

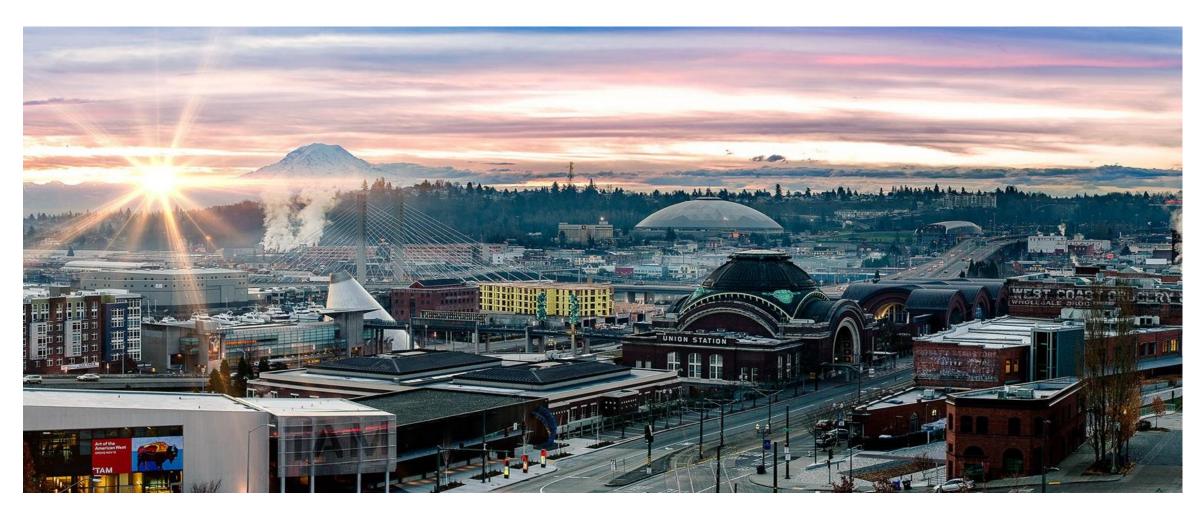


The City of Tacoma, Washington (the "City"), Light Division, doing business as Tacoma Power ("Tacoma Power"), is a municipal corporation under the Constitution and laws of the State of Washington. Tacoma Power of the City's Department of Public Utilities maintains and operates the City's electrical generation, transmission, and distribution facilities.

A Note Of Caution:

The information included in this Long-Range Financial Plan is limited in scope and does not include all of the information relevant to bonds or notes issued by the City for Tacoma Power, or all of the financial information relevant to Tacoma Power. This Long-Range Financial Plan is provided for information and convenience only, is not a guarantee of results, and is dated and speaks only as of its date. Tacoma Power does not undertake to update, and expressly disclaims any duty to update, this document. Unaudited financial information used in this document, such as for fiscal year 2024, are preliminary and subject to change. This Long-Range Financial Plan makes forward-looking statements by using words such as "project," "forecast," "intent," "may," "will," "should," "expects," "believes," "anticipates," "estimates," or others. Any forward-looking statement or projection, however, is subject to uncertainties and inevitably some assumptions regarding future trends will not be realized and unanticipated events and circumstances may occur. A variety of risks and uncertainties affecting Tacoma Power's business and financial results -- such as general economic and business conditions and various other factors that are beyond our control -- could cause actual results to differ materially from the projected results stated in the forward-looking statements in this Long-Range Financial Plan.

Further, this Long-Range Financial Plan is not an offer to sell or a solicitation of an offer to buy any bonds or notes. Any investment decisions regarding Tacoma Power bonds or notes should only be made after a careful review of the complete official statement for those particular bonds or notes. Copies of the official statements related to the City's outstanding bonds issued for Tacoma Power are available at MyTPU.org/tpwr-investorinfo, or www.emma.msrb.org. The information contained in official statements relating to a specific series of bonds is dated as of specific dates, speaks only as of those dates, may be out of date due to the passage of time or subsequent events, and may include forward-looking statements. Tacoma Power is not undertaking to update, and expressly disclaims any duty to update, the information contained therein.



Welcome!

We wrote this document to help you understand many of the key issues affecting the power industry, power utilities, and the future financial performance of Tacoma Power. The purpose of this Long-Range Financial Plan (LRFP) is to help serve as a guide for maintaining low rates while also preserving the utility's financial strength and flexibility. Our goal is to make financial decisions that allow us to provide safe, reliable, and environmentally responsible electric services now and into the future. Making short-sighted decisions, without considering the long-term implications, can put this goal at risk.

This LRFP is available for our customers, employees, the Public Utility Board, City Council, members of the public, and any stakeholder who is interested in learning a little more about us.

This Long-Range Financial Plan

The LRFP is one element of our strategic planning process. It identifies and discusses foreseeable financial risks and opportunities facing the utility in the next ten years. Once we identify risks and opportunities, we create financial scenarios and a "base case" scenario of the most likely financial outcome. By creating a base case and potential financial scenarios, we can outline strategies to manage future challenges with the objective of providing the most value for the utility's ratepayers at the lowest responsible cost.

The strategic planning process is also guided by our biennial budget, rate design, the Public Utility Board's Guiding Principles, and specific financial policies and goals that are part of Tacoma Power's Electric Rate and Financial Policy discussed further in this document.



Please Keep in Mind

An important factor to keep in mind is this document is for informational purposes only, and is not a guarantee of results. Tacoma Power's financial position and the information (including key assumptions) used throughout the document changes (improves or degrades) every day. Our current forecast for this document goes through 2034, and by the time you read this, the projections will have changed.

For this reason, the LRFP is dynamic and continually changing. We expect to update this LRFP biannually and make it available on our website:

MyTPU.org/TPwr_LRFPs.

For the purposes of displaying information and analyzing past performance, Tacoma Power has used unaudited financial performance reported through July 31, 2024. Projections incorporate the final 2025 and 2026 rates as approved by the City Council and Public Utility Board.

Bread Crumb Trail



Glossary Links



Jump Markers



Segue Slides



How to Use This Document

Use these navigational tools throughout the document to improve your overall experience.

Bread Crumb Trail

Prevents you from getting lost in the document. Click on the chapter headings to jump forward or back, or use the back arrow to return to the top.

Glossary Links

Gives you quick access to the glossary to help clarify any unfamiliar terms.

Jump Markers

Hyperlinks that let you jump directly to sections of interest.

Segue Slides

Bold chapter dividers that make it easy to navigate through the document to find what you need.

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Overview of this Plan

On the <u>first page</u>, you learned that this document more simply describes a number of complicated subjects. We hope to make them easier to understand and demonstrate their unique relationship to one another. Before we get into any of the details, here is a quick overview of how our business operates.

Our mission is to deliver clean, reliable services essential to quality of life.

To fulfill this mission, we sell electric services to customers in the City of Tacoma and Pierce County. Selling these services provides Tacoma Power with revenue. As a cost-of-service utility, we charge our customers based on what it costs to provide the services they need. We match our revenues to our expenses when we set budgets. When we collect more revenue in a given year, we use that surplus to reduce the amount to be collected from customers in future years. We also take proactive steps to account for the risks inherent in our business and develop strategies to plan for the future. This LRFP helps us with that.

Many customers don't know that whenever they turn on a light or plug in an appliance, a generator connected to the electric grid must increase its output to provide the needed electricity. This happens in real-time. Providing these services is a 24-hour a day and 365-day a year business. We don't want our customers' lights to ever go out but when it happens, we do everything we can to get the lights back on quickly.

The amount of revenue the utility will earn each year is uncertain. We can't predict how often you will turn your lights

on and off or know exactly how much electricity you will use. Section 4 has more detail about how we try to plan for this uncertainty in revenue and expense.

Our customers' power is created by turbines located at hydroelectric facilities that Tacoma Power operates and maintains and by power we purchase through contracts with other electricity providers. Almost all of Tacoma's power is created by passing water through a generator, often co-located with a dam that stores water. The source of the stored water is both rainfall and snowmelt, which drain into the reservoirs or lakes behind the dams. Trying to predict how often and when it will rain adds a layer of complexity to our business. See Section 7 for more detail on how we plan for this uncertainty.

In providing power services, the utility incurs a number of expenses, including the people that work here, and the trucks, tools, and other equipment used to maintain the electric system. The electric utility business is capital intensive. This means we have large assets that are expensive to construct, operate, and maintain. Tacoma Power has over \$1 billion in assets and some have been around for a long time. To fund repairs and replacement, we use a combination of current revenues and bonds. Issuing bonds for capital projects allows us to spread payments over the life of assets, instead of paying in full, upfront. This approach more equitably spreads the cost of longlived assets between current and future customers. To receive the best interest rates when we issue bonds, we must maintain a certain level of cash and the ability to generate sufficient revenue to cover our expenses. In this LRFP, you will find more about how we manage all of these details and how they impact the rates our customers pay.

Guiding Principles and Policies

Tacoma Power's long-range financial planning process and rate design is guided by specific financial policies and goals, including the Public Utility Board's Guiding Principles and Tacoma Power's Electric Rate and Financial Policy discussed below.

Guiding Principles

Tacoma's Public Utility Board has developed and adopted (August 28, 2019) a set of Guiding Principles (formerly known as Strategic Directives) that guide Tacoma Public Utilities (TPU). The two Principles shown here, Financial Stability and Rates, have direct bearing on this LRFP. This Plan attempts to balance the affordability of electricity for our customers, while sustaining Tacoma Power's financial strength and keep up with the inflation of capital and other costs for years to come.

Financial Sustainability

TPU will secure its commitment to provide safe and reliable power, water, and rail services over the long term by maintaining sustainable budget, financial, and asset management practices.



Rates

TPU rates for power, water, and rail services play an important role in securing a strong economy, establishing equity among customers, and producing revenue sufficient to provide safe, reliable, and environmentally-sensitive utilities services. TPU strives to ensure rates will be adequate, fair, just, and reasonable.



Electric Rate and Financial Policy

Our Electric Rate & Financial Policy provides guidance for managing the financial performance of the utility and has been approved by our Public Utility Board and City Council. Related to many of the elements discussed in the LRFP, you will find the following sections in the Electric Rate & Financial Policy document:

- I. Rate Setting Objectives
- II. Rate Review Process
- III. Rate Setting Policies
- IV. Financial Targets and Rate Setting Practices
- V. Rate Stabilization Fund

<u>Section IV</u> provides guidance on what it means for Tacoma Power to maintain sound financial metrics that support our current and future financing needs, support maintenance or improvement of credit ratings and minimize the cost of funds and risks associated with borrowing. This section also specifies our assumption to use <u>Adverse</u> water conditions for wholesale revenue during the budget planning period.

<u>Section V</u> includes information about the Rate Stabilization Fund. We use this fund as a means to manage potential volatility associated with our operating environment and can draw on the fund to mitigate the need for large rate changes from one year to the next. If you would like to know more about the Rate Stabilization Fund, check out page 70.

The latest version of our Electric Rate and Financial Policy can be found on our website: MyTPU.org/ElectricRateFinancialPolicy

Financial Metrics we Follow

What are financial metrics?

The word "metrics" refers to measurement. Financial metrics are one way to measure how well we are managing our resources. Each financial metric conveys a message about one aspect of the utility from a financial perspective. Metrics can be used to compare performance across utilities, identify strengths or weaknesses, and set targets for financial strength. Tacoma Power primarily looks at the three metrics shown below when projecting future rate increases. Our metric targets, listed in the chart below, are set to help maintain the utility's financial strength. You can find more details on metrics in Section 4.

Days of Liquidity

Liquidity is another way to describe the amount of operating cash we have available. We measure this by the number of days cash we have available to operate the utility. This helps determine Tacoma Power's ability to cover necessary expenses.

Debt Service Coverage Ratio

The debt service coverage ratio measures how many times we can pay the annual interest and principal payments on our debt, or bonds, with our available cash flow for a given year. We target having at least twice as much cash flow needed to pay our annual debt obligations each year.

Debt Ratio

The debt ratio is the proportion of assets that are financed by debt, or bonds. The lower the percentage, the lower the amount of debt service payments we are required to make. Having headroom in the debt ratio provides the utility with financial flexibility and helps keep future rates low.

Tacoma Power Metrics	2014	2015	2016	2017	2018	2019*	2020	2021*	2022*	2023
Days of Liquidity (Target: >180 Days)	325	215	236	210	206	157	235	238	336	412
Debt Service Coverage Ratio (Target: >2.0x)	1.9 x	2.0 x	2.3 x	2.8 x	3.1 x	1.3 x	3.3x	2.5x	2.4x	3.8x
Debt Ratio (Target: <60%)	37%	29%	26%	29%	28%	28%	25%	32%	29%	32%

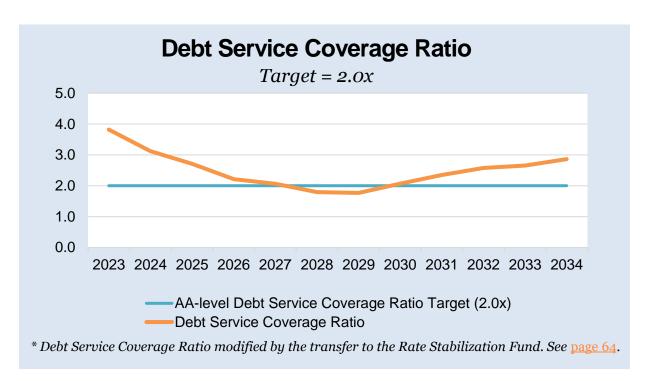
^{*} Debt Service Coverage Ratio modified by the transfer to, or from, the Rate Stabilization Fund. See page 64.

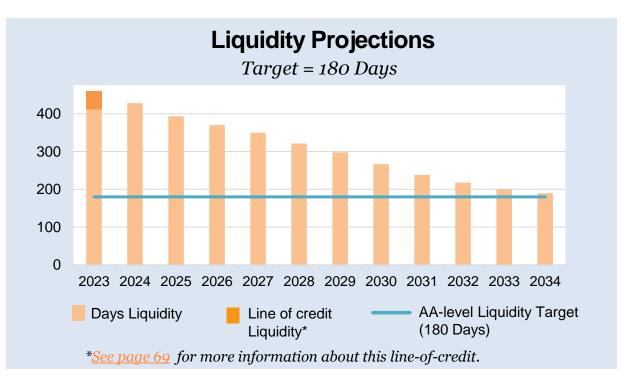
Why are Financial Metrics Important?

Financial metrics, such as our <u>debt service coverage ratio</u> and <u>days liquidity ratio</u> are important because they indicate our ability to meet our financial obligations as a business and access to reasonable financing costs in the capital markets. Financial metrics are comparable across other utilities and are used by <u>credit rating agencies</u> as part of their rating process when they evaluate us each year. Some rating agencies have more stringent requirements than others and we adjust our calculations to exceed minimum levels for each. We target metrics that help keep us in the AA rating category across the various rating agencies.

These ratings are important when we issue bonds to help pay for capital project spending. Investors purchase Tacoma Power Bonds and the ratings are an indication of the likelihood that we can make payments on those bonds over a period of up to 30 years. (See our existing debt repayment profile on page 66.) To get the best interest rates possible when we issue bonds, we must maintain healthy financial metrics. Our credit rating impacts the interest rates paid on borrowed funds. As a result, the better our credit rating, the less we will likely pay when we issue debt. Being financially healthy, like we currently are, benefits customers by keeping rates low and provides flexibility to address unexpected challenges.

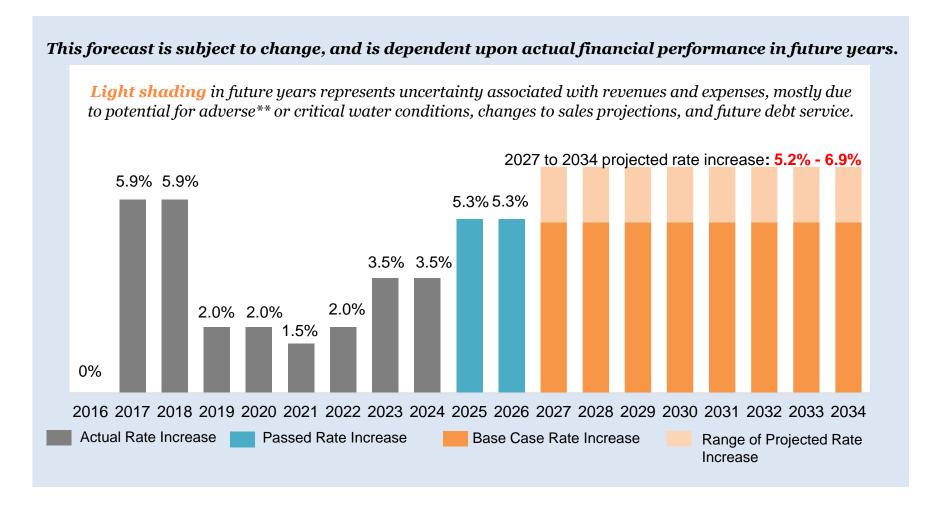
The charts to the right illustrate a possible projection for our future debt service coverage levels and liquidity levels, assuming average water conditions in all years. These are subject to various assumptions, including projections for rate increases, expenses, and revenues which are explained further in Section 6.





Past Actual & Projected Rate Increases*

Before explaining anything else, we've put our current projections of rate increases for the next ten years here, right up front. This document explains how we came up with these projections.



^{**}If you are not familiar with any of these terms, there is a Glossary in the back that defines some of these key concepts.

The rate path shown here represents our best projection at this time of how the future will unfold. We call this our base case. The further out in time we forecast costs and revenues, the more uncertainty there is surrounding these estimates. Therefore, we have modeled some scenarios to address potential future conditions that may impact utility financials. The results of several scenarios can be found later in Section 8.

These projections, as well as other parts of this plan, will change over time. Actual rate increases may fall outside of this range and are dependent on several factors such as market conditions, financial performance, and the actions Tacoma Power will take in future years.

Rates Remain Low and Competitive

Comparative Western Washington System Rates (cents/kWh) Puget Sound Mason Energy County City of 12.9 Clallum PUD Seattle County 12.2 11.4 Tacoma PUD Penninsula Average Snohomish **Power** 10.8 Light 10.5 County PUD 9.0 Clark 9.8 9.8 County **PUD** 8.2 **■**2023 **■**2024 **■**2025 **■**2026

Tacoma Power shaded area represents the additional cents per kWh from a system average 3.5% annual rate increase in 2024, 5.3% annual rate increase in 2025, and 5.3% annual rate increase in 2026 (effective April 1st each year).

Source: Energy Information Administration, Form 861, 2023.

How do our rates compare to other power providers in the Northwest?

Tacoma Power prices remain low relative to our peers, even with approved rate increases in 2024, 2025, and 2026. This table compares the 2023 electric rates of public and private utilities in the Northwest region to those of Tacoma Power.

We are a municipal utility that establishes rates only to recover costs, not to create a profit for shareholders. We set rates with the goal of minimizing rate impacts to customers while maintaining the safety and reliability of the electric system. Tacoma Power has been able to maintain low rates in comparison to state and national averages. Most other utilities face many of the same challenges described in later sections of this document and we expect to remain price competitive in the future. Rates are established by the Public Utility Board and approved by the Tacoma City Council.

Why Rates Go Up

The next logical question might be, "how did you come up with those rate increases?" Or perhaps, "Why would the rates need to go up at all?"

We can't just point to one factor. Determining what a rate increase needs to be takes a thorough understanding of how the utility works and what it needs in order to operate successfully, safely and adhere to environmental and other regulations. In a nutshell, the cost of doing business rises almost every year. While we work hard to manage business expenses and find savings where we can, ultimately – as a cost-based utility – we need to pass along those costs in the price of our commodity.

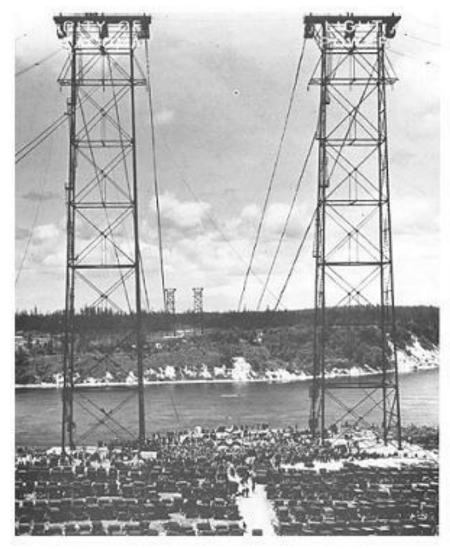
Here are a few of the many factors that impact future rates. These examples and others need to be considered when determining what the rate increases need to be:

Increases in Operating Expenses and Purchased Power Expenses

See <u>Section 4</u> on the <u>Background</u> to get a better understanding of these.

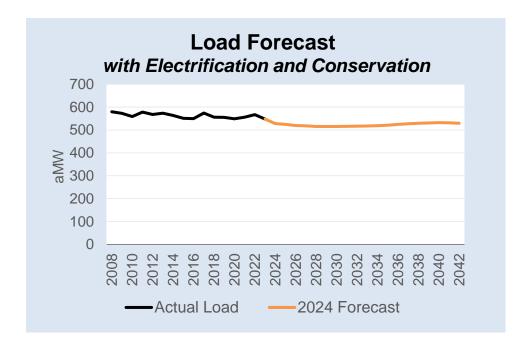
Volatility in Wholesale Revenue due to Changing Market Conditions

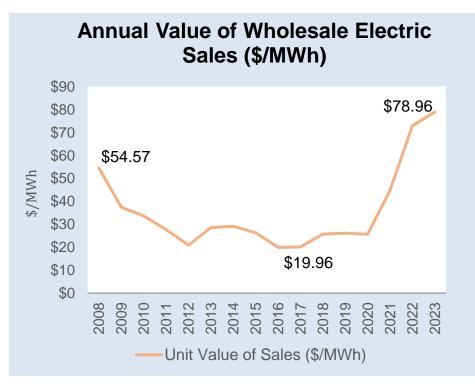
See <u>Section 7</u> on the <u>Risks</u> to get a better understanding of some of the things affecting our revenue.



This is a picture of the 1926 commissioning of the transmission lines connecting to our Cushman hydroelectric project. Our utility has operated since 1893 and has a lot of infrastructure to maintain. We maintain and replace our assets with steady capital investments in order to keep prices stable and our power reliable. You can find out more about those capital investments in <u>capital expenses of Section 4</u>. For determining how we fund capital investments, see Section 5.

Retail and Wholesale Revenue has been Steadily Declining





This chart shows a flat projection for our load over the next five years. **Load** refers to energy consumption. Our system average load is projected to decline at a rate of approximately 0.55% per year through 2031, reflecting planned conservation measures and a declining trend for consumption. After 2031, the load forecast increases due to the offset of electrification.

This chart shows the volatility in the value for each MWh sold, from a low of approximately \$20/MWh in 2016 to a high of \$79/MWh in 2023. The charts to the left show two major impacts to our revenue: declining retail load and volatile wholesale revenue. You can read more about each of them in the explanation on revenues in Section 4.

The top chart portrays our most recent load forecast. The combination of increases in conservation and reductions in customer demand for electricity, have resulted in a decrease in our expectations for overall usage over the next seven years, which creates downward pressure on revenue. This load forecast incorporates Tacoma Power's first electrification forecast. Beginning 2031, increased electrification adoption assumptions offset reductions in customer demand, resulting in slight increases in our system average load.

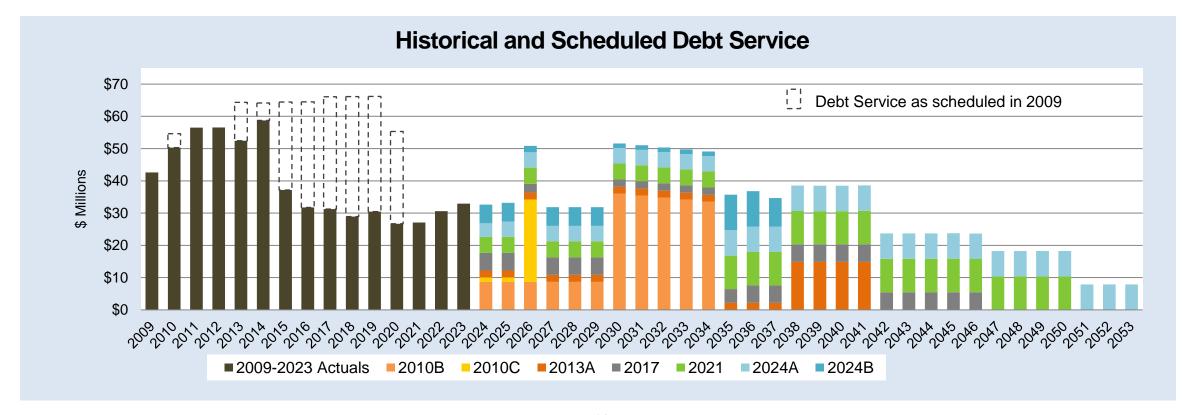
Tacoma Power is in the position to sell excess energy to other utilities through management of its load and generation resources. The more wholesale revenue we have, the more we can reduce future retail rate increases. The bottom chart illustrates the volatile value for each MWh of electricity sold in the wholesale electric markets. There are many drivers for this volatility which you can read about in Section 7: risk factors.

