Tacoma Power
Budget Overview

May 22, 2024
## Introduction

<table>
<thead>
<tr>
<th>State of the Utility</th>
<th>Opportunities &amp; Pressures</th>
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<tbody>
<tr>
<td>Budget Drivers</td>
<td>Budget Drivers</td>
</tr>
<tr>
<td>Personnel</td>
<td>Prioritizing Operational FTE Requests; Personnel Costs</td>
</tr>
<tr>
<td>Non-Personnel O&amp;M</td>
<td>Supplies, Other Services &amp; Charges; Purchased Power; Taxes; Assessments</td>
</tr>
<tr>
<td>Capital Program</td>
<td>Capital Program; 2025/2026 Large Capital Projects</td>
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<tr>
<td>Customer Value First</td>
<td>Power’s Focus</td>
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</tbody>
</table>
Opportunities & Pressures

Opportunities

- Efficiencies & Long-Range Planning
- Debt Restructuring
- Diversification of Resources
- New Markets
- Infrastructure Modernization Investments

Desired Outcome

“We deliver clean, reliable services essential to quality of life.”

"We will be a trusted community partner, where employees are proud to deliver equitable, affordable utility services.”

Pressures

- Increased Material, Contract Services and Labor Costs
- Increased Regulatory Requirements
- Resource Adequacy
- Hydro Relicensing
- Dam Safety Program
- Wildfire Risk & Mitigation
- General Tech Investment (SAP Now!)
**Budget Drivers**

- **Least Control**
  - Purchased Power
  - Supply Chain & Inflation
  - Taxes

- **Limited Control**
  - Personnel costs
  - Capital Investment Plan (CIP)
  - Assessments for Shared Services
  - Debt Service

- **Most Control**
  - Position Management (FTEs)
  - Supplies, Other Services & Charges

**2023/2024 Budget**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>24%</td>
</tr>
<tr>
<td>Revenue Funded Capital</td>
<td>8%</td>
</tr>
<tr>
<td>Supplies, Other Services &amp; Charges</td>
<td>11%</td>
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<tr>
<td>Debt Service</td>
<td>6%</td>
</tr>
<tr>
<td>Assessments</td>
<td>8%</td>
</tr>
<tr>
<td>Taxes</td>
<td>11%</td>
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<tr>
<td>Purchased Power</td>
<td>32%</td>
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</table>
Prioritizing Operational FTE Requests

Our prioritized 2025/2026 FTE requests reflect Power’s response to customer demand and necessary investments in infrastructure.

Transmission & Distribution (T&D)

- 7 Line Electricians
- 1 Senior Wire Electrician
- 1 T&D Protection & Controls Engineer
- 1 Engineering Products & Services Supervisor
- 1 Senior GIS IT Analyst
- 1 Senior Warehouse Technician

Generation

- 1 Electrical Engineer, PE
- Rightsizing 2 Hydro Grounds Maintenance Workers

Power Shared Services

- 3 Pre-Apprentices
Personnel Costs

2025/2026 Budget

- Market wage pressure
- Wage increases for represented staff
- Class & Comp increases incorporated
- Increase in Worker’s Compensation rates due to under collection
- Medical benefits are expected to increase

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor</th>
<th>Pension and other Benefits</th>
<th>Medical and Dental</th>
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<tr>
<td>2015/2016</td>
<td>$154M</td>
<td>$25M</td>
<td>$101M</td>
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<tr>
<td>2017/2018</td>
<td>$164M</td>
<td>$29M</td>
<td>$110M</td>
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<tr>
<td>2019/2020</td>
<td>$187M</td>
<td>$31M</td>
<td>$130M</td>
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<tr>
<td>2021/2022</td>
<td>$213M</td>
<td>$35M</td>
<td>$146M</td>
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<tr>
<td>2023/2024</td>
<td>$263M</td>
<td>$40M</td>
<td>$181M</td>
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24% of budget
Strategic Objective: Financial Stability

Power-wide target of no more than a 6% biennial increase for Supplies, Other Services and Charges for 2025/2026.

