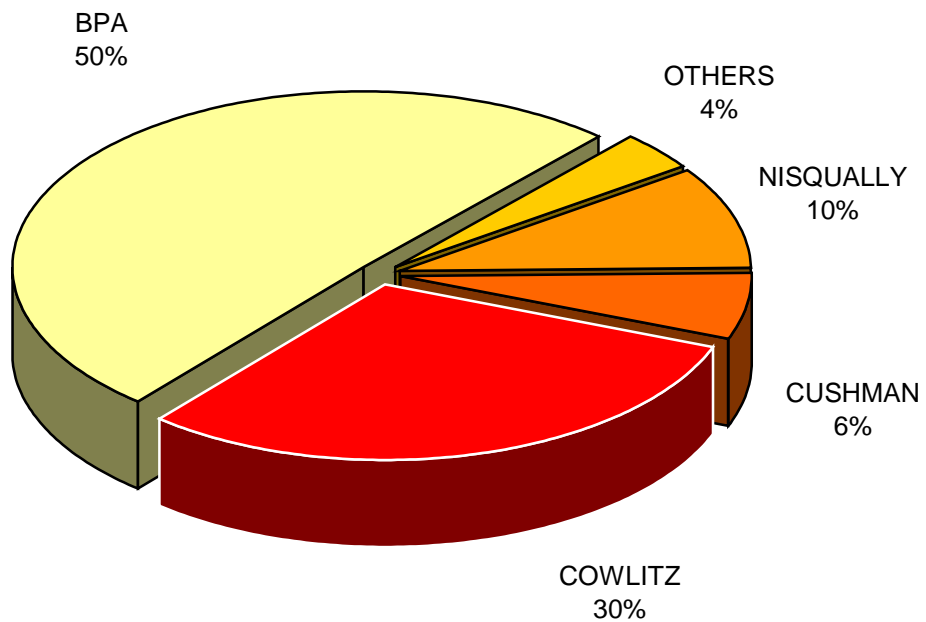
**POWER SOURCES (\*)**  
**Year to Date May 2017 & 2016**



**POWER SOURCES (\*)**  
**Year to Date - May 2017**

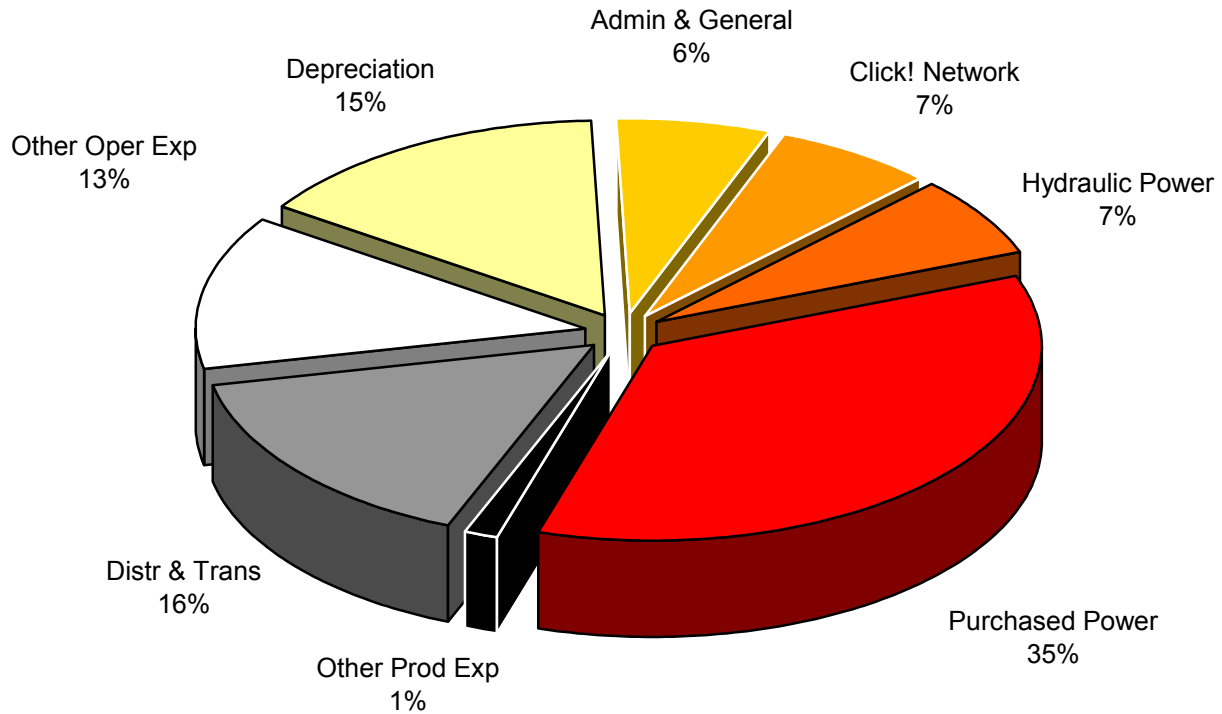


**POWER SOURCES (\*)**  
**Year to Date - May 2016**

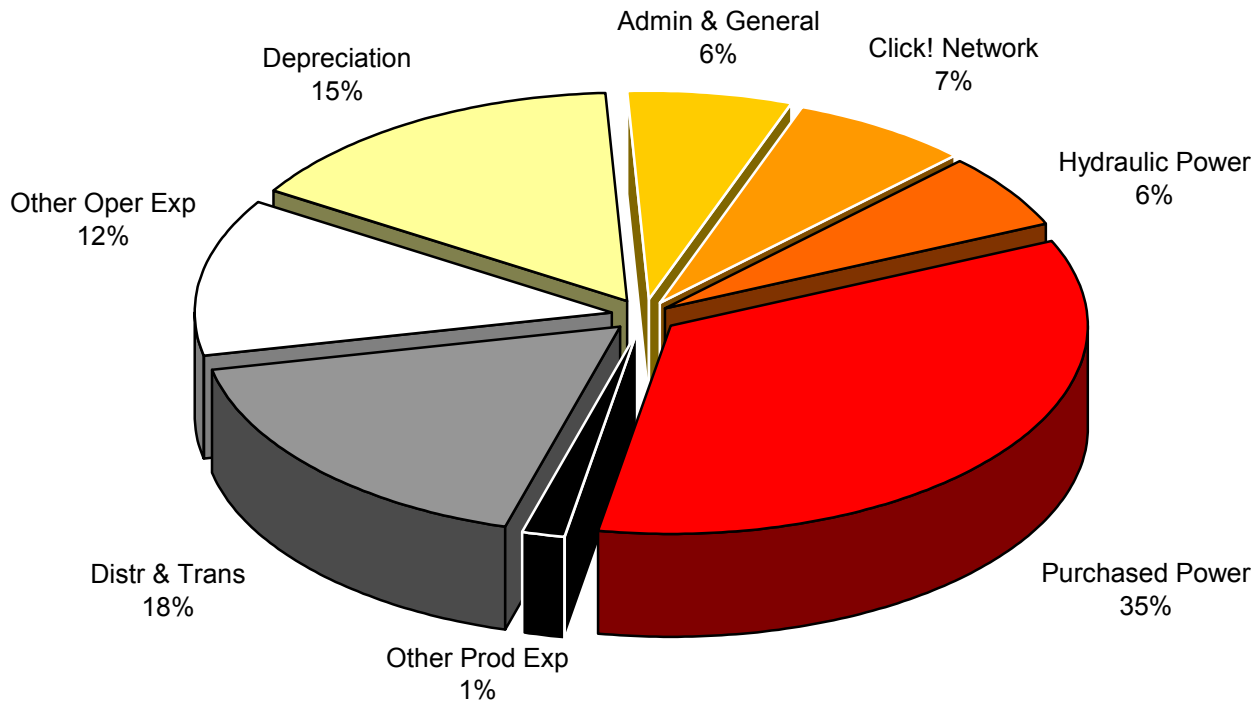


(\*) Interchange excluded

**TOTAL OPERATING EXPENSES \***  
**Year to Date - May 2017 (\$158,737,487)**



**TOTAL OPERATING EXPENSES \***  
**Year to Date - May 2016 (\$152,766,466)**



\* City Gross Earnings Taxes are not included in Total Operating Expenses.