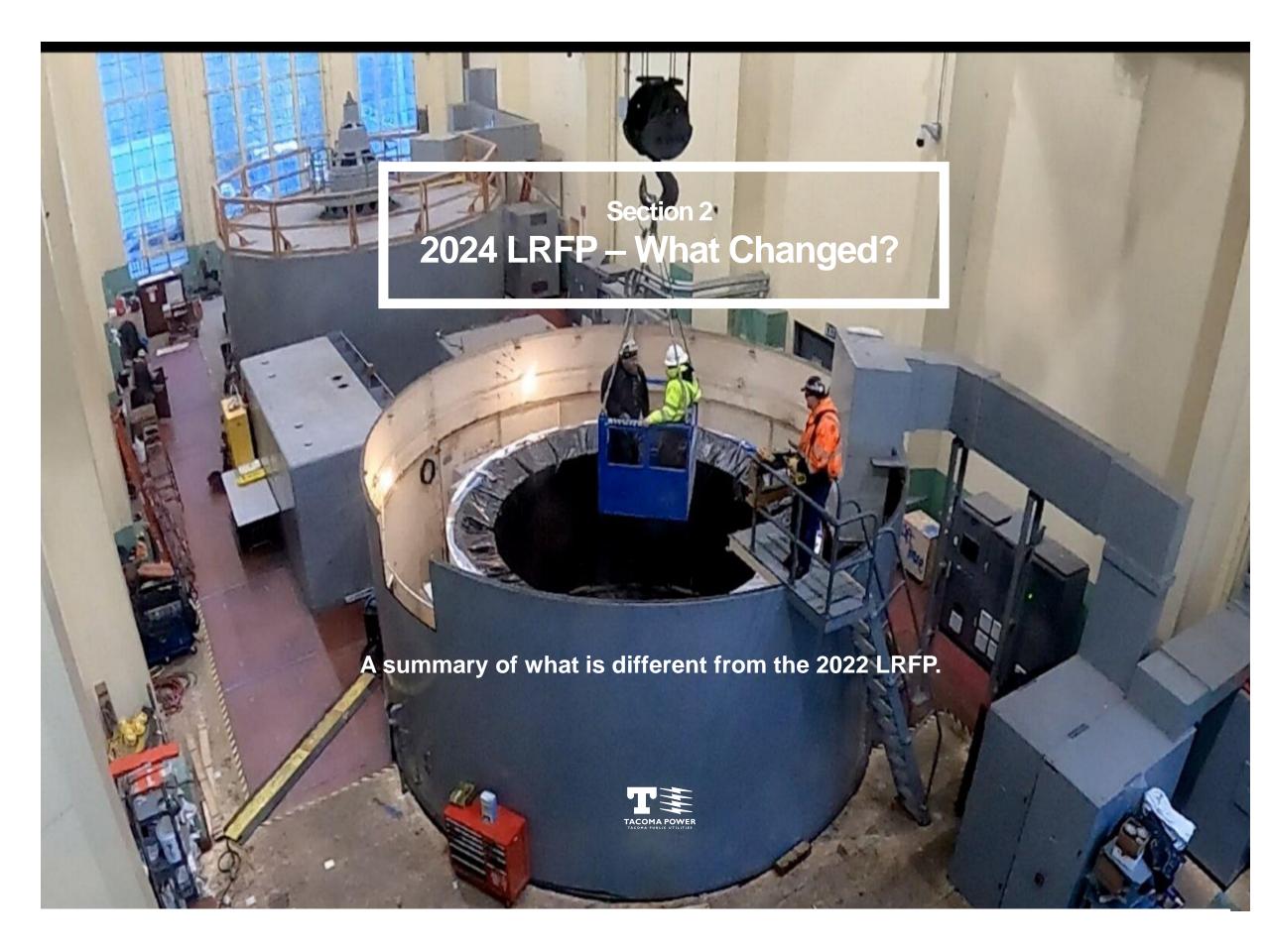
Active Debt Management

Managing Debt Service produces significant savings

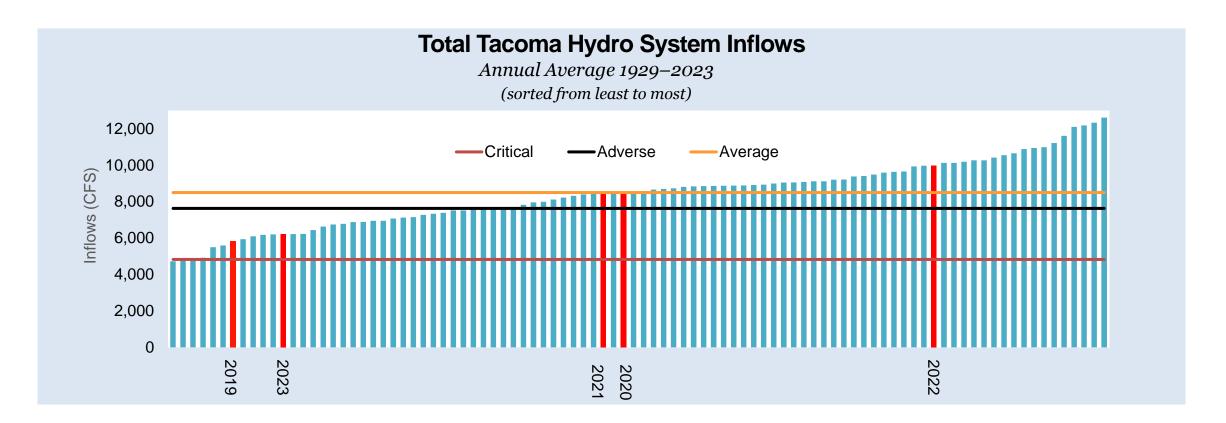
Tacoma Power sells bonds to help fund capital improvements. We actively manage this debt profile to help keep rates low and stable and have made many changes to our profile over the past decade. Between 2009 and 2021, Tacoma Power defeased \$106 million, repaid \$122 million, and refunded \$137 million in outstanding bonds. You can read more about this in Section 5. These changes resulted in the 2021 debt service payment being less than half of the \$65 million it was scheduled to be in 2009! The numerous changes implemented in the last decade translated to lower rate increases for Tacoma Power's customers.

The chart below shows Tacoma Power's historical actual and future scheduled debt service for outstanding Bonds. You will note the significantly higher debt service payments due in 2026 and 2030 through 2034. We plan to actively manage these looming debt service spikes. Our base case incorporates a plan to levelize our debt service over the next several years. This plan will help keep rates low and stable. See Section 5 for more detailed information on our financing plan.





Rainfall and Snowpack Levels Below Average in 2023



Section 7 discusses the risks that Tacoma Power plans around in this LRFP. One of those risks is related to reduced rainfall and melting snowpack which provides the water that allows us to generate electricity in our hydroelectric dams. Because Tacoma Power is a hydro facility and our fuel source is water, the amount of power we need to purchase can increase and the amount of wholesale revenue we generate will decrease when we experience drought conditions at our hydro projects. 2019 was a perfect example of this risk since the amount of water we received into our hydro projects was one of the lowest on record. In 2019, Tacoma Power experienced near-critical water levels behind Tacoma Power's reservoirs that store water used to generate electricity. Because we had less water and less power to generate at our dams, we bought five times more power than normal in the wholesale market, resulting in a significant net revenue shortfall in 2019.

Fortunately, in 2020 through 2022, Tacoma Power experienced average or above average water levels at its hydro dams. In an average water year, Tacoma Power purchases a minimal amount of power and typically has more power to sell in the wholesale market. However, since 2023, Tacoma Power's annual average water levels have returned to drier conditions at near or below Adverse.

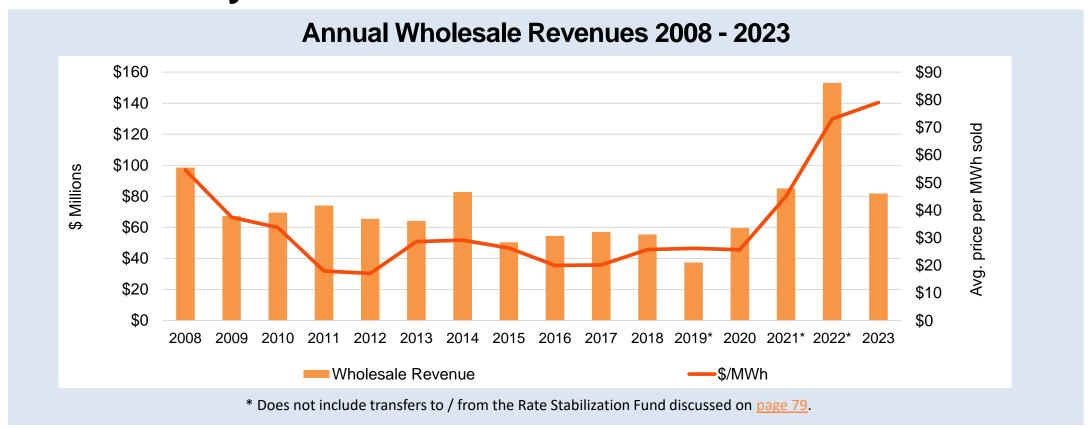
Water Planning Standards for generation capacity

Critical: Inflows similar to lowest recorded historical year.

Adverse: Inflows similar to lowest 25% of recorded historical years. We expect this outcome to occur one out of every four years.

Average: Inflows similar to the average of all previously recorded historical water flow years. We expect this outcome to occur one out of every two years.

Variance in Wholesale Revenue is a Result of Hydro and Market Price Volatility



Wholesale Revenue as a % of Total Revenue Balances (Year-end)																
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
WHOLESALE REVENUE %	24%	19%	19%	20%	17%	15%	19%	12%	13%	13%	12%	8%	12%	17%	26%	15%

At times, Tacoma Power has more energy than our customers use, and we sell this excess power on the wholesale market to other power companies. The graph shows that these wholesale sales are volatile and can generate between 8% to 26% of our total revenue. A significant driver of wholesale revenue volatility has to do with the wholesale market prices shown in the orange line which reflects the actual value for each megawatt hour of power that we sold. Because of this price volatility, we include a scenario in this LRFP to estimate the impact of low market prices on our revenues and rates, shown in the Scenario section. This graph also illustrates another driver of wholesale volatility which we don't have any control over as mentioned earlier - the weather and water. Because of this uncertainty around the weather, we set our budget conservatively by assuming that water inflows to our dams will be below average. We also model a scenario with two critical water years in a row, which would be highly unlikely.

Electrification and Increasing Retail Loads

Our changing climate is a focus of policy makers at all levels of government with new regulations, such as the <u>Climate Commitment Act</u>, focused on reducing carbon emissions with the goal of reducing global temperatures. The fastest way to decarbonize is through electrification, or "replacing technologies or processes that use fossil fuels, like internal combustion engines and gas boilers, with electrically-powered equivalents, such as electric vehicles or heat pumps." *

The widespread adoption of electric vehicles, heat pumps, and other electric appliances, could result in a significant increase in electricity demand by consumers. This potential increase in the electric use by power customers could strain the existing power grid infrastructure and require substantial investments in new power resources to meet consumer electricity needs.



Below is a summary of the key issues that can result from an increase in electrification.

Power resource challenges:

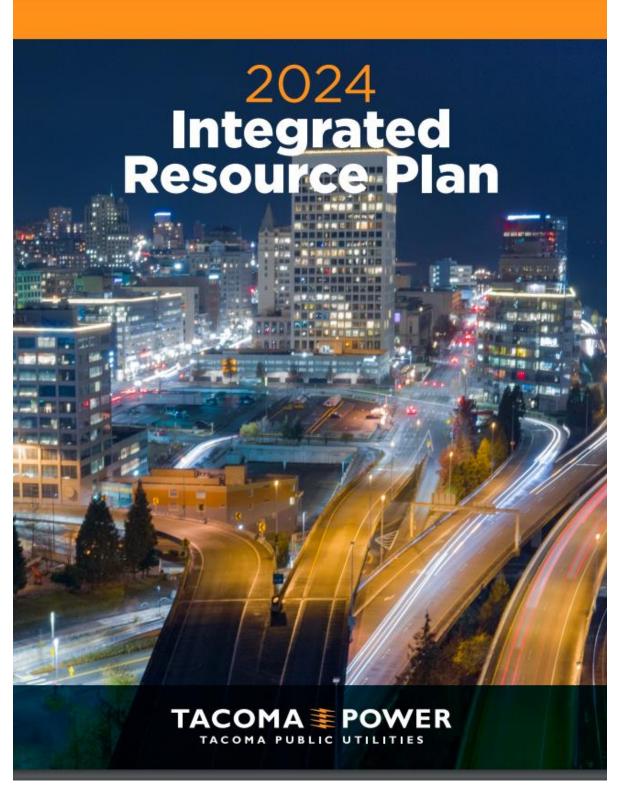
The utility may not be able to generate the amount of power necessary to meet the increase in electricity demand. This would require the utility to build or buy power resources. Diversifying our energy sources to include more renewable options with storage capabilities may bridge the supply verses demand gap, should that occur.

Grid capacity limitations:

The existing grid to deliver power to customers may not be able to handle the sudden surge in electricity demand from widespread electrification, potentially causing outages or instability. Upgrading the grid to accommodate increased demand requires significant capital investment in new transmission lines and substation upgrades. Managing the distribution of electricity to new load centers, like charging stations for electric vehicles, can be complex and require additional infrastructure development.

Tacoma Power is currently analyzing these challenges and strategizing potential solutions beginning with an Electrification Assessment, which addresses the question "How might electrification contribute to changes in the future trajectory of Tacoma Power customers' demand for electricity?". The potential need for additional resources is discussed in Tacoma Power's Integrated Resource Plan on the next-page.

^{*}International Energy Association website



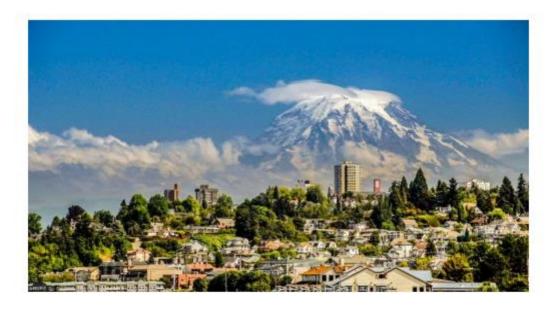
Potential Need for Future Additional Power Resource Supply

Over the past decade or so, Tacoma Power has experienced a period of stable customer demand for power and has been able to comfortably provide with our existing supply of power resources and prudent investment in energy efficiency programs. However, a combination of new potential sources of growth in demand, due to increases in building and vehicle electrification, and changes to our next contract with Bonneville Power Administration, may change that picture in the coming decades. There are scenarios in which Tacoma Power might need to supplement its current power supply with additional resources. Tacoma Power prepares an Integrated Resource Plan ("IRP") to assess our ability to meet customer demand over the next 20 years and provide a recommended action plan for ensuring that we can. We recently completed the 2024 IRP, which considers several different scenarios of load growth from electrification and new large industrial loads.

The most recent IRP can be found on our mytpu.org website located here: IRP Report.

TACOMA PUBLIC UTILITIES

2024 WILDFIRE MITIGATION PLAN



New Wildfire Mitigation Plan

Tacoma Power is committed to the safe and reliable delivery of electric power to its customers. In keeping with Tacoma Public Utilities' mission to deliver clean, reliable services essential to quality of life, Tacoma Power prepares response plans to natural and human-caused emergencies like windstorms, snowstorms, floods, earthquakes, accidents, and wildfires.

The frequency and severity of large-scale wildfires in the western United States has been increasing over the last decade. The temperate rainforests west of the Cascade Mountains have historically had limited wildfire activity, but with warmer temperatures, reduced snowpack, and drought, the risk of large-scale wildfires is anticipated to almost double by the middle of this century.

In response to this increased risk for wildfires and to the Legislature passed by Washington State (House Bill 1032), Tacoma Power formalized its wildfire mitigation plan (WMP) which will be updated, at minimum, every three years. This WMP identifies roles and responsibilities, risk drivers, prevention strategies, community outreach and public awareness programs, restoration strategies, and metrics to track plan performance and continuing performance key indicators.

The WMP documents and builds on efforts Tacoma Power has already started to mitigate wildfire risk, including proactively engaging with other peer utilities and emergency service providers, enhancing our distributions system protection, and developing crew practices that minimize the risk of initiating a wildfire.

This new WMP can be found on our mytpu.org website located here: Tacoma Power Wildfire Mitigation Plan.

Tacoma Power is Modernizing the Grid

Our electric infrastructure, referred to as the "grid", is being pushed to do more than ever, and must be modernized to improve reliability, efficiency, security, and to support future energy needs. While it includes technology, we are taking a holistic approach in our modernization efforts to ensure we can meet customer and community future energy demand through enhancing processes, protocols, and policies.

There are multiple business drivers pushing us to do this work. They include aging infrastructure, customer expectations and equity, electrification and economic growth, cybersecurity threats, and climate change. We are doing this now to solve for critical technology gaps, support growing electricity use, and make our services more resilient, while maintaining quality of service and affordability. If we don't work to produce a comprehensive, future-oriented roadmap to transition us to a stronger, smarter grid, we risk not being able to handle the increased demand when more and more people increase their electrical use for work, life, and play. We will continue to pursue advanced technologies that build upon the foundational technologies already in place.

The concept of grid modernization centers around integration of resources that our customers demand, such as rooftop solar, battery storage, while mitigating the impacts of electrification. Also included in our grid modernization effort is an upgrade to our energy distribution system to improve system reliability and resiliency. Our Advanced Distribution Management System effort is discussed to the right.



Tacoma Power is investing in its distribution system

Tacoma Power is investing in a new Advanced Distribution Management System (ADMS) to improve our response time and reduce the duration of power outages for our customers. The new system will replace our existing outage monitoring system that is reaching the end of its life. This new automated system will enable Tacoma Power to more successfully serve our customers in the future by providing better stability during storm events.

Customers will see improved power service with this new system that will give us precise monitoring of power throughout the grid. It will improve Tacoma Power's visibility of voltage levels and partial outage locations allowing us to isolate faults on our grid and dispatch our line crew more quickly to resolve power outages and restore service.

Tacoma Power is nearly done with deploying Advanced Meter Infrastructure (AMI)

Tacoma Power is nearly finished upgrading all existing electric meters in our service area and replacing them with new advanced meters. Advanced meters are a safe, secure, and cost-effective technology used in more than 75 million households nationwide. The project is in the fifth year of a multi-year meter deployment plan and is a joint utility project undertaken collaboratively with Tacoma Water.

This project is more than just a meter - it's going to transform how we serve our customers. Power is an essential community service, and this project enables us to provide modern services our customers expect. Upgrading our aging metering system will mean faster power outage detection and notifications of these events directly to customers via phone, text, or email. We will be able to provide monthly billing through automated meter reading and more efficient move-in and move-out services through remote connection capabilities. In addition, we plan to offer a pay-as-you-go option for energy use, called PrePay.

This upgrade allows us to provide customers their daily energy usage via a new web portal and makes it easier for them to manage the costs of each. In addition, better data will let utility staff improve modeling of system demand to keep power costs low and maximize the life of existing infrastructure. In the long run, we expect to gain improved asset management, higher system resiliency, greater operational efficiencies, and realize better organizational safety.

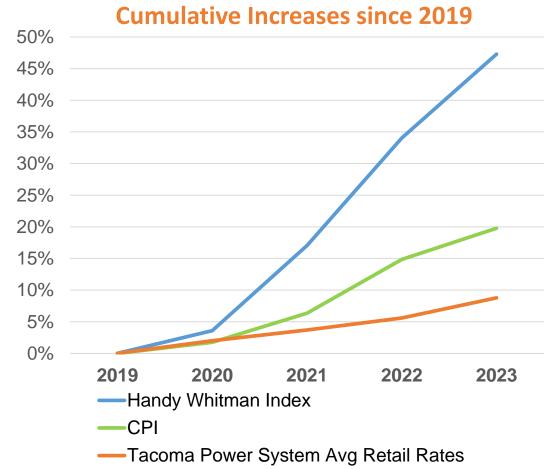
Advanced Metering Customer Benefits								
	Expanded Ways to Save: Detailed Usage Data on Web Portal	5	Flexible Payment Options & Selectable Bill Due Dates					
	Easier Move In, Move Out, & Remote Reconnection		Faster Outage & Leak Detection					
	Automate Meter Reading	2	Reduced Environmental Impact					
	Enhanced Personal Privacy		Fire prevention & Improved Safety					

Why Advanced Metering?

Many of the power meters in our legacy system use 75 year-old technology with parts we cannot replace. These meters are past the end of their lifespan and need updating to provide reliable service. By replacing our aging meters with modern digital technology, we can also make our operations more efficient and help reduce carbon emissions by having fewer vehicle miles traveled for meter reading and essential field services.

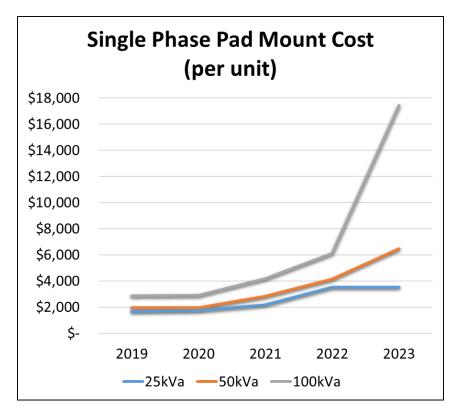
Inflation Persists Impacting Expenses

One of Tacoma Power's biggest challenges beginning in 2020 was the effect of rising price inflation on our construction and supplies, which translates into an increase in expenses, such as an increase in the cost of health insurance, vehicle replacements, labor, and equipment. One example is the increasing costs of purchasing transformers required to provide power to our customers, as shown in the graph on the right. Even though the level of inflation is beginning to decline, a decrease in costs may not follow, and we may be facing a higher 'normal' cost environment.



Our capital-intensive utility faces different inflationary pressures than consumers, best reflected by the Handy Whitman index in the chart above. While customers often follow the Consumer Price Index (CPI) as an indicator for inflation, Tacoma Power monitors the Handy Whitman index for electric utility costs in the Western region of the US. The chart above compares the increasing electric utility costs in the Western U.S. (Handy Whitman index) to both the CPI and the growth of our system average rates over that same time period. Our retail rate increases have not kept up with the inflationary pressures we are experiencing.

Transformer Cost Increases



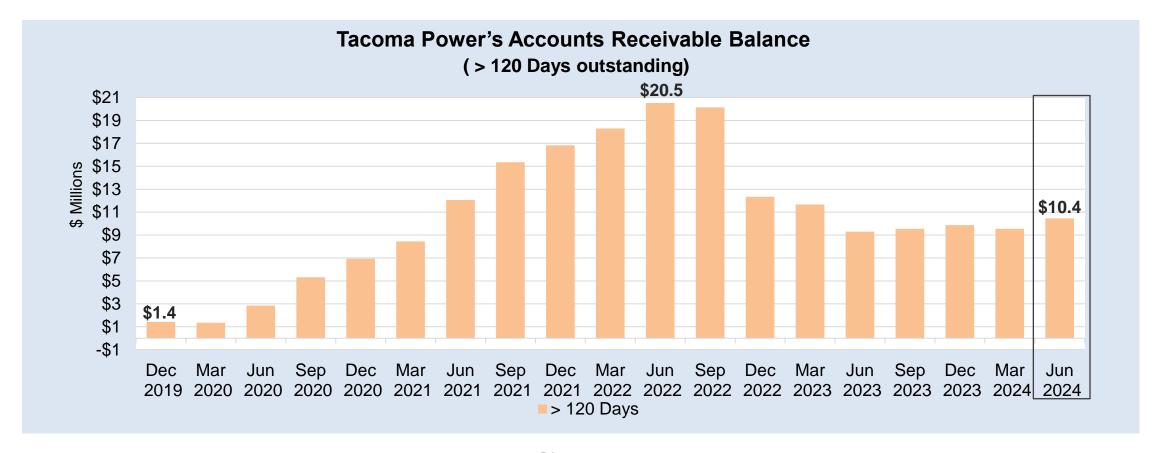
282% Distribution Transformer Average Price Increase Pre- to Post-Pandemic

Single phase transformers are used in residential settings to provide power for heating, air conditioning, lighting and other home applications. In the chart above, the three lines represent the different sizes of single phase distribution transformers and the price inflation from September 2023 compared to the same time period in 2019, prior to the pandemic.

Accounts Receivables Reduced From Assistance Programs

In response to the COVID-19 pandemic and related public health emergency, the Governor of Washington passed a resolution prohibiting utilities from cutting off residential water, power, and phone service by placing a moratorium on disconnections for nonpayment until September 30, 2021. Utility companies were also directed to do everything possible to prevent shut-offs due to nonpayment, to make payment plans, and reverse late fees. These changes do not make utility service free of cost but does allow utility companies to make payment plans with their customers for outstanding balances and waive late fees and penalties.

Compared to 2019 at this same time, a larger percentage of customers continue to fall 120 days or more behind in their payments. However, the amount is down significantly from the highest point in June 2022, when there was over \$20 million owed to Tacoma Power from customers who are 120 days or more overdue. A portion of these amounts are assumed to be uncollectable, and the revenue written off or recognized as an expense on the financials, thereby reducing future liquidity balances. Below is a graph of the accounts receivable balance for payments due to Tacoma Power. All past due balances prior to March 1, 2022 were automatically placed on 24-month, interest-free, installment plans. Tacoma Power has received approximately \$11.6 million from federal and state funding assistance sources to reduce overdue utility accounts. This funding has resulted in reducing the accounts receivable balances 120 days or more overdue by half from the peak in 2022.

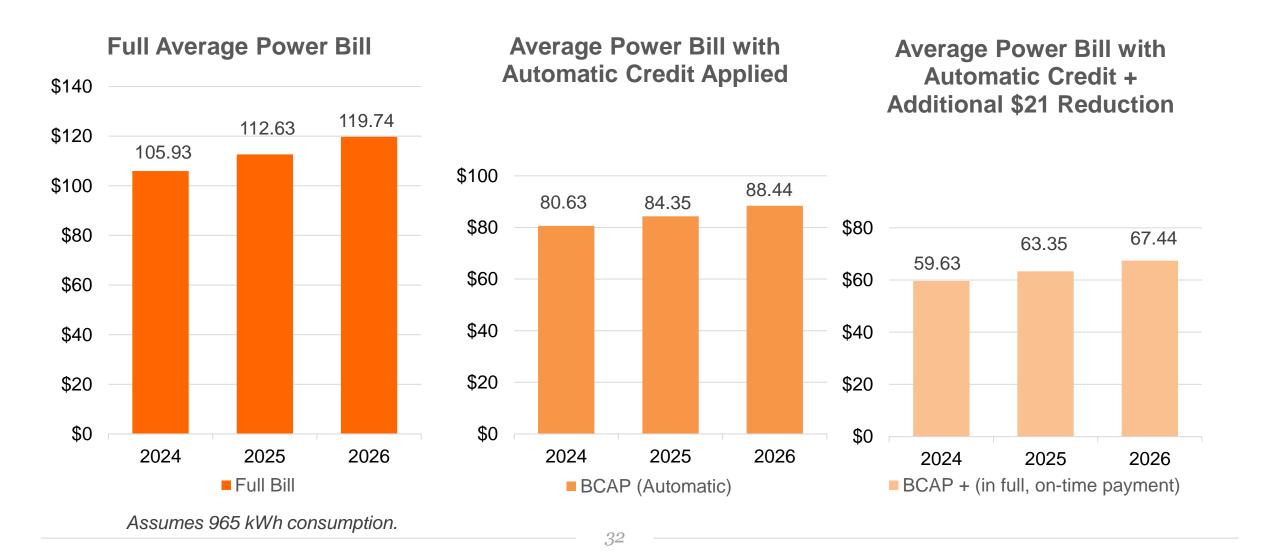


TPU's Bill Credit Assistance Plan (BCAP) Mitigates Rate Increase

BCAP continues to mitigate rate increases for qualifying customers by reducing typical bill by almost half.

Qualifying Tacoma Power customers whose household incomes are below 60% of Area Median Income, as established by the U.S. Department of Health and Human Services, are eligible for TPU's Bill Credit Assistance Plan as follows:

- Automatic credit equal to the customer fixed charge on each bill.
 - > \$28.30 in 2025
 - > \$31.30 in 2026
- Customers who pay their full bill on-time will receive an additional \$21 reduction in their bill.



2023 Financing Plan Completed in 2024

In January 2024, Tacoma Power issued its second "Green" Revenue Bonds to pay down the balance of our existing shortterm financing agreement discussed in the Credit, Debt. & Reserves section. At the same time, we issued Refunding Bonds to refund some of our 2013 Bonds at a savings in debt service expenses.

The Financing Plan elements shown below were brought before the Public Utility Board and City Council for review and approval at the end of 2023.

- Issued \$95.3 million in bonds to pay down our Note Purchase Agreement with Wells Fargo. This required coordination with many internal departments as well as external relationships with our bond counsel and financial advisors to help us successfully request and hire bond underwriters, write accurate bond documents, and issue bonds smoothly with transparency to investors.
- Applied \$5 million of cash and issued \$47.36 million in Refunding bonds to refund approximately half of our 2013A Bonds and all of our 2013B Bonds. This reduced future debt service that Tacoma Power will pay by \$16.2 million.
- Plan to continue using our Note Purchase Agreement with Wells Fargo to pay for capital spending until the Note terminates on October 1, 2024.

