

# 2021 Tacoma Power Annual Financial Report

FOR THE FISCAL YEAR ENDING  
**DECEMBER 31, 2021**  
PREPARED BY THE FINANCE DEPARTMENT

**TACOMA POWER**  
TACOMA PUBLIC UTILITIES



# Public Utility Board

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DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION  
Doing Business As

Tacoma Power

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# Financial Data



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## Report of Independent Auditors

The Chair and Members of the Public Utility Board  
City of Tacoma, Department of Public Utilities, Power Division  
Tacoma, Washington

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Power Division (the Division) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2021 and 2020, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Financial Reporting Entity***

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Proportionate Share of the Collective OPEB Liability Last 10 Years ("the supplementary information"), as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the table of contents. The other information comprises the statistical data and graphs but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.



Tacoma, Washington

May 19, 2022

# Management Discussion and Analysis

The following management discussion and analysis of Tacoma Power's (Utility) financial performance provides an overview of the financial activities for the years ended December 31, 2021, 2020, and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the Utility's financial activities, and identify changes in the Utility's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and the accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applied on a consistent basis and include amounts that are based on management's best estimates and judgment.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2021 and 2020, include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The Statements of Net Position present information on all of the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of the Utility's presentation of financial position, results of operations and changes in cash flows.

## Financial Highlights

- Tacoma Power reported a decrease in net position of \$1.0 million or 0.1% in 2021, compared to an increase of \$45.0 million or 5.4% in 2020.
- Operating revenues increased \$9.3 million or 2.0% in 2021 after transferring \$25.0 million of wholesale revenues to the rate stabilization account. Operating revenues in 2020 decreased \$413,000 or 0.1%.
- Utility Plant in Service increased \$76.1 million or 3.4% in 2021 and \$39.9 million or 1.8% in 2020.
- Construction work in progress decreased \$6.8 million or 15.6% in 2021 and increased \$4.7 million or 12.0% in 2020.

## Overview of Financial Statements

Tacoma Power reported net operating income of \$43.3, \$53.2, and \$1.8 million in 2021, 2020, and 2019, respectively. Operating revenues increased \$9.3 million during 2021 and operating expenses increased \$19.3 million. For 2020, operating revenues decreased \$413,000 and operating expenses decreased \$51.8 million compared to 2019. Tacoma Power reported a decrease in net position of \$1.0 million in 2021 compared to an increase of \$45.0 million in 2020 and a decrease of \$31.4 million in 2019.

The following tables highlight Tacoma Power's past three years' operating results and megawatt-hours billed.

**OPERATING RESULTS**  
(in thousands)

<b>Category</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>21/20</b>		<b>20/19</b>	
				<b>Increase</b>	<b>(Decrease)</b>	<b>Increase</b>	<b>(Decrease)</b>
Operating Revenues	\$ 470,296	\$ 460,953	\$ 461,366	\$ 9,343	\$ (413)		
Operating Expenses	427,044	407,737	459,565	19,307	(51,828)		
Net Operating Income	43,252	53,216	1,801	(9,964)	51,415		
Net Non-Operating Expenses	(21,330)	(6,113)	(10,620)	(15,217)	4,507		
Capital Contributions	6,759	5,016	7,807	1,743	(2,791)		
BABs and CREBs subsidies	3,729	3,725	3,593	4	132		
Transfers Out	(36,341)	(36,809)	(33,985)	468	(2,824)		
Transfers In	2,926	25,938	-	(23,012)	25,938		
Change in Net Position							
Increase (decrease)	\$ (1,005)	\$ 44,973	\$ (31,404)	\$ (45,978)	\$ 76,377		

**MEGAWATT-HOURS BILLED**  
(in thousands)

<b>Type of Customer</b>	<b>2021</b>	<b>2020<sup>(*)</sup></b>	<b>2019<sup>(*)</sup></b>	<b>21/20</b>		<b>20/19</b>	
				<b>Increase</b>	<b>(Decrease)</b>	<b>Increase</b>	<b>(Decrease)</b>
Residential	1,958	1,933	1,913	25	20		
Commercial/General/Industrial	2,699	2,677	2,760	22	(83)		
Wholesale	1,845	2,327	1,431	(482)	896		
Total	6,502	6,937	6,104	(435)	833		

(\*) 10 thousands Megawatt-hours billed for Public Street and Highway Lighting was reclassified from Commercial/General/Industrial to Residential in 2020 and 2019.

## Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following analysis highlights net position for the last three years.

<u>Description</u>	NET POSITION (in thousands)			21/20	20/19
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
Net Utility and Non-Utility Plant	\$ 1,124,560	\$ 1,098,761	\$ 1,069,914	\$ 25,799	\$ 28,847
Special Funds, Current Assets, and Other Assets	437,212	427,875	368,006	9,337	59,869
<b>Total Assets</b>	<b>1,561,772</b>	<b>1,526,636</b>	<b>1,437,920</b>	<b>35,136</b>	<b>88,716</b>
Deferred Outflows	38,975	22,628	55,281	16,347	(32,653)
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,600,747</b>	<b>\$ 1,549,264</b>	<b>\$ 1,493,201</b>	<b>\$ 51,483</b>	<b>\$ 56,063</b>
Net Position:					
Net Investment in Capital Assets	\$ 589,358	\$ 587,891	\$ 607,518	\$ 1,467	\$ (19,627)
Restricted	34,974	43,281	36,426	(8,307)	6,855
Unrestricted	251,663	245,828	188,083	5,835	57,745
<b>Total Net Position</b>	<b>875,995</b>	<b>877,000</b>	<b>832,027</b>	<b>(1,005)</b>	<b>44,973</b>
Long-Term Debt	534,255	386,222	470,424	148,033	(84,202)
Other Liabilities	120,661	219,201	145,132	(98,540)	74,069
<b>Total Liabilities</b>	<b>654,916</b>	<b>605,423</b>	<b>615,556</b>	<b>49,493</b>	<b>(10,133)</b>
Deferred Inflows	69,836	66,841	45,618	2,995	21,223
<b>Total Net Position, Liabilities and Deferred Inflows</b>	<b>\$ 1,600,747</b>	<b>\$ 1,549,264</b>	<b>\$ 1,493,201</b>	<b>\$ 51,483</b>	<b>\$ 56,063</b>

## Revenues

### 2021 Compared to 2020

Operating revenues totaled \$470.3 million in 2021 compared to \$461.0 million in 2020, an increase of \$9.3 million or 2.0% after transferring \$25.0 million of wholesale revenues to the rate stabilization account.

Sales of Electric energy increased \$17.7 million or 4.1%. This was primarily due to an increase in revenues from residential, commercial, general, and industrial customers of \$11.4 million (3.1%) and accrued unbilled revenue of \$5.8 million. There was a 1.5% rate increase effective April 1, 2021 which attributed to \$8.0 million of the total increase. The remaining increase is due to the increase in consumption.

In 2021, residential sales accounted for 44.3% of electric revenues, commercial and industrial revenues accounted for 42.3% and wholesale power revenues accounted for 13.4%.

Other Operating Revenues decreased \$2.2 million. The reimbursement of qualified conservation expenses decreased by \$2.4 million. Tacoma Power entered into an Energy Conservation Agreement (ECA) with BPA in 2009. Under this agreement, funds are collected in wholesale power rates to support regional energy efficiency programs. As utilities implement conservation programs and activities, BPA reimburses these funds per program specifications. Receipt of these funds is cyclical, resulting in a greater amount recovered in the even years of Tacoma Power's biennium. This decrease was offset by increases of \$558,000 in camping revenues and \$708,000 in leases revenues from Rainier Connect North, LLC ("Rainier Connect"). On April 1, 2020, Rainier Connect entered into an Indefeasible Right of Use Agreement and took operational control of the Click! commercial network.

Click! Network Operating Revenue decreased by \$6.2 million in 2021 for the reasons mentioned above.

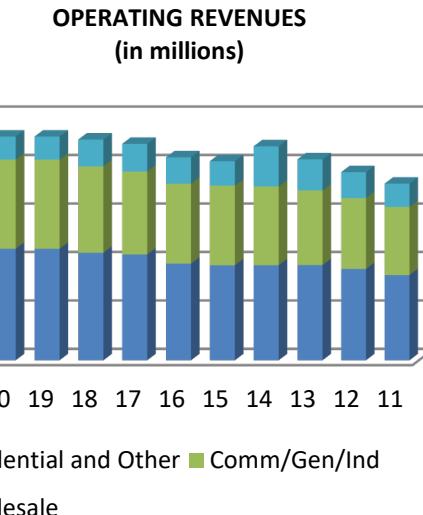
### 2020 Compared to 2019

Operating revenues totaled \$461.0 million in 2020 compared to \$461.4 million in 2019, a decrease of \$413,000 or 0.1%. The decrease in operating revenues was primarily due to a decrease in Click! Network Operating Revenue of \$19.3 million. On April 1, 2020, Rainier Connect North, LLC ("Rainier Connect") entered into an Indefeasible Right of Use Agreement and took operational control of the Click! commercial network.

This decrease was offset with an increase in revenues from residential customers of \$4.6 million or 2.5%. There was an approximate overall rate increase of 2% effective July 1, 2020 coupled with an increase in consumption of 13,000 in MWh billed. Wholesale power sales increased \$12.2 million or 25.7% mainly due to an increase in consumption of 896,000 in MWh billed.

In 2020, residential sales accounted for 43.7% of electric revenues, commercial and industrial revenues accounted for 42.5% and wholesale power revenues accounted for 13.8%.

Other Operating Revenues increased \$5.4 million or 28.8%. The increase was primarily due to reimbursement of qualified conservation expenses due to a change in legislation.



## **Expenses**

### **2021 Compared to 2020**

Total operating expenses increased \$19.3 million or 4.7% compared to 2020.

Distribution expenses increased \$4.9 million or 22.8%. The increase was primarily due to an increase in salaries and wages.

Telecommunications expense decreased \$4.2 million or 81.7% due to the entering into an Indefeasible Right of Use Agreement on April 1, 2020 with Rainier Connect.

Administrative and General expense increased \$8.6 million or 14.4%. Bad debt expense increased \$4.8 million in relation to aging accounts receivable. Assessments and internal allocations increased \$3.4 million primarily due to an increase in Information Technology projects. Self Insurance expense increased \$1.2 million. These increases were offset with decreases of \$503,000 in salaries and wages and \$833,000 in software license expense. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

### **2020 Compared to 2019**

Total operating expenses decreased \$51.8 million or 11.3% compared to 2019.

Purchased Power decreased \$24.0 million or 14.9%. Purchased Power is the net amount between outside power purchases and outside power generation resales. Compared to 2019, purchased volume and prices have decreased, also the outside power generation resale have increased. The increase in the Division's generation by 57% has contributed to the decrease in purchases and increase in power generation resales. In addition, streamflows into Tacoma Power's system were 110% of average in 2020 compared to 66% of average in 2019.

Generation expenses decreased \$6.6 million or 23.4%. The decrease was primarily due to \$4.1 million decrease in services provided by Washington Department of Fish and Wildlife, and \$622,000 decrease of Pension expense. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Maintenance expenses decreased \$7.6 million or 19.6%. External contract services, primarily includes Kosmos oil seep cleanup accruals, accounted for \$5.9 million of the decrease. Additional information regarding Kosmos oil seep can be found in Note 12. Salaries, Wages, and Pension expense attributed to \$1.6 million of the decrease. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Telecommunications expense decreased \$17.1 million or 76.9% due to the entering into an Indefeasible Right of Use Agreement on April 1, 2020 with Rainier Connect.

Administrative and General expense increased \$3.2 million or 5.6% primarily due to an increase in bad debt expense in relation to aging accounts receivable.

## **Non-Operating Revenues (Expenses)**

Interest income decreased \$7.2 million in 2021 compared to a decrease of \$1.5 million in 2020. The annual GASB 31 mark to market value adjustment accounted for \$6.1 million of the decrease. Investment earnings were \$1.1 million lower due to lower interest rates and the City had to pay a premium in buying securities in 2021 compared to 2020.

CARES grant of \$464,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was received in 2020. The Division did not receive CARES Grant in 2021.

Other expenses increased \$1.2 million in 2021. The increase was mainly due to increases of \$1.1 million expenses to assist overdue utility accounts receivable and \$503,000 in debt service cost from 2021 revenue bond issuance. The Division received \$1.1 million federal funds from Neighborhood and Community Services (NCS) as part of Emergency Rental Assistance program and the funding was applied to overdue utility accounts receivable for customers impacted by COVID-19. These increases were offset with the decrease of \$377,000 expense to support small businesses for business interruptions funded by Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

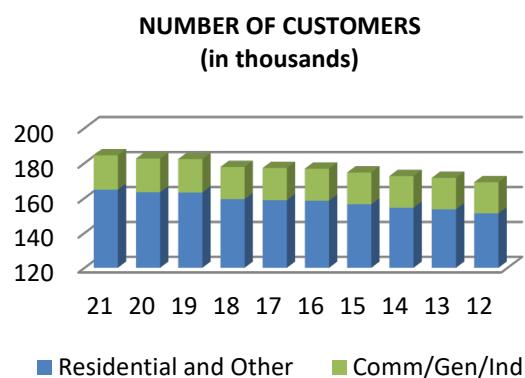
Gain on Sale/Disposal of Capital Assets decreased by \$5.2 million in 2021. In 2020 there was a disposal of the property located in the Frederickson vicinity of unincorporated Pierce County.

## Transfers

In 2021, Transfers decreased \$22.5 million due to a decrease of \$23.0 million in Transfer from/(to) Other Funds, offset by an increase of \$469,000 in Gross Earning tax. Transfer from/(to) Other Funds decreased due to the decrease of \$25.9 million in vehicle transfers from the Fleet Services Fund. This decrease was offset by an increase of \$1.1 million federal funds from NCS as discussed in the Other expenses section and an increase of \$1.8 million in construction work in progress transfers from the Fleet Services Fund. See Note 7 Fleet Services Fund for further discussion.

## Customer Counts

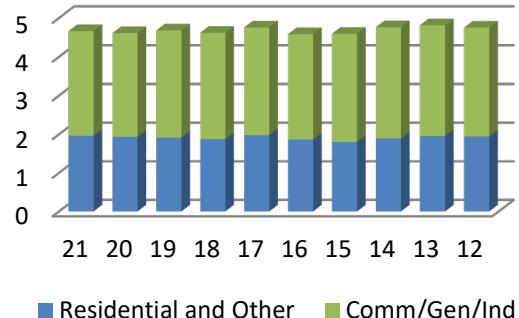
Tacoma Power's overall customer growth during the past 10 years has been relatively steady averaging between less than 1% and 3% per year. The customer count for 2021 is 184,406 compared to 182,526 in 2020 and 182,234 in 2019.



## Megawatt-hours Billed

Megawatt-hours billed to residential and other customers increased 1.5% in 2021 and commercial / general / industrial billings increased 0.7%. Wholesale power billed in 2021 was 1,845,407 megawatt-hours compared to 2,326,504 in 2020, a decrease of 481,097 megawatt-hours or 20.7%.