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*MAY*

*TACOMA RAIL*

2017

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA





CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION  
Doing Business As

## TACOMA RAIL

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF NET POSITION

ASSETS	MAY 31,	
	2017	2016
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$44,810,789	\$41,311,915
Less Accumulated Depreciation .....	(19,529,282)	(17,989,056)
Total .....	25,281,507	23,322,859
Construction Work in Progress .....	2,639,067	1,071,520
Net Capital Assets .....	27,920,574	24,394,379
 <b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	-	43,403
Total Special Funds .....	-	43,403
 <b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	10,954,869	11,510,104
Customer Accounts Receivable .....	3,084,910	2,879,691
Prepayments .....	1,595,824	1,709,877
Materials and Supplies Inventory.....	1,040,038	988,554
Total Current Assets .....	16,675,641	17,088,226
 <b>TOTAL ASSETS</b> .....	\$44,596,215	\$41,526,008

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

NET POSITION AND LIABILITIES	MAY 31,	MAY 31,
	2017	2016
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$21,613,974	\$17,993,398
Restricted for:		
Debt Service .....	-	43,403
Unrestricted .....	8,441,171	10,104,513
TOTAL NET POSITION .....	30,055,145	28,141,314
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	-	255,008
State Loans.....	5,517,496	5,335,581
Total Long-Term Liabilities .....	5,517,496	5,590,589
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	805,343	415,644
Wages Payable .....	550,978	500,882
Unemployment and other Tax Payables .....	253,816	292,964
Volume Incentive Payable .....	2,500,001	2,041,668
Current Portion of Long Term Debt .....	789,104	810,391
Interest Payable .....	-	5,102
Current Portion of Compensated Absences .....	111,516	113,117
Total Current Liabilities .....	5,010,758	4,179,768
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	768,249	719,923
Long Term Portion of Compensated Absences .....	1,003,644	1,018,056
Other Long-Term Liabilities .....	2,240,923	1,876,358
Total Long-Term Liabilities .....	4,012,816	3,614,337
TOTAL LIABILITIES .....	14,541,070	13,384,694
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$44,596,215</b>	<b>\$41,526,008</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	MAY 2017	MAY 2016
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,152,054	\$2,262,711
Demurrage and Other Operating Revenues .....	383,454	362,240
Total Operating Revenues .....	2,535,508	2,624,951
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	75,282	79,398
Supplies and Expense .....	111,565	142,173
Mechanical .....		
Salaries and Wages .....	170,445	174,477
Supplies and Expense .....	291,077	286,854
Operations .....		
Salaries and Wages .....	860,753	733,620
Supplies and Expense .....	238,323	104,645
Administration .....		
Salaries and Wages .....	200,676	189,242
Supplies and Expense .....	299,550	404,105
Taxes - State .....	35,806	35,383
Depreciation .....	136,880	122,618
Total Operating Expenses .....	2,420,357	2,272,515
Net Operating Income .....	115,151	352,436
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	8,122	7,385
Miscellaneous .....	80,128	126,049
Interest Expense .....	-	(854)
Total Non-Operating Revenues .....	88,250	132,580
Contributions - Grants .....	-	-
Transfers		
City of Tacoma Gross Earnings Tax .....	(213,150)	(249,606)
<b>CHANGE IN NET POSITION</b> .....	<u>(\$9,749)</u>	<u>\$235,410</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - MAY 31</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR TO DATE			
MAY 31, 2017	MAY 31, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$12,279,427	\$11,363,490	\$915,937	8.1%
1,753,834	1,426,261	327,573	23.0%
14,033,261	12,789,751	1,243,510	9.7%
429,241	430,163	(922)	-0.2%
432,719	803,496	(370,777)	-46.1%
824,644	835,525	(10,881)	-1.3%
1,357,860	1,086,569	271,291	25.0%
4,330,683	3,840,338	490,345	12.8%
699,596	533,174	166,422	31.2%
1,000,105	967,889	32,216	3.3%
2,395,432	1,929,792	465,640	24.1%
195,900	183,382	12,518	6.8%
681,988	614,719	67,269	10.9%
12,348,168	11,225,047	1,123,121	10.0%
1,685,093	1,564,704	120,389	7.7%
60,842	58,033	2,809	4.8%
374,407	559,819	(185,412)	-33.1%
(6)	(8,496)	8,490	-99.9%
435,243	609,356	(174,113)	-28.6%
36,254	-	36,254	100.0%
(1,135,343)	(1,074,407)	(60,936)	5.7%
1,021,247	1,099,653	(\$78,406)	-7.1%
29,033,898	27,041,661		
\$30,055,145	\$28,141,314		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
MAY 31, 2017 AND MAY 31, 2016

	May 2017	May 2016
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$784,370	\$1,014,153
LINE HAULS--COMMERCIAL .....	1,093,765	1,112,785
LINE HAULS--CAPITAL DIVISION .....	37,980	21,306
MISCELLANEOUS SWITCHES .....	235,939	114,467
TOTAL SWITCHING REVENUES .....	<u>\$2,152,054</u>	<u>\$2,262,711</u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	4,557	5,960
LINE HAULS--COMMERCIAL .....	2,426	2,533
LINE HAULS--CAPITAL DIVISION .....	91	51
MISCELLANEOUS SWITCHES .....	1,462	156
TOTAL CARS SWITCHED .....	<u>8,536</u>	<u>8,700</u>

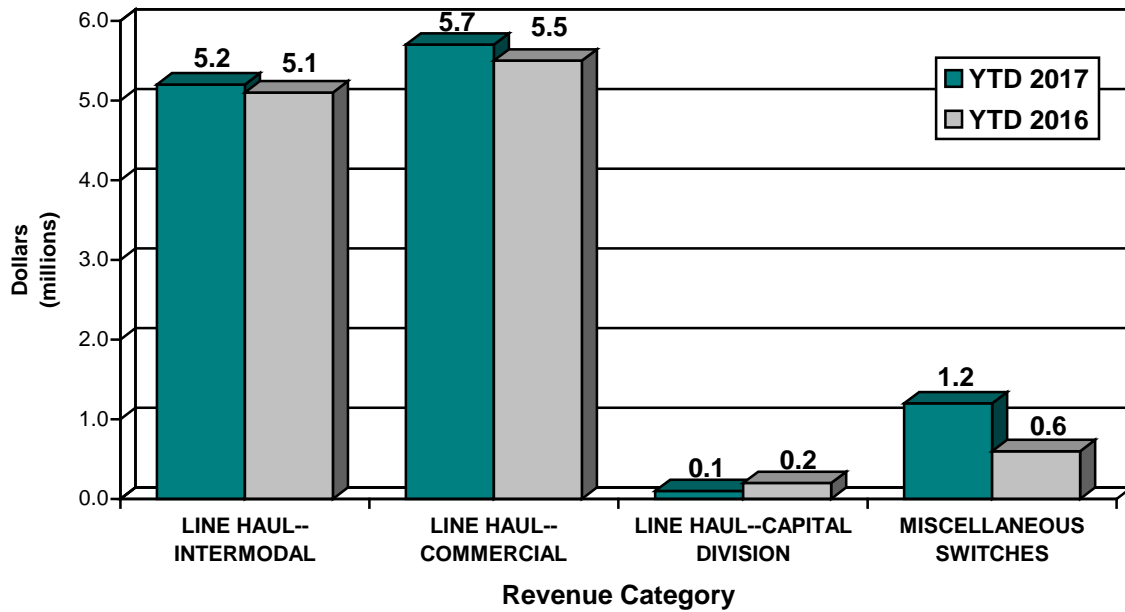
\* The Summary of Switching Activites (Cars) includes an update to allocations for 2016.