2023 Accomplishment

Optimization of Hydro-Maintenance Schedules at Mossyrock and Cushman

- Adjusted maintenance timing increased availability of generating units
- Reduced future outages related to routine unit maintenance by half
- Resulting operational efficiencies led to cost savings in 2023 and will continue into future years
Material Costs Continue to Increase

Cumulative Increases since 2020

Handy Whitman Index  CPI  Tacoma Power System Avg Retail Rates
Supplies, Other Services & Charges

2025/2026 Budget

• Evaluating new work for 2025/2026
• Prioritizing across Power and discussing efficiencies
• Managing increased costs in materials and contracts

*Excludes Capitalized A&G credit
Purchased Power

2025/2026 Budget

- Lower BPA Power costs due to loss of WestRock
- Anticipated biennial BPA rate increases
  - 5% - BPA Power
  - 5% - BPA Transmission

32% of budget
11% of budget

2025/2026 taxes will increase as a percentage of our revenue increase.
Assessments for Shared Services

8% of budget

GG Assessments:
- Legal: 7%
- Information Technology: 52%
- Other Services: 11%
- Finance: 18%
- Human Resources: 12%

TPU Assessments:
- Support Services: 6%
- Public Affairs: 22%
- Administration: 10%
- Customer Services: 62%

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<tr>
<td>TPU Assessments</td>
<td>$20M</td>
<td>$30M</td>
<td>$33M</td>
<td>$35M</td>
<td>$38M</td>
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<tr>
<td>General Gov. Assessments</td>
<td>$49M</td>
<td>$54M</td>
<td>$60M</td>
<td>$66M</td>
<td>$83M</td>
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<td>$54M</td>
<td>$60M</td>
<td>$66M</td>
<td>$83M</td>
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Capital Program

2025/2026 Budget

- Increases in material and labor costs
- Several continuing projects entering construction phase
- Active portfolio management, minimizing new project additions
- Identifying resource constraints
- Evaluating potential risks to scope and schedule, including regulatory compliance requirements and milestones
Large-Dollar Capital Projects for 2025/2026

Additions & Replacements (A&Rs) and Routine Capital

<table>
<thead>
<tr>
<th>Project Description</th>
<th>2025/2026 Preliminary Estimate</th>
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<tbody>
<tr>
<td>Overhead Distribution &amp; Transmission A&amp;R</td>
<td>$28,119,000</td>
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<tr>
<td>Fleet Replacement A&amp;R</td>
<td>$20,000,000</td>
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<tr>
<td>Distribution Transformer A&amp;R</td>
<td>$16,643,000</td>
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<tr>
<td>Customer Energy Program</td>
<td>$9,500,000</td>
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Continuing Capital

<table>
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<tr>
<th>Project Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>TPU Admin Complex Storage &amp; Parking Facility</td>
<td>$16,950,000</td>
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<tr>
<td>Automated Distribution Mgmt System (ADMS)</td>
<td>$10,572,000</td>
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<tr>
<td>Cushman #2 U31, U32 Rebuild</td>
<td>$10,000,000</td>
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<tr>
<td>South Service Center Storage</td>
<td>$6,350,000</td>
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List includes all projects estimated to be budgeted for $5M or over in 2025/2026.
“Customer Value First” is intrinsic to Tacoma Power’s culture.

Power is laser-focused on affordability and keeping rates as low as possible for as long as possible.

While we are focused on managing the costs that we have some control over, such as:

- Potential FTE increases
- Balancing Capital and O&M
- Large Capital expenses within ten-year window

There are other factors impacting our budget and long-range financial planning:

- Dramatic increases in material and construction related costs
- Anticipated large expenses from dam safety upgrades, debt service spikes, SAP Now!, Grid Modernization
- Wholesale market uncertainty
Tacoma Power Financial Update & 2025-26 Revenue Requirement

Public Utility Board
22 May 2024
Timeline

Budget and Rates Timeline

- **JAN**
  - Reserves and Financial Policies
    - 3/27: Rate and Financial Policies
    - Reserve Funds
    - Financing Updates
  - Budget Overview
    - 4/10: Cost Saving Measures
    - 4/24: TPU Shared Services