NEW ISSUE BOOK-ENTRY ONLY NOT BANK QUALIFIED

RATINGS: Fitch: AA-S&P Global Ratings: AA See "RATINGS" herein

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the 2024 Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the 2024 Bonds may affect the federal alternative minimum tax applicable to certain corporations. See "TAX MATTERS."



CITY OF TACOMA, WASHINGTON

ELECTRIC SYSTEM REVENUE BONDS. SERIES 2024A (GREEN BONDS)

ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2024B

The City of Tacoma, Washington (the "City"), Electric System Revenue Bonds, Series 2024A (Green Bonds) (the "2024A Bonds") and Electric System Revenue Refunding Bonds, Series 2024B (the "2024B Bonds," and together with the 2024A Bonds, the "2024 Bonds"), will be issued in fully registered form under a book entry only system. When issued, the 2024 Bonds initially will be registered to Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as initial securities depository for the 2024 Bonds. Individual purchases of the 2024 Bonds will be made in the principal amount of \$5,000 or integral multiples thereof within a series and maturity. Purchasers of the 2024 Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the 2024 Bonds purchased. The fiscal agent of the state of Washington (the "State"), currently U.S. Bank Trust Company, National Association, will act as the registrar, paying agent, transfer agent and authenticating agent for the 2024 Bonds (the "Bond Registrar").

The 2024 Bonds will bear interest payable semiannually on each January I and July 1, commencing July 1, 2024, to the maturity or prior redemption of the 2024 Bonds, as applicable. The 2024 Bonds will mature on the dates and in the amounts and bear interest at the rates set forth on the inside cover. For so long as the 2024 Bonds are held in book-entry only form, the principal of and interest on the 2024 Bonds will be paid by the Bond Registrar to DTC, which in turn is obligated to remit such payments to its broker-dealer participants for subsequent disbursement to the Beneficial Owners. See Appendix B-"BOOK-ENTRY SYSTEM."

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices, and CUSIP Numbers on Inside Cover

The 2024 Bonds are subject to redemption by the City prior to their stated maturities as described herein. See "DESCRIPTION OF THE 2024

The 2024A Bonds are being issued to refinance certain capital improvements to the Electric System and to pay costs of issuing the 2024A Bonds. The 2024B Bonds will be used to refund certain outstanding obligations of the Electric System, and to pay costs of issuing the 2024B Bonds. See *PURPOSE AND APPLICATION OF 2024 BOND PROCEEDS.*

The 2024 Bonds are payable solely from special funds of the City known as the Electric System Revenue Fund and the Electric System Revenue Bond Fund, and from Net Revenues of the Electric System (each as defined herein), and other funds pledged therefor, on a parity of lien on such revenues with the outstanding Electric System revenue bonds and other future Electric System revenue bonds hereafter issued. See "SECURITY FOR THE 2024 BONDS."



The 2024A Bonds have been designated as "Green Bonds." Kestrel has provided an independent external review and opinion that the 2024A Bonds conform with the four core components of the International Capital Market Association Green Bond Principles, and therefore qualify for Green Bonds designation. See "2024A BONDS DESIGNATED AS GREEN BONDS," and kestrel Appendix G-"GREEN BOND SECOND PARTY OPINION."

THE 2024 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, SEE "SECURITY FOR THE 2024 BONDS." BY PURCHASE OF THE 2024 BONDS. THE OWNERS OF THE 2024 BONDS SHALL BE DEEMED TO HAVE CONSENTED TO CERTAIN AMENDMENTS TO THE MASTER ORDINANCE (AS DEFINED HEREIN) TO OCCUR IN THE FUTURE UPON SATISFACTION OF CERTAIN CONDITIONS. SEE "SECURITY FOR THE 2024 BONDS-RATE COVENANT AND DEBT SERVICE COVERAGE COVENANT.

The City has not designated the 2024 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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 2024 Bonds are offered when, as and if issued and delivered, subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. A form of Bond Counsel's opinion is attached hereto as Appendix C. Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. It is anticipated that the 2024 Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about on or about February 15, 2024.

Goldman Sachs & Co. LLC

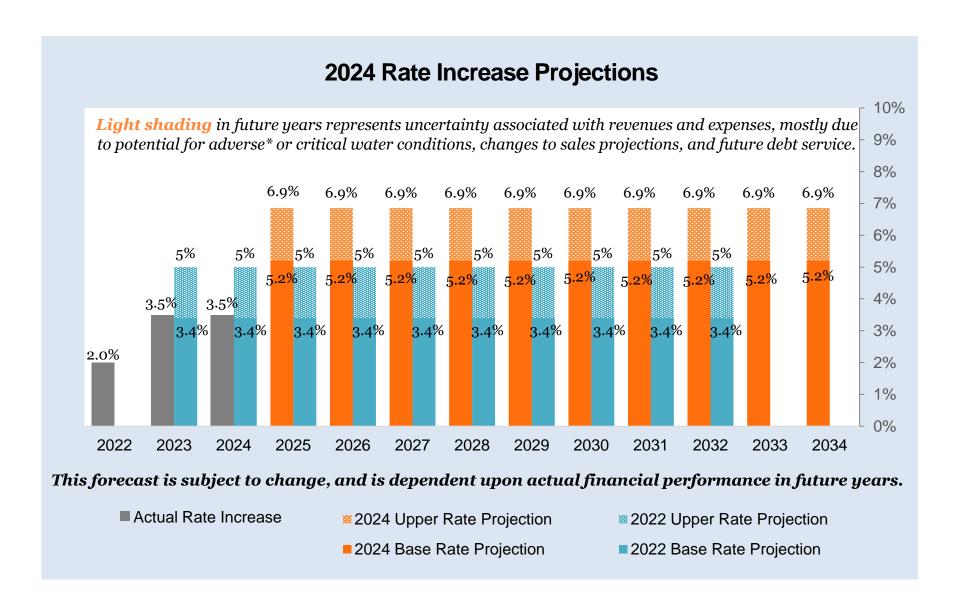
Loop Capital Markets

Official Statement Dated: January 30, 2024

The focus in 2023 was to work with external partners to develop the required Official Statement and bond documents for our 2024 "Green" and Refunding Bond issue.

The 2024 Rate Increase Projections Compared to the 2022 LRFP

The financial outlook for the utility continues to be strong and the projected <u>Base Case</u> rate impacts fulfill the guiding policy of keeping rates reasonable and consistent over the long-run.



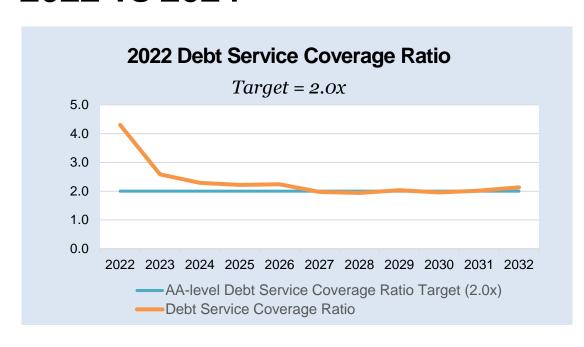
Summary of Impacts

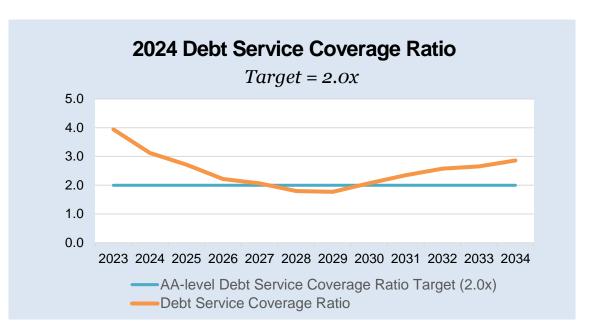
Two key drivers of the LRFP are the utility's liquidity and debt service coverage metrics.

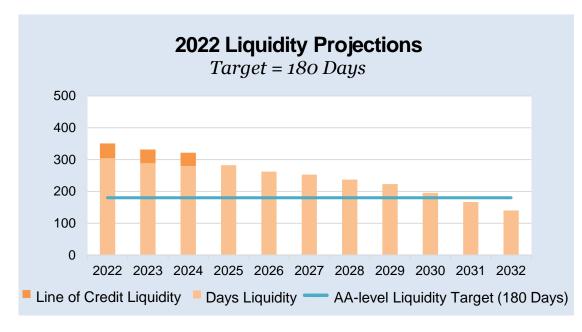
While there is some change in the liquidity profile and debt service coverage between projections created in 2022 (in blue) verses those made in 2024 (in orange), we are still meeting all our financial targets and are projecting rate increases of approximately 6 percent or less, with a long-run goal to handle potential volatility in our future revenues and expenses.

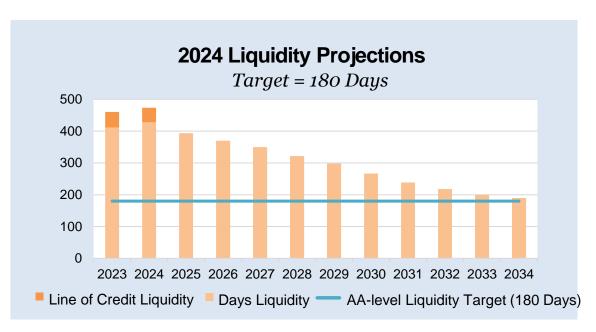
A year-over-year comparison of both key financial metrics is shown on the next two pages.

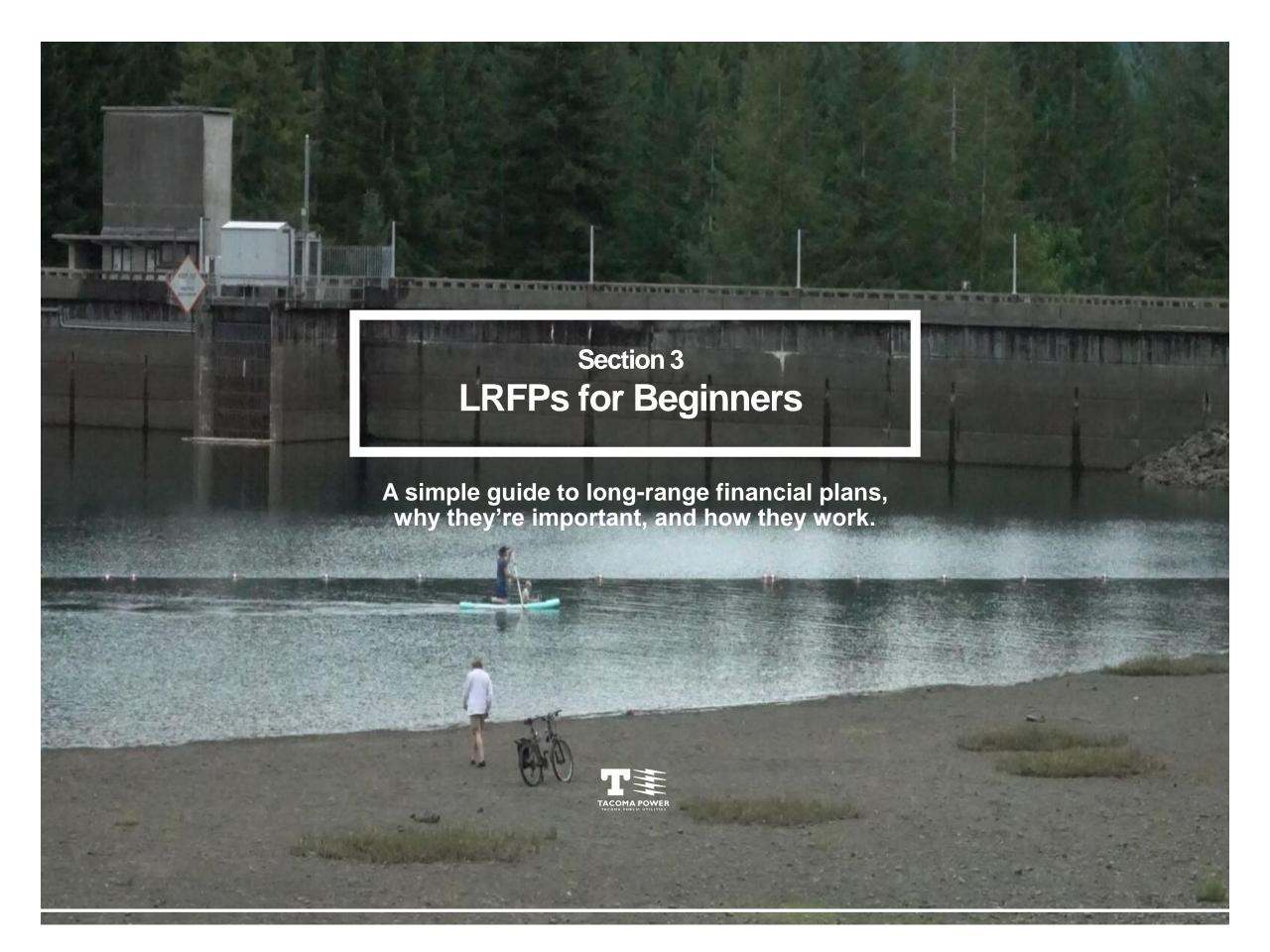
How the Base Case Financial Forecasted Metrics Compare: 2022 vs 2024











The Basics

Why a LRFP?

A Long-Range Financial Plan (LRFP) is an important document used by businesses to guide their decision-making over a span of multiple years. It helps keep the business aligned with its broader goals and helps prepare for future impacts.

This LRFP influences budget planning, investments, and other aspects of financial strategy. It is also an important tool for communicating these decisions to stakeholders, customers, and other groups.

We have used the preparation of this document as a tool to conduct research and analysis to develop potential scenarios that may affect our business. We use what we learn from such analyses to improve business decisions.

It is our intention to use the LRFP as a key input in our Rate and Budget review and approval process. We plan to update this LRFP annually and share with policy-makers and the public.

What goes in an LRFP?

A long-range financial plan typically includes:



Research and trends



Strategic planning



Decisionmaking tools



Action steps

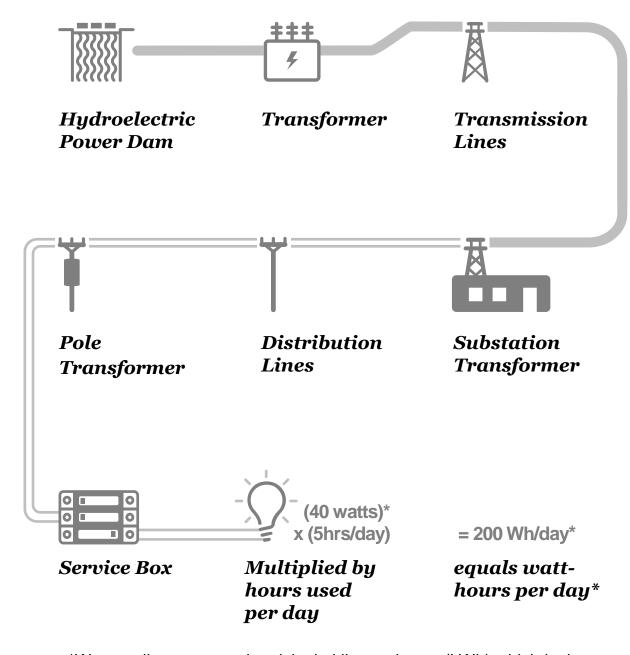
How Does Electricity Work?

What happens when I flip on my light switch?

Our electricity is generated by turbines located at hydroelectric facilities, transported onto the electric grid where it travels along a system of circuits, and is ultimately delivered to a variety of homes and businesses.

How do you measure electricity use?

The math to determine watt-hour usage is simple... It's the number of watts a piece of equipment uses multiplied by the number of hours it is used.



*We usually measure electricity in kilowatt-hours (kWh) which is the same as one thousand watt-hours. On an annual basis this may turn into megawatt-hours (MWh) or one million watt-hours. An average residential customer uses approximately 984 kWh a month.

What Exactly is Tacoma Power?

What kind of company is Tacoma Power?

Actually, Tacoma Power is not a company in the legal sense. Tacoma Power was established in 1893 when the citizens of Tacoma voted to buy the privately owned Tacoma Light & Water Company. Local citizens believed public ownership and local control would provide a higher quality of service. Tacoma Power is a city-owned utility that provides electricity to approximately 188,000 customers in the City of Tacoma and surrounding area, including the local military base.

What's the difference between a Public Utility and an Investor-owned Utility?

Publicly owned utilities are "non-profit" utilities managed by locally elected officials and public employees. Their rates are set to recover costs and not to return a specific profit margin. Conversely, investor-owned utilities are privately owned and set rates to recover costs plus a reasonable return to be earned by their investors.

Who Runs Tacoma Power?

Tacoma Power is the Light division of Tacoma Public Utilities (TPU) and is governed by a five-member Public Utility Board. The Tacoma City Council appoints the volunteer Board members and they serve staggered five-year terms, unpaid. Board meetings and discussions are open to the public for comment and televised live on TV. The City Council has final authority over Tacoma Power's budgets, rates, financing, and other matters.

Who is responsible for the day-to-day operations?

The Public Utility Board and City Council appoint the Director of Utilities as the Chief Executive Officer to oversee the operations of Tacoma Public Utilities including Tacoma Power, Tacoma Water, and Tacoma Rail. Jackie Flowers was appointed TPU Director effective August 1, 2018, for a two-year term, and reconfirmed in 2020, 2022, and 2024. Chris Robinson is the Superintendent and Chief Operating Officer of Tacoma Power. He oversees the day-to-day operations of Tacoma Power along with his Senior Leadership Team.

Supporting Our Customers

How much electricity does Tacoma Power produce?

Average use per household is about 12 <u>megawatt-hours</u> (MWh) per year. For all customers, Tacoma Power produces approximately 4.8 million megawatt-hours per year. Over 80 percent of our power supply is made up of hydroelectric power. Forty percent of our power supply is provided by our own hydroelectric power facilities. The remaining power supply is purchased through long-term contracts with other power supply companies, such as the Bonneville Power Administration.

What programs are available for people ready to conserve or reduce electricity use?

Tacoma Power offers programs for conservation and customer-owned electricity generated by <u>renewable</u> <u>resources</u>, such as solar and wind. Residential conservation incentive programs can save thousands of dollars up front when making improvements to home or rental properties, and customers can save even more in the long run thanks to lower utility bills. Customers with eligible renewable energy generation can offset electricity the customer would otherwise purchase from the utility, lowering their electricity bill. You can find out more about our conservation programs at <u>residential incentives</u> and our self-generation programs at <u>clean renewable energy.com</u>.

How does Tacoma Power support low-income customers?

Tacoma Power offers financial assistance programs to low-income customers that live in a home with permanent electric heat. Qualifying low-income customers can receive up to a 35 percent discount on their power bill. You can find out more about our bill payment assistance programs at Tacoma Power bill assistance.

How does Tacoma Power support the surrounding community?

The utility supports more than 40 annual giving and volunteering opportunities for employees. We help with the most pressing community needs by building houses, repacking food, and helping seniors stay warm and dry in the homes they own. The volunteer program promotes a highly engaged workforce by developing employees' leadership skills and awareness of the community. See more on our community involvement page at Tacoma Power Community.

How is My Electric Bill Determined & How do We Compare?

How are rates set?

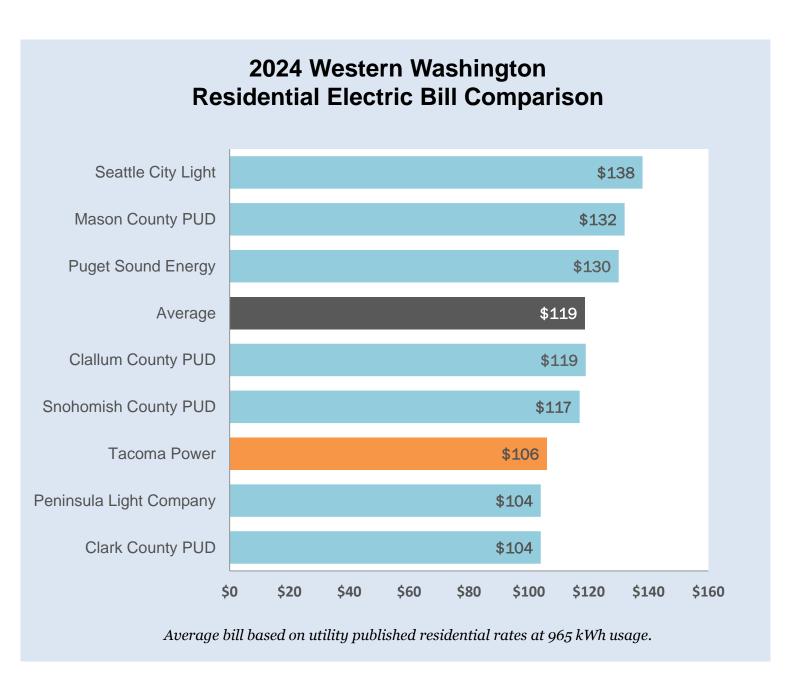
The price of electricity that our retail customers pay is set to recover all operating and maintenance expenses, debt service, taxes, and a portion of capital additions and replacements made to the electric system. Tacoma Power recommends rate adjustments with a goal of minimizing impacts to customers while maintaining the safety and reliability of the power system.

How often are rates updated?

Rate forecasts are updated every other year when the City of Tacoma prepares the biennial budget. Budget-setting is a yearlong process. It includes steps to review and project revenues, prioritize expenses, and identify ways to operate as efficiently as possible.

Who approves the rate increase?

The Tacoma Public Utility Board sets the electric rates for Tacoma Power, subject to final approval by the Tacoma City Council.



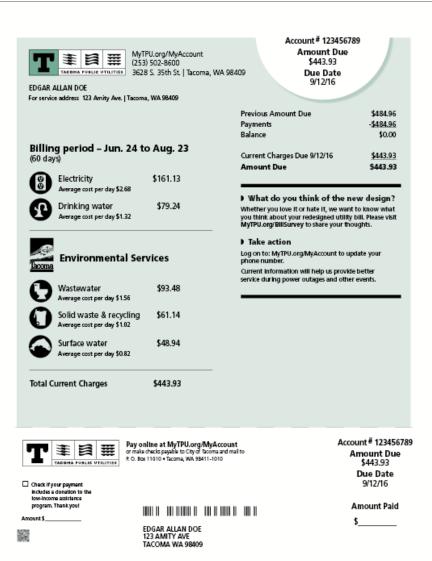
What about the Actual Bill?

Address(es) served on this account

Summary of charges from Tacoma Public Utilities

Summary of charges from Environmental Services (Tacoma residents)

The Warm Home Fund is an easy way to donate to people in need



Clearly labeled bill information

Easy-toread billing summary

Account updates and important notifications

Do all customers pay the same amount?

There are different customer types and ways in which the customers use the Tacoma Power system. The majority of our customers are considered residential customers, but there are also small commercial, large commercial, high voltage, and industrial customers. Each type of customer pays a different amount based on how much it costs Tacoma Power to make and deliver electricity to where those customers receive it.

What's really driving our costs?

generate, purchase, finance, and maintain our power supply and facilities while safely operating the electricity grid. Tacoma Power has been able to sustain low rates in comparison to state and national averages, while at the same time covering all operating and maintenance expenses and providing reliable services that customers want and need.

Electricity prices generally reflect the costs to build,

Detachable stub for you to easily mail your payment

Sample bill

Credit: How does it Work for Tacoma Power?

Maintaining an electrical system is expensive and comes with high capital costs. Utilities fund a part of these systems by selling bonds to individual and institutional investors. In order to evaluate the credit worthiness of these bonds, investors look to credit rating agencies including Moody's Ratings, S&P Global Ratings (S&P), and Fitch Ratings for analysis.

Similar to how the <u>credit rating</u> agencies provide a credit score used by lenders when you buy a car or house, each of these rating agencies has its own methodology, process, and scale for rating the investment quality of a utility. The rating agencies consider historical and projected financial performance, but their analysis goes beyond financial information and into items like economic indicators, reserve funds, power supply contracts, and management decisions.

You can find out more about all of these things in the later details of this document. Moody's Ratings has published information about their rating methodology which you can read more about on page 64.

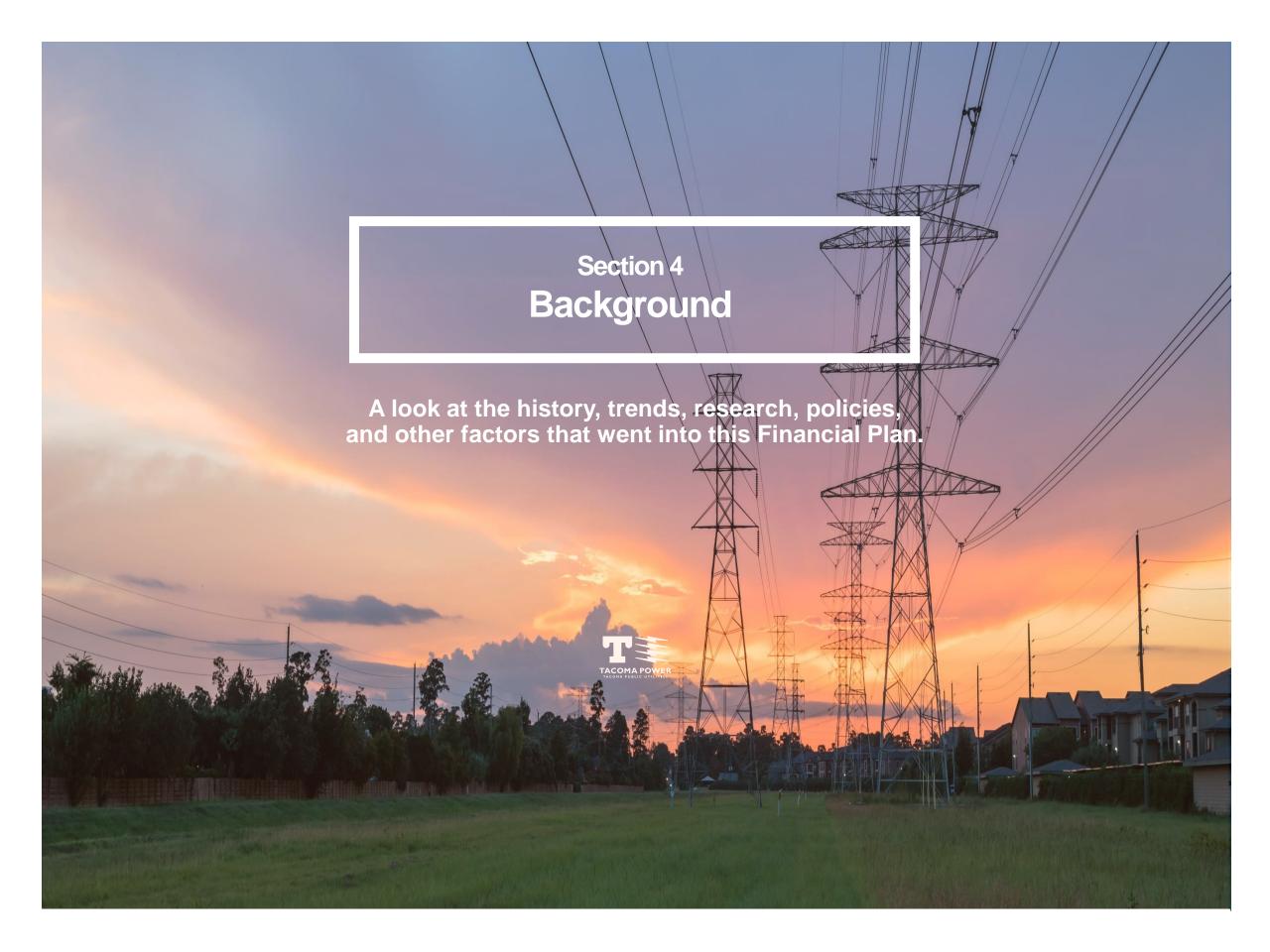
Rating agencies are interested in different things

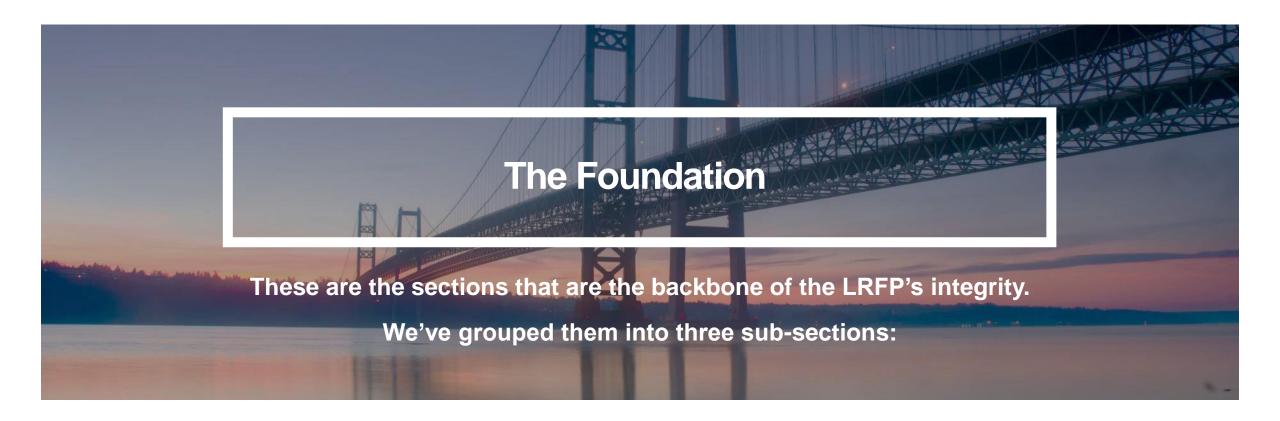
	Moody's*	S&P	Fitch
Investment	Aaa	AAA	AAA
Grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	Α	Α
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-Investment	Ba1	BB+	BB+
Grade Speculative	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	В	В
	В3	B-	B-
	Caa1	CCC+	
	Caa2	CCC	
	Caa3	CCC-	CCC
	Ca	CCC	
	С		DDD
		D	DD
			D

This table compares the different rating scales for the three credit rating agencies, with Tacoma Power's current rating highlighted.