YEAR TO DATE			
May 31, 2017	May 31, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$5,248,060	\$5,058,991	\$189,069	3.7%
5,700,635	5,483,905	216,730	4.0%
124,373	172,131	(47,758)	-27.7%
1,206,359	648,463	557,896	86.0%
<u>\$12,279,427</u>	<u>\$11,363,490</u>	<u>\$915,937</u>	<u>8.1%</u>
30,588	30,471	117	0.4%
12,401	12,696	(295)	-2.3%
298	402	(104)	-25.9%
<u>7,213</u>	<u>1,243</u>	<u>5,970</u>	<u>480.3%</u>
<u>50,500</u>	<u>44,812</u>	<u>5,688</u>	<u>12.7%</u>

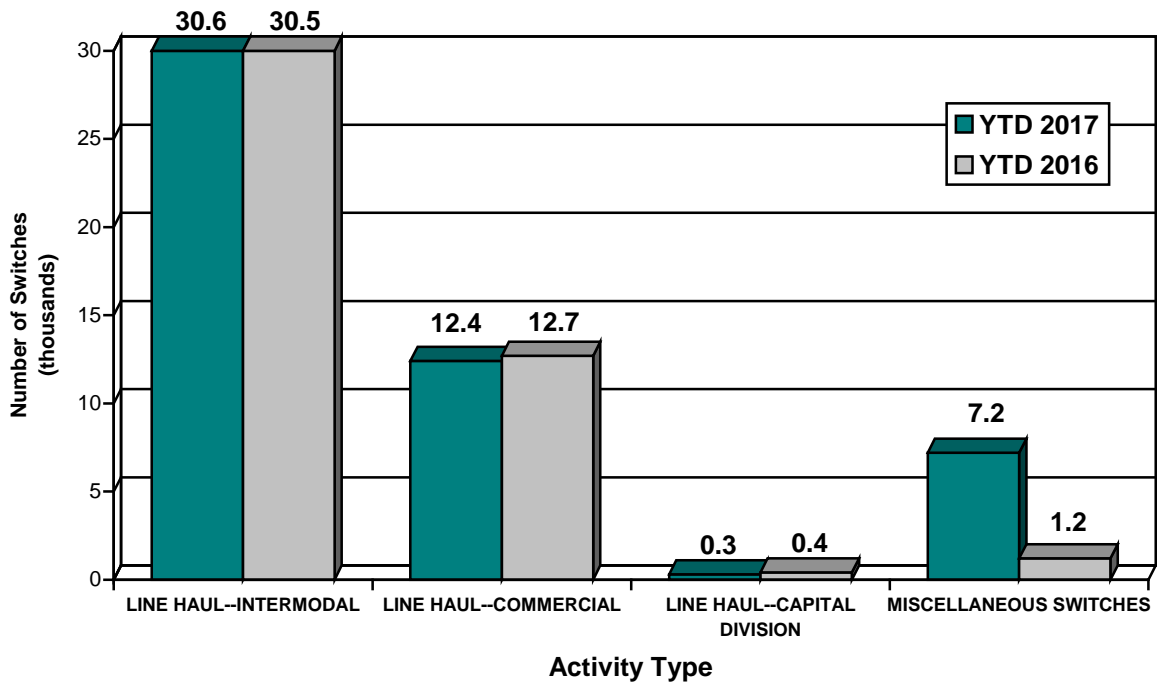
# Supplemental Data



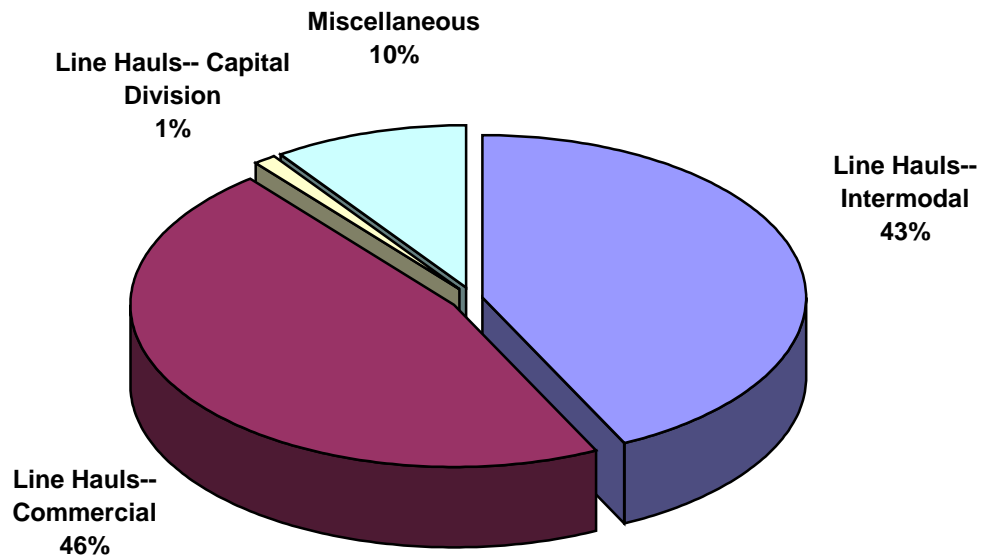
# **SWITCHING REVENUES** Year to Date - May 2017 & 2016



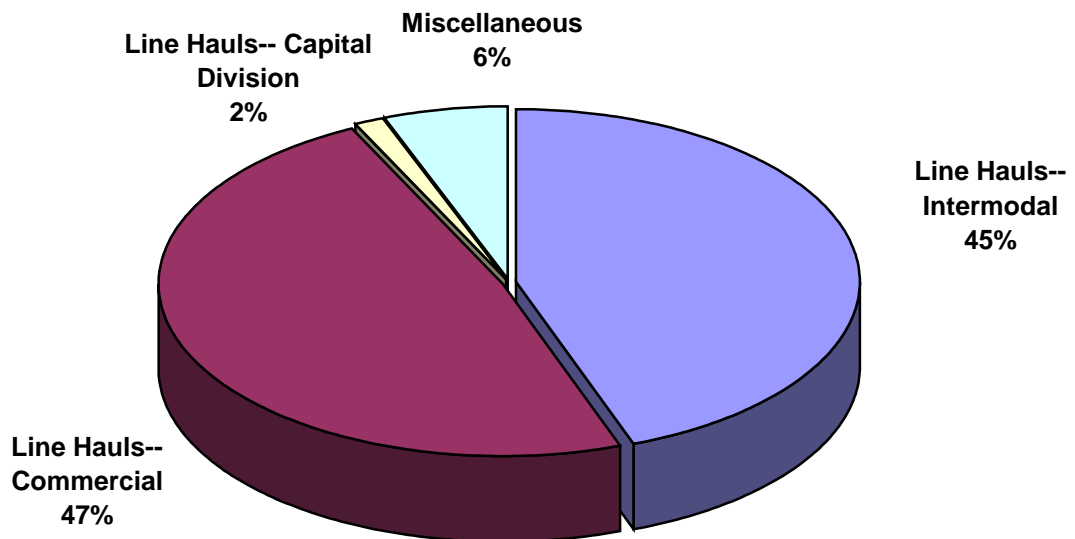
# **SWITCHING ACTIVITIES** Year to Date - May 2017 & 2016