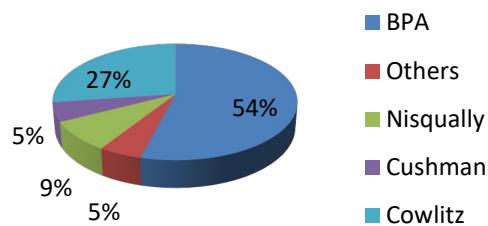
**MEGAWATT HOURS BILLED  
(in millions)**



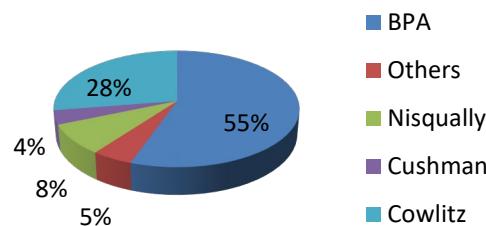
## Sources of Power

Tacoma Power's total resources for power supply to serve its retail and wholesale customers for the last two years are shown in the following graphs.

**Megawatt Hours Generated/Purchased - 2021**



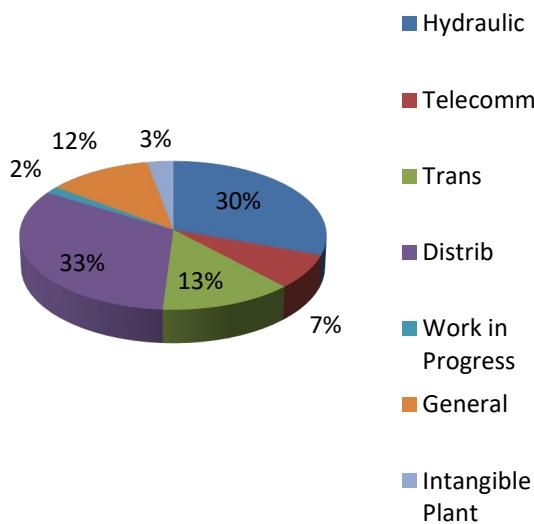
**Megawatt Hours Generated/Purchased - 2020**



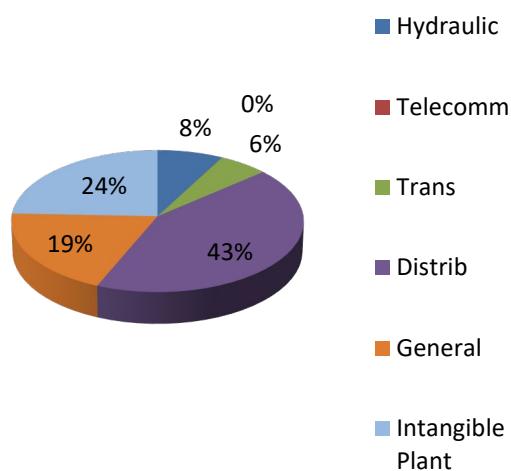
## Utility Plant and Plant Additions

Tacoma Power has \$2.3 billion invested in its utility plant assets on a cost basis. The largest portion is for the combined distribution and transmission business unit followed by the generation (hydroelectric) business unit. The following graphs show the total investment in plant and allocation of plant additions.

**2021 UTILITY PLANT**



**2021 PLANT ADDITIONS**



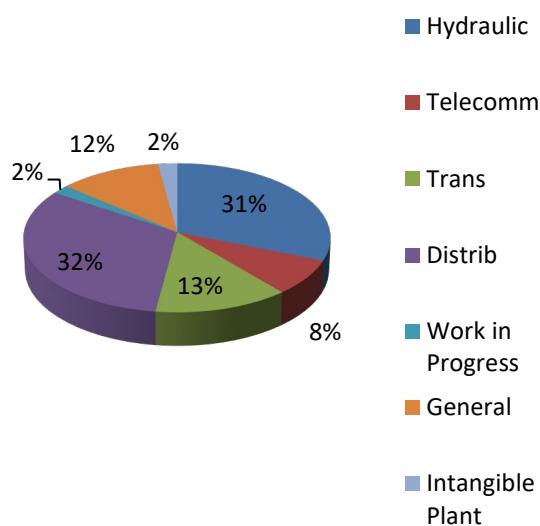
Additions to Intangible Plant in 2021 were \$20.2 million, which primarily included advanced meter modules and software, workforce management software, easements, and integrated voice recognition software. Additions to Hydraulic Plant in 2021 were \$6.4 million, which mainly included LaGrande shop building, Cushman number 2 station service upgrades, Mayfield generator breaker replacements, security additions and replacements, Alder sewer lagoon, fish facilities additions and replacements, and hydro electrical systems additions and replacements.

Transmission additions were \$4.4 million, which included addition and replacement programs for overhead, substations, transmission, protection and controls, and road related additions and replacements. Distribution additions were \$35.4 million, which included addition and replacement programs for overhead distribution, new services, central business district, road related additions and replacements, distribution system and transformers, substation, meters and devices, and the advanced meter project.

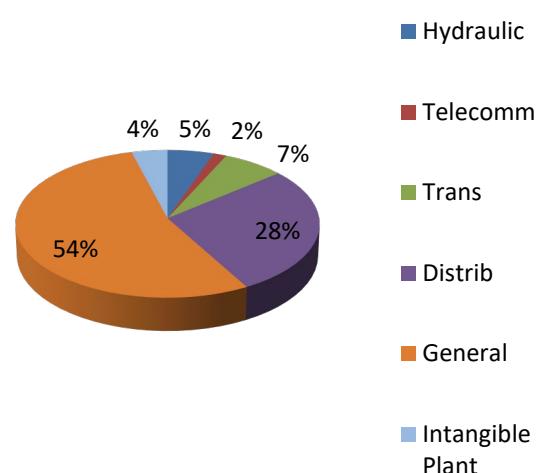
Regional Transmission additions were \$486,000, which included a Peterman Hill generator replacement and energy management system enhancements.

Additions to General Plant were \$16.0 million, which included land mobile radio, fleet related vehicles and equipment, audio visual equipment, and plant control systems lab modernization. Telecommunications additions were \$20,000, which included hybrid fiber coax plant extensions.

**2020 UTILITY PLANT**



**2020 PLANT ADDITIONS**



Additions to Intangible Plant in 2020 were \$4.2 million, which primarily included multi protocol label switching software and outage communication software. Additions to Hydraulic Plant in 2020 were \$5.5 million, which mainly included the Cowlitz trout hatchery water treatment modernization, Cushman number 2 spillway gate remote operation and Cowlitz fish release site development.

Transmission additions were \$7.2 million, which included addition and replacement programs for overhead, substations, transmission, protection and controls, and transmission line uprating. Distribution additions were \$29.0 million, which included addition and replacement programs for overhead distribution, new services, distribution transformers, underground distribution, road related additions and replacements, distribution substation, East F Street feeder and the advanced meter project.

Regional Transmission additions were \$162,000, which included energy management system software. Additions to General Plant were \$56.0 million, of which \$46.3 million were fleet assets transferred from Fleet Services Fund, the remaining additions were mainly land mobile radio for the Lacamas Site, and multi protocol label switching hardware. Click! additions were \$1.5 million, which included hybrid fiber coax plant extensions.

<b><u>Net Utility Plant</u></b> (in thousands)	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>21/20</u></b>	<b><u>20/19</u></b>
				<b><u>Increase (Decrease)</u></b>	<b><u>Increase (Decrease)</u></b>
Intangible Plant	\$ 48,200	\$ 29,919	\$ 31,529	\$ 18,281	\$ (1,610)
Hydraulic Plant	454,560	458,433	463,126	(3,873)	(4,693)
Transmission Facilities	135,063	139,384	140,702	(4,321)	(1,318)
Distribution Facilities	337,111	317,037	303,253	20,074	13,784
General Plant	97,024	90,498	68,890	6,526	21,608
Telecommunications Plant	15,521	19,599	23,207	(4,078)	(3,608)
Construction Work in Progress	36,898	43,709	39,025	(6,811)	4,684
Total Net Utility Plant	\$ 1,124,377	\$ 1,098,579	\$ 1,069,732	\$ 25,798	\$ 28,847

Additional information on Tacoma Power's capital assets can be found in Note 4 of the financial statements.

### **Debt Administration**

At December 31, 2021, Tacoma Power had outstanding revenue bonds of \$488.0 million, an increase of \$114.4 million compared to 2020. Tacoma Power issued \$121.9 million of Electric System Revenue Bonds, Series 2021 (Green Bonds) in September 2021. The proceeds of the issuance were used to pay down \$145.0 million of the Wells Fargo line of credit. In August and October 2021 Tacoma Power took a draw of \$13.8 million and \$10.0 million, respectively, on the line of credit agreement with Wells Fargo.

At December 31, 2020, Tacoma Power had outstanding revenue bonds of \$373.6 million, a reduction of \$9.4 million compared to 2019. In September and December 2020, Tacoma Power took a draw of \$26.0 million and \$30.0 million, respectively, on the line of credit agreement with Wells Fargo.

On May 21, 2020, Tacoma Power entered into a 2-year Note Purchase Agreement with KeyBank in the amount of \$100 million. On September 16, 2021 an amendment was made to the agreement which reduced the amount to \$50 million and extended the maturity date to December 2024. There were no draws outstanding on this Note Purchase Agreement as of December 31, 2021.

All bonds are rated AA by Standard and Poor's and AA- by Fitch, Inc. Bonds prior to 2017 are rated Aa3 by Moody's Investors Service.

Additional information on Tacoma Power's long-term debt can be found in Note 5 of the financial statements.

### **Debt Service Coverage**

Tacoma Power is required by its bond covenants to maintain a debt service coverage ratio of 1.25. In 2021, principal and interest were covered 3.33 times compared to 4.39 times in 2020 and 2.17 times in 2019.

### **Summary**

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray Tacoma Power's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information.

The financial statements have been audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and reliable, that assets are used appropriately and that business transactions are carried out as authorized.

#### **Request for Information**

Power financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

# Financial Statements

**City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
Statements of Net Position**

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b>DECEMBER 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>UTILITY PLANT</b>		
In Service, at Original Cost	\$2,285,323,197	\$2,209,267,388
Less - Accumulated Depreciation	<u>(1,197,844,091)</u>	<u>(1,154,396,863)</u>
Total	1,087,479,106	1,054,870,525
Construction Work in Progress	<u>36,898,362</u>	<u>43,708,641</u>
Net Utility Plant	1,124,377,468	1,098,579,166
<b>NON-UTILITY PROPERTY</b>		
	182,051	182,051
<b>SPECIAL FUNDS</b>		
Construction Funds	921	9,074,413
Debt Service Funds	16,852,027	17,080,055
Special Bond Reserve Funds	4,997,639	4,997,639
Wynoochee Reserve Funds	2,759,318	2,776,056
Fish and Wildlife Reserves	<u>26,269,082</u>	<u>25,845,694</u>
Total Special Funds	50,878,987	59,773,857
<b>CURRENT ASSETS</b>		
Operating Funds Cash and Equity in		
Pooled Investments	248,355,884	232,705,864
Accounts Receivable	41,229,043	30,952,991
(Net of Allowance for Doubtful Accounts of \$18,284,628 in 2021 and \$7,999,444 in 2020)		
Accrued Unbilled Revenue	37,269,282	32,019,820
Materials and Supplies	8,422,718	7,311,448
Prepayments and Other	<u>12,919,827</u>	<u>13,718,562</u>
Total Current Assets	348,196,754	316,708,685
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation		
(Net of Amortization of \$67,901,943 in 2021 and \$59,307,098 in 2020)	36,175,434	42,020,106
Net Pension Asset	-	7,189,022
Conservation Loans Receivable	<u>1,961,240</u>	<u>2,182,253</u>
Total Other Assets	<u>38,136,674</u>	<u>51,391,381</u>
Total Assets	1,561,771,934	1,526,635,140
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflow for Pensions	35,750,176	21,328,424
Deferred Outflow for OPEB	<u>3,225,179</u>	<u>1,299,989</u>
Total Deferred Outflows	38,975,355	22,628,413
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$1,600,747,289</u></b>	<b><u>\$1,549,263,553</u></b>

*The accompanying notes are an integral part of these financial statements*

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	DECEMBER 31,	
	2021	2020
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$589,358,088	\$587,890,855
Restricted for:		
Wynoochee Reserve Funds	2,759,318	2,776,056
Fish and Wildlife Reserves	26,269,082	25,845,694
Debt Service Funds	5,945,000	7,470,000
Net Pension Asset	-	7,189,022
Unrestricted	251,663,454	245,828,320
Total Net Position	<u>875,994,942</u>	<u>876,999,947</u>
<b>LONG-TERM DEBT</b>		
Revenue Bonds	524,254,991	386,222,415
Line of Credit	10,000,000	-
Total Long-Term Debt	<u>534,254,991</u>	<u>386,222,415</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Revenue Bonds and Line of Credit	5,945,000	138,720,000
Taxes and Other Payables	18,586,758	20,189,963
Purchased Power Payable	12,321,607	11,079,413
Salaries, Wages and Compensated Absences Payable	5,866,314	5,121,187
Interest Payable	10,907,027	9,610,055
Unearned Revenue	2,017,636	1,423,374
Customers' Deposits	9,474,745	6,285,819
Current Accrued Environmental Liability	325,000	400,000
Current Pension Withdrawal Liability	35,112	-
Total Current Liabilities	<u>65,479,199</u>	<u>192,829,811</u>
<b>LONG-TERM LIABILITIES</b>		
Long Term Accrued Compensated Absences	13,519,102	12,104,741
Net Pension Liability	26,436,014	-
Net OPEB Liability	13,295,561	10,972,398
Pension Withdrawal Liability	420,549	256,560
Other Long Term Liabilities	1,510,900	3,036,730
Total Long Term Liabilities	<u>55,182,126</u>	<u>26,370,429</u>
Total Liabilities	<u>654,916,316</u>	<u>605,422,655</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflow for Pensions	5,657,211	27,395,943
Deferred Inflow for OPEB	1,178,820	1,445,008
Rate Stabilization	63,000,000	38,000,000
Total Deferred Inflows	<u>69,836,031</u>	<u>66,840,951</u>
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b><u>\$1,600,747,289</u></b>	<b><u>\$1,549,263,553</u></b>

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City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power

Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2021	2020
<b>OPERATING REVENUES</b>		
Sales of Electric Energy	\$448,241,608	\$430,538,416
Other Operating Revenue	22,054,160	24,211,850
Click! Network Operating Revenue	-	6,202,935
Total Operating Revenue	<u>470,295,768</u>	<u>460,953,201</u>
<b>OPERATING EXPENSES</b>		
Operations		
Purchased and Interchanged Power	142,643,478	137,081,542
Generation	22,391,283	21,720,288
Transmission	35,981,586	35,020,729
Distribution	26,346,064	21,446,075
Other	24,106,995	26,271,964
Maintenance	33,935,186	31,339,603
Telecommunications Expense	937,449	5,134,281
Administrative and General	68,699,673	60,067,993
Depreciation	50,607,135	48,123,728
Taxes	<u>21,395,621</u>	<u>21,530,739</u>
Total Operating Expenses	<u>427,044,470</u>	<u>407,736,942</u>
Net Operating Income	43,251,298	53,216,259
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	(1,096,248)	6,064,525
CARES Grant	-	463,718
Contribution to Family Need	(1,000,000)	(500,000)
Other	(429,211)	775,093
Gain on Sale/Disposal of Capital Assets	605,687	5,841,184
Interest on Long-Term Debt	(21,160,541)	(20,239,404)
Amortization of Debt Premium	<u>1,749,912</u>	<u>1,482,160</u>
Total Non-Operating Expenses	<u>(21,330,401)</u>	<u>(6,112,724)</u>
Net Income (Loss) Before Capital Contributions and Transfers	21,920,897	47,103,535
Capital Contributions		
Cash	5,677,248	4,796,109
Donated Capital Assets	1,082,599	219,271
BABs and CREBs Interest Subsidies	3,729,224	3,725,269
Transfers		
City of Tacoma Gross Earnings Tax	(36,340,775)	(36,809,285)
Transfers from/(to) Other Funds	<u>2,925,802</u>	<u>25,937,720</u>
<b>CHANGE IN NET POSITION</b>	(1,005,005)	44,972,619
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>876,999,947</u>	<u>832,027,328</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$875,994,942</u>	<u>\$876,999,947</u>

*The accompanying notes are an integral part of these financial statements*

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers	\$ 479,770,254	\$ 455,443,608
Cash Paid to Suppliers	(214,271,483)	(218,162,178)
Cash Paid to Employees	(133,420,319)	(123,592,523)
Taxes Paid	(21,332,048)	(20,367,518)
Cash from Conservation Loans	<u>221,013</u>	<u>214,029</u>
Net Cash from Operating Activities	110,967,417	93,535,418
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax	(36,340,775)	(36,809,285)
Transfer from/(to) Other Funds	1,085,608	7,186,764
CARES Grant Received	-	463,718
Transfer to Family Need Fund	<u>(1,000,000)</u>	<u>(500,000)</u>
Net Cash from Non-Capital Financing Activities	(36,255,167)	(29,658,803)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures	(73,483,356)	(62,840,400)
Proceeds from sales of capital assets	1,126,994	10,376,384
Proceeds from Issuance of Long-Term Debt and LOC	169,477,489	56,000,000
Debt Issuance Costs	(752,489)	-
Principal Payments on Long-Term Debt and LOC	(152,470,000)	(9,365,000)
Interest Paid	(19,863,569)	(20,473,529)
BABs and CREBs Interest Subsidies	3,729,224	3,725,269
Contributions in Aid of Construction (Cash)	5,677,248	4,796,109
Other Long-Term Liabilities	<u>(104,364)</u>	<u>(1,864,727)</u>
Net Cash from Capital and Related Financing Activities	(66,662,823)	(19,645,894)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income (Loss)	(1,096,248)	6,064,525
Other Non-Op Revenues and Deductions	<u>(198,029)</u>	<u>1,049,117</u>
Net Cash from Investing Activities	<u>(1,294,277)</u>	<u>7,113,642</u>
Net Change in Cash and Equity in Pooled Investments	6,755,150	51,344,363
Cash and Equity in Pooled Investments at January 1	<u>292,479,721</u>	<u>241,135,358</u>
Cash and Equity in Pooled Investments at December 31	<u>\$299,234,871</u>	<u>\$292,479,721</u>

*The accompanying notes are an integral part of these financial statements*

**City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
Statements of Cash Flows**

YEAR ENDED DECEMBER 31,

2021

2020

**Reconciliation of Net Operating Income to  
Net Cash From Operating Activities:**

Net Operating Income	\$43,251,298	\$53,216,259
 Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	50,607,135	48,123,728
Amortization of Regulatory Assets	8,594,845	9,228,433
Pension Expenses (Credits)	(2,535,448)	1,273,158
Net OPEB Expenses (Credits)	131,785	(79,538)
Pension Withdrawal Expense	199,101	-
Accrued Environmental Expense	(75,000)	(4,858,322)
Rate Stabilization	25,000,000	-
 Cash from changes in operating assets and liabilities:		
Accounts Receivable and Accrued Unbilled Revenue	(15,525,514)	(5,385,128)
Conservation Loans Receivable	221,013	214,029
Materials and Supplies, and Other	(312,535)	(1,536,525)
Taxes and Other Payables	(2,429,698)	(3,402,608)
Purchased Power Payable	1,242,194	(5,866,451)
Salaries, Wages and Compensated Absences Payable	745,127	1,089,076
Long Term Accrued Compensated Absences	1,414,361	1,861,780
Customers' Deposits	3,188,926	3,483,880
Regulatory Asset - Conservation	<u>(2,750,173)</u>	<u>(3,826,353)</u>
Total Adjustments	<u>67,716,119</u>	<u>40,319,159</u>
Net Cash from Operating Activities	<u>\$110,967,417</u>	<u>\$93,535,418</u>
 Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$50,878,987	\$59,773,857
Cash and Equity in Pooled Investments in Operating Funds	<u>248,355,884</u>	<u>232,705,864</u>
Cash and Equity in Pooled Investments at December 31	<u>\$299,234,871</u>	<u>\$292,479,721</u>
 Noncash Investing, Capital, and Financing activities		
Donated fixed assets	\$1,082,599	\$219,271
Fixed assets transferred from/(to) Other Funds	\$1,840,194	\$18,750,956

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power

Notes to Financial Statements  
Years Ended December 31, 2021 and 2020

## **NOTE 1 OPERATIONS**

**OPERATIONS OF TACOMA POWER** - The Light Division, doing business as Tacoma Power (Tacoma Power or the Division), is a division of the City of Tacoma, Washington (the City), Department of Public Utilities (the Department) and is included as an enterprise fund in the Annual Financial Report (Annual Report) of the City. The Department consists of Tacoma Power, Tacoma Water and Tacoma Rail and is governed by a five-member Public Utility Board (the Board) appointed by the City Council. Certain matters relating to utility operations, such as system expansion, issuance of bonds and setting of utility rates and charges, are initiated and executed by the Board, but also require formal City Council approval. Tacoma Power owns and operates the City's electrical generation and distribution facilities and telecommunication infrastructure. Tacoma Power serves approximately 184,000 retail customers and has 940 employees. Tacoma Power is organized into six business units: Generation, Power Management, Transmission and Distribution, Rates, Planning and Analysis, Click! Network, and Utility Technology Services.

**GENERATION** operates four hydroelectric generating projects (Cowlitz, Cushman, Nisqually and Wynoochee) and the associated recreational facilities, fish hatcheries and other project lands.

**POWER MANAGEMENT** manages the power supply portfolio, markets bulk and ancillary power supply services, schedules and dispatches division-owned generation and contract power supplies and performs power trading and risk management activities. Revenues and the cost of electric power purchases vary from year to year depending on the electric wholesale power market, which is affected by several factors including the availability of water for hydroelectric generation, marginal fuel prices and the demand for power in other areas of the country.

**TRANSMISSION AND DISTRIBUTION** plans, constructs, operates and maintains the transmission and distribution systems including substations, the underground network system, supervisory control and data acquisition (SCADA) systems, revenue metering facilities and all overhead transmission and distribution systems. Electricity use by retail customers varies from year to year primarily because of weather conditions, customer growth, the economy in Tacoma Power's service area, conservation efforts, appliance efficiency and other technology.

**RATES, PLANNING AND ANALYSIS** plans for and manages the retail rate process, financial planning, analysis and modeling, budget strategies, the capital program and risk management.

**CLICK! NETWORK** plans, constructs, operates and maintains a hybrid fiber coaxial (HFC) telecommunications network that supports the operation of Tacoma Power's electrical transmission and distribution system, provides retail cable TV and wholesale high-speed Internet services to residential and business customers, and data transport services to retail customers. On April 1, 2020, Rainier Connect North, LLC ("Rainier Connect") entered into an Indefeasible Right of Use Agreement and took operational control of the Click! commercial network.

**UTILITY TECHNOLOGY SERVICES (UTS)** maintains communication networks, operational and informational technology systems, and related equipment and infrastructure to optimize utility operations and improve reliability and service quality. This includes a Project Management Office that establishes and leads Tacoma Public Utilities Information Systems project governance process and implements project portfolio management tools. UTS is responsible for all matters related to Tacoma Power's compliance with North American Electric Reliability Corporation (NERC) Reliability Standards, maintains overall responsibility for the NERC Reliability Standards and manages Tacoma Power's Internal Reliability and Compliance Project.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING AND PRESENTATION** - The financial statements of the Division are prepared under the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting principles used are similar to those applicable to businesses in the private sector and are maintained on the accrual basis of accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

The Division follows the provisions set forth in regulatory accounting guidance. In general, regulatory accounting permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

The Division accounts are maintained substantially in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission and the Division of Audits of the Washington State Auditor's Office.

**ACCOUNTING CHANGES** - Effective for the fiscal year 2021, the Division implemented the following new accounting and reporting standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 98.

**CASH, SPECIAL FUNDS AND EQUITY IN POOLED INVESTMENTS** - The Division's cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances, which are their equity in the TIP. Accordingly, balances are considered cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the LGIP.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2021 and 2020, is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer-term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasures LGIP is authorized by RCW 43.250. The LGIP is operated like a 2A7 fund and is collateralized by short-term legal investments.

**RESTRICTED ASSETS** - In accordance with bond resolutions, agreements and laws, separate restricted funds have been established. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds, fish and wildlife reserves, and customer deposits.

**ACCOUNTS RECEIVABLES AND ACCRUED UNBILLED REVENUES** - Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. The Division accrues an estimated amount for services that have been provided but not billed as of December 31, 2021 and 2020.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** - A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable is considered past due after 30 days.

**INTERFUND AND INTERGOVERNMENTAL TRANSACTIONS** - Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

**MATERIALS AND SUPPLIES** - Materials and supplies consist primarily of items for maintenance and construction of Division assets and are valued at the lower of average cost or fair market value.

**BOND PREMIUM AND LOSS ON REFUNDING** - Bond premiums are amortized over the life of the bonds using a straight-line basis, are presented as an offset to the long-term debt balance in the statement of net position. Losses on refunding are amortized on a straight-line basis over the applicable bond period and are presented as deferred outflows in the statement of net position.

**DEBT ISSUANCE COSTS** – Debt issuance costs are recognized as expenses when incurred.

**REGULATORY ASSET CONSERVATION** - The Division has deferred conservation costs to be charged to future periods matching the time when the revenues and expenses are included in rates. Conservation assets represent installation of savings measures at the properties of its customers. The deferred balance is reduced as costs are recovered and are amortized as other operating expense on the statements of revenues, expenses and changes in net position.

**UTILITY PLANT AND DEPRECIATION** - Utility plant is stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation is recorded using a straight-line composite method based on FERC recommended economic asset lives from 2 to 62 years for related operating assets placed in service at the beginning of the year. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service.

The economic lives for plant in service are as follows:

Intangible Plant	2-37 years
Hydraulic Production Plant	62 years
Transmission Plant	29 years
Distribution Plant	27 years
Regional Transmission	5-27 years
General Plant	19 years
Telecommunications Plant	5-19 years

**CONSTRUCTION WORK IN PROGRESS** - Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

**ASSET VALUATION** - The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows.

**INTANGIBLE ASSETS** - In accordance with GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*, land use rights, such as easements and right-of-ways, are recorded as intangible assets.

**CAPITAL CONTRIBUTIONS** - In accordance with GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants and capital contributions are recorded as capital contributions.

**COMPENSATED ABSENCES** - The City has two different policies for compensated absences. The City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%. Vacation pay and PTO are recorded as a liability and expense in the year earned.

Employees in the original policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value. Sick leave pay is recorded as a liability and an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

**RATE STABILIZATION ACCOUNT** - The Division has established a rate stabilization account to reduce significant year-to-year variations in rates. Amounts deposited into the account are excluded from the statement of revenues, expenses and changes in net position in accordance with regulated operations. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

**OPERATING REVENUE** - Service rates are authorized by the Tacoma City Council. Revenues are recognized as earned and include an estimate of revenue earned but not billed to customers as of year-end. Utility revenues are derived primarily from the sale and transmission of electricity. Utility revenue from power sales and power transmission is recognized when power is delivered to and received by the customer.

**NON-OPERATING REVENUES AND EXPENSES** - These are items that do not qualify as operating defined above such as interest and gain (loss) on disposition of property.

**TAXES** - The City charges the Division a Gross Earnings Tax at the rate of 7.5% on electrical revenues and broadband revenues and 8.0% on cable television revenues. On Tacoma cable television revenues only, the City also charges the Division a franchise fee of 5.0% and a Public, Educational and Government access television (P.E.G.) fee of 1.0%. In addition, the Division pays a 3.8734% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Division also pays business and occupation tax to the State at the rate of 1.75% on certain other non-utility revenues including cable television revenues, as well as 0.484% for Wholesaling and Broadcasting and 0.471% for Retailing. The Division is exempt from payment of federal income tax.

**NET POSITION** - The Statement of Net Position reports all financial and capital resources. The difference between assets and deferred outflows, and liabilities and deferred inflows is net position. There are three components of net position: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any bonds, loans or other borrowings, less outstanding construction funds, which are attributable to the acquisition, construction, or improvements of those assets.

Net position components are restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position components are those that are not "net investment in capital assets" or "restricted".

**ARBITRAGE REBATE REQUIREMENT** - The Division is subject to the Internal Revenue Code ("IRC"), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Division would record such a rebate as a liability. The Division had no liability in the current or prior year.

**ENVIRONMENTAL REMEDIATION COSTS** - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

**SHARED SERVICES** - The Division receives certain services from other departments and agencies of the City, including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies.

**USE OF ESTIMATES** - The preparation of the financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported unbilled revenues, allowance for doubtful accounts, accrued compensated absences, depreciation, OPEB, pension, pension withdrawal liability, self-insurance liabilities and other contingencies. Actual results may differ from these estimates.

**FAMILY NEED** - The Family Need program is Tacoma Power's low income bill assistance program. Contributions are received from customers, employees and Tacoma Power. The Family Need program is administered by the Metropolitan Development Council and Pierce County Community Services which identify and certify the eligibility of Tacoma Power customers for the program.

**INCURRED BUT NOT REPORTED CLAIMS** – Liabilities for incurred but not reported claims are initially recorded when the expected loss is both probable and reasonably estimated in Self-Insurance Fund. Equity in the Self-Insurance Fund is transferred to the Division in accordance with GASB 10 and reported under Prepayments and Other and Other Long Term Liabilities on the Statement of Net Position.

**SIGNIFICANT RISKS AND UNCERTAINTIES** - The Division is subject to certain business risks that could have a material impact on future operations and financial performance.

These risks include, but are not limited to, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of facilities.

**RECLASSIFICATIONS** - Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

### **NOTE 3 INVESTMENTS MEASURED AT FAIR VALUE**

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Level 1 inputs are quoted (adjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2 - Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- Level 3 - Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data.