Target Current Tacoma Power Rating

^{*} Moody's current rating for Tacoma Power only applies to Bonds issued before 2017.





Expense Assumptions

It costs a lot to manage and operate a utility. Some of those expenses are easier to predict and manage than others.

Pages 50-57

Revenue Assumptions

Our revenue comes from a few distinct sources. Each of these factor into our financial planning in slightly different ways.

Pages 58-63

Credit, Debt, & Reserves

Just like you, Tacoma Power has to make choices about how to manage its debt in order to maintain a strong credit rating.

Pages 64-71

Expense Assumptions Revenue

Credit Assumptions Debt & Reserves

Tacoma Power Expense Overview

Purchased Power and Renewable Energy Credits

Approximately 60 percent of Tacoma Power's electricity comes from power that we purchase from others. Most of this is through a long-term contract with the Bonneville Power Administration (BPA). We also purchase Renewable Energy Credits (RECs) to help comply with the Energy Independence Act detailed on page 91.

Personnel

Personnel costs include more than just the wages for our employees. Associated costs such as medical coverage and other benefits are also included.

Capital

Capital projects are funded by a combination of bonds and available revenue. Each biennium, the utility determines the appropriate amount to fund from each source based on financial circumstances and the life of assets being installed.

Other O&M

The majority of remaining expenditures are captured in Other Operations and Maintenance costs. This includes expenses including: office supplies, safety equipment, legal and professional service contracts, allocations to general government, noncapital project expenses, and administrative costs not directly attributed to personnel.

Taxes

Tacoma Power is subject to a number of taxes and franchise fees. The largest two are the 7.5 percent Gross Earnings Tax (GET) paid to the City of Tacoma and the 3.873 percent State Public Utility Tax.

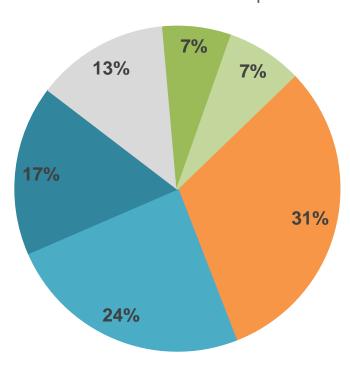
Debt Service

Capital projects are partially funded with bonds or notes, which will need to be repaid. These payments are referred to as debt service, which is discussed in the Credit, Debt, & Reserves subsection beginning on page 60.

% Expenses by Type (FY 2023)



- Personnel
- Other O&M
- Taxes
- Debt Service
- Revenue Funded Capital



2023 Total Expenses \$486,101,186*

Does not include certain expense accruals, depreciation, and amortization that are part of the Audited Tacoma Power Financial Statements.



Credit Debt & Reserves

Purchased Power and Renewable Energy Credits

Tacoma Power purchases a portion of the power needed to serve our customers through Power Purchase
Agreements (PPAs). Each agreement has different terms and conditions that determine the length of the agreement and the cost associated with it. The largest of these agreements is with Bonneville Power Administration (BPA) which expires in 2028. BPA has a formal rate case process every two years to determine the costs its customers will pay.

Another large portion of expenses in this category are transmission purchases. Tacoma Power has contracts that allow for the transfer of power through high-voltage transmission lines to serve Tacoma Power customers. These purchases also support our ability to buy and sell wholesale power from, and to, other utilities.

Similar to the PPAs, the transmission contracts have different terms and conditions, such as the length of the agreement and the associated costs.

Finally, Tacoma Power purchases Renewable Energy Credits (RECs) as a means of helping to comply with Washington State's Renewable Portfolio Standard and supporting the development of new renewables, such as wind or solar power, in the region. Tacoma Power is required to supply 15 percent of its load from qualified renewable sources beginning in 2020. Our current compliance with this requirement is detailed on page 97.

Overview of Tacoma Power's power purchase agreements

Power Purchase and REC Expense Components	% of Expenses in 2023
BPA Contract Purchases	70.5%
Other Contract Purchases	1.3%
Portfolio Purchases	9.3%
Transmission	17.0%
Renewable Energy Credits	2.0%
2023 Purchased Power and REC Expenses	\$151,574,800

Credit
Debt & Reserves

Personnel Expenses

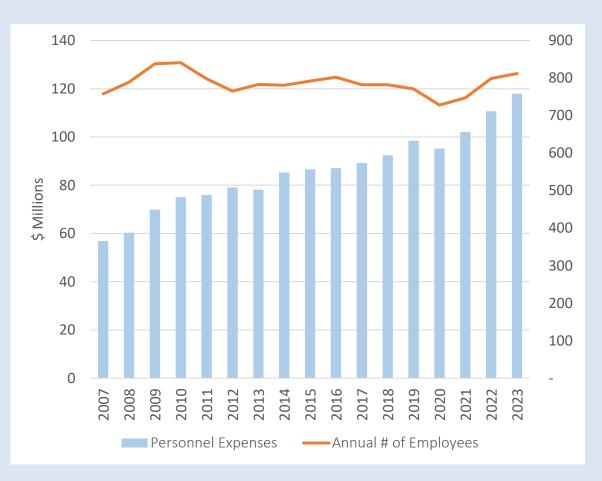
With approximately 188,000 customers across more than 180 square miles of service area, Tacoma Power requires a significant investment in staff and resources to make sure our customers will have low-cost, reliable electric services for years to come.

Currently we have approximately 802 employees. The number of full-time staff positions changes depending on the needs of the utility. In a given year, plans to complete specific projects (or even the priority of those projects) can change from previous years. Needs may even change depending on the season of the year. For example, we hire several temporary workers in the summer months to help operate our park facilities.

In this LRFP, we have forecast personnel expenses using the last five years as a proxy for future trends. This includes more than just salary. We also consider such things as increasing medical and benefit expenses, changing labor contract requirements, as well as anticipated wage increases for employees.

Annual Personnel Expenses

2023 Personnel Expenses: \$117,939,506



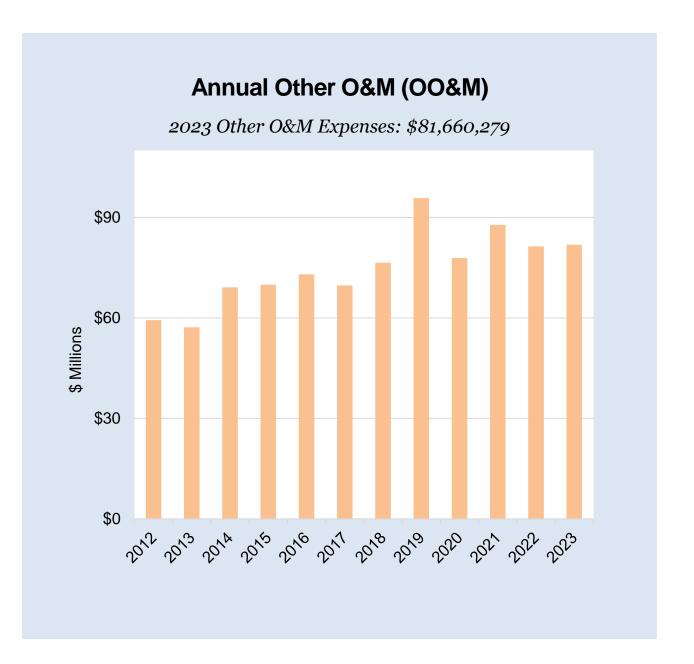
Operations & Maintenance Expenses

Operations & Maintenance (O&M)

Operations & Maintenance expenses (O&M) reflect dayto-day activities and costs necessary to run the business. Costs include items such as supplies, training, travel, external contract services, and labor not related to a capital project. O&M budgeting is made up of two categories: Personnel and Other O&M (OO&M).

Other O&M (OO&M)

OO&M varies from year-to-year and is influenced by the type of projects we pursue. Some projects rely heavily on the assistance of outside organizations while others can be accomplished with current staff. Some projects are considered capital projects, funded by issuing bonds that are paid back with future dollars. Other projects rely solely on OO&M expenses to be completed using current funds, or cash. The increase in OO&M in 2019 was largely due to the higher purchased power costs resulting from the near-critical water year.



Expense Assumptions Revenue Assumptions Credit
Debt & Reserves

Taxes

Yes, we have to pay taxes also. There are two primary taxes Tacoma Power pays. The first is called Gross Earnings Tax (GET) and the current rate is 7.5 percent of the utility's gross earnings. We pay this tax to the City of Tacoma, and it is approximately \$40 million per year. The amount changes up or down depending on how much revenue Tacoma Power earns each year.

The GET is an important source of revenue for the City of Tacoma to help the City maintain infrastructure and provide services critical to the quality of life, health, and safety of its

residents. A ten-year increase of 1.5 percent above the state maximum 6 percent was approved by voters effective in 2016. That additional 1.5 percent will help the City of Tacoma to make needed street repairs around the City.

Secondly, Tacoma Power is subject to a State Public Utility Tax of 3.873 percent. This is approximately \$18 million per year.

Since our customers pay 100 percent of our costs, taxes are also a part of the rates we charge.



Capital Expenses



Capital Expenses are a large part of the annual budget.

Construction projects are capitalized (recorded as an asset on our balance sheet) when we place that asset in service. These assets have a defined benefit in future years and depreciate over time. For example, when a new power pole is placed in service, it is expected to be there for 40 years or more. When the asset is capitalized, the benefits are spread out over the 40-year life of that asset. Tacoma Power has over \$1 billion in assets and having been around since 1893, we have quite a few aging assets that must be repaired or replaced. A few years ago, Tacoma Power began implementation of an Asset Management Program to help optimize the replacement of capital assets.

Capital Expenses include:

Buildings

Technology

Infrastructure



Credit
Debt & Reserves

Capital Expenses for 2025-2026 Biennium

	Proje
There are over 80 projects in our portfolio of capital improvements for the 2025-2026 biennium. This is typically referred to as our Capital Improvement Program (CIP) .	Add Rep
Current projects in the program include:	Infra
Hydro Facility Upgrades & Replacements	Syst Upg
Fleet Replacement	
Facility Improvements	Faci Imp
Transmission & Distribution Infrastructure Replacements	Tech Proj
Automated Distributions Management System Upgrade	1 10,
Technology Upgrades	Reg Proj
The following table provides an overview of all of	
the projects submitted for the 2025-2026 biennium.	Total

Project Type	Estimated Cost*	Project Focus Description
Additions and Replacements	\$115,643,000	Ongoing replacement of infrastructure necessary for the operation of the power system.
Infrastructure & System Reliability Upgrades	\$38,471,000	Hydro facility and equipment maintenance or replacement to prevent asset failure and meet current needs. Upgrade and redesign of distribution and transmission systems, and substation facilities.
Facility & Other Improvements	\$26,866,000	Facility improvements, fleet replacements, service division projects, and miscellaneous or unanticipated capital spending
Technology Projects	\$23,170,000	Upgrade of existing technology tools and platforms, and development and installation of new technology systems
Regulatory Projects	\$18,292,000	Federal & State mandates including FERC, NERC/WECC and I-937. Projects include energy conservation programs, compliance with environmental regulations, and FERC required construction and improvements related to natural resources and our hydroelectric dams.
Total	\$222,442,000	

 $^{^*}$ Projections as of July 31, 2024



Credit Debt & Reserves

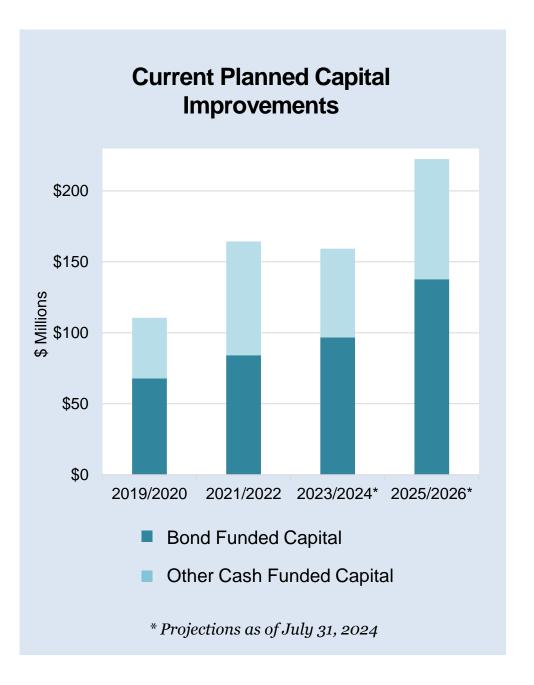
Planning for Capital Expenses

Rebuilding Tacoma Power's hydroelectric generators are a good example of capital projects in the next biennium. Our generators are critical to providing reliable energy to our customers, so rebuilding them can extend their service life as well as increase their generation capacity. A programmatic approach to rehabilitating our generator units is important to avoid overlapping failures and constraints in providing energy to meet our customer's needs.

A portion of our capital assets are in a special class referred to as Additions and Replacements (A&R). These include projects necessary for the ongoing upkeep and maintenance of existing assets. An example of an A&R would be to replace a power pole that has reached the end of its life.

Most major projects are funded with long-term bonds, while assets with a shorter life, or recurring additions and replacements, are typically funded with revenue from Tacoma Power's cash fund. The graph to the right shows our current projections for capital expenses in the future. See page 65 for more detail on how we make this determination.

Each year, we forecast our tenyear capital plan by analyzing current and future projects that we're likely to pursue. The actual capital budget in each biennium is reviewed and projects are ranked by priority through the work of a <u>Capital Steering</u> <u>Committee</u> (CSC). The CSC meets regularly to review progress on capital projects and discuss new capital projects.





Credit Debt & Reserves

Tacoma Power Revenue Sources

Retail Rates

The vast majority of Tacoma Power's revenue comes from the retail rates charged to customers for electricity. The actual rate varies by customer class in accordance with how the class as a whole uses the electric system. Revisions and updates to rates and customer classes are approved by the Public Utility Board and Tacoma City Council.

Other Revenues

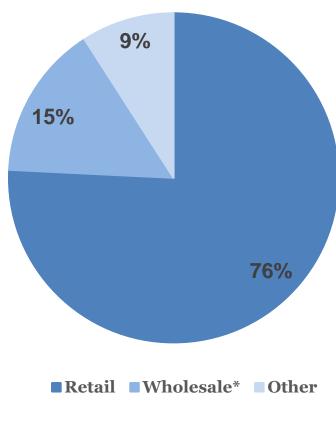
Revenue received from all other Tacoma Power operations includes such things as parks and camping fees, service fees, electric property rental fees, and wholesale transmission sales.

Wholesale Revenue

We also generate revenue by selling surplus energy into the wholesale electric market. The amount we receive for these sales depends upon the time and quantity of energy sold as well as the market price of electricity. Similar to how the price of other commodities like natural gas, oil, or gold move up and down, the price for electricity changes constantly.

These variations can result in significant differences in the amount of wholesale revenue received each year. We explain some of the things that affect the market price for electricity in <u>Risk Factors</u>, <u>Section 7</u>.

% Revenue by Source* (FY 2023)



2023 Total Revenue \$540,820,156

^{*} Does not include certain revenue accruals, deductions, or customer grant assistance that are part of the Audited Tacoma Power Financial Statements.



Credit
Debt & Reserves

Retail Customer Classes

Different Customers Need Different Types of Services

Tacoma Power is a "cost of service" utility, which means that we charge our customers for what is needed to maintain, operate, and deliver electric services to where our customers need them. Staff performs a Cost of Service Analysis to determine the appropriate portion of revenue to recover from each customer class based on the types of services and infrastructure needed to deliver power to them.

Approximately seventy-five percent of our revenue comes from retail sales, which consist of several different customer classes. These classes allow for a general allocation of the appropriate costs based on the different service needs of each customer type. For example, the electric services needed to operate a traffic light are very different than the needs of Joint Base Lewis-McChord or a residential customer. Another example is how our industrial customers do not use the distribution portion of our electric system so their rates do not include the costs to operate and maintain this portion of our system. Each customer rate class has different rate structures and methods to calculate the monthly bill.

% Retail Revenue	% Customers	% Energy Consumed
50.0%	88.8%	42.3%
7.9%	9.4%	7.0%
29.2%	1.3%	31.7%
6.6%	0%	10.2%
4.8%	0%	7.8%
0.8%	0%	0.9%
0.7%	0.5%	0.1%
	50.0% 7.9% 29.2% 6.6% 4.8% 0.8%	50.0% 88.8% 7.9% 9.4% 29.2% 1.3% 6.6% 0% 4.8% 0% 0.8% 0%

2023 Total Retail Sales \$409,813,805

This table illustrates the percentage of total retail revenue contributed, percentage of total customers, and percentage of energy consumed by each customer class in 2023.

Credit
Debt & Reserves

Forecasting Retail Growth

In order to forecast future revenue, we produce an annual load forecast. "Load" is a term used to represent the amount of power consumed by our customers. You can see from the chart that the latest forecast is projecting declining consumption.

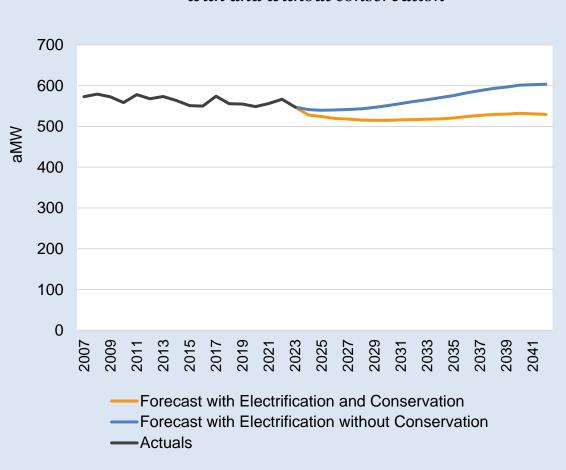
The blue line in the chart reflects our retail load forecast with electrification assumptions before accounting for future expected conservation measures. The orange line represents our current forecast accounting for electrification and anticipated conservation investments we expect to make. The black line reflects the actual load we have seen in the past.

In total, Tacoma Power's system average load is projected to decline in the next few years, accounting for conservation ,building codes and standards, and electrification adoption. In the long-term, the inclusion of possible new loads entering the service area and an increase in load from electrification adoption (e.g. if our customers adopt electric heating or electric vehicle ownership) offsets the decline in conservation and energy efficiency. We use this forecast for the base case analysis described in the next section. When total system load is declining, it can put upward pressure on rates due to the large portion of fixed costs a utility company bears.

Several factors could change the current trajectory, such as the overall economic conditions of the area, the availability of incentives for developing industries, increased adoption of electrification, or the addition of new large loads to our service territory.

2024 Retail Consumer Load Forecast

2024 Load Forecast with Electrification with and without conservation





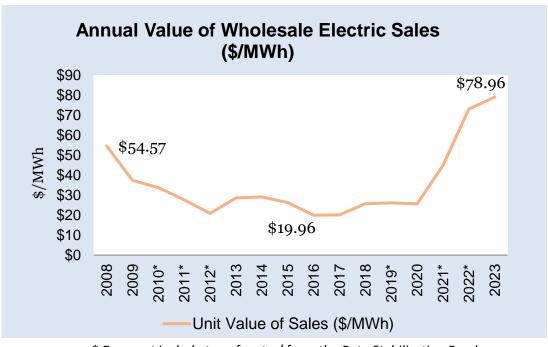
Credit Debt & Reserves

Reducing Rate Increases with Wholesale Revenue

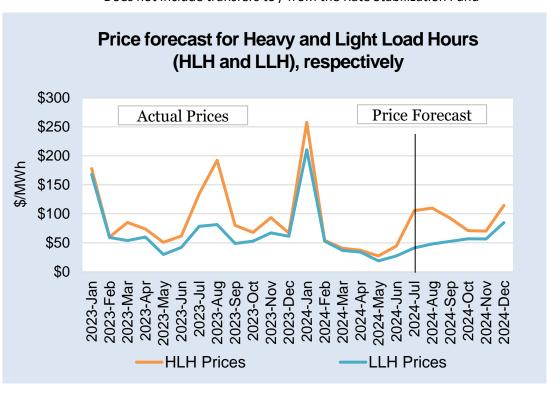
Sometimes we have an opportunity to sell surplus electricity in the wholesale electric market. We can have surplus for many reasons, including greater than normal rainfall in a given year. This allows us to generate more power than our retail customers need, creating a "surplus" of power. We then sell this surplus power to other electric companies, or market participants, at the current market price for wholesale power.

The potential value here is dependent on two factors that are out of our control: how much surplus electricity we have, and the price the market is willing to pay for that electricity. That makes forecasting our wholesale revenue a challenge. The illustration shown here provides a representative price forecast for Heavy and Light Load Hours, which is how wholesale energy is often sold. We do have a hedging strategy in place to help manage these risks described on the next page.

We use the revenue from these surplus sales to offset future rate increases. This is one of the many ways we work to keep retail rates lower than they otherwise would be for our customers. In 2009 through 2012, the value of our wholesale sales declined significantly, shown in the top graph. This decrease was primarily due to the declining average value for each MWh sold. This price decline has come from factors such as the growth in new renewable resources including wind and solar, in addition to lower natural gas prices. Reasons for this decline are further explained in Section 7. Fortunately, due to the climbing market prices for wholesale electricity in recent years, our revenue from this source has been increasing to levels higher than we have historically experienced.



* Does not include transfers to / from the Rate Stabilization Fund





Credit
Debt & Reserves

Reducing Wholesale Revenue Volatility

As mentioned previously, we sell surplus electricity in the wholesale electric market and use this additional revenue to help reduce retail rates for our customers. To improve the predictability of our wholesale revenues, it is important to reduce the variability of the amount of power we sell into the wholesale market. We have created an Energy Risk Management program to help stabilize the financial impacts from transacting in the wholesale energy markets.

Our Energy Risk Management program is primarily focused on reducing market price risk, hydro supply risk, load risk, contract and credit risk, and regulatory risk explained further in <u>Section 7</u>. This program involves buying or selling a fixed amount of electricity at a given price over a certain time interval in the future. This locks in the price and quantity of power, also known as a hedge. Hedging transactions help mitigate exposure to the inherent price and volumetric risk of transacting in the wholesale energy market. The core elements of the Energy Risk Management program are shown below.

Identify & Quantify Risks



Establish Risk Tolerance & Policies



Establish Hedging Program & Metrics



Implement Controls & Processes



Monitor Risks & Reporting

Energy Risk
Management uses
various analytical
techniques and tools
to measure and
quantify risks. These
analytical tools help
us make decisions
when managing
Tacoma's power
supply portfolio.

Energy Risk
Management policies
and procedures
articulate the risk
tolerance of Tacoma
Power, identify roles and
responsibilities, and
outline the decisionmaking process and
authority for individuals
to carry out transactions
and business activities.

Tacoma's main strategy for managing and mitigating wholesale revenue risks is the hedging program. This involves forecasting the amount of electricity needed in the future and entering into contracts to ensure we have sufficient supply of electricity to meet demand. Hedging also stabilizes revenues when selling surplus power.

Energy Risk
Management has
developed and
implemented business
processes that provide
independent oversight
of the execution of
wholesale trading
activities.

Energy Risk
Management staff
has systematic
processes for
monitoring and
reporting risks
through daily,
weekly and monthly
credit and market
activity reports.



Credit Debt & Reserves

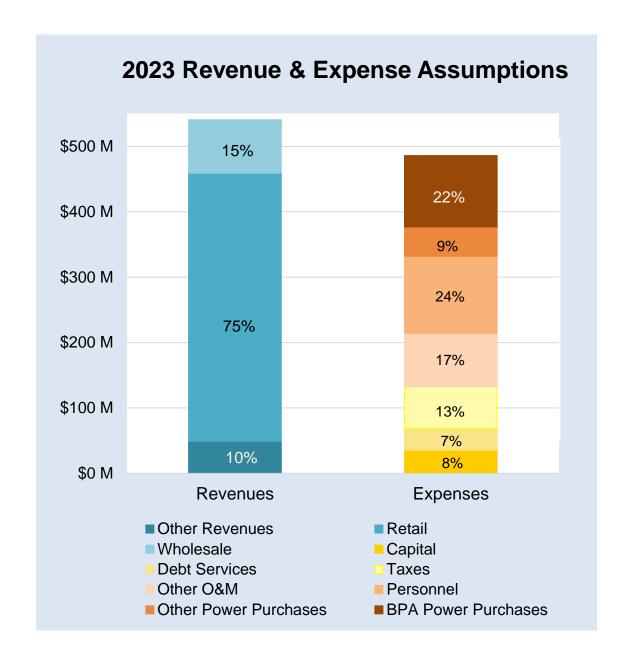
Bringing it All Together

This slide brings together all of the components explained in the background section into a side-by-side comparison. Revenues in 2023 were \$540.8 million and expenses were \$486.1 million.