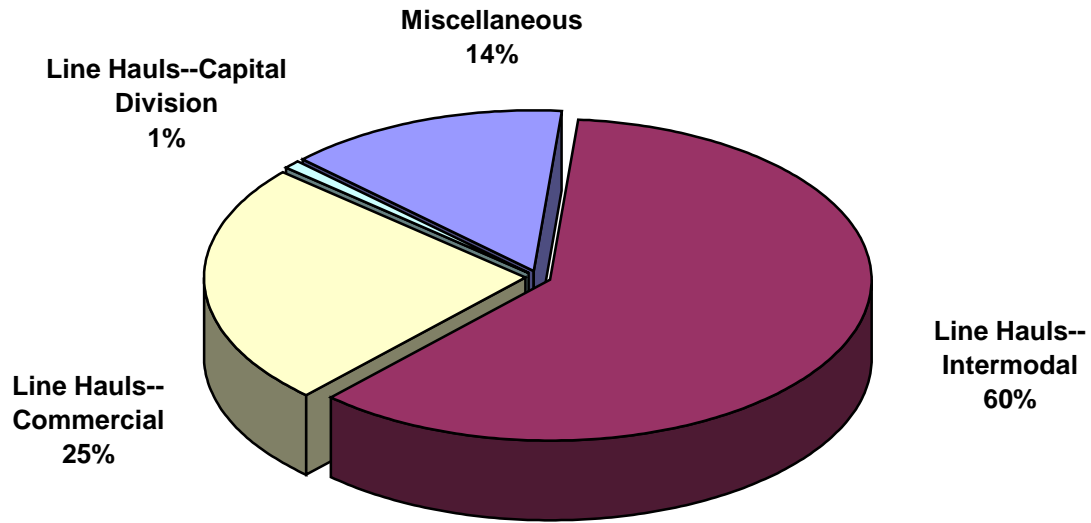
**SWITCHING REVENUES**  
**Year to Date - May 2017 (\$12,279,427)**



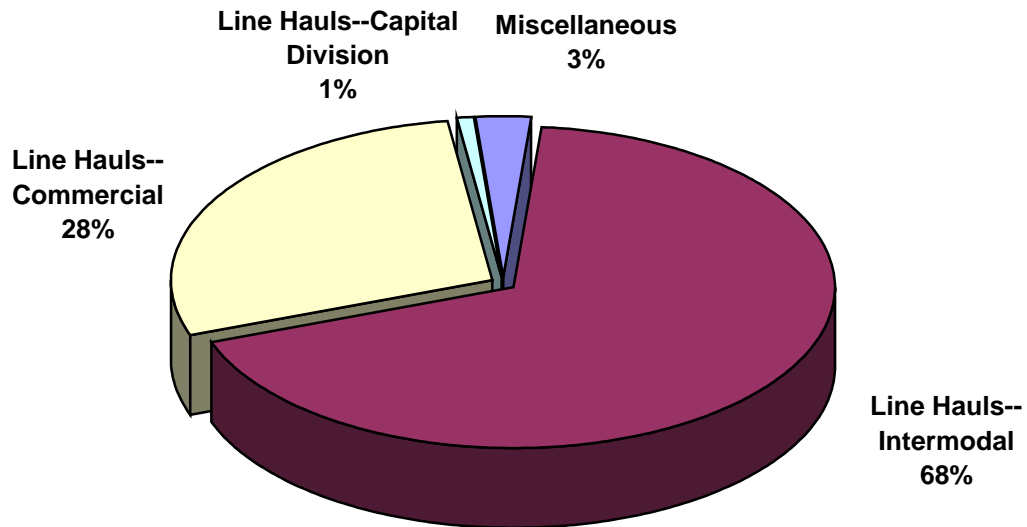
**SWITCHING REVENUES**  
**Year to Date - May 2016 (\$11,363,490)**



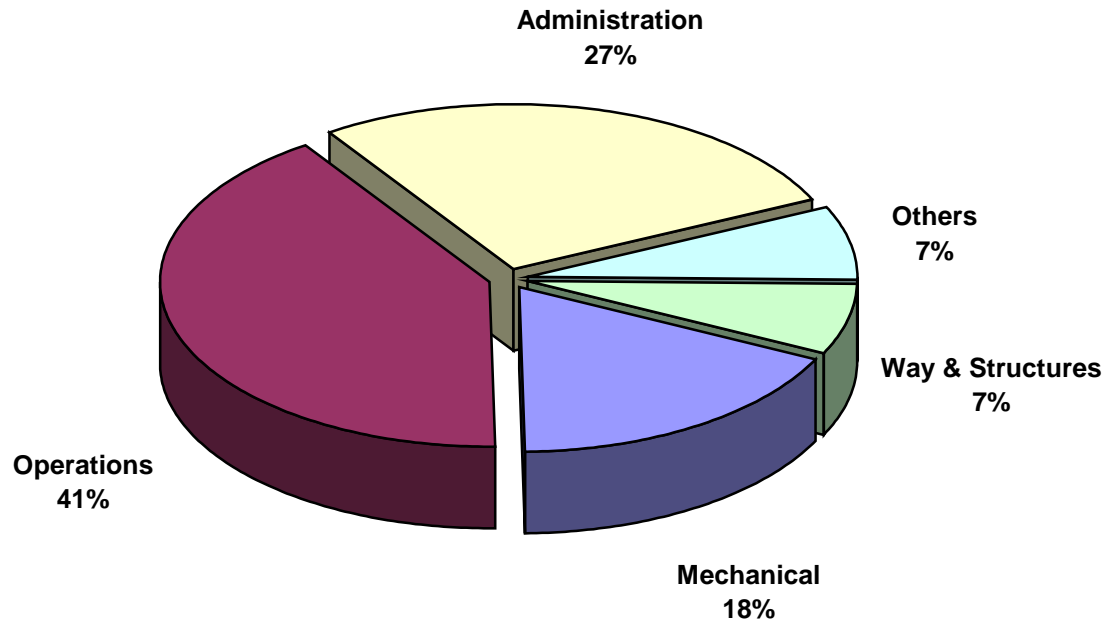
**SWITCHING ACTIVITY**  
**Year to Date - May 2017 (50,500 cars)**



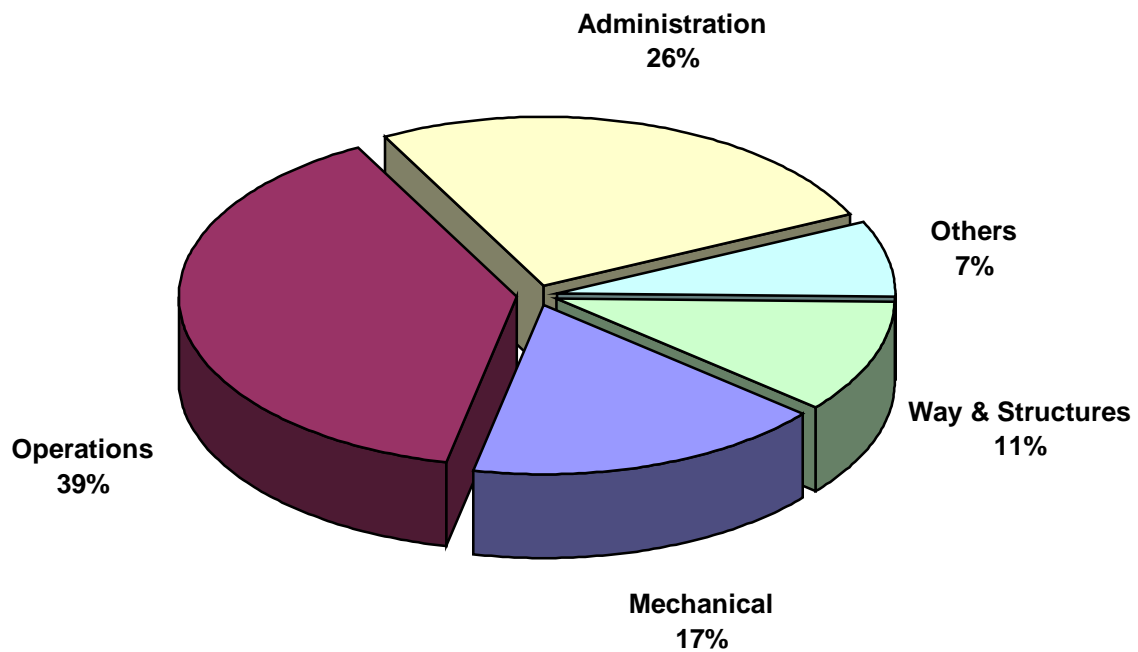
**SWITCHING ACTIVITY**  
**Year to Date - May 2016 (44,812 cars)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - May 2017 (\$12,348,168)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - May 2016 (\$11,225,047)**