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Data regarding the City's investments, valued and categorized according to the above outlined levels, is below:

	As of			
	12/31/2021	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 549,528,777	\$ -	\$ 549,528,777	\$ -
U.S. Agency Securities	375,740,028	-	375,740,028	-
Supranational Securities	25,416,670	-	25,416,670	-
Municipal Bonds	5,094,110	-	5,094,110	-
Corporate Securities	56,527,275	-	56,527,275	-
	<b>\$ 1,012,306,860</b>	<b>\$ -</b>	<b>\$ 1,012,306,860</b>	<b>\$ -</b>

	As of			
	12/31/2020	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 371,578,276	\$ -	\$ 371,578,276	\$ -
U.S. Agency Securities	491,827,203	-	491,827,203	-
Supranational Securities	10,065,910	-	10,065,910	-
Municipal Bonds	11,664,518	-	11,664,518	-
Corporate Securities	62,803,670	-	62,803,670	-
	<b>\$ 947,939,577</b>	<b>\$ -</b>	<b>\$ 947,939,577</b>	<b>\$ -</b>

Tacoma Power's share of the City investments shown in the table above is 24.73% and 25.05% for 2021 and 2020, respectively.

**Notes to the Financial Statements (continued)**

**NOTE 4 UTILITY PLANT**

A summary of the balances and changes in utility plant for 2021 and 2020 follows:

	Balance December 31, 2020	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2021
Intangible Plant	\$ 48,940,145	\$ 910,920	\$ (47,685)	\$ 19,275,567	\$ 69,078,947
Hydraulic Production					
Plant	700,424,093	-	-	6,431,927	706,856,020
Transmission Plant	261,218,701	-	(33,329)	4,356,556	265,541,928
Distribution Plant	726,333,864	171,679	(3,199,679)	35,191,951	758,497,815
Regional Transmission	37,580,866	-	-	485,589	38,066,455
General Plant	259,990,540	-	(3,484,383)	15,976,666	272,482,823
Telecommunications					
Plant	<u>174,779,179</u>	<u>-</u>	<u>-</u>	<u>20,030</u>	<u>174,799,209</u>
Total Utility Plant in Service	2,209,267,388	1,082,599	(6,765,076)	81,738,286	2,285,323,197
Less Accumulated Depreciation	<u>(1,154,396,863)</u>	<u>(50,607,135)</u>	<u>6,196,513</u>	<u>963,394</u>	<u>(1,197,844,091)</u>
	<u>1,054,870,525</u>	<u>(49,524,536)</u>	<u>(568,563)</u>	<u>82,701,680</u>	<u>1,087,479,106</u>
Construction Work In Progress	43,708,641	78,831,883	-	(85,642,162)	36,898,362
Net Utility Plant	<u>\$ 1,098,579,166</u>	<u>\$ 29,307,347</u>	<u>\$ (568,563)</u>	<u>\$ (2,940,482)</u>	<u>\$ 1,124,377,468</u>

	Balance December 31, 2019	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2020
Intangible Plant	\$ 48,897,147	\$ 155,329	\$ (4,200,000)	\$ 4,087,669	\$ 48,940,145
Hydraulic Production					
Plant	694,909,088	-	-	5,515,005	700,424,093
Transmission Plant	256,357,176	-	(2,327,604)	7,189,129	261,218,701
Distribution Plant	700,514,016	63,942	(3,188,120)	28,944,026	726,333,864
Regional Transmission	37,418,930	-	-	161,936	37,580,866
General Plant	217,102,411	-	(13,079,312)	55,967,441	259,990,540
Telecommunications					
Plant	<u>214,203,510</u>	<u>-</u>	<u>(40,955,531)</u>	<u>1,531,200</u>	<u>174,779,179</u>
Total Utility Plant in Service	2,169,402,278	219,271	(63,750,567)	103,396,406	2,209,267,388
Less Accumulated Depreciation	<u>(1,138,696,062)</u>	<u>(48,123,728)</u>	<u>58,941,343</u>	<u>(26,518,416)</u>	<u>(1,154,396,863)</u>
	<u>1,030,706,216</u>	<u>(47,904,457)</u>	<u>(4,809,224)</u>	<u>76,877,990</u>	<u>1,054,870,525</u>
Construction Work In Progress	39,025,402	70,323,662	-	(65,640,423)	43,708,641
Net Utility Plant	<u>\$ 1,069,731,618</u>	<u>\$ 22,419,205</u>	<u>\$ (4,809,224)</u>	<u>\$ 11,237,567</u>	<u>\$ 1,098,579,166</u>

Total Utility Plant in Service includes non-depreciable assets of \$74,363,729 for 2021 and \$73,452,865 for 2020.

Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. \$18.8 million of net book value in assets (net between cost of \$46.3 million and accumulated depreciation of \$27.5 million) was transferred to the Division in 2020. In 2021, \$1.8 million of Construction Work in progress was transferred to the Division.

**NOTE 5 LONG-TERM DEBT**

Tacoma Power's long-term debt is primarily for capital improvements. Long-term liability activity for the years ended December 31, 2021 and December 31, 2020, was as follows:

	Balance			
	December 31,			December 31,
	2020	Additions	Reductions	2021
Revenue Bonds	\$ 373,575,000	\$ 121,855,000	\$ (7,470,000)	\$ 487,960,000
Plus: Unamortized Premium	20,117,415	\$ 23,872,489	(1,749,913)	42,239,991
Net Revenue Bonds	393,692,415	145,727,489.00	(9,219,913)	530,199,991
Line of Credit	131,250,000	23,750,000	(145,000,000)	10,000,000
Total Long-Term Debt	<u>\$ 524,942,415</u>	<u>\$ 169,477,489</u>	<u>\$ (154,219,913)</u>	<u>\$ 540,199,991</u>
				\$ 5,945,000

	Balance			
	December 31,			December 31,
	2019	Additions	Reductions	2020
Revenue Bonds	\$ 382,940,000	\$ -	\$ (9,365,000)	\$ 373,575,000
Plus: Unamortized Premium	21,599,575	-	(1,482,160)	20,117,415
Net Revenue Bonds	404,539,575	-	(10,847,160)	393,692,415
Line of Credit	75,250,000	56,000,000	-	131,250,000
Total Long-Term Debt	<u>\$ 479,789,575</u>	<u>\$ 56,000,000</u>	<u>\$ (10,847,160)</u>	<u>\$ 524,942,415</u>
				\$ 138,720,000

**Notes to the Financial Statements (continued)**

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Tacoma Power's long-term debt at December 31 consists of the following payable from revenues of Tacoma Power:

	<u>2021</u>	<u>2020</u>
2010B Revenue Bonds, with interest rates ranging from 5.791% to 5.966%, with a Build America Bond (BAB) rebate at 35% of interest, due in yearly installments of \$27,310,000 to \$31,630,000 from 2031 to 2035.		
Original Issue: \$147,070,000	\$ 147,070,000	\$ 147,070,000
Current Portion: \$0		
2010C Revenue Bonds, with an interest rate of 5.641%, with Clean Renewal Energy Bond rebate at 67% of interest, due in one payment of \$24,185,000 in 2027.		
Original Issue: \$24,185,000	24,185,000	24,185,000
Current Portion: \$0		
2013A Refunding Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments of \$10,990,000 to \$14,310,000 from 2036 to 2042.		
Original Issue: \$181,610,000	88,655,000	96,125,000
Current Portion: \$0		
2013B Refunding Bonds, with interest rates ranging from 3.05% to 5.0%, due in yearly installments of \$3,795,000 to \$5,155,000 from 2022 to 2030.		
Original Issue: \$35,620,000	35,620,000	35,620,000
Current Portion: \$3,795,000		
2017 Revenue Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments of \$2,150,000 to \$5,225,000 from 2022 to 2047.		
Original Issue: \$70,575,000	70,575,000	70,575,000
Current Portion: \$2,150,000		
2021 Revenue Bonds, with interest rates ranging from 2.5% to 5.0%, due in yearly installments of \$5,355,000 to \$10,040,000 from 2036 to 2051.		
Original Issue: \$121,855,000	<u>121,855,000</u>	<u>-</u>
Current Portion: \$0		
	487,960,000	373,575,000
Unamortized premium	42,239,991	20,117,415
Current Portion of Revenue Bond Debt	(5,945,000)	(7,470,000)
Long-term Portion of Revenue Bond Debt	524,254,991	386,222,415
Line of Credit	10,000,000	-
Total Long Term Debt	<u>\$ 534,254,991</u>	<u>\$ 386,222,415</u>

On September 14, 2021, Tacoma Power repaid the total amount Advanced of \$145 million against their \$150 million line of credit with Wells Fargo initiated in 2015, and amended in 2019, using funds from their City of Tacoma, Washington Electric System Revenue Bonds, Series 2021 bond issuance.

On October 1, 2021, Tacoma Power also entered into a new \$150 million line-of-credit agreement with Wells Fargo to pay for working capital, which will mature on October 1, 2024. There is no repayment term requiring classification this line-of-credit as current and Tacoma Power has classified outstanding balance as long term debt on the Statement of Net Position. Each advance will bear interest based on the weekly Securities Industry and Financial Markets Association (SIFMA) index rate. On December 31, 2021, SIFMA was 0.10%. Each advance is secured by Revenues as set forth in the Note Ordinance.

As of December 31, 2021, scheduled principal maturities on the bonds and interest payments are as follows:

	Principal	Interest
2022	\$ 5,945,000	\$ 22,675,981
2023	6,240,000	23,381,910
2024	6,555,000	23,062,035
2025	6,885,000	22,768,886
2026	7,135,000	22,500,831
2027-2031	74,880,000	101,995,119
2032-2036	139,280,000	69,796,402
2037-2041	112,680,000	38,064,525
2042-2046	75,995,000	16,303,725
2047-2051	52,365,000	3,971,750
	<hr/> <u>\$ 487,960,000</u>	<hr/> <u>\$ 344,521,164</u>

Tacoma Power's revenue bonds are secured by the net revenue of Tacoma Power and all cash and investments held in the bond and construction funds. The bonds are also subject to certain financial and non-financial covenants. Management believes that the Division was in compliance with all loan covenants at December 31, 2021 and 2020.

As of December 31, 2020, there was \$4,551,313 of 2013 Electric System Revenue Refunding Bonds, Series A, considered defeased in substance. As of December 31, 2021, there were no bonds defeased in substance. Total \$4,551,313 of 2013 Electric System Revenue Refunding Bonds, Series A, was paid off through the escrow account during 2021.

#### **NOTE 6 PURCHASED POWER**

Tacoma Power purchased electric power and energy from BPA under a long-term contract that expires on September 30, 2028. The contract consists of a base rate per kWh and certain cost-recovery adjustment clauses can be invoked under particular circumstances.

On December 1, 2008, the Board authorized the execution of a twenty-year Slice/Block Power Sales and Creditworthiness Agreement with BPA. The agreement allows Tacoma Power to purchase a Slice/Block power product from BPA which began October 1, 2011 and continues through September 30, 2028. In broad terms, the agreement requires Tacoma Power to purchase a firm amount (Block) and proportionate share (Slice) of power based on a number of criteria and calculations. This is a take or pay arrangement which allows Tacoma Power to remarket excess capacity. The related Creditworthiness Agreement provides for BPA to conduct a credit review of Tacoma Power. To determine if a letter of credit or cash deposit would be required, BPA completed this review and determined that as long as Tacoma Power's credit rating remains above BBB-, no Letter of Credit or cash deposit will be required.

The power received under this contract averaged approximately 401,466 and 420,955 kilowatts per hour for 2021 and 2020, respectively. Charges for the BPA purchased power were approximately \$122.3 million and \$117.2 million for 2021 and 2020, respectively, and are based on the total amount of energy delivered and the monthly peak power demand.

Under fixed contracts with other power suppliers, Tacoma Power has agreed to purchase portions of the output of certain generating facilities. Although Tacoma Power has no investment in such facilities, these contracts require Tacoma Power to pay minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the facility is operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in operations expense in the Statements of Revenues, Expenses and Changes in Net Position.

Information for the year ended December 31, 2021 pertaining to these contracts is summarized as follows:

Tacoma Power's Current Share of	Columbia Basin Hydropower	Grant County PUD - Priest Rapids Project
Energy Output .....	265,851 mWh	24,753 mWh
Megawatt Capacity .....	-	5 mW
Operating Costs .....	\$ 4,529,492	\$83,748
Incentive Payments .....	\$ 3,012,798	-
Contract Expiration Date .....	5/9/2024	4/1/2052

On April 17, 2008, the FERC issued a new license to the Public Utility District No. 2 of Grant County (Grant PUD) for the continued operation of the Priest Rapids Hydroelectric Project which consists of the Priest Rapids Development and the Wanapum Development. The original license for the Priest Rapids Project was issued on November 4, 1955 and expired on October 31, 2005. Since then, the Project had operated under annual licenses. The renewed license issued by FERC allows Grant PUD a 44-year license for the continued operation of the Project. The term of Tacoma Power's contract with Grant PUD is for the term of the FERC license. Tacoma Power's purchase quantity and costs are tied to the actual costs of the Project.

Total expenses under the above contracts for the years 2021 and 2020 were \$8,007,912 and \$7,881,973, respectively, for Columbia Basin Hydropower, however, proceeds under the contract exceeded expenses in 2021 and 2020 for Grant County PUD - Priest Rapids resulting in a gain of \$83,748 and \$449,192, respectively.

In addition, Tacoma Power is required to pay its proportionate share of the variable operating expenses of these projects.

**Other Power Transactions** - Other power transactions include purchases under short-term agreements and interchanges of secondary power between utilities in response to seasonal resource and demand variations. Fluctuations in annual precipitation levels and other weather conditions materially affect the energy output from Tacoma Power's hydroelectric facilities. Accordingly, the net interchange of secondary power in and out may vary significantly from year to year. Tacoma Power's trading activities are limited to purchasing power to meet native loads, optimizing the value of Tacoma Power's power supply portfolio and selling energy during times of surplus.

Tacoma Power records applicable energy contracts using accrual accounting and recognizes the revenue or expense at the time of contract performance, settlement or termination. As of December 31, 2021 Tacoma Power had forward sales contracts totaling \$11.8 million dollars extending out to June 2023 with a fair market value of \$8.5 million. These contracts meet the normal purchase normal sales scope exception for derivative reporting under GASB 53.

Tacoma Power's net power purchases or sales and interchanged activities are reflected in the Statements of Revenues, Expenses and Changes in Net Position.

A breakdown of the net interchange in kilowatt-hours is as follows:

<u>Interchange Summary</u>	<u>2021</u> (in kWh)	<u>2020</u> (in kWh)
Secondary Sales	(1,836,420,000)	(2,322,146,000)
Portfolio Purchases	256,344,000	466,274,000
Miscellaneous Exchanges	(1,544,000)	(1,536,000)
Other	<u>(252,998)</u>	<u>(13,825,000)</u>
Net Interchange	<u>(1,581,872,998)</u>	<u>(1,871,233,000)</u>

#### **NOTE 7 FLEET SERVICES FUND**

The Department of Public Utilities has established a Fleet Services Fund to perform scheduled maintenance, repair and replacement of Department vehicles and related equipment.