- **FEB**
  - Rates
    - 7/10: Power COSA & Rates
  - Shared Services
    - 6/26: TPU and GG Updates

- **MAR**
  - Rates
  - TPU Preliminary Budget
    - 8/14: Water COSA, Revenues, Rates
    - Rail Revenues & Rates
  - TPU Budget Approval
    - 9/11: Customer Services
    - 9/26: TPU, Power, Water, Rail
  - City Budget Adoption
    - 10/8: PUB Joint Study Session
    - 10/9: Public Hearing
    - 10/9: PUB 1st Reading
    - 10/23: PUB 2nd Reading

- **APR**
  - Budget Overview
  - 5/8: Rail Overview & Strategy
  - 5/22:
    - Power Overview, LRP, Revenue Requirement
    - Water Overview & Strategy, LRP

- **JUL**
  - Rates

- **JUN**
  - Rates
  - Shared Services

- **MAY**
  - Rates
  - Shared Services
  - Budget Overview

- **AUG**
  - Rates
  - TPU Preliminary Budget
  - TPU Budget Approval

- **SEP**
  - Rates
  - TPU Preliminary Budget

- **OCT**
  - Rates
  - TPU Preliminary Budget

- **NOV**
  - Rates
  - TPU Preliminary Budget

- **WE ARE HERE**

- *Tacoma Power Military Protocol*
Tacoma Power’s Long-Range Financial Plan (LRFP) is available at mytpu.org once published. The draft 2024 LRFP is available here: Draft Tacoma Power 2024 Long-Range Financial Plan 05.22.2024
Before we start, a reminder…

This is a snapshot in time.

The amount of revenue we will receive each year is uncertain.

The amount of power that will be consumed by our customers is uncertain.

Actual rate increases may fall outside of this range and are dependent upon market conditions, financial performance, and the actions we may take in future years.

As has happened before -

These projections will change.
Board Guiding Principles

Financial Sustainability
Provide safe, affordable, and reliable power over the long term by maintaining sustainable budget, financial, and asset management practices.

Rates
Rates will be adequate, fair, just, gradual, and as low as they can responsibly be.

Electric Rate and Financial Policy

Outlines objectives and policies when setting rates including financial targets and the Rate Stabilization Fund usage.

Sections
I. Rate Setting Objectives
II. Rate Review Process
III. Rate Setting Policies
IV. Financial Targets and Rate-Setting Practices
V. Rate Stabilization Fund
Determination of recommended average rates

Projected expenses

- Forecasted revenues at current rates

Recommended rate increase

Additional Revenue needed

The Long View:
Long-Range Financial Plan stabilizes rates while achieving minimum financial metric targets.
Average bill based on utility published residential rates at 965 kWh consumption.
These elements form the foundation of the LRFP and are used to inform our base case and budget.

**Expense Assumptions**

- As of December 31, 2023 (unaudited actuals)
  - Purchased Power: 7%
  - Debt Service: 17%
  - Personnel: 13%
  - Other O&M: 24%
  - Taxes: 31%

**Revenue Assumptions**

- As of December 31, 2023 (unaudited actuals)
  - Retail: 75%
  - Wholesale: 15%
  - Other: 10%

**Credit, Debt, & Reserves**

- 2019-2020
- 2021-2022
- 2023-2024*
- 2025-2026**

- Bond Funded Capital
- Revenue Funded Capital

* Projections as of March 31, 2024
** Preliminary Estimate, Subject to Change
Retail Revenue Actuals & Forecasts

Retail Revenue Forecasts including Electrification Assumptions & with / without Conservation Assumptions

- Continuing conservation offsets electrification load growth

- New retail load forecasts increase retail revenue by approximately $82 million over ten years when compared to the 2023/2024 budget load forecast
Volatile Wholesale Revenues

Wholesale revenues fluctuate between 8% to 26% of total revenues due to unpredictable weather and wholesale market power prices.