We always plan to collect more revenue than Operations and Maintenance expenses. We need positive net revenue to pay debt service and taxes, and to fund a portion of our capital expenses. For example, we used some of our accumulated cash reserves for the defeasance described on page 77. These actions allow the utility to make the rate increase lower for customers than it otherwise would be in future years.

It is a balancing act to keep the right amount of cash available to manage the operations of the utility and hold sufficient reserves to mitigate the many risks associated with our business, while still aiming to keep rates low for customers. This is something we are always actively managing.

We use a financial model to analyze each component, compare assumptions, and determine a range of possible different financial outcomes. The model projects cash flows and other critical financial metrics over a 10-year time horizon. We can update the model to examine changes, test assumptions, or run scenarios that may impact the utility.





Credit
Debt & Reserves

Credit, Debt, & Reserves

Tacoma Power Credit Rating

Recall from page 45, that Tacoma Power is rated by three different rating agencies. Moody's Investors Service is one of the rating agencies that have published their methodology for analyzing utilities like Tacoma Power. Understanding their methodology helps interpret the rating agency process and align financial metrics with the agency's rating scale.

The items in the table to the right comprise the financial strength portion of Moody's rating. The financial strength components constitute a 30 percent weight toward the final rating for a rated public power utility with generation.

For more detail on how we set targets in these areas and manage to them, see the discussion of days liquidity and debt service coverage ratio in the Financing Plan section.

	Aaa	Aa	Α
Adjusted Days Liquidity	≥ 250 Days	249 to 150 Days	149 to 90 Days
Adjusted Debt Service Coverage Ratio	≥ 2.5 x	2.49 x to ≥ 2.0 x	1.99 x to ≥ 1.5 x
Debt Ratio	< 25%	25% to < 50%	50% to < 75%

Adjusted Days Liquidity: Ratio of Current Days Cash on Hand and the ability to cover expenses with cash.

Debt Service Coverage Ratio: Ratio of cash flow available to pay debt service, relative to the annual debt service owed.

Debt Ratio: Ratio of total debt outstanding as a percentage of total Assets.

Tacoma Power	2016	2017	2018	2019	2020	2021	2022	2023
Days Liquidity	236	210	205	157	235	238	335	412
Debt Service Coverage Ratio	2.31 x	2.82 x	3.06 x	1.30 x ¹	3.33 x	2.46 x ²	2.35 x ³	3.82x
Debt Ratio	26%	29%	28%	28%	25%	32%	29%	33%

- 1. Includes \$10 million use of the Rate Stabilization Fund. The DSCR would have been 0.92X without the additional \$10 million in revenue.
- 2. Includes \$25 million transfer to the Rate Stabilization Fund. The DSCR would have been 3.39X with the additional \$25 million in revenue.
- . Includes \$95 million transfer to the Rate Stabilization Fund. The DSCR would have been 5.46X with the additional \$95 million in revenue.

To Cash Fund or to Bond Fund?

We typically fund capital projects using either the money we borrow from issuing bonds or from revenue collected through retail rates and wholesale sales. Our Electric Rate and Financial Policy states that, "Under normal circumstances, major capital projects will be financed primarily with debt and fifty percent of all other capital requirements will be financed through rate revenues." We make a determination at the start of each biennium about approximately how much of our capital budget should be funded with bonds or cash. However, we also look at actual spending and financial performance during the biennium and make adjustments as required.

Many of the assets Tacoma Power owns have long useful lives and we typically try to fund those assets with bond funds to facilitate equitable cost allocation. If an asset is anticipated to be used for 30 years, we expect that customers 30 years from now should share in paying for the benefits that the asset provides. Funding our long-term assets with bonds allow us to align the life of the assets with our payment of them.

Assets with a shorter life are often funded with revenue. However, it is a balancing act because as more debt is used to pay for assets, debt service expenses increase and put stress on future power rates.

Funding Guidelines

Major projects:

100 percent bond funded

Remaining projects:

50 percent bond funded & 50 percent revenue funded

The table below shows how actual capital spending has been funded. We have generally followed the guidelines in our Electric Rate and Financial Policy. However, there are times when we have used more revenue to pay for capital expenses.

Historical Cash and Bond Funding Ratios

	Revenue Funded Capital	Bond/Debt Funded Capital	Total Capital
2015-2016	31%	69%	\$159,437,900
2017-2018	40%	60%	\$143,057,300
2019-2020	10%	90%	\$108,877,800
2021-2022	36%	64%	\$150,468,109
2023-2024*	39%	61%	\$174,683,725
Average Funding	31%	69%	

^{*} Projections as of July 31, 2024



Credit
Debt & Reserves

Debt Repayment Schedule

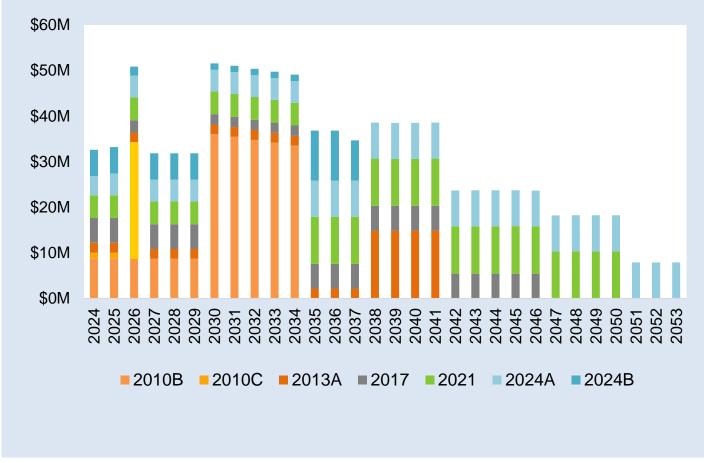
You'll probably notice that this chart isn't quite as flat as a 30-year mortgage. We'll discuss those spikes in the next few pages and again in Section 5: Funding the Plan.

We sell bonds to investors to help fund capital expenditures. You'll notice in the chart that there are A's, B's, and C's after the year the bond was issued. This means that when we issued the bonds we sold them in different tranches, which means separate portions with different terms, conditions, and purposes.

When we make payments on our bonds, we pay a principal payment and an interest payment. These payments are due on January 1 and July 1 each year. The chart shows the combined annual principal and interest payments by bond. Closely managing the timing and payments of this portfolio helps maintain our financial strength.

Debt Service Overview

This chart shows the combined principal and interest payments due by Bond and arranged by year*.



^{*} Debt Portfolio shown on an <u>accrual</u> basis. The combined principal and interest payments due in the chart do not include subordinate bonds or notes, including payments under the Note Purchase Agreement.



Credit
Debt & Reserves

Leveraging Short-term Debt

When did we start taking on shortterm debt?

It was part of a plan to diversify and reduce overall debt. In 2015 we implemented two short-term variable rate Note Purchase Agreements (NPAs) to provide up-front interim financing for capital projects and additional liquidity, if needed. That plan included paying the remaining outstanding principal and interest payment on the 2005A Bonds and exercising an option to call the remaining 2005B Bonds. We used funds available in our reserve accounts to complete this process.

\$50 million NPA with KeyBank

In 2015 we issued a short-term (3-year), \$25 million line of credit (LOC) with KeyBank to serve as an additional source of liquidity. Tacoma Power never made a draw on this LOC, which expired in May 2018. In May 2020, we issued a second short-term (2-year), \$100 million LOC with KeyBank to serve as additional liquidity should we need it during the Pandemic. This NPA was reduced to \$50 million on September 16, 2021.

\$150 million NPA with Wells Fargo

In 2015, we issued a short term (3-year) LOC from Wells Fargo in an amount of not to exceed \$100 million outstanding at any time. This agreement provides upfront interim financing for capital projects and defers the issuance of long-term bonds.

Tacoma Power drew \$80,250,000 under this line of credit in 2016 and used proceeds of long-term bonds issued in 2017 to pay \$80 million back to Wells Fargo, returning our balance to \$250,000 – the minimum account balance required.

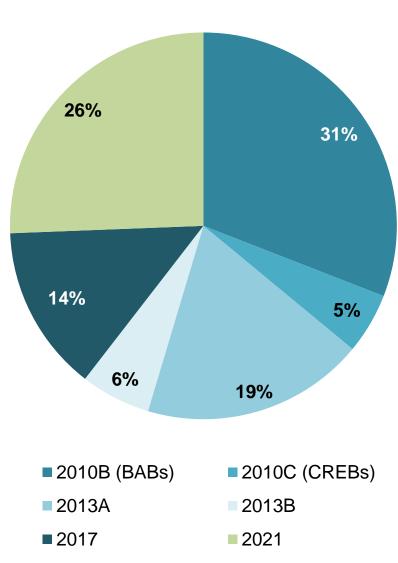
In December 2019, we extended this line of credit through 2021 and increased the principal value to \$150 million. In September of 2021, we issued \$145 million in bonds to pay off in full the 2015 line of credit. At the same time, we initiated a new line of credit with Wells Fargo to continue interim funding our capital spending through 2024. Through the use of the line of credit, we have been able to save our customers millions of dollars by not paying interest on borrowed money before we need to spend it.

How short-term debt compares with the long-term bonds

Debt Service Percentage of Total

as of December 31, 2023

Short-term debt





Credit
Debt & Reserves

Short-term Debt: Wells Fargo

Historically, we've used long-term bond proceeds to fund capital improvements, but that strategy can result in long periods before the funds are entirely spent. (Sometimes projects get delayed, or priorities change after selling bonds.)

That's not ideal because Tacoma Power pays bondholders' interest on the borrowed money. Although unspent funds earn a small amount of interest, it's often less than the interest expense we are paying on the bonds themselves.

To address this, we entered into a short-term Note Purchase Agreement (NPA), or funding arrangement, with Wells Fargo in 2015. After an RFP in 2021, we entered into a new NPA with Wells Fargo after repaying the amount outstanding on the 2015 NPA with proceeds from Tacoma Power's 2021 long-term Bond issue. The NPA gives us the opportunity to pay a low fixed-rate commitment fee on the unspent funds and a short-term variable-rate rate on the amounts we borrow. The combined rate of these fees is lower than the difference between the interest we previously earned on unspent bond funds and the interest we paid to bondholders.

Here's why that's a good strategy: Tacoma Power expects to spend somewhere between \$100 million and \$150 million on bond-funded <u>Capital Improvement</u> <u>Projects (CIP)</u> in each future biennia. When we've drawn the total amount we need for these projects using the Note Purchase Agreement, like a line of credit, we'll issue long-term bonds to reimburse the Agreement with Wells Fargo. The bonds have a fixed interest rate for the remaining life of those capital projects. After we pay down the NPA, we can use it again to fund the CIP approved for future biennia.

In other words, this Agreement helps keep us from paying unnecessary interest on funds we're not ready to use yet. To date, we estimate a savings of over **\$30 million** as a result of this Agreement.

Wells Fargo Note Purchase Agreement

Commitment Amount:

\$150,000,000

Drawn Amount:

\$80,000,000

Start Date:

October 1, 2021

Term:

Due October 1, 2024

Purpose:

Interim Financing of Capital

Projects

Our variable rate Note Purchase Agreement with Wells Fargo allows us to fund capital projects on an interim basis.



Credit
Debt & Reserves

Short-term Debt: KeyBank

This is another type of short-term debt, but different than the Wells Fargo Agreement. This facility is more of a "revolving credit" agreement, and Tacoma Power does not intend to draw funds from it, except when absolutely necessary.

So, why have it? Tacoma Power's financial liquidity increases and decreases throughout the normal course of business. In addition, we had increased uncertainty in 2020 regarding the impact of the global pandemic on the utility's revenues following a near-critical water year in 2019. To alleviate the uncertainty, Tacoma Power entered into this short-term liquidity agreement with KeyBank. We can draw on this line of credit at any time, should we need cash to pay for expenses to keep the utility running.

Even during normal times, seasonal and operational variability can affect the utility's liquidity and the ability to access cash. Liquidity challenges can end up costing us more money so this agreement is a little bit of extra insurance to make sure our cash balance does not go too low during an economic downturn. The agreement also allows us to keep our overall liquidity balance lower than we otherwise would need and we can use more of our cash to benefit our customers.

The KeyBank Agreement gives us this additional flexibility in exchange for a low fixed-rate interest fee on the unused portion of the line of credit. If we do use the agreement, we will pay a variable rate on the portion we borrowed, similar to the Wells Fargo Agreement.

In other words, this agreement gives us quick access to \$50M, similar to a personal line of credit, if we need it in an emergency.

KeyBank Revolving Credit Facility

Commitment Amount: \$50,000,000*

Drawn Amount:

\$0

Start Date:

May 21, 2020, extended on September 16, 2021

Term:

Due December 1, 2024

Purpose:

Operational Liquidity

Our Note Purchase Agreement with KeyBank allows us to better manage liquidity targets on an interim basis.

*Amended from \$100,000,000



Credit Debt & Reserves

Rate Stabilization Fund Reserves

The Rate Stabilization Fund (RSF) provides Tacoma Power with additional flexibility to meet financial needs in times of uncertainty. The fund was created using surplus wholesale revenue in 2010 to help prevent the need for large rate changes due to the many risks in operating capital-intensive hydroelectric dams. Section 7 outlines some of these risks. The RSF represents surplus revenue from selling power in the wholesale market that we have set aside. Because this revenue has not been recognized on our financial statements in the year it is earned, we can recognize and use the revenue at a future date if the utility falls short in the revenue required to pay for expenses and maintain financial metrics.

Every year Tacoma Power evaluates the size of the fund to determine whether it should be increased or decreased. In 2019, the utility experienced critically low water conditions, which reduced the amount of energy that Tacoma Power could generate, reduced Tacoma Power revenues, increased purchased power expenses, and prompted a \$10 million draw from the RSF to meet minimum financial metric targets. In 2021 and 2022, Tacoma Power experienced very high wholesale prices and revenues, and deferred \$120 million in total of those revenues into the RSF. Tacoma Power may set aside more revenue in the RSF to improve financial flexibility in future years.

How Using the RSF Works

When we use the Rate Stabilization Fund, the following occurs during the calendar year:

- the utility's revenue will be reduced by the amount that is deposited in the Rate Stabilization Fund during a calendar year
- the utility's revenue will be increased by the amount that is withdrawn from the Rate Stabilization Fund during a calendar year.

Contributions to the RSF will delay the recognition of revenue until the year that we transfer the money out of the RSF. This decrease or increase in revenue also will decrease or increase the Debt Service Coverage Ratio metric for the year of the transfer. The balance of the RSF is always considered part of our total Days of Liquidity financial metrics calculation as listed in the next section. We manage financial metrics used by the rating agencies to determine our credit rating, which in turn helps determine the cost when issuing bonds and our rate recommendations.

The table below shows the revenue we have deposited or withdrawn from the RSF.



Credit Debt & Reserves

Bond Reserve Fund

When issuing bonds in previous years, Tacoma Power established a Bond Reserve Fund. The fund was created to pay for outstanding bond interest and principal payments in the event that the utility is unable to pay from revenues. The Bond Reserve Fund does not contribute to any of Tacoma Power's financial metrics discussed in the next section.

The fund may contain a combination of cash, investments, and <u>surety policies</u> (insurance). The size of the fund must remain sufficient to meet the Reserve Account requirements until Tacoma Power's 2010 and 2013 bonds are paid in full. The determination for the size is based on the lesser of the following two requirements:

- 1. The maximum annual debt service payment in the debt portfolio, or
- 2. 125 percent of average annual debt service payments in our debt portfolio.

Tacoma Power's Bond Reserve Fund is covered by an existing surety policy through Assured Guaranty which will remain in effect until the 2010 and 2013 bonds are no longer outstanding. Beginning in 2017, Tacoma Power has been able to issue bonds without a reserve fund requirement.



COMMITMENT TO EXTEND TERM OF MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

Issuer

City of Tacoma, Washington

Bonds:

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," and together with the 2010B Bonds, the "2010 Bonds"); Electric System Revenue and Refunding Bonds, Series 2013A (the "2013A Bonds") and Electric System Revenue Refunding Bonds, Series 2013B (the "2013B Bonds" and together with the 2013A Bonds, the "2013 Bonds") (the 2010 Bonds and the 2013 Bonds collectively, the "Bonds")

Premium

3.25% of the dollar amount of the original Policy Limit set forth in Municipal Bond Debt Service Reserve Insurance Policy No. 25433-R dated August 17, 1999 (the "Reserve

Policy")

Date of Commitment: November 1, 2019

Expiration Date: Tuesday, December 24, 2019

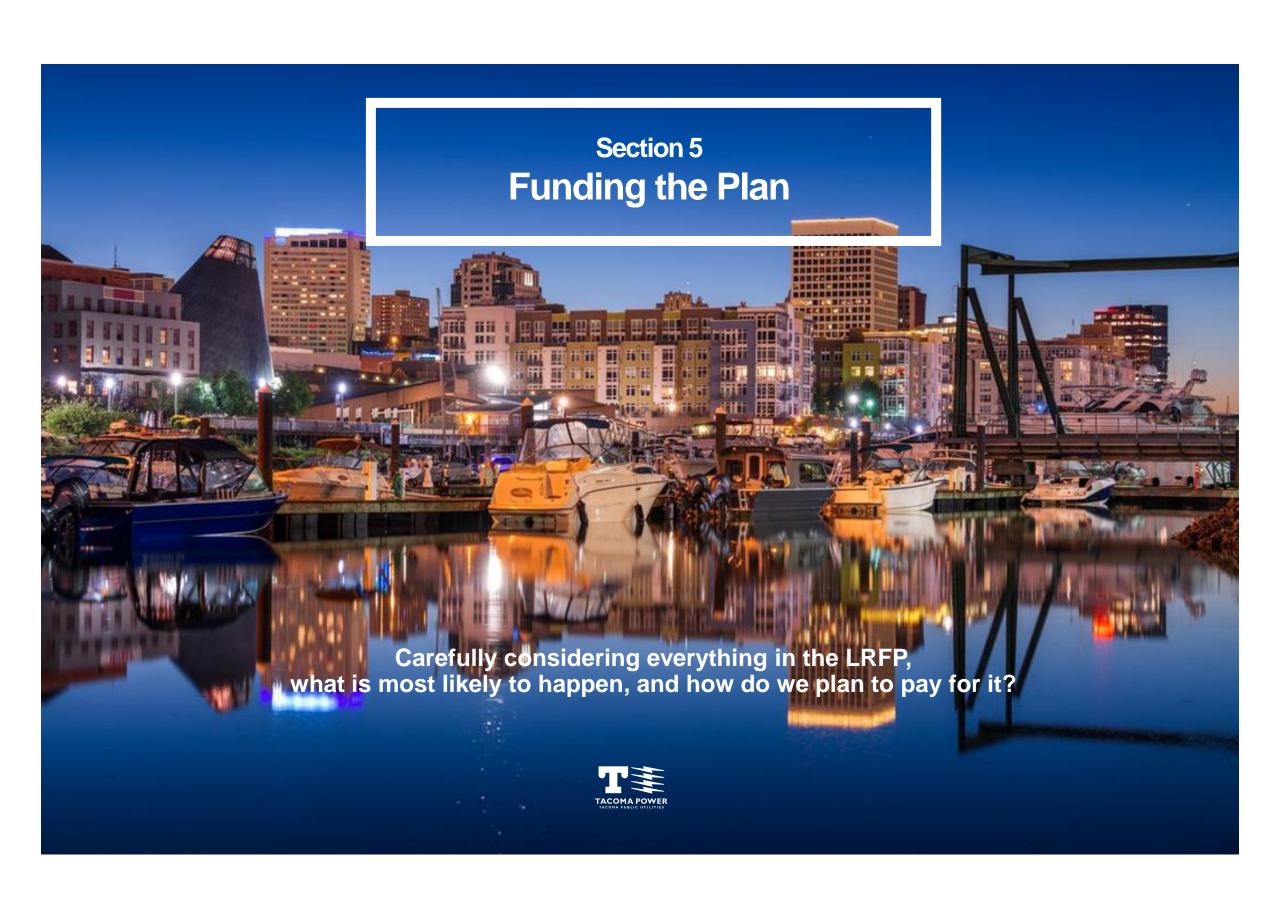
Policy Limit:

\$24,279,910, being the original Policy Limit set forth in the Reserve Policy

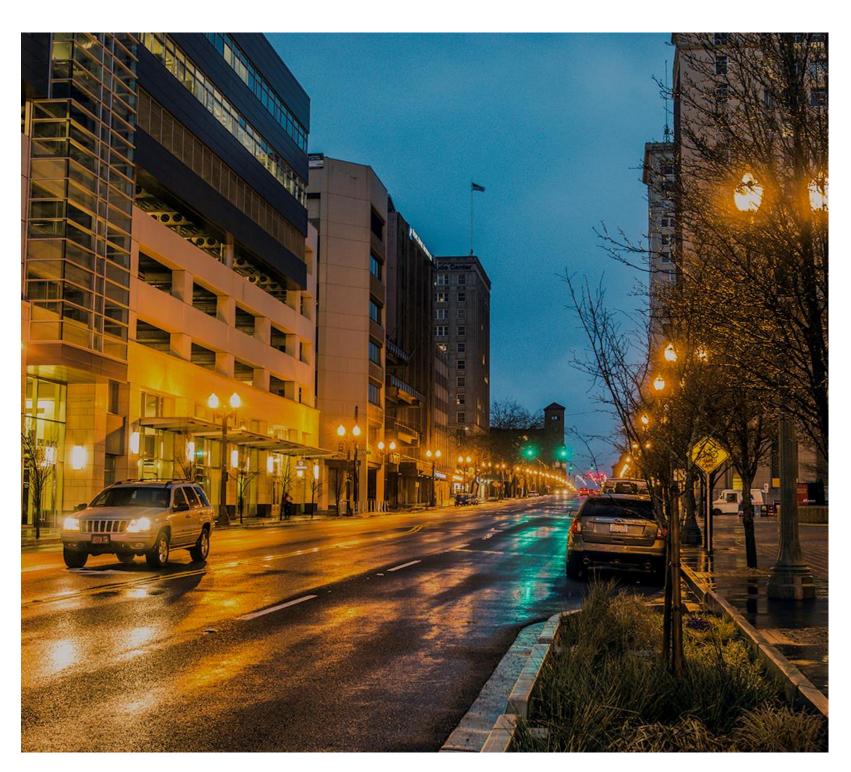
ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), a stock insurance company, hereby commits to issue an endorsement (the "Endorsement") to extend the term of its Municipal Bond Debt Service Reserve Insurance Policy No. 25433-R (the "Reserve Policy") heretofore issued on August 17, 1999 to (i) specify that the currently outstanding 2010 Bonds and 2013 Bonds (referenced above as the Bonds) shall be the "Bonds" as such term is defined and used in the Policy, and (ii) change the "Termination Date" of the Reserve Policy to the earlier of January 1, 2042 and the date the Bonds are no longer outstanding, all subject to the terms and conditions contained herein or added hereto.

All terms used herein and not otherwise defined shall have the meanings ascribed to them in the Outstanding Parity Bond Ordinances, as amended from time to time including by the Reserve Ordinance, setting forth the security for and authorizing the issuance of the 2010 Bonds and the 2013 Bonds.

To keep this Commitment in effect after the Expiration Date set forth above, a request for renewal must be submitted to AGM prior to such expiration date. AGM reserves the right to refuse wholly or in part to grant a renewal. To keep the Commitment in effect to the Expiration Date set forth above, AGM must receive a duplicate of this Commitment executed by an authorized officer of the Issuer by the date which is ten days from the date of this Commitment.



What is a Financing Plan?



A <u>financing plan</u> outlines steps to fund the most recently approved budget; maintaining and improving our financial strength.

Implementing a Financing Plan can lead to many important results, such as:

Increases or reductions to our total outstanding debt.

Changes to debt service payments, both timing and amounts.

Identification of future challenges, such as spikes in the debt repayment schedule that need to be addressed.

Ability to finance capital projects, both on an interim basis and through longterm bonds.

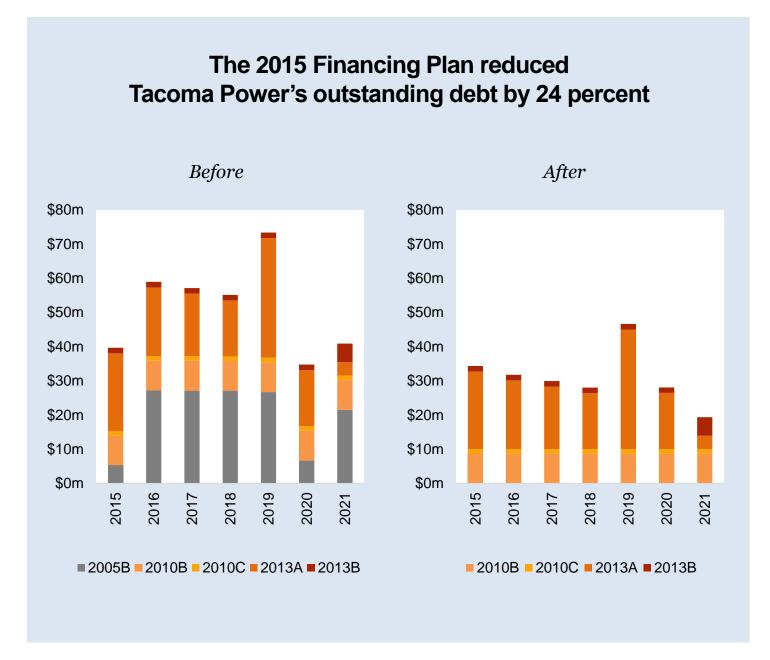
Access to low-cost financing of capital improvements.

The next few pages show how the financing plans can impact the utility.

Reducing Outstanding Debt

In the previous section on Credit, Debt, and Reserves (beginning on page 64), you will notice that our debt ratio decreased from 37 percent in 2014 to 29 percent in 2015. We called, or paid off, the outstanding \$122,135,000 2005B Bonds on July 1, 2015, using cash reserves, resulting in a 24 percent reduction in Tacoma Power debt.

The debt reduction improved Tacoma Power's financial metrics described on page 12 and reduced the size of future rate increases. It's an example of how Tacoma Power has used surplus revenue from wholesale power sales to benefit customers.



Spikes in the Debt Repayment Schedule

The chart below represents the annual total principal and interest Tacoma Power pays on its outstanding bonds. Each time we issue bonds, we have to repay the amount we borrowed from investors (principal) and pay interest the investor earns on the money they have lent us. These combined payments are also called debt service.

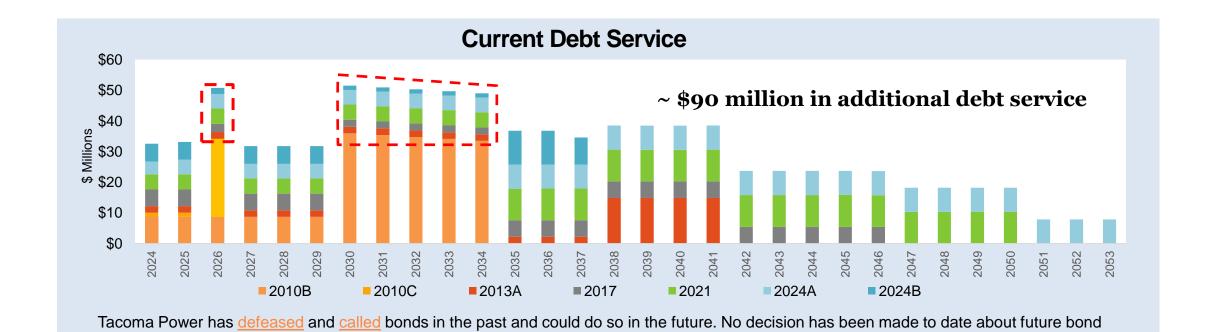
As you can see, there are debt service repayment "spikes" in 2026 and 2030 through 2034 related to the 2010 Bonds issued through federal government programs called Build America Bonds (2010B) and Clean Renewable Energy Bonds (2010C).

repayments or retirements.