Tacoma Power pays the Fleet Services Fund to cover fleet operating expenses. Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. Fleet Services Fund maintains the purchasing and maintenance responsibilities. Starting Jan 1, 2021, Tacoma Power no longer pays operating capital assets recovery revenues to Fleet Services Fund, but still pays for capital recovery revenues on pool vehicles and other operating revenues including maintenance, administrative overhead, fuel and fuel loading, and pool car rentals. Payments made by Tacoma Power in 2021 and 2020 were \$4,989,512 and \$6,887,880, respectively.

Fleet Services' management makes an annual assessment of the capital replacement reserve balance for appropriate funding levels. It is the Fund's policy to maintain the Fund's maximum balance at a level that will provide adequate purchasing power for a three-year cycle. The solvency of the Replacement Fund allowed Fleet Services to return a portion of interest earned on fund investments for the year to their customers. Per Ordinance No. 28688, there was no amount refunded in 2021 and \$105,540 was refunded in 2020 to offset the corresponding year's fleet expenses.

Per Ordinance No. 28688, Fleet Services Fund transferred \$7.1 million of unspent capital fund and \$18.8 million of net book value in assets (net between cost of \$46.3 million and accumulated depreciation of \$27.5 million) to the Division in 2020. \$1.8 million of Construction Work in progress was transferred to the Division in 2021.

#### **NOTE 8 SELF-INSURANCE FUND**

The Department of Public Utilities maintains a self-insurance program and insurance policies. The Department has established a Self-Insurance Fund to insure Tacoma Power and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Power are flooding, wind damage, chemical spills and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

Tacoma Power is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Power and administrative expenses of the Fund. Tacoma Power's premium payments were \$1.0 million in 2021 and 2020. Assets in the Self-Insurance Fund total \$11.0 million which exceeds accrued and incurred but not reported liabilities. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB 10. Management believes Tacoma Power's investment in the Self-Insurance Fund is more than adequate to settle all its known or estimated claims.

The City purchased a Fiduciary Liability policy with a limit of \$5.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee retirement plans. The coverage also provides a Government Crime policy with a \$5.0 million limit and \$200,000 deductible for employee dishonesty and for fraudulent or dishonest act by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.0 million per occurrence and an additional \$250,000 of total loss in excess of the self-insured retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. Coverage also has a Cybersecurity policy with a limit of \$2.0 million.

Separate from General Government, the Department of Public Utilities maintains Property insurance and Excess Liability insurance. The Property insurance policy has a deductible of \$250,000 per occurrence applies to the buildings and contents while a deductible of \$10,000 per vehicle applies to motor vehicles. Coverage also provides a Wrongful Acts Liability policy with a limit of \$2.25 million for each wrongful act and a \$2.25 million aggregate. Excess Liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage. These policies have a limit of \$52.5 million each occurrence with a \$52.5 million aggregate in excess of a \$2.5 million retention. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

#### **NOTE 9 WESTERN METAL INDUSTRY PENSION FUND**

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (WMIPF or Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

The Plan fell into critical status following the 2009 Plan Year and was certified as "critical" in 2010. In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010 and subsequently updated it on July 24, 2012 and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan's funded status. The Trustees have adopted the "free look" rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 General Unit. Contained in this agreement was a call for cessation of the participation in WMIPF. The contributions submitted for the December 31, 2019, payroll was the final contributions made on behalf of the employees in this unit. As of December 31, 2021, there were no employees participating in the plan. Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2021 and 2020. There were no contributions in 2021 and 2020.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from WMIPF. The actuaries for the Plan determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total, but the collective liability was recorded by the City of Tacoma for 20-year limitation liability of \$17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as at December 31, 2021. The initial \$337,619 payment was due on or before January 1, 2022 which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments will be due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028 for a total of \$4,276,732, the last payment amount will be \$81,982.

As of December 31, 2021, the Division reported a liability of \$455,661 for its proportionate share of the collective total withdrawal liability of \$17,525,433 compared to \$256,560, at December 31, 2020. The current portion of the withdrawal liability is \$35,112 as of December 31, 2021 and there was no current liability as of December 31, 2020. At December 31, 2021 and 2020, the Division's proportion was 2.6% and 2.0%, respectively. For the year ended December 31, 2021, the Division recognized a withdrawal expense of \$207,879.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). The outcome of the appeal is uncertain at the time of the report issuance and may affect the liability amount.

#### **NOTE 10 TACOMA EMPLOYEES' RETIREMENT SYSTEM FUND (TERS OR THE SYSTEM)**

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available ACFR that includes financial statements and required supplementary information may be obtained by writing to:

Tacoma Employee's Retirement System  
3628 South 35th Street  
Tacoma, WA 98409

Or the TERS ACFR may be downloaded from the TERS website at [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement).

**Administration of The System** - The "Tacoma Employees' Retirement System" is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as, certain employees of the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, are also members.

The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are: the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active

or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

The breakdown of membership as of December 31, 2020 (measurement date) is as follows:

Retirees and beneficiaries currently receiving benefits	2,653
Terminated vested and other terminated participants	790
Active members:	
City of Tacoma	2,740
Pierce Transit	10
South Sound 911	2
Tacoma-Pierce County Health Department	<u>285</u>
Total active members	<u>3,037</u>
Total membership	<u>6,480</u>

**Membership** - Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighters, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments.

**Benefits** - There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member's age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

Any active member who has not retired, and has five or more years of service as a member may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 4154 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

**Contributions** - The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

**Significant Assumptions** - The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2020
Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution (ADC). The amortization method for the ADC is as follows*: <ul style="list-style-type: none"><li>• Level percent</li><li>• Open periods</li><li>• 25 year amortization period*</li><li>• 3.25% amortization growth rate</li></ul> 4 year smoothing period; Corridor - None
Asset Valuation Method	2.50%
Inflation	Varies by service
Salary Increases	6.75%
Investment Rate of Return	2.125%
Cost of Living Adjustment	Varies by age, gender, and eligibility
Retirement Age	Varies by service, and gender
Turnover	105% of the Male and 100% of the Femal PubG-2010 Amount-Weighted Mortality Tables, sex distinct. Generational improvements with unisex projection scale based on Social Security Administration Data 1957-2017.
Mortality	

*\*The actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL. Note that the UAAL amortization period is 30 years for years 2017 and earlier and 25 for years beginning January 1, 2018 and later.*

**Benefit and Assumption Changes** - The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. There have been no significant changes between the January 1, 2021, valuation date and December 31, 2020, the measurement date. Therefore, no adjustments were needed from the January 1, 2021, actuarial valuation date to the calculated liabilities as of December 31, 2020, measurement date for reporting date of December 31, 2021. There were no changes between the January 1, 2020, and January 1, 2021, valuation dates.

**Target Allocations** - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2020. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated March 2019.

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	1.30%
US Bank/ Leveraged Loans	3.0%	2.39%
US Long Government Bonds	3.0%	1.75%
High Yield Bonds	6.0%	3.10%
Emerging Market Debt	5.0%	2.65%
Global Equity	34.5%	5.55%
Private Real Estate	10.0%	6.20%
Private Equity	10.0%	6.95%
Master Limited Partnerships	4.0%	7.30%
Timber	1.5%	6.15%
Infrastructure	2.0%	6.25%
Agriculture	1.5%	3.72%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.65%
Portfolio 30 year Arithmetic Rate of Return		7.13%
Portfolio 30 year Geometric Rate of Return		6.58%
Portfolio Standard Deviation		10.89%
Long-Term Expected Rate of Return, net of investment expenses		6.75%

**Sensitivity Analysis** - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower, 5.75%, or 1 percentage point higher, 7.75%, than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	\$117,028,380	\$26,436,014	\$(49,063,538)

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (3,701,477)	\$ 4,784,534
Changes of assumptions	-	19,659,881
Net Difference Between Projected and Actual Earnings	(1,938,251)	-
Changes in Employer Proportion	(17,483)	359
Contributions Made Subsequent to the Measurement Date	-	11,305,402
Total	\$ (5,657,211)	\$ 35,750,176

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next five years.

Amounts will be recognized in pension expense as follows:

2022	\$ 2,759,500
2023	9,197,310
2024	(3,030,511)
2025	7,743,471
2026	2,117,793
	<hr/>
	\$ 18,787,563

At December 31, 2021, the Division reported a pension liability of \$26,436,014 for its proportionate share of the total System, compared to a pension asset of \$7,189,022 at December 31, 2020. The proportionate share of the Power Division is 38.11% of total System's pension liability as of December 31, 2021, and 38.64% as of December 31, 2020. The proportionate share was based on the actual contributions for the year as of December 31, 2021 and 2020.

#### **NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Plan Description** - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma Human Resources Department. The membership as of January 1, 2021 for non-LEOFF 1 members includes 3,531 active participants, 562 vested terminated participants, 192 retirees and surviving spouses, and 130 spouses of current retirees. The membership as of January 1, 2020 for LEOFF 1 members includes 1 active participant and 370 retirees.

This plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

**Actuarial Assumptions and Other Inputs** - The valuation date is January 1, 2021 for non-LEOFF 1 members and January 1, 2020 for LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is December 31, 2020. This is the date as of which the total OPEB liability is determined. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2021.

The H.R. 1865 Further Consolidated Appropriations Act, 2020 became Law on December 20, 2019. This act repeals the excise tax for high cost or "Cadillac" health plans completely and removes the Health Insurer Fee permanently beginning in 2021. The total OPEB liability as of the December 31, 2020, measurement date reflects this change.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2021, and January 1, 2020, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2021
Census Date:	January 1, 2021
Actuarial Cost Method:	Individual Entry Age Normal Cost Method
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.
Actuarial Assumptions:	
Discount Rate:	2.12% for pay-as-you-go funding
Medical Cost Trend:	2021        6.00% 2022        5.50% 2023        5.00% 2030        4.70% 2040        4.90% 2050        4.90% 2060        4.70%

Note that the trend for year 2021 reflects the percent by which 2022 medical costs are expected to exceed 2021 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.00% in 2074 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

Economic Assumptions -	
Discount Rate (Liabilities):	2.12%
Demographic Assumptions:	Eligibility: Disability - Five years of service are required for non-service connected disability.

Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Changes of Assumptions:** The discount rate was updated to 2.12% from 2.74%. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

**OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources**

At December 31, 2021, the Division reported a liability of \$13,295,561 for its proportionate share of the collective total OPEB liability of \$229.3 million compared to \$10,972,398 at December 31, 2020. At December 31, 2021, the participating Division's proportion was 5.79927% as compared to 5.26451% at December 31, 2020. For the year ended December 31, 2021, the participating Division recognized an OPEB expense of \$131,785.

At December 31, 2021, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (142,274)	\$ 20,034
Changes of assumptions	(558,353)	1,484,620
Changes in Employer Proportion	(414,877)	1,155,738
Differences in Contributions	(63,316)	19,623
Contributions Made Subsequent to the Measurement Date	-	545,164
Total	<u>\$ (1,178,820)</u>	<u>\$ 3,225,179</u>

The Division reported \$545,164 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ 199,194
2023	199,194
2024	108,820
2025	387,355
2026	359,579
Thereafter	<u>247,053</u>
	<u><u>\$ 1,501,195</u></u>

**Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate**

The following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 2.12%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 1.12%, or one percentage point higher, 3.12%, than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
	1.12%	2.12%	3.12%
Net OPEB liability	\$ 15,045,107	\$ 13,295,561	\$ 11,833,619

**Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.00%	Current Trend Rates 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 11,693,846	\$ 13,295,561	\$ 15,201,575

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Capital Improvements** - The financial requirement for Tacoma Power's 2021/2022 biennial Capital Improvement Program is approximately \$149.9 million. As of December 31, 2021, the remaining financial requirement for the 2021/2022 biennial Capital budget was approximately \$93.1 million.

**Kosmos Mill Oil Seep** - On November 21, 2019, emergency action was initiated and subsequently completed to install a containment cap on oil seepage near Riffe Lake on the Cowlitz River. A sawmill was historically located at this site near the town of Kosmos before the area was inundated by Riffe Lake. The Division is working with the Department of Ecology towards a remedial investigation of the site and has recognized a liability in the amount of \$325,000 as the known cost for the site investigation progress in 2022.

**General Legal Matters** - Tacoma Power has received several other miscellaneous claims that either do not allege significant amounts or that the Legal Department has determined do not pose a risk to liability to the Utility.

**NOTE 13 – COVID-19 PANDEMIC**

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City and the Division took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. During the 2021-2022 budget development process the City took quick action to reduce the expenses through program eliminations, reduced hiring, and temporary furloughs to address the projected revenue losses. In 2021, the City's tax revenues performed better than projections and the City was able to return funding for a limited number of one-time programs and investments. The City and the Division will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

The Division and the City has been operating under a utility shut-off moratorium since March 2020 due to the COVID-19 pandemic. In March 2020, the City Mayor issued an emergency rule that prohibits utility shutoff due to nonpayment of fees and charges for residential and commercial customers during the City Mayor's emergency proclamation. The State issued a similar moratorium on disconnecting electric, water and other utility services due to nonpayment and charging fees for late payment or reconnection for certain utilities. The State-wide moratorium on disconnections for nonpayment terminated on September 30, 2021. The City moratorium ended on March 31, 2022. Effective April 1, 2022, late fees and other collection processes resumed.

Subsequent to the moratorium end date on March 31, 2022, City utility customer with an outstanding balance incurred from the months of the COVID-19 pandemic was placed on an automatic, interest-free, 24-month installment plan. The City has been encouraging customers to take advantage of current relief assistance dollars and is developing long-term payment programs. The City anticipates that it will be able to address delinquencies using those tools and does not expect that accounts receivable will be a primary driver for future rate increases.

While the aggregate amount of outstanding receivables is greater than prior years, the amount is not expected to have a material impact on the Division and the City.

**NOTE 14 SUBSEQUENT EVENTS**

In Mid-May of 2022, the City expects to receive approximately \$30.4 million, the second tranche of funds from the American Rescue Plan Act (“ARPA”). Based on allocation projections, the City was allocated with approximately \$60.9 million in ARPA assistance, of which \$30.5 million was received in May of 2021. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

# Required Supplementary Information

**Proportionate Share of the Net Pension Liability Last 10 Years\***

	As of Measurement Date December 31,						
	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	38.11%	38.64%	39.23%	39.43%	39.50%	39.47%	39.80%
Employer's proportion share of net pension liability (asset)	\$ 26,436,014	\$ (7,189,022)	\$ 45,902,976	( \$ 15,506,238)	\$ 36,687,245	\$ 34,177,293	( \$ 3,823,476)
Employer's covered payroll (1)	\$103,973,693	\$103,961,975	\$98,135,432	\$95,163,955	\$91,704,363	\$93,063,240	\$86,312,354
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll (1)	25.43%	-6.92%	46.78%	-16.29%	40.01%	36.72%	-4.11%
Plan fiduciary net position as a percentage the total pension liability	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

**Schedule of Contributions Last 10 Fiscal Years\***

	Fiscal Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$11,305,402	\$11,063,963	\$10,961,788	\$10,415,912	\$9,528,899	\$9,322,005	\$9,053,341
Contributions in relation to the contractually required employer contribution	(11,305,402)	(11,063,963)	(10,961,788)	(10,415,912)	(9,528,899)	(9,322,005)	(9,053,341)
Employer contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered employee payroll	\$109,506,998	\$103,973,693	\$103,961,975	\$98,135,432	\$95,163,955	\$91,704,363	\$93,063,240
Employer contribution as a percentage of covered-employee payroll	10.32%	10.64%	10.54%	10.61%	10.01%	10.17%	9.73%

(1) The 2016 covered payroll has been updated to accurately reflect the covered payroll, which therefore also updated the calculation for the Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll.