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*MAY*

*SELF-INSURANCE CLAIM FUND*

2017

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

Secretary

KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA





CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## SELF-INSURANCE CLAIM FUND

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF NET POSITION - MAY 31, 2017 AND MAY 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Equity in Pooled Investments .....	<u>\$7,641,292</u>	<u>\$7,172,424</u>
<b>TOTAL ASSETS .....</b>	<u><u>\$7,641,292</u></u>	<u><u>\$7,172,424</u></u>
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Restricted:		
Interfund Contributions .....	<u>\$2,567,672</u>	<u>\$2,526,139</u>
<b>TOTAL NET POSITION .....</b>	<u>2,567,672</u>	<u>2,526,139</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable Claims .....	2,476	4,644,401
Accounts Payable Claims Handling .....	<u>5,071,144</u>	<u>1,884</u>
<b>TOTAL LIABILITIES .....</b>	<u>5,073,620</u>	<u>4,646,285</u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u>\$7,641,292</u></u>	<u><u>\$7,172,424</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MAY 31, 2017 AND MAY 31, 2016

	MAY 2017	MAY 2016
<b>INCOME</b>		
Premiums .....	\$86,665	\$103,334
Interest .....	<u>6,911</u>	<u>5,155</u>
TOTAL INCOME .....	93,576	108,489
<b>EXPENSES</b>		
Claims .....	27,176	8,151
Litigation Expense and Settlements .....	64,657	7,503
Incidental and Administrative Expense .....	<u>11,118</u>	<u>8,626</u>
TOTAL EXPENSES .....	<u>102,951</u>	<u>24,280</u>
CHANGE IN NET POSITION .....	<u>(\$9,375)</u>	<u>\$84,209</u>
TOTAL NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - MAY 31 .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

YEAR-TO-DATE			
MAY 2017	MAY 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$433,333	\$516,667	\$ (83,334)	-16.1%
57,342	45,948	11,394	24.8%
490,675	562,615	(71,940)	-12.8%
452,130	112,702	339,428	301.2%
217,246	23,244	194,002	834.6%
60,078	48,999	11,079	22.6%
729,454	184,945	544,509	294.4%
(238,779)	377,670	(616,449)	-163.2%
2,806,451	2,148,469	657,982	
\$2,567,672	\$2,526,139	\$41,533	



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*MAY*

*TACOMA WATER*

2017

**FINANCIAL  
REPORT**







# Public Utility Board

MARK PATTERSON

Chair

MONIQUE TRUDNOWSKI

Vice-Chair

WOODROW JONES

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KAREN LARKIN

Member

BRYAN FLINT

Member

WILLIAM A. GAINES

Director of Utilities/CEO

Chris McMeen

Heather Pennington

Acting Water Division Superintendents

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION  
Doing Business As

# TACOMA WATER

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*Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF NET POSITION - MAY 31, 2017 AND MAY 31, 2016

ASSETS AND DEFERRED OUTFLOWS	2017	2016
<b>UTILITY PLANT</b>		
Water Plant in Service .....	\$1,075,172,815	\$1,059,807,920
Less Depreciation and Amortization .....	(225,023,915)	(204,208,965)
Total .....	850,148,900	855,598,955
Construction Work in Progress .....	25,593,935	25,043,882
Net Utility Plant .....	875,742,835	880,642,837
<b>NON-UTILITY PROPERTY</b> .....	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund .....	21,300,055	8,839,363
2010 RWSS Construction Fund .....	-	2,664
2013 Construction Fund .....	15,857,886	20,475,687
Regional Water Supply System Operating Fund .....	1,196,459	667,464
Provision for Debt Payment .....	18,561,733	16,523,269
Customer Water Main Deposits .....	3,226,459	3,156,914
Water Supply Forum Fund.....	431,806	326,449
Special Bond Reserves .....	22,101,846	22,099,028
Water Customer Contribution Fund .....	(194,194)	(35,401)
Water Capital Reserves .....	29,848,516	27,724,131
Water System Development Charge .....	60,189,812	57,088,035
Total Restricted Assets .....	172,520,378	156,867,603
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	52,745,994	50,940,139
Customers' Deposits .....	328,660	337,144
Receivables:		
Customers .....	3,960,794	4,052,561
Accrued Unbilled Revenues .....	4,797,144	4,935,000
Others .....	574,629	622,435
Provision for Uncollectible Accounts .....	(426,553)	(330,165)
Materials and Supplies .....	2,376,265	2,588,424
Prepayments .....	942,545	740,820
Total Current Assets .....	65,299,478	63,886,358
<b>TOTAL ASSETS</b> .....	1,114,055,654	1,101,889,761
<b>OTHER ASSETS</b>		
Regulatory Assets - Public Fire Protection Fees .....	982,060	1,809,632
Regulatory Assets - Surcharges .....	1,517,319	1,636,839
Net Pension Asset .....	-	881,279
Total Other Assets .....	2,499,379	4,327,750
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds .....	1,511,853	1,793,175
Deferred Outflows for Pensions .....	8,994,103	2,092,307
Total Deferred Outflows .....	10,505,956	3,885,482
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> .....	\$1,127,060,989	\$1,110,102,993