Tacoma Power intends to address these spikes by defeasing debt service in future years. Our plans are summarized below and discussed in more detail on the following pages. We plan to:

- Pay off, or <u>defease</u>, approximately \$15 million of debt service expenses due in 2026.
- Pay off, or <u>defease</u>, approximately \$70 million in debt service expenses between 2030 and 2034.

This plan will levelize upcoming debt service payments, maintain financial metrics, and help keep rate increases small and stable. If we do not reduce our debt service in 2030 through 2034, we forecast over 6 percent annual system average rate increases to cover the utility's expenses.

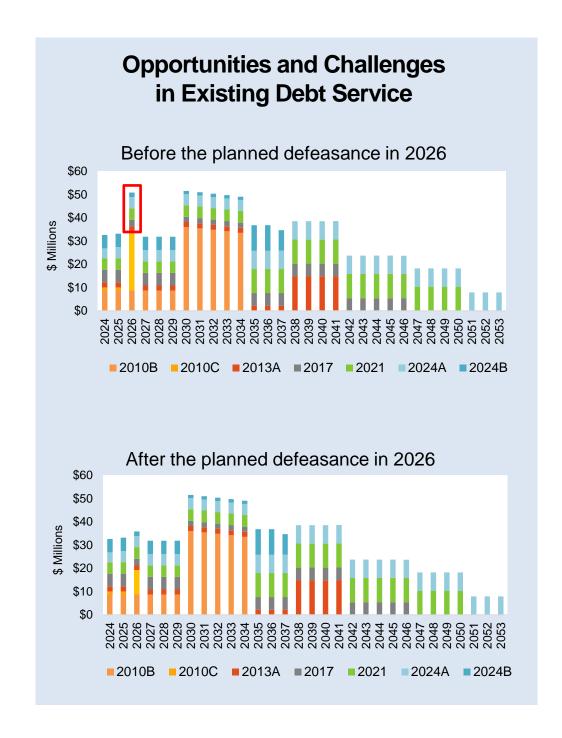


Smoothing out Future Debt Service by Defeasing Debt

The first spike in debt service highlighted in the top right chart is related to a large principal payment for the 2010C Bonds due on January 1, 2027, which we will accrue the payment for in 2026. The 2010C Bonds were used to fund capital improvements during the 2010-2011 biennium.

This large single-year principal payment in 2026, represented a notable challenge in our debt repayment schedule. We will need to significantly increase our revenue in that single year to maintain a reasonable debt service coverage ratio. In order to reduce this spike, Tacoma Power plans to seek approval from the Public Utility Board and City Council to set aside money early and defease approximately \$15 million in debt service payments. Defeasing bonds requires that Tacoma Power set aside U.S. Government securities in an escrow account in a bank sufficient to pay interest and principal on the bonds as they become due. This allows Tacoma Power to remove the debt amount that is being defeased from its financial obligations and metrics.

Tacoma Power has <u>defeased</u> and <u>called</u> bonds in the past and could do so in the future. No decision has been made to date about future bond repayments or retirements.

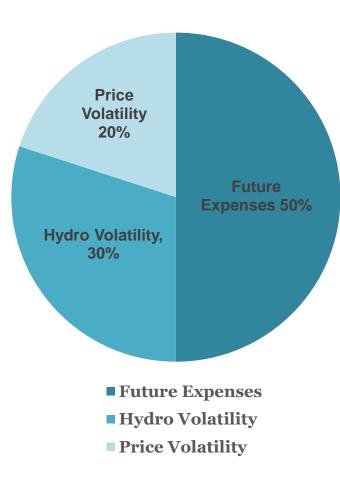


Using the Rate Stabilization Fund to Mitigate Future Financial Risks

There are several risks that can impact Tacoma Power's financial stability discussed in section 7, and part of the long-range financial planning process is to develop tools to mitigate the financial impact of those risks. Most risks will affect Tacoma Power's finances in one of two ways: the risk can reduce our revenues to a very low level or increase our expenses to a level that is unreasonably high. As previously mentioned, our wholesale revenues can be highly volatile due to the amount of water inflows into our hydro dams or due to a swing in prices that we can sell our surplus power for in the wholesale market. While we have adequate reserves to pay for our known expenses, there are also many uncertainties around our future expenses. Tacoma Power is situated in a seismic area and we may need to invest in future seismic improvements to our dams, which could be expensive.

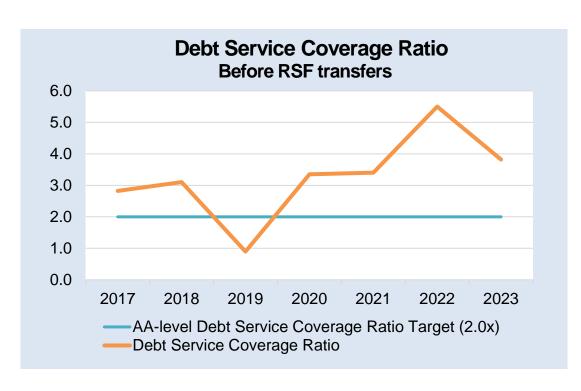
Tacoma Power mitigates financial risks by using a Rate Stabilization Fund (RSF). The fund was created in 2010 to prepare financially for the unknown and prevent the need for large rate changes outside of our normal rate setting processes. Currently our RSF holds \$158 million in surplus wholesale revenues to address the future risks of wholesale price volatility, volatility of inflows into our hydro dams, and the potential for increases in our future expenses. The percentages in the pie graph to the right, are estimates of how much of the Rate Stabilization Funds are set aside to address each of these risks.

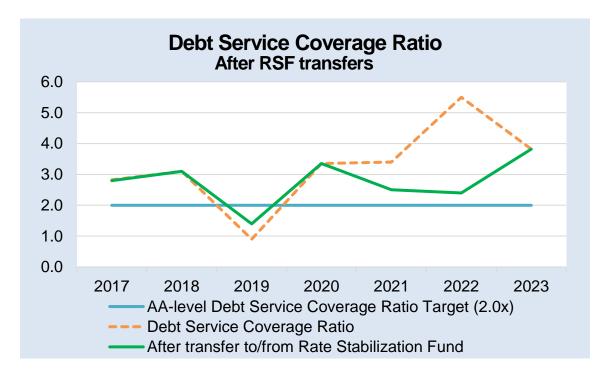
Since inception, this fund was a key contributor to improving our financial metrics in 2019 after the near-critical water year discussed on the next slide. We also took advantage of the high wholesale market prices and revenues by transferring \$25 million in 2021 and \$95 million in 2022 into the RSF, as shown below in the table and discussed further on the next page.



RATE STABILIZATION FUND BALANCES (YEAR-END)								
\$ IN MILLIONS	2010	2011	2012	2013 - 2018	2019	2021	2022	2023
+ADDITION / - WITHDRAWAL	+\$10 M	+\$26 M	+\$12 M	\$0	-\$10 M	+\$25 M	+\$95 M	\$0
BALANCE	\$10 M	\$36 M	\$48 M	\$48 M	\$38 M	\$63 M	\$158 M	\$158 M

Deferred Extra Wholesale Revenues in the Rate Stabilization Fund





Due to the volatility in weather and unpredictability of rainfall, we anticipate that we may need more revenue in future years to mitigate years where we generate low revenues or need to pay for higher expenses. Our Rate Stabilization Fund (RSF) discussed in the <u>Credit</u>, <u>Debt</u>, <u>& Reserves section</u>, can improve the utility's <u>debt service coverage</u> financial metrics, preserve our credit rating, and help keep the rates that we charge our customers reasonable over the long-run.

Tacoma Power needed to use its RSF for the first time in 2019 after the near-critical water year, which reduced wholesale revenues to levels that may impact our AA-level credit rating. The orange line in the graphs above shows our debt service coverage ratio before the application of \$10 million in RSF revenue in 2019. The green line illustrates how the additional revenue brought the ratio closer to the debt service financial metric target level, shown with the blue line.

Alternatively, the significant increase in wholesale revenues in 2021 and 2022 from high market prices and good water conditions resulted in financial metrics better than our targets for an AA-rated utility. This provided an opportunity to defer \$25 million in 2021 and \$95 million in 2022 of wholesale revenue by moving that revenue to our Rate Stabilization Fund so that we can apply those reserves at a later date.

We monitor the level of the RSF annually and may determine it is in Tacoma's best interest to make withdrawals or deposits in future years.

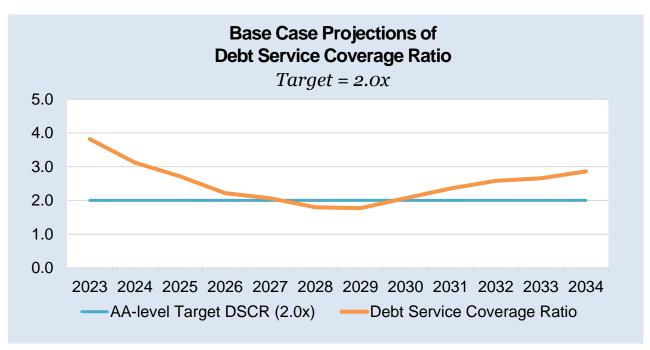
Debt Service Coverage and Days of Liquidity Projections

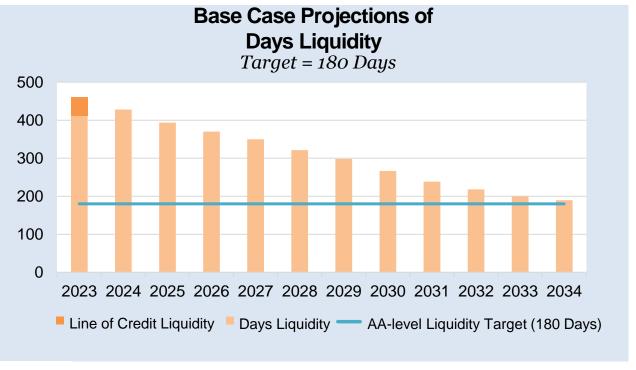
The base case projections in this LRFP assume we defease debt service in the spike years (as shown on page 77).

There are many factors that could impact our expected scenario, the financial metrics, and potential rate increases shown in the charts to the right. Section 7 describes many of the risk factors that we face, including, but not limited to:

- Load reductions
- Water conditions
- Power prices
- Spending differences compared to budget

The bottom chart shows liquidity growing and then declining as we accumulate and use RSF money to manage the debt spikes, all while staying above our target days of liquidity.





Structuring Future Debt Service

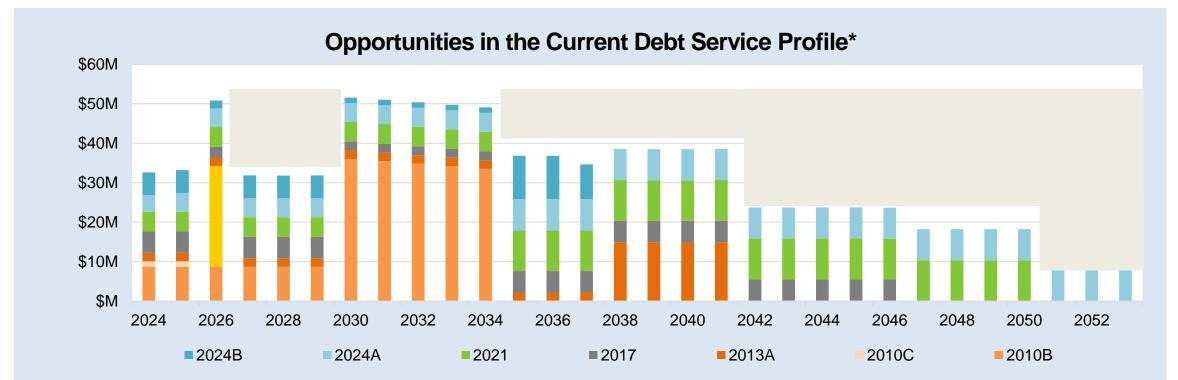
Our goal is to level out our debt service chart when issuing future bonds too.

The beige area on the chart represents the gaps we will aim to fill when we issue debt in future years. We will also be expanding this chart beyond 2053 as we add capital projects that have a useful life extending beyond the next 25 years. The placement of debt is a primary consideration when issuing future bonds and a key part of our strategic investment decisions.

The placement of debt is affected by interest rates:

- If interest rates on existing bonds are higher than current rates, then we may want to pay principal and interest sooner.
- If interest rates are lower when we issue bonds, it can be financially beneficial to push debt service payments out further.

Another assumption included in the LRFP is the issuance of new bonds to pay down our short-term line of credit agreement approximately every three years. The future issuance, refunding, restructuring, or retirement of all Tacoma Power bonds will require approval by our Public Utility Board and City Council.



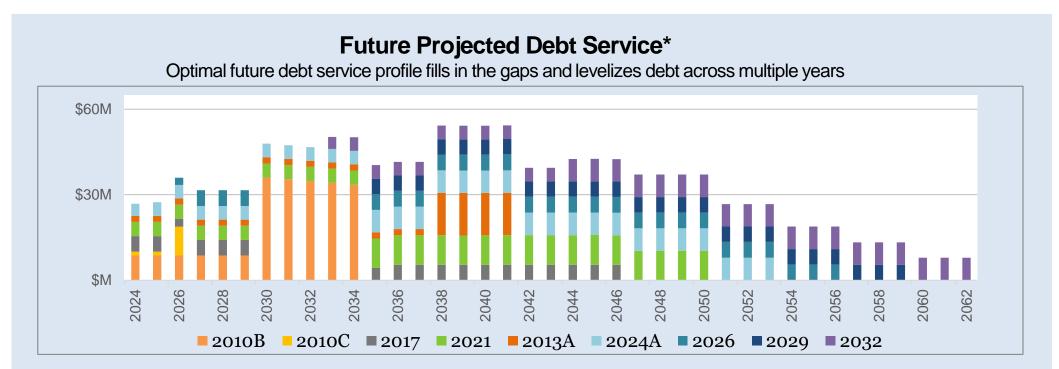
^{*} Not included in the graph is the debt service due on the short-term line of credit from Wells Fargo that is has been used to manage the initial spending on bond-funded capital projects. Tacoma Power has defeased and refunded bonds in the past and could do so in the future.

No decision has been made to date about future bond refundings, repayments or retirements.

Projected Debt Structure

In our base case scenario, the LRFP assumes the issuance of approximately \$100 million in long-term fixed-rate Bonds in 2026, 2029, and 2032 with payments that are spread over 30 years. These funds will repay spending on capital projects during the prior biennium.

The graph below illustrates the base case with potential future bond issuances that will refund spending on capital projects targeted in future biennia. The combination of the outstanding Bonds and projected future bond issues will be structured to keep future debt service level over time.



^{*}Projected debt service assumes the defeasance of approximately \$15 million annually of outstanding bonds in 2026 and 2030 – 2034. All future issuance of bonds, refunding bonds, or defeasances are preliminary and subject to Public Utility Board and City Council approval.

^{*} Not included in the graph is the debt service due on the short-term line of credit from Wells Fargo that has been used to manage the initial spending on bond-funded capital projects. Tacoma Power has defeased and refunded bonds in the past and could do so in the future. No decision has been made to date about future bond refundings, repayments, or retirements.



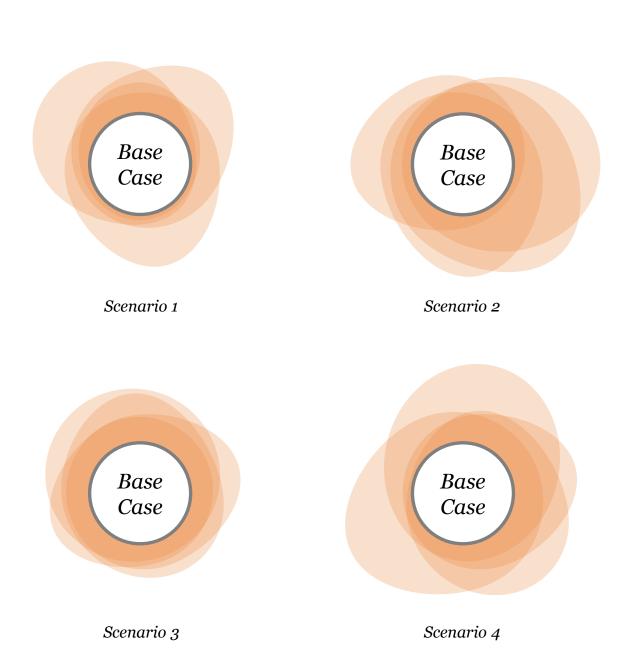
The Base Case

One of the purposes of the LRFP is to look at possible impacts of changes that may occur in the future. In order to do that successfully, we need a reference point for use in the comparison of scenarios. We call this the Base Case.

Think of it as the control group in a scientific experiment. In this document, we explore the impacts of adjusting different components of the plan (shown as <u>Scenarios</u>) to understand the resulting outcomes. In these scenarios, the Base Case is the thing that doesn't change and is therefore **the foundation of the Long-Range Financial Plan**. The pictures to the right are a simple illustration of how the base case is always at the core and numerous other factors change around it to produce different scenarios.

In this LRFP, the Base Case reflects the combination of Tacoma Power's financial performance through September 2023 and the background information you read about in the previous section.

The analysis of scenarios and risks described in the following sections get compared with the Base Case to provide a relative rate increase. This results from using projections for liquidity and debt service coverage to indicate what rate increases are needed to maintain financial targets.



Liquidity

In order to understand how managing financial metrics influences rate increases, it is important to explain the two metrics we use as guides. We have minimums that we must maintain to meet our bond covenants, but also have targets that are well above these minimums.

The first metric is <u>Days Liquidity</u>. This is an organization's ability to cover operating expenses over a period of time. Tacoma Power's target is to continually maintain enough liquidity to operate the utility for 180 days. This target helps us maintain AA-level financial metrics. Any forecast that tells us we'll miss this target is something we will want to fully understand and explore and could potentially lead to a rate adjustment.

Here's how we calculate liquidity:

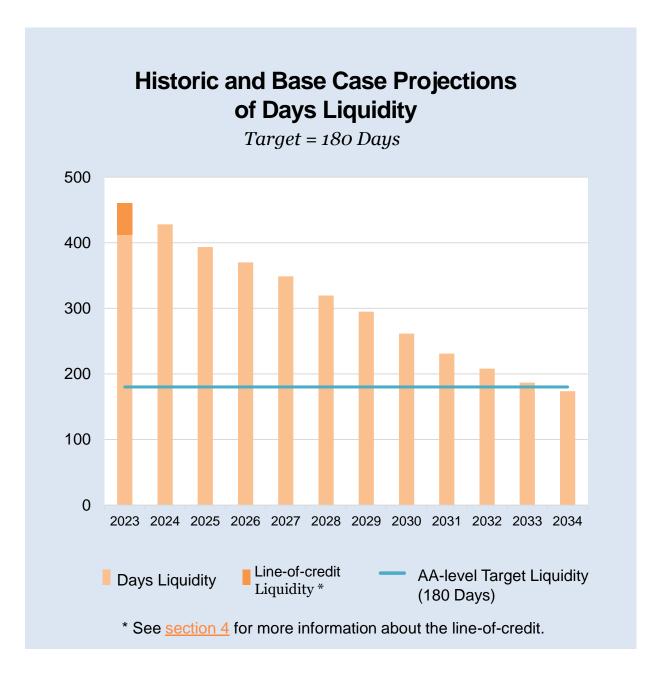
We add together all unrestricted cash and investments, including the Rate Stabilization Fund and acceptable Bank Lines

We multiply that number by 365 days

We then divide that total number by our annual operating expenses

That gives us the number of days of liquidity

As you can see from the chart, we are well above our target with the inclusion of the line-of-credit in the base case through the next several years. These values change as we look at different scenarios on the following pages.



Debt Service Coverage

Another primary driver for rate increases is Tacoma Power's <u>Debt Service Coverage Ratio</u> (DSCR), a measurement of our ability to repay annual debt obligations using Net Revenue. Net Revenue is simply the revenue we have left over after we pay operating expenses.

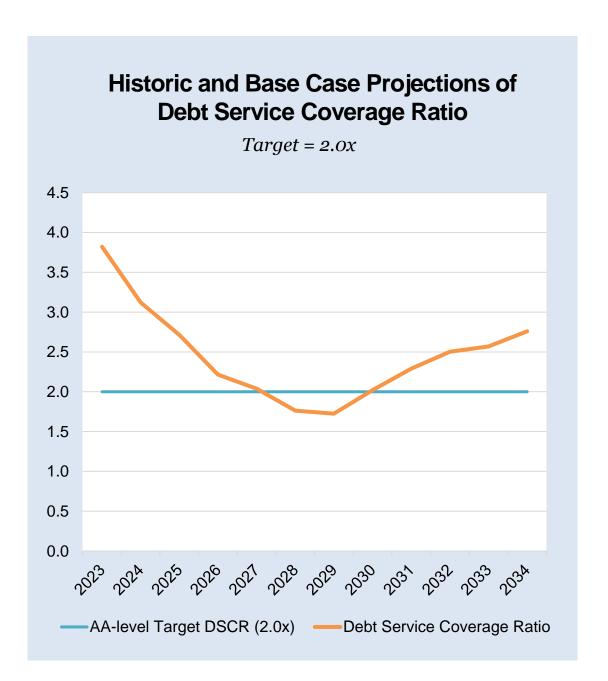
Debt Service Coverage is our ability to pay our debts after we've paid our other operating expenses. We have a contractual obligation to maintain Net Revenue at a level that equals 1.25 times (1.25x) our debt service payments but we target maintaining 2.0x to support our existing bond ratings. If a projection shows that we wouldn't be able to maintain a 2.0x coverage ratio effectively, we would likely recommend a rate increase.

Here's how we calculate debt service coverage:

We subtract our total expenses without debt service from our total revenue to determine Net Revenue before debt service

We divide that number by our debt service payments due in that year, on an accrual basis, to determine the ratio of Net Revenue to Debt Service

As you can see from the chart, we are above our target in most years with this metric in the <u>Base Case</u>. Just like the <u>Days Liquidity</u> metric, these values change as we look at different scenarios on the following pages.



Projecting Rate Increases

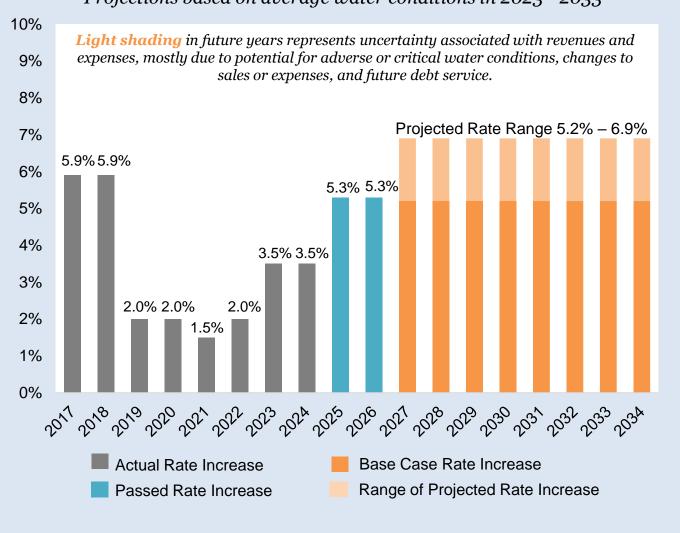
If we plug all the projections from the background section into the model and assume average water conditions, we derive the rate trajectory shown in order to maintain both Tacoma Power's target liquidity and <u>debt service coverage</u> in future years.

In <u>Section 8</u>, we are going to test the sensitivity of these projections by changing some of the inputs into the model. The projected rate increases will increase or decrease depending on the element changed, but the changes will always be compared with the Base Case rate increases shown here.

It is important to remember that these are only projections and have not been formally recommended or approved by our regulatory bodies. Something can happen today that significantly impacts these projections, but at the time that this LRFP was published, this was our best forecast for the future.

Historic & Base Case Projected Rate Increases

Projections based on average-water conditions in 2023 - 2033





Internal and External Risk Factors

Risk can have an adverse impact on our finances, so it is essential to understand both internal and external risk drivers. Even though some factors may be out of our control, we can still develop effective strategies to address, plan for, and mitigate the impacts.

In most cases, it is these risks that we use to vary the inputs of our financial model in order to analyze the potential range of outcomes under these circumstances.

We cannot list all the possible risks in this plan, but this summary should provide a good overview of the most significant ones. Additional risks, but not all risks, relevant to the utility are listed in our 2024 Official Statement which is available at:

MyTPU.org/tpwr-investorinfo

Risk factors can include: External Drivers

Weather & Climate
Wholesale Price Volatility
Demand Volatility
Economic Cycles
Regulatory Changes
Environmental Regulations
Customer Expectations

Internal Drivers

Compliance with Regulatory Mandates Supply Portfolio Technology Changes Aging Infrastructure Aging Workforce

In this chapter, we'll investigate:



Weather



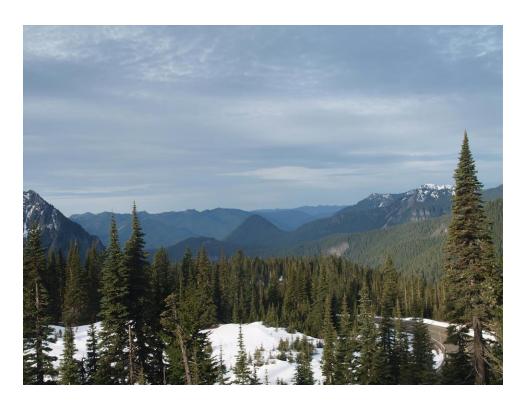
Policy & Regulatory Impacts



Power Market Changes



Economic Cycles



Mt. Rainier March 2015



* Photos used with permission from the US National Park Service.

Mt. Rainier March 2017

Weather

Weather is a big external risk factor, and one that is very challenging to predict.

Weather conditions significantly impact both how much electricity our customers demand and the price of electricity in the wholesale power market which influences revenue we earn. In extremely cold or hot weather, people naturally increase the use of heating and cooling systems, creating more demand for energy. This impacts the amount we sell or purchase in the wholesale market.

Weather also influences natural gas prices. As with electricity, the price of natural gas fluctuates with supply and demand. Because natural gas turbines are widely used to generate electricity, these generators are often the lowest cost resource in setting the electricity price in the wholesale electric market.

Since Tacoma Power must be prepared to meet our customers' needs during prolonged periods of extreme hot or cold, we also try to predict changes in power revenue and costs associated with varying weather patterns from one year to the next. That's no small task.

The pictures illustrate how different the snowpack can be from year to year.

Hydrology, by Overall Inflow

Hydrology relates to the study of the movement of water. We need to know a lot about hydrology because most of the electricity we provide to our customers relies on water.

Tacoma Power receives the majority of its power supply from hydroelectric generation.

The dams that store water used to generate electricity, in turn, rely on streamflow into the reservoirs behind the dam.