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

**Proportionate Share of the Collective OPEB Liability Last 10 Years\***

	As of Measurement Date December 31,				
	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	5.80%	5.26%	5.17%	5.56%	5.48%
Employer's proportion share of collective OPEB liability	\$13,295,561	\$10,972,398	\$10,562,836	\$12,272,355	\$11,471,098
Employer's covered-employee payroll**	\$103,973,693	\$103,961,975	\$98,135,432	\$95,163,955	\$92,203,786
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	12.79%	10.55%	10.76%	12.90%	12.44%

\* The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

\*\* The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

**Notes to Required Supplementary Information  
For the Fiscal Year Ended December 31, 2021**

There are no assets accumulated in a trust to pay related benefits.

**Changes of benefit terms:** There have been no changes to the benefit provisions since the prior actuarial valuation.

**Changes of Assumptions:** The discount rate was updated to 2.12% from 2.74%. The actuarial cost method is the individual entry age normal actuarial cost method to be in compliance with GASB 75.

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# Statistical Data (Unaudited)

**City of Tacoma, Washington**  
**Department of Public Utilities**  
**Tacoma Power**  
**Ten-Year Financial Review**

<b>STATEMENTS OF NET POSITION</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Utility Plant - Net	\$1,124,377,468	\$1,098,579,166	\$1,069,731,618	\$1,068,290,040
Special and Other Assets	89,197,712	111,347,289	113,665,257	120,789,034
Current Assets	348,196,754	316,708,685	254,522,388	282,186,074
Total Assets	1,561,771,934	1,526,635,140	1,437,919,263	1,471,265,148
Deferred Outflows	38,975,355	22,628,413	55,281,371	20,842,914
<b>TOTAL ASSETS AND DEFERRED OUTFLOW:</b>	<b>1,600,747,289</b>	<b>1,549,263,553</b>	<b>1,493,200,634</b>	<b>1,492,108,062</b>
<b>NET POSITION</b>	<b>875,994,942</b>	<b>876,999,947</b>	<b>832,027,328</b>	<b>863,431,784</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
Long-Term Debt	534,254,991	386,222,415	470,424,575	461,339,467
Current Liabilities	65,479,199	192,829,811	73,264,089	66,566,861
Long-Term Liabilities	55,182,126	26,370,429	71,866,789	26,315,935
Total Liabilities	654,916,316	605,422,655	615,555,453	554,222,263
Deferred Inflows	69,836,031	66,840,951	45,617,853	74,454,015
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS</b>	<b>\$1,600,747,289</b>	<b>\$1,549,263,553</b>	<b>\$1,493,200,634</b>	<b>\$1,492,108,062</b>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>				
<b>OPERATING REVENUES</b>				
Residential	\$191,640,622	\$186,622,420	\$182,002,242	\$175,979,684
Commercial	29,993,197	28,587,971	29,724,195	29,248,620
General	134,048,586	130,529,532	130,604,401	125,399,026
Contract Industrial	23,967,448	23,962,855	23,730,505	23,494,502
New Large Load	1,446,341	-	-	-
Bulk Power	60,118,206	59,615,216	47,420,681	55,486,697
Unbilled	5,249,462	(527,907)	1,816,954	29,348
Other	1,777,746	1,748,329	1,767,366	1,755,243
Total Electric Revenues	448,241,608	430,538,416	417,066,344	411,393,120
Other Operating Revenue	22,054,160	30,414,785	44,300,152	43,898,363
<b>Total Operating Revenues</b>	<b>470,295,768</b>	<b>460,953,201</b>	<b>461,366,496</b>	<b>455,291,483</b>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	355,041,714	338,082,475	388,725,538	313,885,614
Taxes	21,395,621	21,530,739	22,139,736	21,486,970
Depreciation	50,607,135	48,123,728	48,700,270	53,869,012
Total Operating Expenses	427,044,470	407,736,942	459,565,544	389,241,596
<b>NET OPERATING INCOME</b>	<b>43,251,298</b>	<b>53,216,259</b>	<b>1,800,952</b>	<b>66,049,887</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Other Income and Expense (Net)	176,476	7,079,995	1,795,633	1,776,333
Interest Earned on Investments	(1,096,248)	6,064,525	7,607,143	3,719,705
Interest Charges (Net)	(19,410,629)	(18,757,244)	(19,522,990)	(17,219,276)
Contributions to Family Need	(1,000,000)	(500,000)	(500,000)	(100,000)
Net Income Before Contributions, Transfers & Extraordinary Items	21,920,897	47,103,535	(8,819,262)	54,226,649
<b>Total Capital Contributions</b>	<b>10,489,071</b>	<b>8,740,649</b>	<b>11,399,959</b>	<b>13,214,597</b>
<b>Transfers In/Out</b>	<b>(33,414,973)</b>	<b>(10,871,565)</b>	<b>(33,985,153)</b>	<b>(34,384,956)</b>
<b>CHANGE IN NET POSITION</b>	<b>(\$1,005,005)</b>	<b>\$44,972,619</b>	<b>(\$31,404,456)</b>	<b>\$33,056,290</b>

In accordance with Governmental Accounting Standards Board Statement No65 2012 was restated for comparative purposes.

In accordance with Governmental Accounting Standards Board Statement No65 both 2012 and 2011 were restated for comparative purposes.

2017 (As Restated)	2016	2015	2014	2013	2012
\$1,037,776,028	\$1,033,409,064	\$1,002,810,874	\$978,885,275	\$959,885,269	\$954,141,423
81,257,489	95,903,332	125,203,792	160,778,160	213,192,582	154,745,677
276,486,000	289,162,319	267,460,091	365,173,352	328,974,357	333,694,736
1,395,519,517	1,418,474,715	1,395,474,757	1,504,836,787	1,502,052,208	1,442,581,836
38,820,632	39,469,454	10,977,517	8,026,229	15,941,231	7,848,910
1,434,340,149	1,457,944,169	1,406,452,274	1,512,863,016	1,517,993,439	1,450,430,746
830,375,494	821,995,693	825,933,297	822,803,061	799,078,660	779,206,485
417,800,137	457,601,726	441,928,130	530,580,510	564,960,765	518,251,959
68,841,615	70,165,746	63,906,544	86,776,174	82,905,132	84,070,814
61,418,039	57,893,021	22,647,914	24,703,271	23,048,882	20,901,488
548,059,791	585,660,493	528,482,588	642,059,955	670,914,779	623,224,261
55,904,864	50,287,983	52,036,389	48,000,000	48,000,000	48,000,000
<b>\$1,434,340,149</b>	<b>\$1,457,944,169</b>	<b>\$1,406,452,274</b>	<b>\$1,512,863,016</b>	<b>\$1,517,993,439</b>	<b>\$1,450,430,746</b>
\$169,583,337	\$154,091,270	\$149,195,092	\$150,972,050	\$149,662,791	\$141,236,063
29,133,553	27,703,400	26,956,059	26,594,512	25,110,481	23,499,735
119,704,634	115,600,650	116,053,999	114,718,365	109,046,936	103,586,233
22,278,802	21,462,712	21,356,911	21,150,771	19,804,613	18,870,807
-	-	-	-	-	-
57,062,247	54,506,535	50,380,147	82,796,740	64,210,259	53,532,081
2,114,131	(840,477)	677,091	(666,187)	1,651,808	4,615,802
1,754,802	1,725,200	1,643,756	1,609,143	1,562,082	1,558,268
401,631,506	374,249,290	366,263,055	397,175,394	371,048,970	346,898,989
44,711,899	44,365,098	44,363,160	44,070,713	43,413,115	40,983,752
446,343,405	418,614,388	410,626,215	441,246,107	414,462,085	387,882,741
325,018,197	312,790,388	299,200,704	294,741,044	276,558,723	267,457,626
20,755,847	19,727,313	19,993,833	19,276,216	19,562,858	17,494,729
57,231,313	55,702,297	57,381,578	59,156,228	56,397,306	57,842,109
403,005,357	388,219,998	376,576,115	373,173,488	352,518,887	342,794,464
43,338,048	30,394,390	34,050,100	68,072,619	61,943,198	45,088,277
(1,534,389)	1,555,659	(1,923,329)	(728,908)	(252,363)	3,055,848
2,251,477	2,405,144	1,796,071	3,780,834	1,899,829	5,835,775
(14,076,794)	(16,196,734)	(19,428,673)	(27,290,021)	(25,688,219)	(22,859,967)
(100,000)	(480,000)	(480,000)	(900,000)	(900,000)	(450,000)
29,878,342	17,678,459	14,014,169	42,934,524	37,002,445	30,669,933
12,643,334	8,846,216	9,383,844	7,788,292	8,839,960	9,480,111
(34,141,875)	(30,462,279)	(24,969,422)	(26,998,415)	(25,970,230)	(23,888,066)
<b>\$8,379,801</b>	<b>(\$3,937,604)</b>	<b>(\$1,571,409)</b>	<b>\$23,724,401</b>	<b>\$19,872,175</b>	<b>\$16,261,978</b>

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Ten-Year Power Summary

	2021	2020	2019	2018
<b>MWh Available</b>				
Generated				
Nisqually	544,826	562,674	387,967	538,674
Cushman	347,364	259,101	180,935	292,553
Cowlitz	1,771,400	1,838,319	1,034,672	1,556,232
Wynoochee	35,008	29,756	13,734	26,071
Hood Street	1,775	3,617	3,543	2,892
Grant Net Actual	-	-	-	-
Tacoma's Share of Priest Rapids	24,753	26,687	21,140	26,974
Tacoma's Share of GCPHA	<u>265,851</u>	<u>258,513</u>	<u>220,240</u>	<u>241,233</u>
Total Generated	2,990,977	2,978,667	1,862,231	2,684,629
Purchased	3,516,841	3,697,665	3,551,373	3,980,124
Interchange - Net	(1,581,873)	(1,871,233)	(559,101)	(1,804,434)
Losses - Net	<u>2,795</u>	<u>2,743</u>	<u>2,367</u>	<u>5,073</u>
Total System Load	4,928,740	4,807,842	4,856,870	4,865,392
<b>MWh Billed</b>				
Residential and Other	1,956,674	1,932,973	1,913,582	1,871,796
Commercial/General/Industrial	<u>2,699,507</u>	<u>2,677,791</u>	<u>2,759,606</u>	<u>2,743,659</u>
Total Firm MWh Billed	4,656,181	4,610,764	4,673,188	4,615,455
<b>MWh Available Over MWh Billed</b> (Causes: Timing differences, internal use, and losses other than those reflected above)	272,559	197,078	183,682	249,937
Percent of Power Generated	60.68%	61.95%	38.34%	55.18%
Average Load Factor	57.64%	61.19%	59.00%	60.20%
Average Number of Billings	184,405	182,526	182,234	177,723
<b>Maximum Hourly Energy Load</b>				
MWh	968	894	939	922
Date	12/27/21	1/14/20	2/7/19	2/23/18
Time	1800 hr	1900 hr	0800 hr	0800 hr
<b>Maximum Daily Energy Load</b>				
MWh	20,895	18,856	19,052	19,318
Date	12/27/21	1/14/20	2/6/19	2/23/18
<b>Minimum Hourly Energy Load</b>				
MWh	351	315	307	329
Date	8/22/21	7/6/20	9/8/19	6/7/18
Time	0400 hr	0600 hr	0500 hr	0400 hr
<b>Minimum Daily Energy Load</b>				
MWh	10,121	9,501	9,911	10,208
Date	6/5/21	7/6/20	9/8/19	9/2/18
Average Hourly Energy Load	558	547	554	555

2017	2016	2015	2014	2013	2012
631,627	630,483	511,592	635,121	572,932	699,104
377,366	507,618	272,457	358,509	239,528	261,735
2,138,980	1,989,438	1,630,130	2,111,686	1,792,975	2,322,875
34,103	37,209	12,680	14,272	24,404	38,149
3,282	2,942	1,889	2,281	3,503	4,029
-	-	-	(2,018)	(3,279)	(3,285)
27,440	26,975	25,360	22,733	34,846	37,355
228,781	253,625	258,679	272,846	254,570	255,564
3,441,579	3,448,290	2,712,787	3,415,430	2,919,479	3,615,526
4,023,330	3,807,370	3,674,140	3,845,666	3,756,763	4,167,263
(2,458,785)	(2,438,369)	(1,569,981)	(2,339,277)	(1,665,811)	(2,814,479)
27,919	(8,870)	10,340	14,057	7,398	20,718
5,034,043	4,808,421	4,827,286	4,935,876	5,017,829	4,989,028
1,975,096	1,855,706	1,801,114	1,890,970	1,950,829	1,935,518
2,777,190	2,771,822	2,786,233	2,838,966	2,855,932	2,812,769
4,752,286	4,627,528	4,587,347	4,729,936	4,806,761	4,748,287
281,757	180,893	239,939	205,940	211,068	240,741
68.37%	71.71%	56.20%	69.20%	58.18%	72.47%
57.27%	60.02%	62.71%	55.31%	54.18%	61.47%
177,153	176,784	174,562	172,531	171,506	169,012
997 1/5/17 0800 hr	913 12/17/16 0900 hr	877 12/31/15 0900 hr	1,016 2/6/14 0800 hr	980 12/9/13 0800 hr	924 1/16/12 1800 hr
20,525 1/5/17	19,641 12/17/16	18,675 12/31/15	21,686 2/6/14	21,172 12/09/13	19,100 1/16/12
350 7/2/17 0600 hr	351 7/5/16 0400 hr	354 6/21/15 0600 hr	348 7/6/14 0600 hr	349 9/8/13 0500 hr	340 9/19/12 0400 hr
10,315 6/4/17 571	10,110 9/4/16 548	10,262 5/24/15 550	10,221 7/5/14 562	10,379 7/4/13 572	10,160 9/2/12 566

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Gross Generation Report  
 December 31, 2021 and December 31, 2020