* Does not include wholesale revenue transferred in or out of the Rate Stabilization Fund.
Cost Pressures Increasing

Distribution Transformer Cost Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>25kVa</th>
<th>50kVa</th>
<th>100kVa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$2,000</td>
<td>$4,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>2020</td>
<td>$2,500</td>
<td>$5,000</td>
<td>$9,500</td>
</tr>
<tr>
<td>2021</td>
<td>$3,000</td>
<td>$6,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>2022</td>
<td>$3,500</td>
<td>$7,000</td>
<td>$12,500</td>
</tr>
<tr>
<td>2023</td>
<td>$4,000</td>
<td>$8,000</td>
<td>$14,000</td>
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</tbody>
</table>

**282% Average Price Increase Pre- to Post-Pandemic**

Cost increases since 2019

- Distribution Transformer costs up 282%
- Multiplex wire up 137%
- Utility poles up 48%
- Vehicle costs up 25%
- +20% increase in some Represented wages

More than $300 Million future expenses identified

- Debt Service Spikes
- Hydro relicensing of 3 dams
- Dam Safety Seismic Mitigation
- Grid modernization projects
- SAP Now!
Risks and Opportunities

Planning for Uncertainties

Weather Conditions + Water Forecasts

Wholesale Power Prices

Economic Influences

Revenues and Expense Forecasts for 2024 - 2034

Projected Rate Increases

Internal Risks

• Compliance with Regulatory Mandates
• Technology Changes
• Aging Infrastructure
• Aging Workforce

External Risks

• Climate Change
• Weather Fluctuations
• Customer Demand Volatility
• Wholesale Power Market Volatility
• Economic Cycles and Inflation
• Policy or Regulatory Changes
• Environmental Regulations
• Seismic Events
• A Pandemic
May Update: Forecast Sensitivities

Scenarios:

- Adverse water in 2025 and 2026
- Critical water in 2025 and 2026
- Wholesale price collapse
- Loss of large load in 2025
- Recession in 2025 through 2026
- Lower retail rate increases in 2025 and 2026

Standard Planning Scenarios
The Electric Rate & Financial Policy was modified in 2018 to explicitly support adequate and gradual rate increases.

Guiding Principles GP-3 on Rates, Outcome 3 states “Planned gradual and consistent utility rate changes that are stable and predictable over the long term and mitigate sudden or large changes within customer classes.”

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

Projected rate increase 2025 to 2034: 4.9% - 7.1%
## Future Expenses Impacting Liquidity and Short-term Rates

**2022** Projected rate increases **without** new future expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Rate Increase</th>
<th>Base Case Rate Increase</th>
<th>Range of Projected Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>3.5%</td>
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<td>2024</td>
<td>3.5%</td>
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<td>2025</td>
<td>3.5%</td>
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<td>2026</td>
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<td>2027</td>
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<td>2030</td>
<td>3.5%</td>
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<td>2031</td>
<td>3.5%</td>
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<td>2032</td>
<td>3.5%</td>
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</table>

2025 to 2032: **3.4% - 5.0%**

**2024** Projected rate increases **with** new future expense increases

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Rate Increase</th>
<th>Increase in Rate Projections</th>
<th>Base Case Rate Increase</th>
<th>Range of Projected Rate Increase</th>
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<tbody>
<tr>
<td>2023</td>
<td>3.5%</td>
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<td>2024</td>
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<td>2033</td>
<td>3.5%</td>
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<td>2034</td>
<td>3.5%</td>
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2025 to 2034: **4.9% - 7.1%**

*This forecast is subject to change, and is dependent upon actual financial performance in future years.*
Assumptions Impacting the 2025 / 2026 Average Rate Forecast

Updated assumptions compared to last biennium

Revenue Assumptions
- 2024 Load Forecast with electrification assumptions
- Higher wholesale prices assumed 2025-2026

Expense Assumptions
- 7% annual increase in shared services costs (based on historic average)
- Additional personnel costs related to market wage increases
- Higher capital costs in 2025/2026 due to continuing projects and higher material and labor costs
- > $300 million in new expenses assumed for:
  - Relicensing of three hydro dams
  - SAP Now!
  - Dam seismic mitigation and safety upgrades
  - Grid modernization
### Adverse Water: Annual 5.0 percent Rate Increases