Streamflow is dependent on rainfall and snowpack, and this can vary significantly from year to year.

Yearly variations in snowpack lead to different amounts of runoff in the spring and early summer.

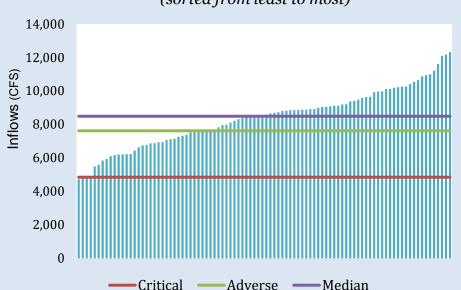
To help us predict the amount of power we can generate using hydroelectric power, we use a historical record to forecast the probability of future weather patterns. Some of these records date back to 1929.

The lowest line on our chart, called a Critical Water year, is determined by the amount of water that came into the reservoir during the lowest year on record. There is a very low probability that this will happen again, so we often use this as a lower bound for planning. In other words, if we can meet customer needs during a year with a "lowest-in-history" level of water inflows, then there is a good chance we can meet customer needs all year long.

Also, we use an <u>Adverse Water</u> year and an <u>Average Water</u> year as benchmarks for planning and forecasting our supply needs and our financial performance.

Total Tacoma System Inflows

Annual Average 1929–2023 (sorted from least to most)



Water Planning Standards for generation capacity

Critical: Inflows similar to lowest recorded historical year.

Adverse: Inflows similar to lowest 25 percent of recorded historical years. We expect this outcome to occur one out of every four years.

Average: Inflows similar to the average of all previously recorded historical water flow years. We expect this outcome to occur one out of every two years.

Hydrology, by Basin

On the previous page, we looked at hydrology risk on a system-wide basis and how Tacoma Power manages the variability across different planning standards.

We operate several different hydroelectric projects across Tacoma Power's electric system, including:

- Cowlitz
- Cushman
- Hood Street
- Nisqually
- Wynoochee

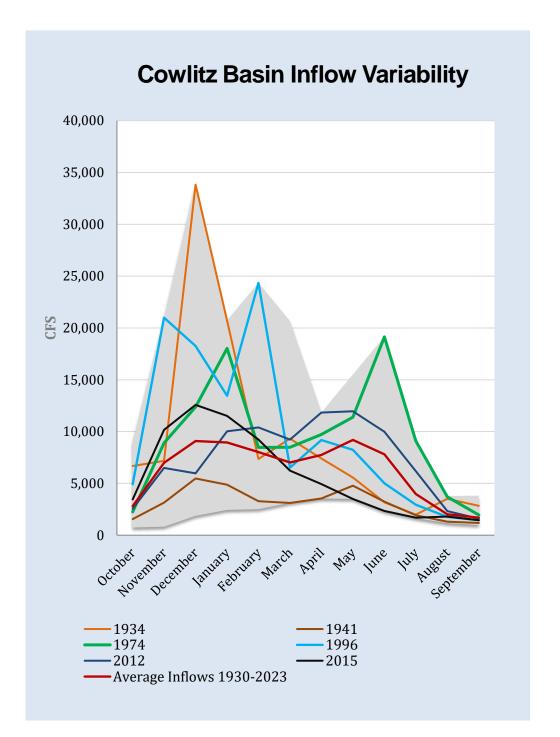
We also receive power through long-term power sales agreements with other entities, including:

- Bonneville Power Administration
- Grant County PUD
- Columbia Basin Hydropower

All of these projects can have significant variability of inflows from one project to another or from one season to the next, depending upon temperature, rainfall, and snowpack throughout the year.

The chart to the right illustrates the monthly variability of inflows into just one project: the utility's Cowlitz Basin (Mossyrock Dam). The red line illustrates the average inflows and the shaded grey area depicts the range of historical occurrences. Sometimes years like 2015 occur, where there were several drier than expected months, and the overall range in volatility is expanded.

This variability by project, along with licensing requirements, such as fish passage and recreation provisions, should give you an idea of the complexity involved with forecasting hydrology.



Policy & Regulatory Impacts

Regulatory changes occurring at the national, regional, state, or local level represent another risk factor. Tacoma Power actively advocates in forums at all government levels to proactively shape changes that may impact utility customers, finances, or operations.

There are many enacted policies below that have a significant impact on Tacoma Power.

2006: Energy Independence Act (Initiative 937)

The adoption of the Energy Independence Act or Washington Ballot Initiative-937 passed in 2006, is an example of a regulatory change that has impacted the utility. Among other things, the Act requires that power utilities obtain a portion of its customer's electricity needs from qualifying renewable sources. The requirement escalates in incremental steps, requiring 3 percent, 9 percent, and 15 percent by 2012, 2016, and 2020, respectively. Tacoma Power has met these requirements and currently secures 15% of the electricity needed to serve its customers from renewable resources.

2019: Clean Energy Transformation Act (CETA)

The Washington State Legislature passed the Clean Energy Transformation Act (CETA) designed to transition the electricity sector to 100 percent clean power in Washington state. CETA establishes three standards for Washington State utilities listed on the right.

Clean Energy Transformation Act (CETA) Standards

- 1. The 2025 Coal Elimination Standard requires utilities to remove all coal from rates.
- 2. The 2030-2044 Greenhouse Gas Neutral (GHG) Standard requires utilities to provide 100 percent carbon neutral electric service to retail load. To comply with this standard, 80 percent of sales of electricity to retail customers must be from carbon-free resources and 20 percent may be comprised of unbundled renewable energy credits (described on the next page), energy transformation projects, or an administrative penalty payment.
- The 2045 100 percent Clean Electricity Standard declares it is the policy of the state of Washington that all sales of electricity to retail customers will be from renewable and non-emitting generation. Utilities must demonstrate compliance with this policy on an annual basis.

Policy & Regulatory Impacts continued

2021: Climate Commitment Act (CCA)

- Establishes a cap-and-invest program that mandates a limit on GHG emissions associated with most industries and most large emitters
- Regulated entities must acquire and retire allowances to account for their emissions.
- As a utility that is also subject to CETA, Tacoma Power receives no-cost allowances under the CCA. These allowances may (or may not) be sufficient to offset Tacoma Power's carbon compliance obligations.

2021: Clean Fuel Standard

This credit-and-deficit program is intended to reduce the carbon intensity of transportation fuels. As a utility that provides low-carbon fuel to electric vehicles, Tacoma Power can receive credits that may be sold to higher-carbon fuel suppliers. These credits or revenue must be used to further the transition toward clean transportation.

2019 and 2022: Clean Buildings Performance Standard (CBPS)

In 2019 WA passed an energy performance standard for commercial buildings larger than 50,000 square feet. In 2022, the energy benchmarking and planning portions of this law were expanded to buildings between 20,000 and 50,000 square feet. The standards require Tacoma Power to:

- provide building owners aggregated utility data for State defined buildings and
- 2) process payments for a State-run incentive program.

This law does not preempt the Energy Independence Act, and building owners may qualify for energy conservation rebates.

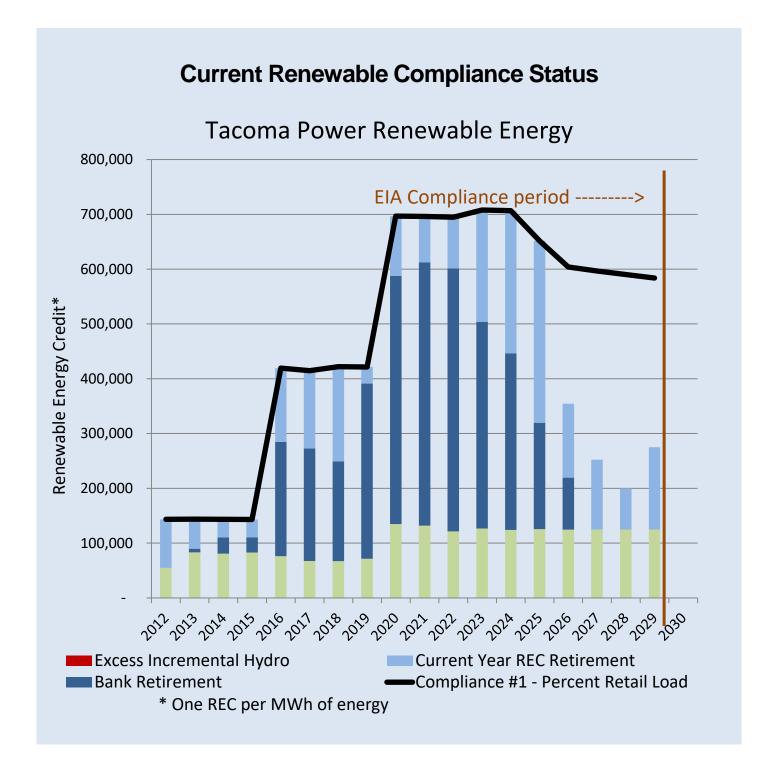
Due to its surplus renewable and carbon-free hydro power, Tacoma Power is well positioned to meet the policy and regulatory requirements. However, these extensive laws include many policy changes which will require numerous rulemakings and workgroups to determine the implementation details as well as additional new utility planning and reporting requirements.

REC Compliance

When qualifying renewable resources generate electricity they not only produce power but they also get credit for producing renewable energy. This credit is a Renewable Energy Certificate or REC. The State of Washington has an approved list of resources that meet the criteria to receive RECs. New hydro projects or improvements to hydro projects qualify to receive RECs, but existing hydro prior to 1999 does not qualify.

The chart illustrates Tacoma Power's compliance with this requirement. Note that if we have extra RECs at the end of the year, we are able to transfer surplus RECs from one year to the following year. This strategy has allowed us to be fully in compliance with the Energy Independence Act since its inception.

In future years, there is a gap between the RECs we own and the compliance requirements. We plan to fill this gap post 2024 with a mix of long-term contract purchases and short-term market purchases.



Renewable Energy Additions

As regulation continues to encourage electricity providers to increase the utilization of renewable resources, we must consider the impacts of the resulting transformation on electricity markets in our LRFP.

As discussed previously, Washington voters approved a policy initiative (the Energy Independence Act) to generate at least 15 percent of its major utility energy needs with qualifying renewable resources by 2020. Many other states have similar initiatives with far higher goals. The impact on wholesale markets and system operations resulting from these changes is causing a fundamental shift in our industry.

As utilities acquire renewable resources, other power plants historically used for power generation are retired (such as coal, nuclear, and natural gas-fired plants). Since the power generation coming from the new renewable resources, such as solar and wind, are subject to weather patterns, their output is "intermittent," or variable, throughout the day and year. This reduces the predictability of the overall power supply since the plants that are being removed burned fuel to provide reliable power generation.

Because power generation must be balanced with consumer demand every second of every day, this reduced control over power generation has caused significant operational challenges to the industry.



Reliability Standards

The reliability standards developed by the North American Electric Reliability Corporation (NERC) are another major area of regulatory compliance. NERC oversees and regulates the reliability of the electric system in North America. NERC Reliability Standards define the reliability requirements for planning and operating the North American bulk power system. The standards apply to all users, owners and operators of the bulk power system and focus on performance, risk management, and system capabilities.

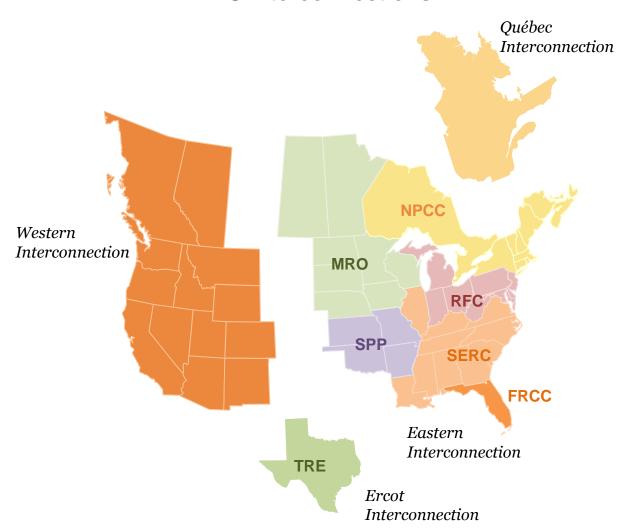
NERC defines a reliable bulk power system as one that is able to meet the electricity needs of customers even when unexpected equipment failures reduce the amount of available electricity.

NERC is divided into regions, and Tacoma Power is a member of the Western Electricity Coordinating Council (WECC). WECC is the regional entity responsible for monitoring and enforcing standards in the western interconnection.

Reliability Standards are continually evolving as new threats emerge or better information about existing standards arise. It is important to remain in compliance with the standards because entities found to be in violation of specific standards can face fines of as much as \$1 million dollars a day.

The purpose of the standards is to ensure grid reliability so that major blackouts like the one that occurred in 2003 do not happen again.

NERC Interconnections

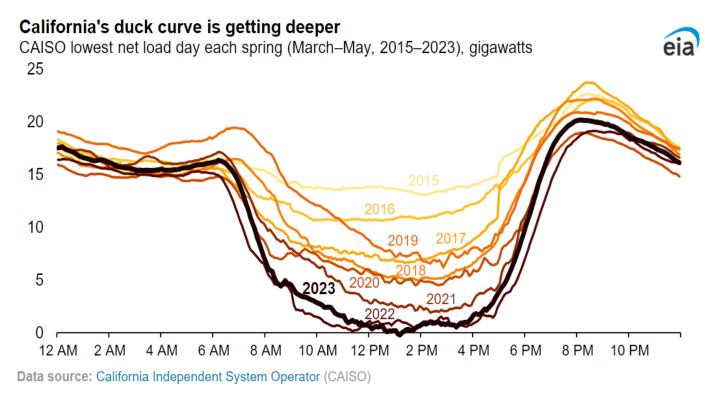


As of June 2007, mandatory and enforceable NERC Reliability Standards became effective and applicable to Tacoma Power in its capacity as an owner operator, and use of the bulk power system.

Power Market Changes

Several years ago, the California Independent System Operator (CAISO) - an entity that oversees the operation for portions of the California power system - published a paper forecasting the effects of increasing solar generation. This curve became know as the "Duck **Curve**" because the shape of the load resembles a duck. The curve shown here illustrates how newly constructed solar resources have reduced the amount of consumer demand from utilities during daytime hours when solar energy is produced. As the sun sets and people return home from work, the demand for utility power steeply increases. As more solar resources are constructed, this rapid swing in energy demands throughout the day will continue to increase and strain electrical grids. The industry is working to figure out how to handle the changes in how consumers are using the electric grid in order to maintain system stability and avoid blackouts.

Solar Impact



Challenges: The duck curve presents two significant challenges with the first being the previously mentioned additional stress placed on existing grids and power generation facilities. Large shifts in consumer demand throughout the day make it more difficult for operators to predict and match energy needs. Additionally, areas with large solar adoption may see solar production exceeding actual demand during the day which would prompt system operators to restrict additional solar installations to prevent over generation. The other challenge relates to the economic impact additional solar production would have on the creation of new conventional power plants or maintaining existing facilities. Lower demand from these facilities during the day could make some facilities no longer economically viable, forcing them to shut down. With each conventional plant that is shut down, the duck curve problem grows worse.

Mitigants: One of the primary ways California is combating the duck curve is through the creation of more energy storage facilities. This allows solar power generated during the day to be utilized at night, thereby flattening the duck curve. Battery storage is swiftly being constructed in California, growing from 0.2 GW in 2018 to 4.9 GW as of April 2023 with plans to build another 4.5 GW of battery storage capacity by the end of the year. Additionally in the Pacific Northwest, we are also able to leverage hydroelectric power since it can be stored behind dams and released on demand. Partially due to the weather in the Pacific Northwest and existing hydro power, Washington does not generate a significant portion of its power from solar, but it should continue to monitor the potential impact of solar power.

Tacoma Power Joined the Energy Imbalance Market (EIM)

Tacoma Power successfully joined the California Independent System Operator's (CAISO) Western Energy Imbalance Market (EIM) on March 3, 2022.

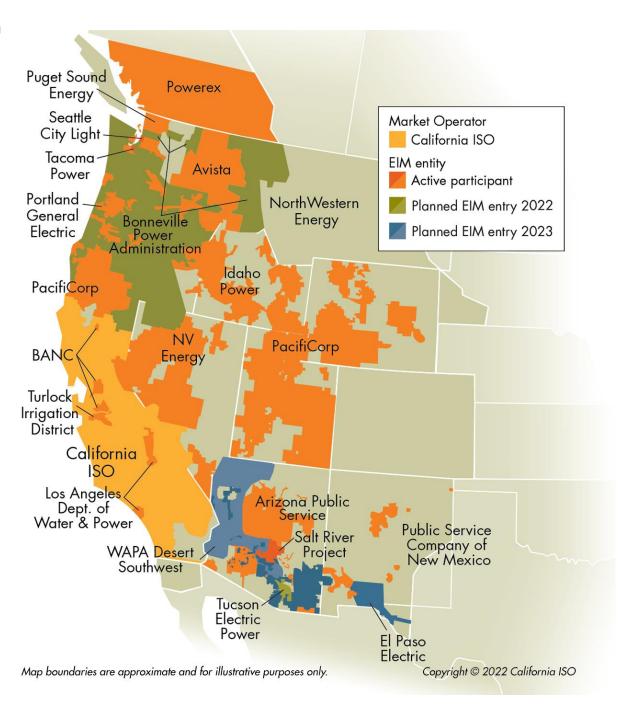
What is the EIM?

The EIM is a centralized, real-time, wholesale energy market that allows participants anywhere in the market footprint to buy and sell energy when needed. The EIM began in November 2014 and has been expanding across the West ever since. Currently, the utilities participating in the EIM represent the vast majority of the load served by the Western electricity grid.

The EIM works by dispatching the lowest cost power to meet demand in five-minute intervals, while taking into account physical constraints on the electricity grid. The result is that participants can buy and sell power closer to the time power is consumed compared to traditional markets that provided power on an hourly basis.

Why Tacoma Power joined the EIM

- Many of Tacoma Power's trading partners have joined the EIM so there are fewer opportunities to trade in the traditional hourly market.
- Tacoma Power expects to generate more revenue than the expense of joining the EIM over the long-run.
- Tacoma Power's reliable carbon-free hydro resources can help integrate more variable renewable energy resources, such as wind and solar power, into the Western electricity grid.
- Joining the EIM gives Tacoma Power the opportunity to influence the market design and evolution as the EIM expands around them.



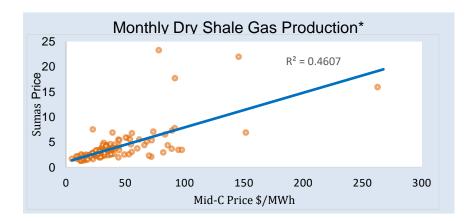
Natural Gas Prices are contributing to increased power price volatility

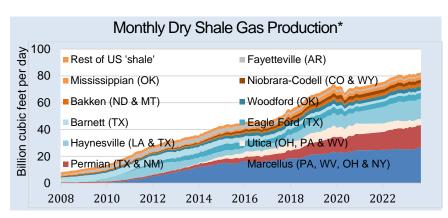
As previously described, Tacoma Power sells surplus power into the wholesale electricity market. The price of natural gas has a significant impact on the price of electricity in the market since gas turbines are used in most utilities' generation mix and therefore influence the price at which they buy and sell power.

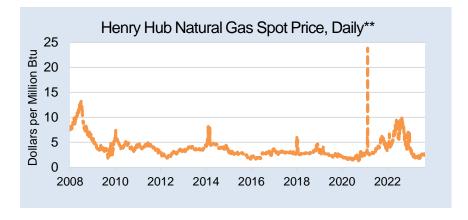
The chart at the upper right illustrates the close correlation between the price of natural gas at <u>Sumas</u> and the price of electricity at the <u>Mid-Columbia</u>, two prominent trading hubs in the Pacific Northwest.

There are periods of time, or seasons, when hydro reservoir inflows are higher than normal and the oversupply of generation can also have a heavy influence on wholesale power prices—but historically gas has been the primary driver.

We incorporate the natural gas price forecast into our model for determining anticipated revenues from wholesale electric sales.







These charts help in providing a reasonable explanation for the historical depression and current volatility of wholesale electricity prices.

Shale gas production has ramped up significantly in recent years, enabled by hydraulic fracturing (or "fracking") technology, and has significantly added to the total amount of natural gas in the marketplace.

This increase in natural gas production, starting in 2006, corresponds with a downward trend in natural gas prices during the same period.

- * Source: EIA's Natural Gas Weekly Update. State abbreviations indicate primary state(s).
- ** Source: U.S. Energy Information Administration (see glossary).

Economic Cycles

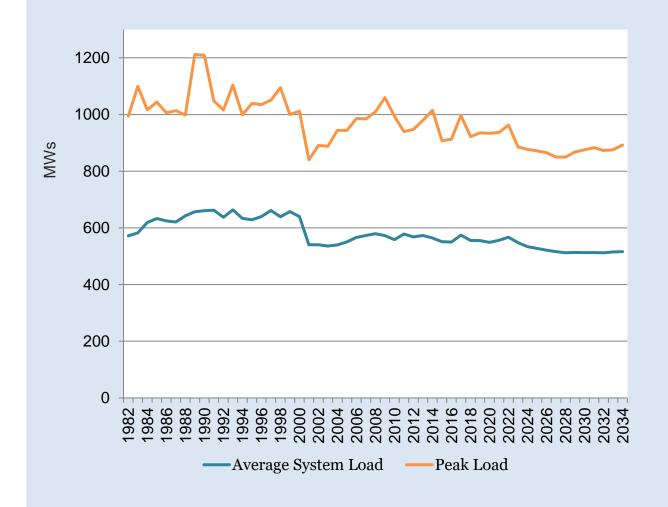
Over 75 percent of Tacoma Power's revenue comes from selling electricity to its retail customers. In an economic downturn, Tacoma Power's retail <u>load</u> can decline. A slower economy often results in little to no new business growth. In extended recessionary periods, existing businesses can actually shrink or be forced to shut their doors. Depending on the size of the customer, loss of retail loads can have a significant impact on Tacoma Power.

At one point in the utility's history, several large industrial customers had to close their businesses. Since Tacoma Power is a cost of service utility, those costs had to then be recovered from fewer customers. When this happens, rates must be increased or costs must be reduced through actions such as layoffs or a reduction in services provided.

During times of high demand for electricity, such as when the economy is strong, costs and customer demand for electricity will likely increase. However, the costs of goods and services we buy may go up as well. These are all elements we strive to manage through scenario analysis in this LRFP.

The chart to the right illustrates the actual and projected growth and decline of average and peak customer loads since 1982.

Tacoma Power System Average Retail Energy Usage & Peak System Loads



Conservation and Decreasing Retail Loads

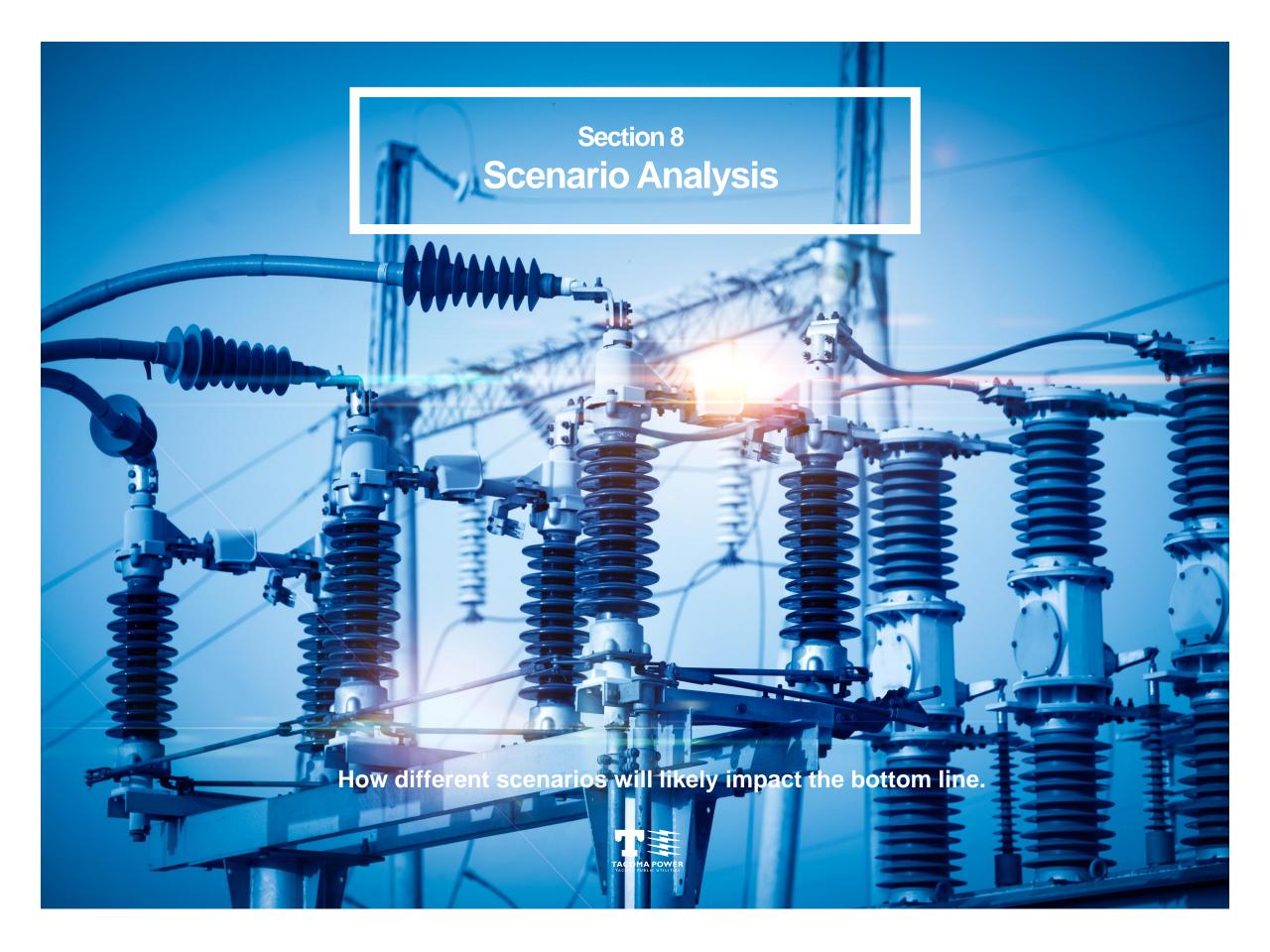
Nationally, electric companies are experiencing a decline in consumption. There are many different reasons for this but one that resonates with many people has to do with changing technology. As the picture below illustrates, the common everyday light bulb has evolved significantly over time. It is difficult to buy a traditional incandescent bulb anymore and often LED bulbs are cheaper for consumers when given the option.

What happens when you replace an incandescent bulb with an LED is that you end up using less electricity. This is a good thing and we actually help people do this! Check out the existing list of programs at knowyourpower.com that our customers can take advantage of.

However, for an organization that sells electricity this means that Tacoma Power receives less revenue every time a customer installs a more efficient light bulb. It's not just light bulbs though. There are insulation upgrades, heating upgrades and many other ways customers are reducing their consumption. In fact, building standards and codes are being updated all the time and more efficient buildings and infrastructure are replacing less efficient buildings.