*These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.*

<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$438,968,373	\$438,970,965
Restricted for:		
Water Capital Reserves .....	24,260,118	21,656,728
Water System Development Charge .....	24,614,366	21,512,589
Debt Service Funds .....	8,311,665	6,563,359
Pension Asset .....	-	881,279
Unrestricted .....	52,549,380	52,853,684
<b>TOTAL NET POSITION .....</b>	<b>548,703,902</b>	<b>542,438,604</b>
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding .....	5,000	5,000
2009 Water Revenue Bonds .....	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding .....	25,825,000	26,395,000
2010 Water Revenue Bonds .....	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding .....	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A .....	13,800,000	16,645,000
2015 Water Refunding Bonds, Series B .....	-	1,785,000
2010 RWSS Revenue Bonds, Series A .....	2,245,000	2,525,000
2010 RWSS Revenue Bonds, Series B .....	44,245,000	44,245,000
2013 RWSS Refunding Bonds .....	60,165,000	60,910,000
Total Outstanding Revenue Bonds .....	372,400,000	378,625,000
Plus: Unamortized Bond Premium .....	12,990,189	14,569,865
Net Outstanding Revenue Bonds .....	385,390,189	393,194,865
PWTF Pre-Construction Loans .....	800,783	960,956
PWTF Construction Loans .....	21,907,224	24,443,821
State Drinking Water Loans .....	69,844,046	59,154,872
Total Long-Term Debt .....	477,942,242	477,754,514
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	1,081,883	1,023,820
Purchases and Contracts Payable .....	745,712	955,672
Interest Expense Accrued .....	10,250,068	9,959,910
Taxes Accrued .....	1,411,903	1,409,222
Customers' and Contractors' Deposits .....	345,745	351,882
Current Portion of Long-Term Debt .....	13,334,372	10,676,432
Other Current Liabilities .....	3,157,096	3,095,190
Current Accrued Compensated Absences .....	269,819	260,047
Total Current Liabilities .....	30,596,598	27,732,175
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements .....	6,762,451	6,943,806
Customer Advances for Construction .....	4,725,549	4,550,413
Unearned Revenue .....	7,537,820	7,735,570
Other Long-Term Liabilities .....	4,479,080	4,101,685
Pension Liability .....	7,788,151	-
Long-Term Accrued Compensated Absences .....	2,428,375	2,340,426
Total Long-Term Liabilities .....	33,721,426	25,671,900
<b>TOTAL LIABILITIES .....</b>	<b>542,260,266</b>	<b>531,158,589</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization .....	35,575,447	35,575,447
Deferred Inflows for Pensions .....	521,374	930,353
Total Deferred Inflows .....	36,096,821	36,505,800
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .</b>	<b>\$1,127,060,989</b>	<b>\$1,110,102,993</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MAY 31, 2017 AND MAY 31, 2016

	MAY 2017	MAY 2016
<b>OPERATING REVENUES</b>		
Sales of Water .....	\$5,533,665	\$5,421,121
Other Operating Revenues .....	725,519	776,890
Contract Resource Obligation Revenue .....	420,629	389,863
Total Operating Revenues .....	<u>6,679,813</u>	<u>6,587,874</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Source of Supply .....	649,118	563,307
Water Treatment .....	573,624	444,110
Total Production Expense .....	<u>1,222,742</u>	<u>1,007,417</u>
Power Pumping Expense .....	39,042	54,968
Transmission and Storage Expense .....	279,765	262,863
Distribution Expense .....	1,589,021	1,196,691
Customer Accounting and Consumer Service ...	430,151	370,142
Taxes .....	286,804	281,444
Depreciation .....	2,001,973	1,996,084
Administrative and General .....	904,076	800,779
Total Operating Expenses .....	<u>6,753,574</u>	<u>5,970,388</u>
<b>OPERATING INCOME (LOSS) .....</b>	<b>(73,761)</b>	<b>617,486</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	202,082	149,490
Miscellaneous .....	12,158	11,117
Interest on Long-Term Debt .....	(1,372,645)	(1,337,487)
Interest on Long-Term Debt BABs Sub .....	(297,977)	(298,299)
Amortization Of Debt Premium .....	111,548	105,802
Interest Charged to Construction .....	42,944	41,559
Total Non-Operating Revenues (Expenses) .....	<u>(1,301,890)</u>	<u>(1,327,818)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	<b>(1,375,651)</b>	<b>(710,332)</b>
Capital Contributions		
Cash .....	413,225	586,836
Donated Fixed Assets .....	-	-
Federal BABs Subsidies .....	297,977	298,299
Transfers		
City Gross Earnings Tax .....	<u>(496,998)</u>	<u>(517,170)</u>
CHANGE IN NET POSITION .....	<u><u>(\$1,161,447)</u></u>	<u><u>(\$342,367)</u></u>
NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - MAY 31 .....		

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
MAY 31, 2017	MAY 31, 2016		
\$ 26,973,349	\$ 27,697,357	( \$724,008 )	-2.6%
4,291,689	4,224,018	67,671	1.6%
1,904,335	2,241,689	( 337,354 )	-15.0%
<u>33,169,373</u>	<u>34,163,064</u>	<u>( 993,691 )</u>	-2.9%
2,857,900	2,930,441	( 72,541 )	-2.5%
2,468,374	2,372,345	96,029	4.0%
<u>5,326,274</u>	<u>5,302,786</u>	<u>23,488</u>	0.4%
231,539	285,968	( 54,429 )	-19.0%
1,010,162	1,387,506	( 377,344 )	-27.2%
5,829,649	5,385,015	444,634	8.3%
2,056,635	1,935,343	121,292	6.3%
1,631,810	1,639,495	( 7,685 )	-0.5%
10,026,289	9,929,479	96,810	1.0%
4,346,196	4,001,738	344,458	8.6%
<u>30,458,554</u>	<u>29,867,330</u>	<u>591,224</u>	2.0%
2,710,819	4,295,734	( 1,584,915 )	-36.9%
1,617,040	1,316,971	300,069	22.8%
870,381	15,776	854,605	5417.1%
( 6,863,661 )	( 6,688,353 )	( 175,308 )	2.6%
( 1,489,897 )	( 1,491,495 )	1,598	-0.1%
557,740	529,010	28,730	5.4%
180,298	188,951	( 8,653 )	-4.6%
<u>( 5,128,099 )</u>	<u>( 6,129,140 )</u>	<u>1,001,041</u>	-16.3%
( 2,417,280 )	( 1,833,406 )	( 583,874 )	31.8%
2,391,025	2,244,006	147,019	6.6%
105,308	386,241	( 280,933 )	-72.7%
1,489,897	1,491,495	( 1,598 )	-0.1%
<u>( 2,517,274 )</u>	<u>( 2,351,555 )</u>	<u>( 165,719 )</u>	7.0%
( 948,324 )	( 63,219 )	( 885,105 )	1400.1%
549,652,226	542,501,823	7,150,403	
<u>\$548,703,902</u>	<u>\$542,438,604</u>	<u>\$6,265,298</u>	1.2%

*These statements should be read in conjunction with the Management Discussion and Analysis in the March 2017 Financial Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS  
MAY 31, 2017 AND MAY 31, 2016

	MAY 2017	MAY 2016
<b>SALES OF WATER</b>		
Residential and Domestic .....	\$3,588,044	\$3,453,129
Commercial and Industrial .....	1,261,198	1,247,849
Special Rate .....	525,300	468,712
Sales to Other Utilities .....	159,123	251,431
Total .....	<u>\$5,533,665</u>	<u>\$5,421,121</u>

**BILLINGS (NUMBER OF MONTHS BILLED)**

Residential and Domestic .....	87,148	81,950
Commercial and Industrial .....	6,552	6,206
Sales to Other Utilities .....	17	17
Total .....	<u>93,717</u>	<u>88,173</u>



YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
MAY 31, 2017	MAY 31, 2016		
\$17,852,116	\$17,837,053	\$15,063	0.1%
5,832,935	6,101,695	(268,760)	-4.4%
2,420,207	2,337,769	82,438	3.5%
868,091	1,420,840	(552,749)	-38.9%
<u>\$26,973,349</u>	<u>\$27,697,357</u>	<u>(\$724,008)</u>	-2.6%
469,080	462,569	6,511	1.4%
32,291	32,434	(143)	-0.4%
85	85	-	0.0%
<u>501,456</u>	<u>495,088</u>	<u>6,368</u>	1.3%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF WATER BILLED  
MAY 31, 2017 AND MAY 31, 2016

MILLION GALLONS, TOTAL				
	MAY 2017	MAY 2016	YEAR TO DATE	
			MAY 31, 2017	MAY 31, 2016
WATER BILLED				
Residential and Domestic .....	500.62	541.70	2,505.87	2,637.64
Commercial and Industrial .....	190.70	203.77	926.94	1,026.80
Special Rate .....	468.91	429.32	2,208.01	2,160.39
Sales to Other Utilities .....	50.65	91.47	286.76	507.09
	<u>1,210.88</u>	<u>1,266.26</u>	<u>5,927.58</u>	<u>6,331.92</u>