	YEAR ENDED		2021 OVER (UNDER) 2020	PERCENT CHANGE
	Dec 31 2021	Dec 31 2020		
<b>KWH GENERATED, PURCHASED AND INTERCHANGED - Gross</b>				
Generated - LaGrande	336,546,000	350,596,000	(14,050,000)	-4.0%
Generated - Alder	208,280,000	212,078,000	(3,798,000)	-1.8%
<b>TOTAL NISQUALLY</b>	<b>544,826,000</b>	<b>562,674,000</b>	<b>(17,848,000)</b>	<b>-3.2%</b>
Generated - Cushman No 1	136,838,000	105,245,000	31,593,000	30.0%
Generated - Cushman No 2	210,526,000	153,856,000	56,670,000	36.8%
<b>TOTAL CUSHMAN</b>	<b>347,364,000</b>	<b>259,101,000</b>	<b>88,263,000</b>	<b>34.1%</b>
Generated - Mossyrock	1,047,245,000	1,111,716,000	(64,471,000)	-5.8%
Generated - Mayfield	724,155,000	726,603,000	(2,448,000)	-0.3%
<b>TOTAL COWLITZ</b>	<b>1,771,400,000</b>	<b>1,838,319,000</b>	<b>(66,919,000)</b>	<b>-3.6%</b>
Generated - Wynoochee	35,008,000	29,756,000	5,252,000	17.7%
Generated - Hood Street	1,774,500	3,617,100	(1,842,600)	-50.9%
Tacoma's Share of Priest Rapids	24,753,000	26,687,000	(1,934,000)	-7.2%
Tacoma's Share of GCPHA	265,851,000	258,513,000	7,338,000	2.8%
<b>TOTAL KWH GENERATED - TACOMA SYSTEM</b>	<b>2,990,976,500</b>	<b>2,978,667,100</b>	<b>12,309,400</b>	<b>0.4%</b>
Purchased Power				
BPA Slice Contract	2,049,277,000	2,277,980,000	(228,703,000)	-10.0%
BPA Block Contract	1,467,564,000	1,419,685,000	47,879,000	3.4%
Interchange Net	(1,581,872,998)	(1,871,233,000)	289,360,002	-15.5%
<b>TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED</b>	<b>4,925,944,502</b>	<b>4,805,099,100</b>	<b>120,845,402</b>	<b>2.5%</b>
Losses	18,059,744	34,968,534	(16,908,790)	-48.4%
Baldi Replacement	1,058,627	1,779,561	(720,934)	-40.5%
Ketron	283,022	312,500	(29,478)	-9.4%
NT PC Mutuals Schedules	(32,814,000)	(32,187,000)	(627,000)	1.9%
PC Mutual Inadvertent	16,207,930	(2,130,800)	18,338,730	-860.6%
<b>TACOMA SYSTEM FIRM LOAD</b>	<b>4,928,739,825</b>	<b>4,807,841,895</b>	<b>120,897,930</b>	<b>2.5%</b>
PIERCE COUNTY MUTUAL LOAD	1,522,567,000	1,475,829,000	46,738,000	3.2%
KWH BILLED				
Residential Sales	1,939,193,768	1,915,481,786	23,711,982	1.2%
Commercial Sales	307,837,843	306,418,459	1,419,384	0.5%
General	1,889,258,787	1,872,369,457	16,889,330	0.9%
Contract Industrial	498,066,780	499,003,392	(936,612)	-0.2%
New Large Load	4,342,800	-	4,342,800	0.0%
Public Street and Highway Lighting	8,197,155	9,974,469	(1,777,314)	-17.8%
Sales to Other Electric Utilities	9,283,500	7,516,800	1,766,700	23.5%
<b>TOTAL FIRM</b>	<b>4,656,180,633</b>	<b>4,610,764,363</b>	<b>45,416,270</b>	<b>1.0%</b>
Bulk Power Sales	1,845,407,000	2,326,504,000	(481,097,000)	-20.7%
<b>TOTAL KWH BILLED</b>	<b>6,501,587,633</b>	<b>6,937,268,363</b>	<b>(435,680,730)</b>	<b>-6.3%</b>

City of Tacoma, Washington

Department of Public Utilities  
 Tacoma Power  
 Debt Service Requirements  
 December 31, 2021

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	5,945,000	22,675,981	28,620,981
2023	6,240,000	23,381,910	29,621,910
2024	6,555,000	23,062,035	29,617,035
2025	6,885,000	22,768,886	29,653,886
2026	7,135,000	22,500,831	29,635,831
2027	24,185,000	21,679,911	45,864,911
2028	7,420,000	20,812,273	28,232,273
2029	7,785,000	20,432,148	28,217,148
2030	8,180,000	20,033,024	28,213,024
2031	27,310,000	19,037,763	46,347,763
2032	28,335,000	17,419,059	45,754,059
2033	29,335,000	15,716,052	45,051,052
2034	30,460,000	13,932,368	44,392,368
2035	31,630,000	12,080,223	43,710,223
2036	19,520,000	10,648,700	30,168,700
2037	20,495,000	9,648,325	30,143,325
2038	21,530,000	8,597,700	30,127,700
2039	22,615,000	7,557,675	30,172,675
2040	23,560,000	6,597,750	30,157,750
2041	24,480,000	5,663,075	30,143,075
2042	25,505,000	4,620,475	30,125,475
2043	11,770,000	3,782,500	15,552,500
2044	12,320,000	3,225,825	15,545,825
2045	12,895,000	2,642,825	15,537,825
2046	13,505,000	2,032,100	15,537,100
2047	14,060,000	1,472,974	15,532,974
2048	9,120,000	1,079,912	10,199,912
2049	9,420,000	782,538	10,202,538
2050	9,725,000	476,063	10,201,063
2051	10,040,000	160,263	10,200,263
	<u>487,960,000</u>	<u>344,521,164</u>	<u>832,481,164</u>

**City of Tacoma, Washington**  
**Department of Public Utilities**  
**Tacoma Power**  
**Funds Available for Debt Service**

	2021	2020	2019	2018	2017 (As Restated)
Total Income	\$472,121,958	\$476,791,233	\$473,776,579	\$464,467,429	\$450,627,829
Less: Operating Exp	<u>376,437,335</u>	<u>359,613,214</u>	<u>410,865,274</u>	<u>335,372,584</u>	<u>345,774,044</u>
Income Available for Debt Service	<u>\$95,684,623</u>	<u>\$117,178,019</u>	<u>\$62,911,305</u>	<u>\$129,094,845</u>	<u>\$104,853,785</u>
Bond Redemption	\$7,215,000	\$7,470,000	\$9,365,000	\$10,095,000	\$11,575,000
Bond Interest	<u>21,556,280</u>	<u>19,220,110</u>	<u>19,688,360</u>	<u>20,143,110</u>	<u>18,949,910</u>
Debt Service Payable on All Debt	\$28,771,280	\$26,690,110	\$29,053,360	\$30,238,110	\$30,524,910
Times Debt Service Covered	3.33	4.39	2.17	4.27	3.44

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Resources  
 As of December 31, 2021

GENERATING FACILITIES	GENERATING UNITS	AGGREGATE NAME PLATE RATING (kW)	APPROX. RATED
			4-YR. AVERAGE
Hydro:			ANNUAL OUTPUT (1,000 kWh)
Alder	2	50,000	192,517
LaGrande	5	64,000	316,019
Cushman No 1	2	43,200	108,405
Cushman No 2	3	81,000	161,583
Mayfield	4	162,000	636,923
Mossyrock	2	300,000	913,233
Wynoochee	1	12,800	26,142
Total Hydro		713,000	2,354,822

Tacoma Power and the City of Seattle Light Department have entered into a 40-year purchase power contract with three Eastern Washington irrigation districts that have combined to develop the Grand Coulee Project Hydroelectric Authority. Tacoma Power and the City of Seattle Light Department share equally the output of the project which has a combined capacity of 128,700 kW and an annual energy capability of about 476,000,000 kWh.

CUSTOMERS BY CLASS	AVERAGE NUMBER BILLINGS	AVERAGE	HOURLY ENERGY
		(kW)	
Residential	163,869	1.347	
Incidental	17,120	2.053	
General	2,510	107.457	
Public Streets and Highways	906	1.033	
Total System	184,405	2.876	
 Circuit Miles of Transmission Lines			
115 kV		308	
230 kV		44	
 Circuit Miles of Distribution Lines			
Overhead		1,171	
Underground		864	

**City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
Taxes and Employee Welfare Contributions  
For the Year 2021**

FEDERAL

Power Social Security (FICA) \$7,755,386  
Total \$7,755,386

## STATE OF WASHINGTON

Retail Sales and Use Taxes	3,615,181
Power Utilities and Business Operations Tax	14,929,155
Power State Employment Security	<u>141,185</u>
<b>Total</b>	<b>18,685,521</b>

**COUNTY**

Lewis County - In Lieu of Taxes	1,727,632
Mason County - In Lieu of Taxes	206,826
Pierce County School Support - Eatonville	7,000
White Pass School Support	133,322
Mossyrock School Support	115,811
Morton School Support	3,254
Mason County Fire Protection District	17,927
Lewis County Fire Protection District	11,063
Pierce County Fire Protection District	20,902
Pierce County Drainage District	75,110
Thurston County	<u>2,457</u>
Total	2,321,304

## MUNICIPALITIES

City of Tacoma Power Gross Earnings Tax	36,340,775
City of Fife Power Franchise Fee	994,904
City of University Place Power Franchise Fee and taxes	1,673,714
City of Lakewood Power Franchise Fee	1,172,934
City of Fircrest Power Franchise Fee	291,649
City of Steilacoom Power Franchise Fee	<u>5,641</u>
Total	<u>40,479,617</u>
TOTAL TAXES	\$69,241,828

Taxes as a % of Operating Revenues of \$470,295,768 14.72%

## **EMPLOYEE WELFARE CONTRIBUTIONS**

Power Industrial Insurance and Medical Aid	\$935,019
Power City of Tacoma Pension Fund	11,246,671
Power Medical/Life Insurance	<u>19,221,508</u>
<b>TOTAL EMPLOYEE WELFARE CONTRIBUTIONS</b>	<b>\$31,403,198</b>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
2021 Electric Rates  
(Based on 2021 rate schedules)

**RATE PER MONTH**

**Schedule A-1 - Residential Service**

Customer Charge	\$17.55 per month
Customer Charge (for collectively metered apartments)	\$14.35 per month
Energy (all energy measured in kilowatt-hours)	\$0.045351 per kWh
Delivery (all energy delivered in kilowatt-hours )	\$0.036569 per kWh

**Schedule A-2 - Low-Income/Elderly/Handicapped Residential Service**

Sixt five percent (65%) of the monthly bill as  
calculated under Section 12.06.160 of the official  
Code of the City of Tacoma, known as RESIDENTIAL SERVICE -  
SCHEDULE A-1

**Schedule B - Small General Service**

Customer Charge	\$23.85 per month
Customer Charge (for unmetered services)	\$18.55 per month
Energy (all energy measured in kilowatt-hours)	\$0.044616 per kWh
Delivery (all energy delivered in kilowatt-hours )	\$0.036404 per kWh

**Schedule G - General Service**

Customer Charge	\$81.20 per month
Energy (all energy measured in kilowatt-hours)	\$0.050707 per kWh
Delivery (all kilowatts of Billing Demand delivered)	\$8.64 per kW

**Schedule HVG - High Voltage General Service**

Customer Charge	\$1,715.00 per month
Energy (all energy measured in kilowatt-hours)	\$0.044830 per kWh
Delivery (all kilowatts of Billing Demand delivered)	\$5.11 per kW

Other schedules also now in effect are:

CP - Contract Industrial Service (major industrial power use -  
written contract required)

NLL - New Large Load Service

H-1 - Street Lighting and Traffic Signal Service

H-2 - Private Off-Street Lighting Service

H-3 - Street Lighting Service

FC - Electric Vehicle Fast Charge

SP - Shore Power

EF - Electrofuel Service Pilot

Electric rates were established by Ordinance No. 28710  
and became effective April 1, 2021.

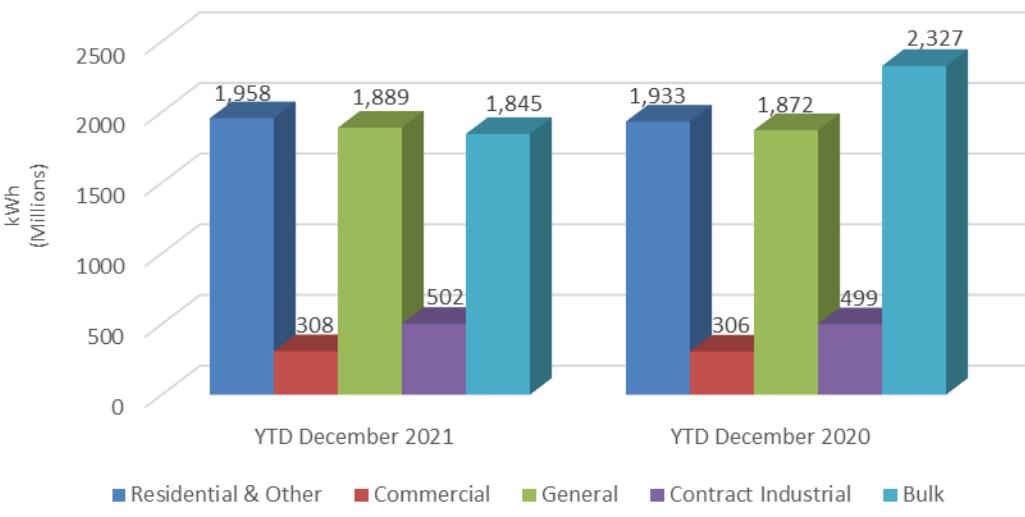
*This page has been left blank intentionally.*

# Graphs

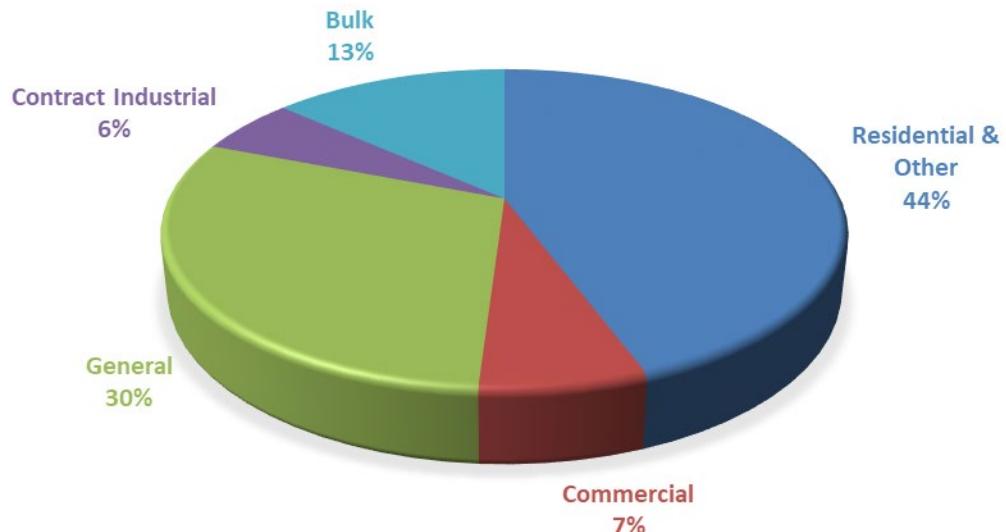
### Sales of Electric Energy Year to Date - December 2021 & 2020