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
<th>2033</th>
<th>2034</th>
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</thead>
<tbody>
<tr>
<td>Base Case: Average Water Conditions</td>
<td>4.9%</td>
<td>4.9%</td>
<td>4.9%</td>
<td>4.9%</td>
<td>4.9%</td>
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<td>4.9%</td>
<td>4.9%</td>
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<tr>
<td>Budget: Adverse Water in 2025 &amp; 2026</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
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<tr>
<td>Critical Water in 2025 &amp; 2026*</td>
<td>5.8%</td>
<td>5.8%</td>
<td>5.8%</td>
<td>5.8%</td>
<td>5.8%</td>
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<tr>
<td>Loss of Large Customer in 2025</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.3%</td>
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<tr>
<td>Lower Wholesale Prices 2025-2034</td>
<td>5.5%</td>
<td>5.5%</td>
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<tr>
<td>Economic Downturn in 2025 &amp; 2026</td>
<td>4.9%</td>
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<td>4.9%</td>
<td>4.9%</td>
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</tr>
<tr>
<td>Lower average rate increases in 2025 &amp; 2026 **</td>
<td>2.0%</td>
<td>2.0%</td>
<td>7.1%</td>
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* Rate Stabilization Fund use of $31 million in 2025 and $29 million in 2026.

** Rate Stabilization Fund use of $12 million in 2025 and $25 million in 2026.
Lower (2%) Rate Increases in 2025 & 2026 Effect on Rate Trajectory

2024 Projected Base Case rate increases - recommended

2025 to 2034: 4.9% - 7.1%

- Base Case Rate Increase
- Range of Projected Rate Increase

2024 Projected rate increases with lower short-term rates

2025 to 2034: 7.1% - 12.4%

- Base Case Rate Increase
- Range of Projected Rate Increase

* Critical Water scenario in 2025 and 2026 required the use of $92 million of the Rate Stabilization Fund.
Manage Debt Profile to Minimize Long-Term Rates

The Long View:
Managing debt service has produced significant savings to date. Bond defeasances in 2026 and 2030-2034 are assumed to manage debt service and stabilize rates.
Using the Rate Stabilization Fund to Mitigate Future Financial Risks

### Rate Stabilization Fund Balances (Year-End)

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<tr>
<td><strong>$ in Millions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Addition / Withdrawal</strong></td>
<td>+$10 M</td>
<td>+$26 M</td>
<td>+$12 M</td>
<td>$0</td>
<td>-$10 M</td>
<td>+$25 M</td>
<td>+$95 M</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>$10 M</td>
<td>$36 M</td>
<td>$48 M</td>
<td>$48 M</td>
<td>$38 M</td>
<td>$63 M</td>
<td>$158 M</td>
<td>$158 M</td>
</tr>
</tbody>
</table>
Questions?
Regional Emerging Trends Overview

Climate Change Trifecta
• Utility Sector Energy Transition to non-carbon fuel sources
  • Solar Exceeds Load in Certain Hours
  • Wind & Solar Potential is located far from PNW Load Centers
• Electrification
  • NW Region Electric Demand is increasing but Generating capacity is decreasing
• Extreme Weather Events
  • The 2024 MLK Cold Weather Event
• Wildfire Risks
  • $26 billion proposed in California and $185 million proposed in Oregon for mitigation

Challenging Cost Dynamics
• Current power supply cost inflation very high but much less expensive than new power supply option
## Peer Utility Rate Increases