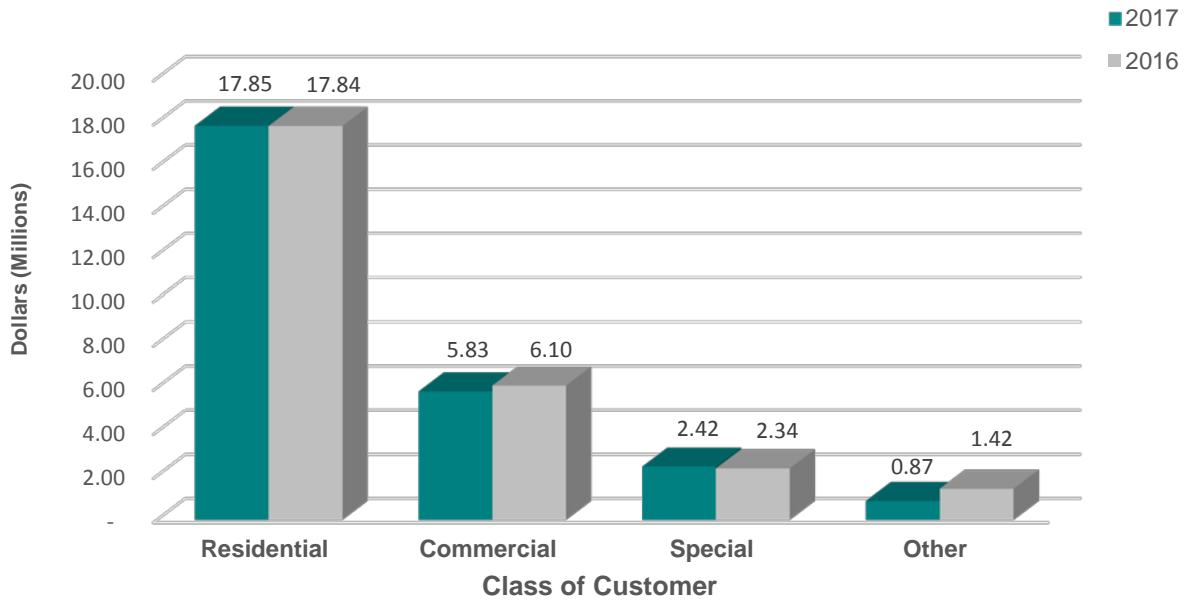
NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

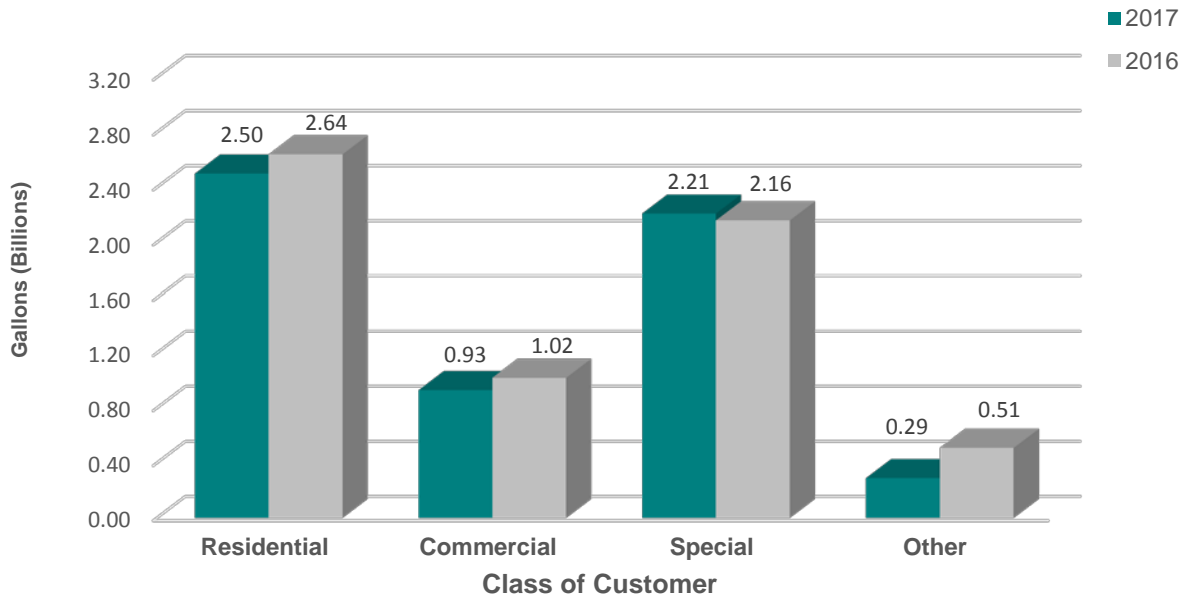
MAY 2017	MAY 2016
16.15	17.47
6.15	6.57
15.13	13.85
1.63	2.95
39.06	40.84

# Supplemental Data

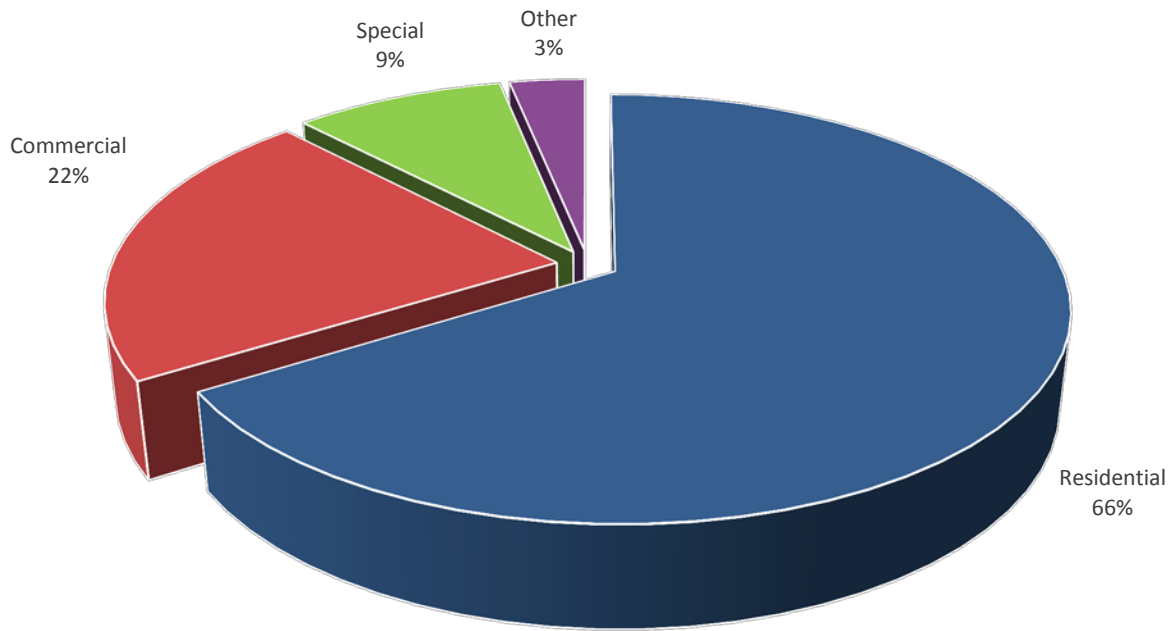
**WATER SALES**  
Year to Date - May 2017 & 2016