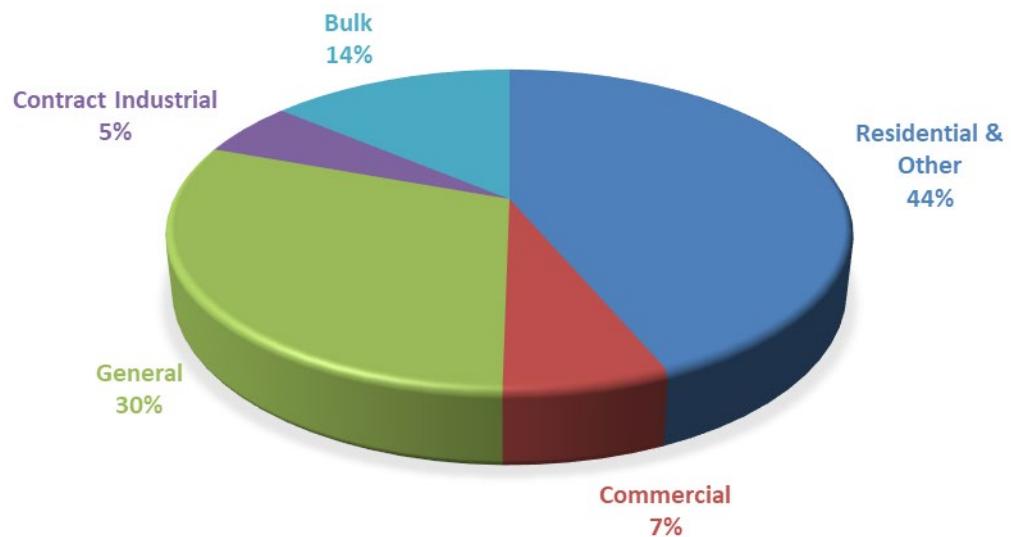
### Total Power Billed Year to Date - December 2021 & 2020



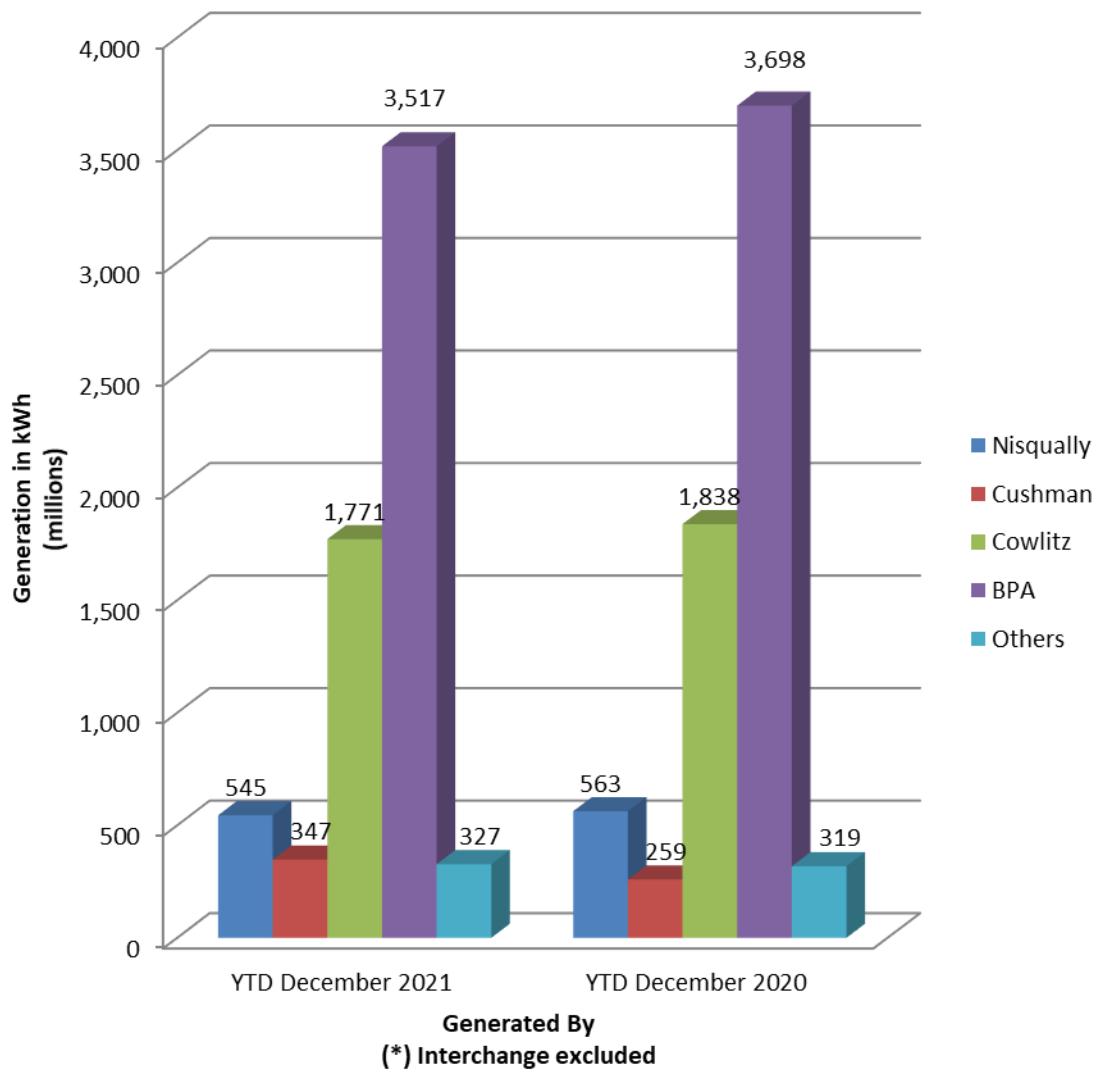
**SALES OF ELECTRIC ENERGY**  
**YEAR TO DATE - DECEMBER 2021 (\$448,241,608)**



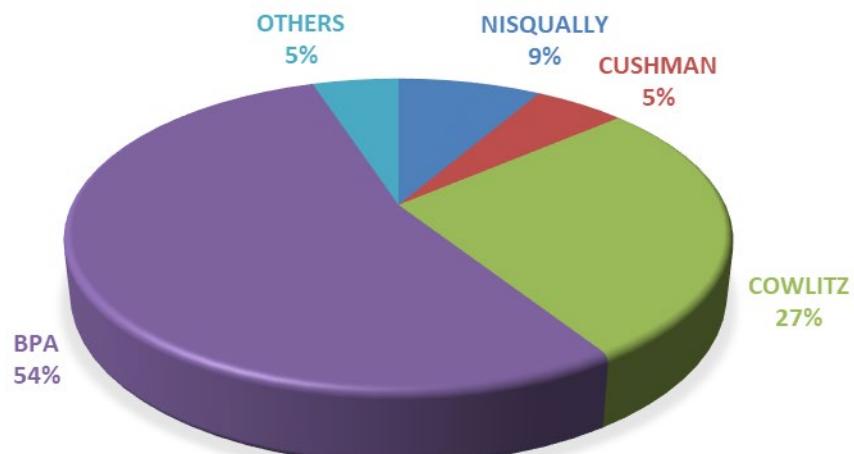
**SALES OF ELECTRIC ENERGY**  
**YEAR TO DATE - DECEMBER 2020 (\$430,538,416)**



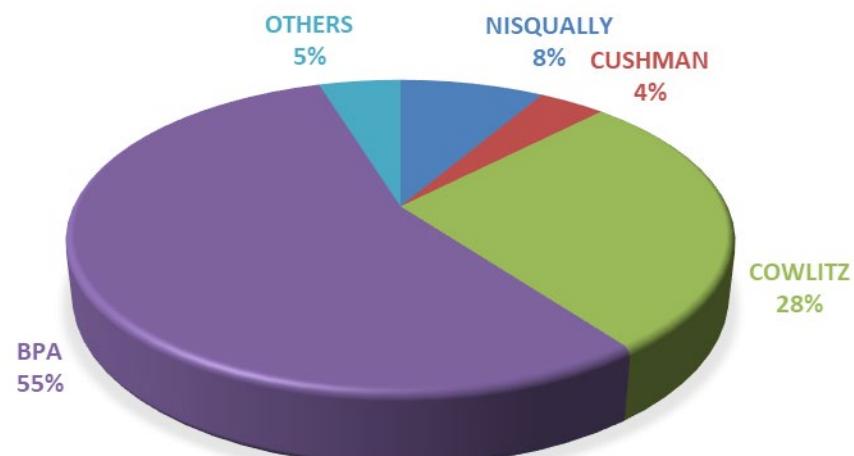
## Power Sources (\*) Year to Date December 2021 & 2020



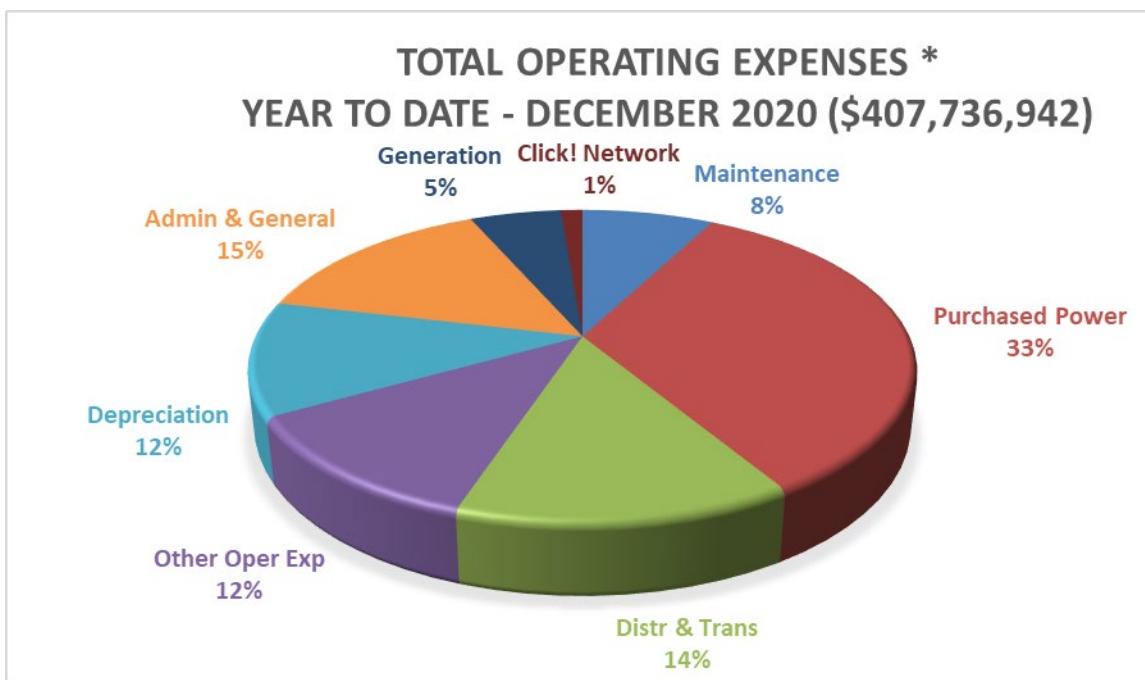
### POWER SOURCES (\*) YEAR TO DATE - DECEMBER 2021



### POWER SOURCES (\*) YEAR TO DATE - DECEMBER 2020

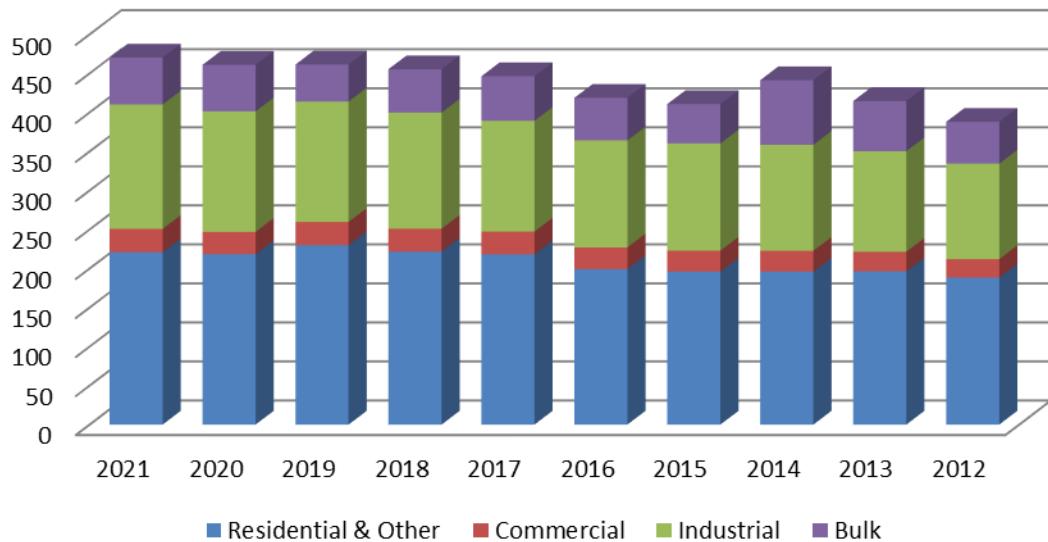


(\*) Interchange excluded

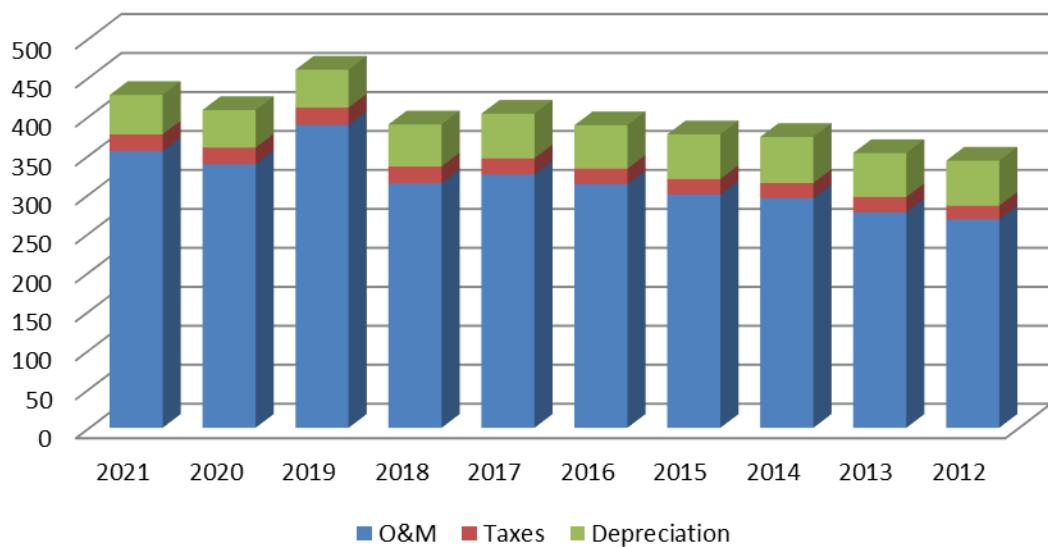


\* City Gross Earnings Taxes are not included in Total Operating Expenses.

## TEN-YEAR SUMMARY OF OPERATING REVENUES



## TEN-YEAR SUMMARY OF OPERATING EXPENSES





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.