<table>
<thead>
<tr>
<th>UTILITY</th>
<th>RATE INCREASE %</th>
<th>2024</th>
<th>2025*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Gas &amp; Electric (PG&amp;E)</td>
<td>18.5%</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Portland General Electric</td>
<td>17.0%</td>
<td>7.4%</td>
<td></td>
</tr>
<tr>
<td>Clark PUD</td>
<td>14.0%</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Pacific Power</td>
<td>12.9%</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td>Avista</td>
<td>12.6%</td>
<td>7.8%</td>
<td></td>
</tr>
<tr>
<td>Seattle City Light</td>
<td>9.5%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Snohomish PUD</td>
<td>5.8%</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td><strong>Tacoma Power</strong></td>
<td><strong>3.5%</strong></td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Grant PUD</td>
<td>3.5%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Chelan PUD</td>
<td>3.0%</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Puget Sound Energy</td>
<td>1.7%**</td>
<td>17.0%</td>
<td></td>
</tr>
</tbody>
</table>

* Proposed  

**8.7% in 2023

---

**CPUC unanimously approves new PG&E rate hike to cover wildfire mitigation projects**

After raising rates by 17% in 2024, PGE requests further hikes for 2025

Clark Public Utilities rates will jump 14.5 percent as of March 1

**Pacific Power Increases Rates, Citing Rising Costs And Wildfire Mitigation**

**Avista Utilities set to raise Washington electricity rates**

Weather challenges, demand increases, and rising costs result in changes to customer electricity rates

City Light rates in Seattle to increase by nearly 10% next year

**Chelan PUD customers face five years of 3% rate increases**

Puget Sound Energy proposes hefty rate hikes to pay for hydro and wind power
Tacoma Power Challenges

Future expenses identified
• Debt Service spikes
• Hydro relicensing of 3 dams
• Dam Safety Program
• Grid modernization projects
• SAP Now!

The totality of these expenses expected to be > $300 million over the next ten years

Future risks & emerging issues
Post 2028 BPA Contract
• likely not as effective in meeting resource needs so we will need to procure more power supply

Wildfire liability risk
• 2 largest Oregon utilities requesting $185 million investments in wildfire projects

Increasing market volatility
• Seattle City Light raises rates after it burns through cash reserves
• Clark PUD uses RSF to address $17.7M shortfall
Potential Solutions & Strategies

Overall Industry

• Retain current federal hydro production assets
• Develop additional generating capacity
• Transmission siting and permitting reforms
• Further development of organized markets (and maybe an RTO).
• Generating technology advancement
• Demand side management

Tacoma Power

• Maintain adequate financial reserves (add to our rate stabilization fund when possible)
• Maintain AA ratings
• Steady retail rate increases
• Infrastructure modernization investments (prepare for the future)
• Obtain the best BPA contract terms possible
• Influence policy to benefit our customers
• Support development of organized markets
• Mitigate rate increases for income-constrained customers
Maintaining AA credit rating to Minimize Financing Costs

- **High ratings enable:**
  - Access to financing (e.g. Keybank agreement)
  - Lower interest rate on bonds

- **Electric Rate & Financial Policy:**
  - Requires debt-service coverage ratios and days cash on hand consistent with current rating
  - Mandates reasonable and consistent rate increases to minimize customer impact
  - Approved by TPU Board and City Council

- **Guiding Principle GP-2 on Financial Sustainability:**
  - Outcome 4: “Maintain financial metrics that support bond ratings AA or better which facilitate access to the lowest-cost financing and produce sustainable debt service expenses with adequate and relevant reserve level.”
  - Outcome 6: “Financial management of debt including loans, revenue bonds, and grants over the long term to maintain reasonable debt-service requirements and meet debt service coverage ratios.”

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

<table>
<thead>
<tr>
<th>Investment Grade</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
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<tbody>
<tr>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
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</tr>
<tr>
<td>Aa1</td>
<td>AA+</td>
<td>AA+</td>
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<tr>
<td>Aa2</td>
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<tr>
<td>Aa3</td>
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<tr>
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<table>
<thead>
<tr>
<th>Non-Investment Grade Speculative</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
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</thead>
<tbody>
<tr>
<td>Ba1</td>
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<tr>
<td>Ba2</td>
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<tr>
<td>Ba3</td>
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<tr>
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<td>B+</td>
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<tr>
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</tbody>
</table>

* Moody’s current rating for Tacoma Power only applies to Bonds issued before 2017.