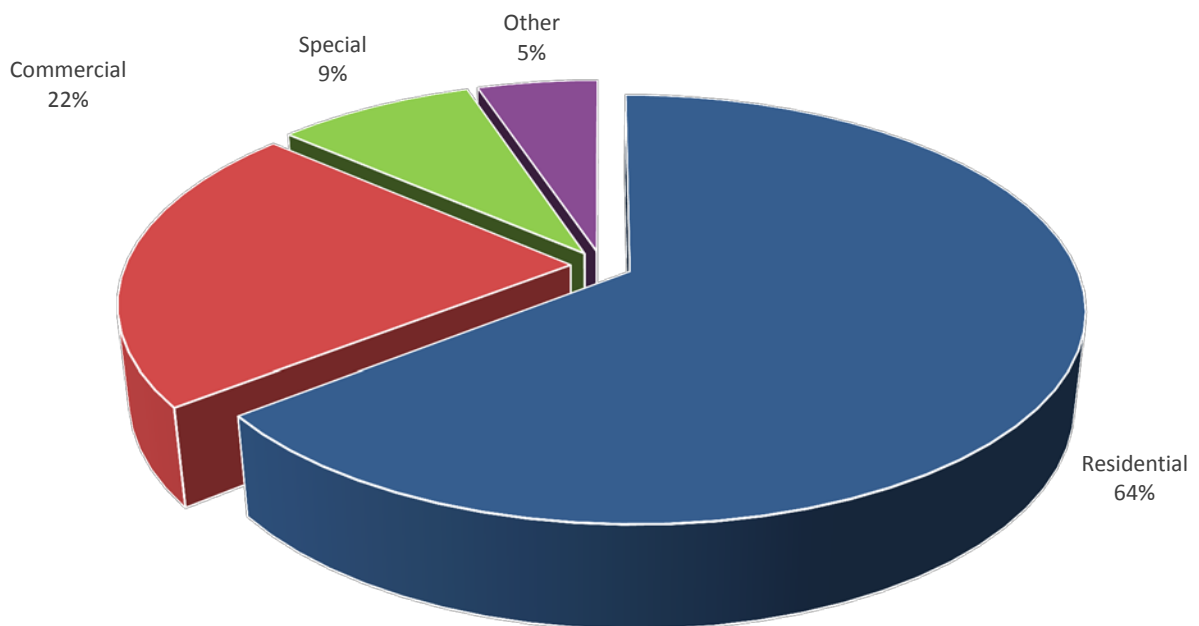
**WATER CONSUMPTION**  
Year to Date - May 2017 & 2016



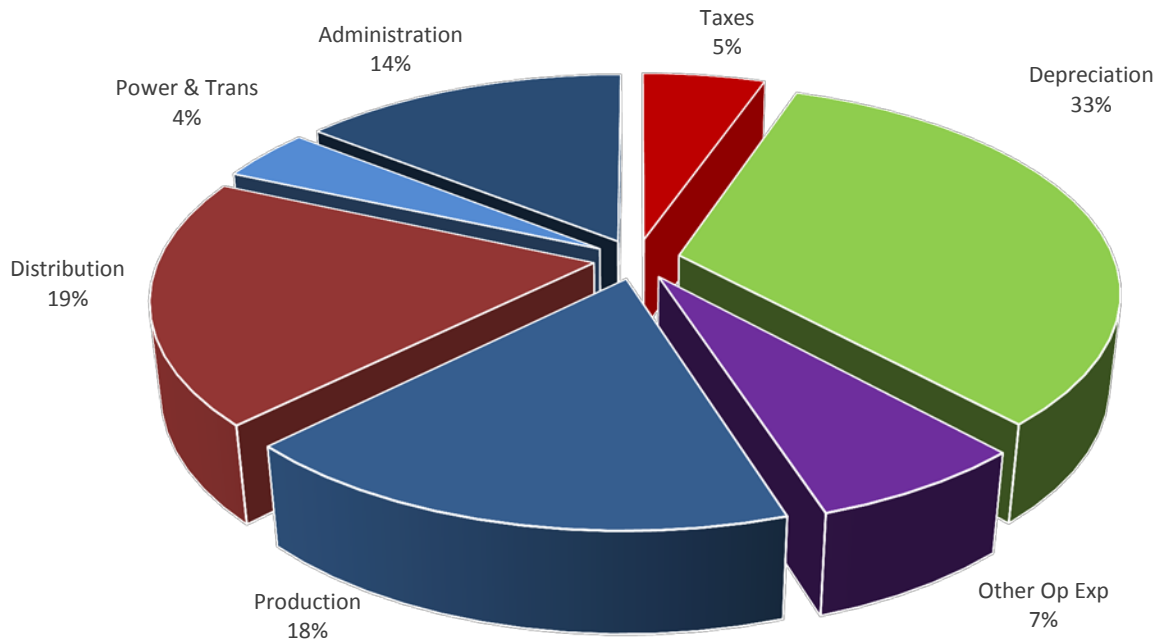
**WATER SALES**  
**Year to Date - May 2017**  
**(\$26,973,349)**



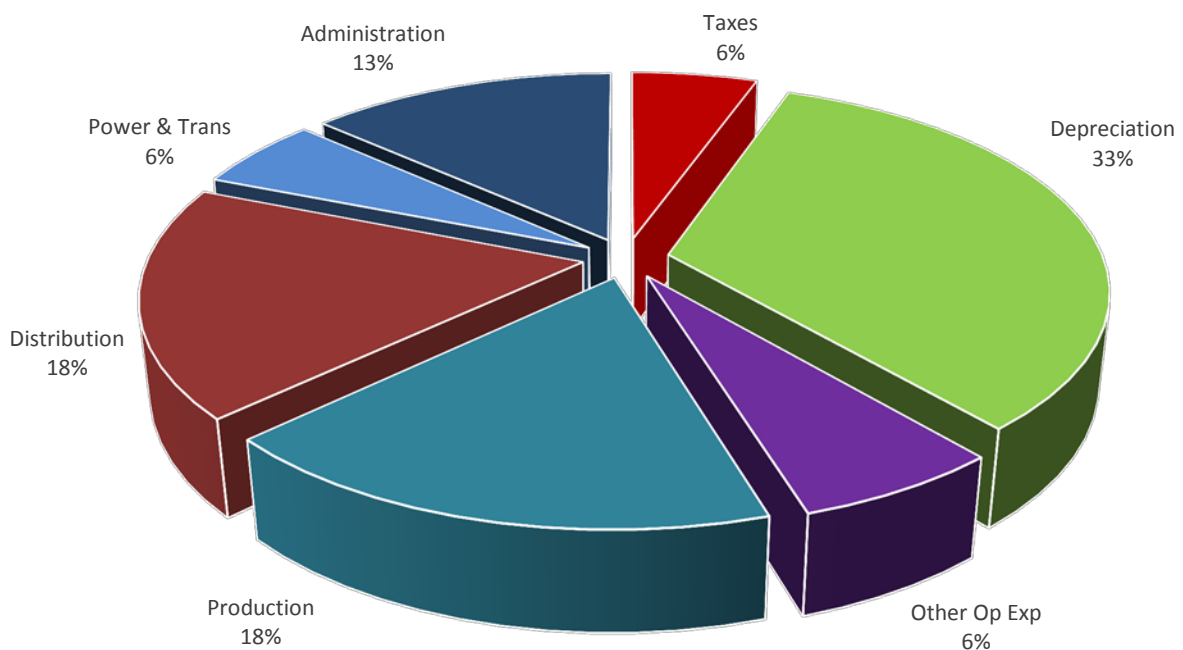
**WATER SALES**  
**Year to Date - May 2016**  
**(\$27,697,357)**



**TOTAL OPERATING EXPENSES**  
Year to Date - May 2017  
(\$30,458,554)



**TOTAL OPERATING EXPENSES**  
Year to Date - May 2016  
(\$29,867,330)





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.