Additionally, customers are becoming more aware and interested in ways to modify their energy consumption and save money. All of this adds up to a steadily declining retail load forecast. This was one of the reasons for our last rate increase and a challenge we will be continuing to address moving forward.





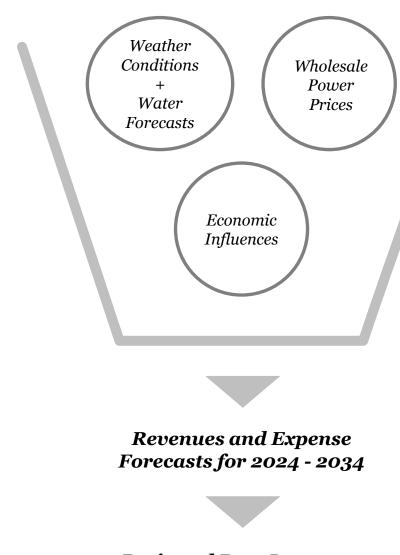
Financial Risk Analysis

Given the risk factors you read about in the previous section, Tacoma Power faces financial variability and uncertainty during the period covered by this LRFP. Analyzing the sensitivity of the Base Case to specific risk factors can help improve Tacoma Power's ability to manage the financial impact of these risks. Let's think of those risks in three categories:

One of the foremost risk categories is **weather conditions**, which creates the potential for diminished revenue due to changing consumer demand and variable rainfall and snowpack.

Another key risk is the impact of **wholesale power prices.** Since wholesale revenues makes
up a significant portion of Tacoma Power
revenue, changes to the average market price of
electricity can greatly impact financial
performance.

Economic influences in the region can either increase revenues through new business developments or reduce usage through the loss of customers.



Selected Scenarios: Projected Financial Impact Summary

The table to the right summarizes how the impacts of some of the various risks we assess can affect our future rate increases. All scenarios are compared to the Base Case, described in more detail in Section 6.

The scenarios shown here provide a range of possible outcomes which help us assess some of the possible financial risks facing the utility. Due to our current strong financial position, Tacoma Power can presently absorb many potential risk factors with minimal impact on rates relative to the base case. Critical water and low wholesale market prices are the two largest potential impacts.

In each of the scenario pages that follow specific details are provided to help you understand some of the different components that are unique to that individual scenario.

The scenarios displayed here and in this section are not intended to represent all of the scenarios that we may analyze. However, they provide you with the ability to see some of the expected impacts of possible events.

Scenario	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Base Case: Average Water Conditions	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
Adverse Water in 2025 & 2026	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Critical Water in 2025 & 2026*	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Loss of Large Customer in 2025	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Lower Wholesale Prices 2025-2034	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Economic Downturn in 2025 & 2026	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%

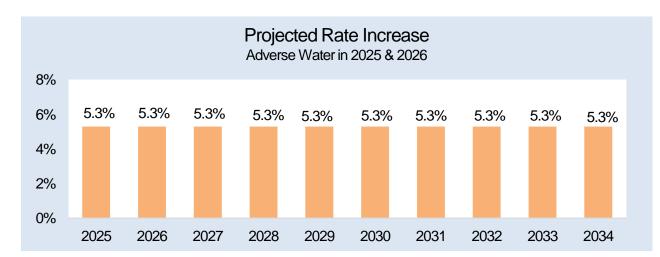
^{*} Use of the Rate Stabilization Fund assumed (\$31 million in 2025 & \$39 million in 2026).

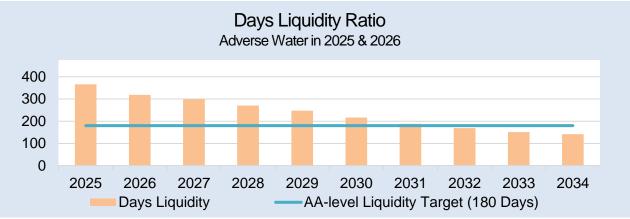
Adverse Water Conditions in 2025 and 2026

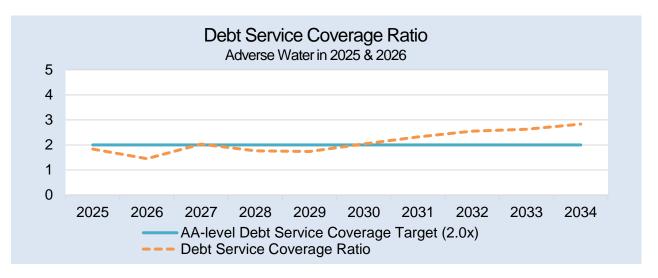
This scenario represents how we traditionally plan for water conditions when we set biennium budgets. To assess the impact of sustained lower-than-average water conditions, we forecast the rate increases necessary to maintain our financial metrics, given adverse water conditions in 2025 and 2026.

Due to many of the changes Tacoma Power has made to manage its financial performance in the last several years, like calling the outstanding 2005B Bonds in 2015, there is more flexibility in the near-term to absorb the impacts of two adverse water years in a row, as reflected in the charts shown here.

While this is a relatively low probability type of event, the combination of prices and water conditions in the 2015-2016 biennium resulted in wholesale revenue levels equivalent to this very condition. This decline in wholesale revenue is one of the items that contributed to a need for two 5.9 percent rate increases in 2017 and 2018.



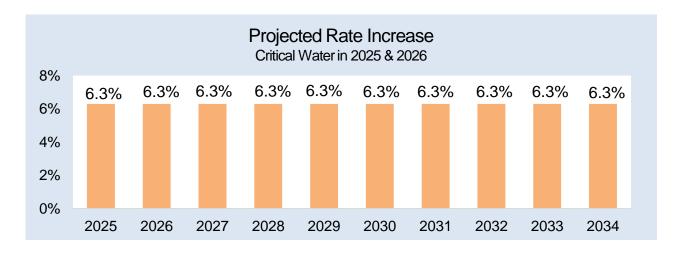


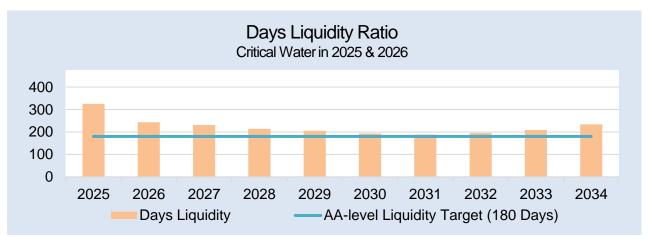


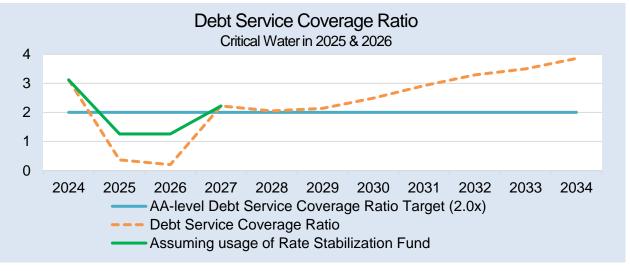
Critical Water Conditions

Tacoma Power is affected by the variability of snowpack and precipitation. Multiple years of dry weather and water shortages can have a significant impact on the financial strength of the utility through reduced revenues. In fact, in 2019 Tacoma Power had a near-critical water year, and the inflows into the reservoirs that we rely on to generate electricity were much lower than we normally experience. Under this scenario, most of the electricity that was generated needed to be used to serve our customers' needs. When this occurred, Tacoma Power had less electricity to sell into the wholesale market, thereby reducing the amount of wholesale revenue the utility earned.

This scenario demonstrates how two years of critical water inflows in 2025 and 2026 may impact Tacoma Power financially. Illustrated in the Debt Service Coverage Ratio chart on the bottom right, the ratio falls well below the target in both critical water years: 2025 & 2026. We would likely use the Rate Stabilization Fund in such an event to increase our Debt Service Coverage Ratio (shown as the green line in the chart to the right). The Rate Stabilization Fund may be replenished over the next several biennia. This scenarios assumes the Rate Stabilization Fund contributes \$31 million in 2025 and \$39 million in 2026 of revenue to boost the Debt Service Coverage Ratios in those years.







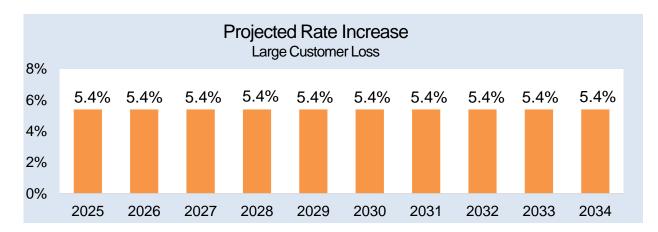
Loss of Large Customer

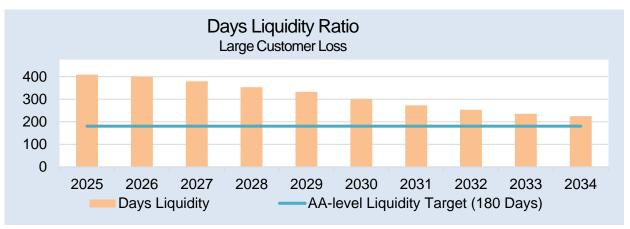
Under typical economic scenarios, retail sales represent about 65-75 percent of total revenue.

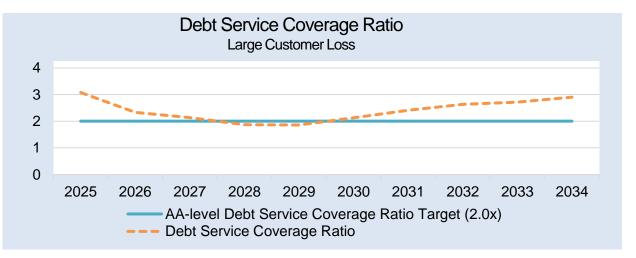
Losing a large retail customer due to local economic influences is one of the potential external risk factors facing Tacoma Power. If Tacoma Power were to lose a large retail customer, it makes sense that the amount of retail revenue earned could decrease. This would result in a decline in retail revenues for Tacoma Power and may affect rate increases in future years.

Conversely, a scenario where Tacoma Power acquires a new large customer, such as a new large industrial customer, new apartment spaces, or retail businesses moving to the Tacoma service area, may increase net revenues for the utility. This could lead to lower rate increases in the near-term and future years.

In this scenario, the loss of a large customer in January 2025 does not severely impact rates because the power that was previously consumed by that lost customer will now be sold in the wholesale market. The increase in wholesale revenue offsets the decline in retail revenue.





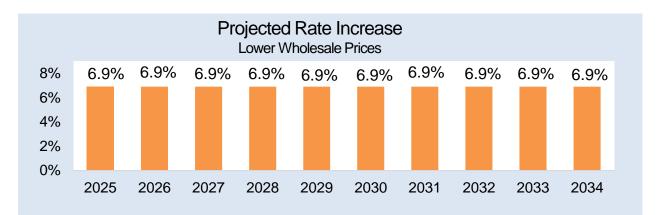


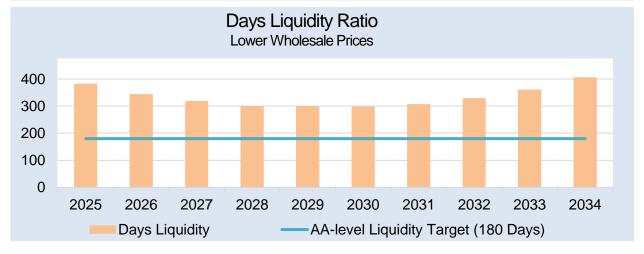
Lower Wholesale Prices

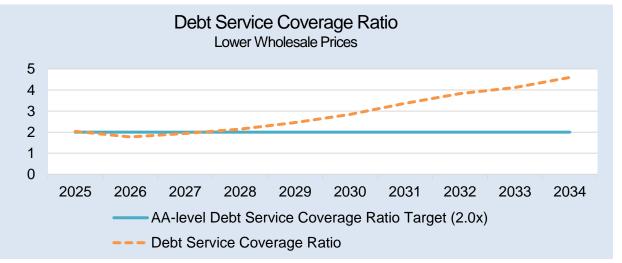
Most of the time we talk about adverse in terms of the water inflows into our system. However, we also consider the effect of wholesale market prices being something less than the current forecasted level, since these revenues are relied upon to help keep retail rates low. For this reason, it also makes sense to look at the effect of lower-than-expected market prices.

Our wholesale revenue is a product of the amount of surplus electricity available to be sold to other users and the prevailing market price for power in the wholesale market. In this scenario, we assumed the market prices revert prices at the 25th percentile of the forecast used in the base case, resulting in a more conservative scenario. This significant reduction in wholesale prices impacts Tacoma Power and puts upward pressure on future rate increases.

While it is unlikely for prices to fall this much for a sustained period, some of the risks outlined in the transformation of the market on page 102 could push prices in this direction.





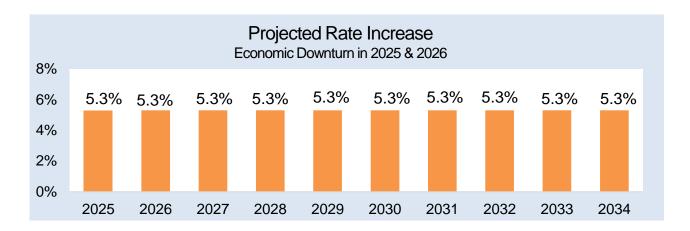


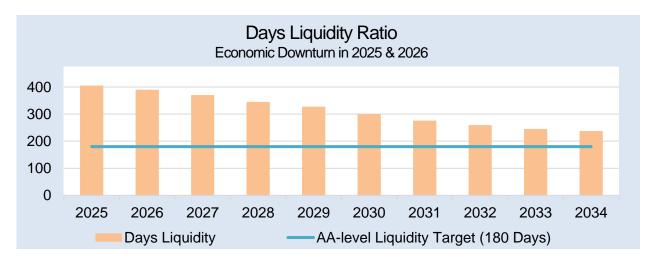
Economic Downturn

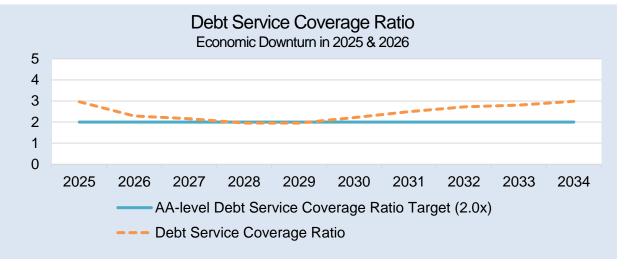
Over 75 percent of Tacoma Power's revenue comes from retail loads. In an economic downturn, or recession, the economy slows down and Tacoma Power's retail load can be at risk. In extended recessionary periods, existing businesses can actually shrink or be forced to shut their doors. Depending on the size of the customer, loss of retail loads can have a significant impact on Tacoma Power.

In 2020, a global pandemic initiated a recession, causing several businesses in the Northwest to shutter. At the height of the pandemic, Tacoma Power's revenue fell by over 7 percent. Since Tacoma Power is a cost-of-service utility, those costs must then be recovered from fewer customers. Whenever this happens, rates could increase, typically in future years.

This scenario assumes that a recession will result in another economic downturn of similar proportion as the 2020 global pandemic, beginning in 2025 with recovery into 2026. When our retail load decreases, we can increase the power sold in the wholesale market. The resulting increase in wholesale revenue offsets the decline in retail revenue from the economic downturn.









Glossary

Accrual method

Under the accrual basis of accounting, expenses are matched with the related revenues when they occur, regardless of when the cash is paid.

Additions and replacements (A&R)

Costs to improve existing assets. Capital additions can take the form of replacing or adding new parts that may increase useful life or potential performance.

Administrative & general (A&G)

Expenses necessary to operate a business, which are not related to materials, labor, or sale of goods or services, such as office supplies, rent, and janitorial services.

Adverse water

The amount of water that came into the Tacoma Power reservoirs during the lowest 25 percent of recorded historical years on record. This amount of water flow occurs one out of every four years.

Average water

The amount of water that comes into the Tacoma Power reservoirs on a regular basis. This amount of water flow occurs one out of every two years, or fifty percent of the time.

Base case

A set of expectations that represent a "best guess" of the financial outcomes if the expected version of the future should happen. The base case assumes that there will not be major policy changes, unforeseen disasters, or other game-changing events.

Base case analysis

Comparing the base case forecast with alternative scenarios. It shows the relative effects of scenario changes to the "base case" version of the future.

Bonds

A debt security where an investor loans money to a corporation or government for a defined period of time at a variable or fixed interest rate. Bonds are used by corporations, municipalities, and governments to raise money and finance a variety of projects and activities.

Bond call

When an issuer calls its bonds, the issuer buys back the bonds from the investors prior to the bonds' maturity date. The issuer pays investors the call price (usually the face value of the bonds) together with accrued interest to date and, at this point, the issuer stops making interest payments.

Capital

Assets or property having value owned by a person or organization.

Capital Improvement Program (CIP)

A four to ten year plan that identifies capital projects and equipment purchases. It provides a planning schedule and options for financing the plan.

Capital Steering Committee (CSC)

A committee of individuals that leverages their experiences, expertise, and insight to make informed decisions and drive the capital program. The CSC prioritizes potential capital projects, and monitors the project status to ensure that the business objectives are adequately addressed.

Glossary cont.

Conservation

Energy conservation is the effort made to reduce the consumption of energy by using less of an energy service.

Cost of service analysis (COSA)

The process of allocating utility expenses among the different classes of customers. Not all customers use the same resources. The COSA ensures users pay for their share of the costs they impose on the utility in the form of rates.

Cost of service utility

A utility where customers are charged rates based on what it costs to provide service.

Credit rating

An estimated ability of an organization to fulfill their financial commitments.

Critical water

The amount of water that came into the Tacoma Power reservoirs during the lowest year on record.

Customer classes

Customer classes are the broad rate groups used to allocate costs to customers. Examples are residential, commercial and industrial.

Days liquidity ratio (days cash on hand)

The number of days that an organization can continue to pay its operating expenses, given the amount of cash available. (Unrestricted Cash x 365 Days)/(Total Operating Expenses)

Debt service

The cash that is required to cover the repayment of interest and principal on a debt for a particular period.

Debt service coverage ratio (DSCR)

A measure of the cash flow available to pay current debt interest, principal and lease payments.

DSCR = (Operating Revenues – Operating Expenses)/Debt Service

Debt ratio

The ratio shows the percentage of debt used to finance a company's assets. Debt Ratio = Total Debt Service Owed/Value of Total Assets

Defease

Setting aside funds to pay for the interest and principal owed on debt. This removes the liabilities from the balance sheet of the borrower.

Financial plan

A financial plan is a comprehensive evaluation of the utility's current and future financial state by using currently known variables to predict future revenues, expenses, asset values and debt service plans.

Heavy load hours

Heavy load hours are defined as the morning through evening hours when energy demand is highest. Heavy load hours are typically 6 a.m. to 10 p.m., Monday through Saturday.

Henry Hub

A natural gas distribution hub and trading point in the North America natural gas pipeline system, located near Erath, Louisiana. Henry Hub is also the standard delivery point for the NYMEX natural gas futures contract in the U.S. The contracts are traded 18 months into the future and are used as a primary financial hedging tool in the marketplace. When you hear someone say, "Natural gas is trading for \$XX," they're referring to the Henry Hub price for the current month's contract.

Hydroelectric

The generation of electricity using flowing water to power a generator.

Glossary cont.

Hydrology

The scientific study of the movement, distribution, and quality of water, including the water cycle and water resources.

Light load hours

Light load hours include the later night time and early morning hours when energy demand is the lightest. Light load hours are typically 10 p.m. to 6 a.m., Monday through Saturday and all day Sunday.

Load

Generic term for something in the electric system that draws power, such as lights and appliances.

Load forecast

Load forecasting is a technique used to predict the energy needed to meet the demand and supply of power. The accuracy of forecasting is of great significance in managing the expected power provided by a utility company.

Megawatt-hours

A unit for measuring power that is equivalent to one million watts. One megawatt is equivalent to the energy produced by 10 automobile engines. A megawatt hour (MWh) is equal to 1,000 Kilowatt hours (KWh) used continuously for one hour.

Mid-Columbia trading hub

Mid-C is a power trading hub for the Northwest U.S. comprising the control areas of three public utility districts in Washington that run hydroelectric projects on the Columbia River. The three PUDs are Grant, Douglas and Chelan.

Power purchase agreements

A contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer).

Public Utility Board

The five-member Board that oversees the management and operations of Tacoma's electric, water, and rail utilities.

Rating agency

A credit rating agency rates a borrower's ability to pay back debt by making timely interest payments and the likelihood of default.

Renewable Resources

A resource which can be used repeatedly and replaced naturally. Examples include oxygen, fresh water, solar energy and biomass.

Renewable Portfolio Standard

Initiative 937 in Washington state calls for electric utilities that serve more than 25,000 customers in the state of Washington to obtain 15 percent of their electricity from new renewable resources by 2020 and to undertake all cost-effective energy conservation.

Scenarios

A potential future situation that creates risk or provides an opportunity.

Shale gas

Natural gas trapped within shale formations. Shales are fine-grained sedimentary rocks that can be rich sources of petroleum and natural gas.

Sumas

Northwest Sumas, located in Washington on the border with Canada, forms the primary natural gas trading hub for consumers in the Pacific Northwest (Washington, Oregon, and Idaho).

Surety

Surety is the guarantee of the debts of one party by another. The party that guarantees the debt, known as the surety, is often an organization assuming the responsibility of paying the debt in the event that the debt or is unable to make the payments.

Wholesale

"Wholesale" is the sale of electricity to other power providers, and not regular customers.



Scheduled Debt Service

Page 19

	10 .0							
		2010C						
Year	2010B (BABs)	(CREBs)	2013A	2017	2021	2024A	2024B	Total *
2024	\$ 8,691,824	\$ 1,364,276 \$	3,892,600	\$ 5,438,050	\$ 4,983,550	\$ 4,182,611	\$ 5,793,578	\$ 34,346,489
2025	\$ 8,691,824	\$ 1,364,276 \$	3,892,600	\$ 5,433,550	\$ 4,983,550	\$ 4,765,000	\$ 5,792,250	\$ 34,923,050
2026	\$ 8,691,824	\$ 25,549,276 \$	3,892,600	\$ 2,693,050	\$ 4,983,550	\$ 4,765,000	\$ 2,001,750	\$ 52,577,050
2027	\$ 8,691,824	\$	3,892,600	\$ 5,438,050	\$ 4,983,550	\$ 4,765,000	\$ 5,796,750	\$ 33,567,774
2028	\$ 8,691,824	\$	3,892,600	\$ 5,435,800	\$ 4,983,550	\$ 4,765,000	\$ 5,792,000	\$ 33,560,774
2029	\$ 8,691,824	\$	3,892,600	\$ 5,436,800	\$ 4,983,550	\$ 4,765,000	\$ 5,793,000	\$ 33,562,774
2030	\$ 36,001,824	\$	3,892,600	\$ 2,260,550	\$ 4,983,550	\$ 4,765,000	\$ 1,404,000	\$ 53,307,524
2031	\$ 35,445,302	\$	3,892,600	\$ 2,260,550	\$ 4,983,550	\$ 4,765,000	\$ 1,404,000	\$ 52,751,002
2032	\$ 34,789,416	\$	3,892,600	\$ 2,260,550	\$ 4,983,550	\$ 4,765,000	\$ 1,404,000	\$ 52,095,116
2033	\$ 34,164,289	\$	3,892,600	\$ 2,260,550	\$ 4,983,550	\$ 4,765,000	\$ 1,404,000	\$ 51,469,989
2034	\$ 33,517,046	\$	3,892,600	\$ 2,260,550	\$ 4,983,550	\$ 4,765,000	\$ 1,404,000	\$ 50,822,746
2035		\$	14,882,600	\$ 5,435,550	\$ 10,338,550	\$ 7,885,000	\$ 10,999,000	\$ 49,540,700
2036		\$	14,878,100	\$ 5,436,800	\$ 10,340,800	\$ 7,884,000	\$ 10,994,250	\$ 49,533,950
2037		\$	14,881,350	\$ 5,435,050	\$ 10,349,550	\$ 7,885,250	\$ 8,835,750	\$ 47,386,950
2038		\$	14,880,600	\$ 5,435,050	\$ 10,358,800	\$ 7,883,250	\$ 5,793,578	\$ 44,351,278
2039		\$	14,881,800	\$ 5,436,300	\$ 10,297,800	\$ 7,887,750	\$ 5,792,250	\$ 44,295,900
2040		\$	14,877,600	\$ 5,438,300	\$ 10,303,700	\$ 7,888,000		\$ 38,507,600
2041		\$	14,882,400	\$ 5,435,550	\$ 10,373,600	\$ 7,883,750		\$ 38,575,300
2042				\$ 5,437,800	\$ 10,386,600	\$ 7,884,750		\$ 23,709,150
2043				\$ 5,434,000	\$ 10,396,600	\$ 7,885,250		\$ 23,715,850
2044				\$ 5,433,200	\$ 10,402,850	\$ 7,884,750		\$ 23,420,800
2045				\$ 5,435,000	\$ 10,414,600	\$ 7,887,750		\$ 23,737,350
2046				\$ 5,434,000	\$ 10,345,600	\$ 7,883,500		\$ 23,663,100
2047					\$ 10,346,350	\$ 7,886,750		\$ 18,233,100
2048					\$ 10,353,475	\$ 7,886,500		\$ 18,239,975
2049					\$ 10,356,600	\$ 7,887,250		\$ 18,243,850
2050	* Deht Service is show	n based on the amount	that is accrue	d in each	\$ 10,360,525	\$ 7,888,250		\$ 18,248,775
2051		ts of the amount accrue			\$ 10,360,525	\$ 7,883,750		\$ 18,244,275
2052	following year.		,			\$ 7,888,250		\$ 7,888,250
2053				– 125 —		\$ 7,885,500		\$ 7,885,500

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Project Expenditures (\$000)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Power Supply	\$5,450	\$5,450	\$5,500	\$5,500	\$5,450	\$5,450	\$5,450	\$5,450	\$5,450	\$5,450
Transmission & Distribution	\$36,816	\$36,816	\$35,905	\$35,905	\$35,547	\$35,547	\$34,279	\$34,279	\$34,563	\$34,563
Utilities Technology	\$12,424	\$12,424	\$12,087	\$12,087	\$8,764	\$8,764	\$9,138	\$9,138	\$7,689	\$7,689
Generation	\$42,660	\$42,660	\$28,066	\$28,066	\$37,920	\$37,920	\$32,041	\$32,041	\$28,699	\$28,699
General Plant Total Project	\$13,871	\$13,871	\$12,619	\$12,619	\$12,996	\$12,996	\$11,784	\$11,784	\$10,791	\$10,791
Expenditures	\$111,221	\$111,221	\$94,177	\$94,177	\$100,677	\$100,677	\$92,692	\$92,692	\$87,192	\$87,192

More Information & Contact Info

This document is a product of Tacoma Power's Rates, Planning & Analysis Team

After making it this far, you may have additional questions. We aimed to produce a document that informs, increases transparency, and starts essential conversations around some of the things we're thinking about. If you direct your questions to the email below, we will get back to you.

Rates, Planning & Analysis Manager

PowerFinance@cityoftacoma.org

Tacoma Power Website

Investor Relations Page

MyTPU.org/tpwr-investorinfo

Tacoma Power Homepage

https://www.mytpu.org/tacomapower



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