Tacoma Power
Budget Overview
May 11, 2022
Introduction

• What is our budget?

• How is it developed?

• How is it managed?

• What is our philosophy?
But first, a word about our customers
<table>
<thead>
<tr>
<th>Customer Classes</th>
<th>Percent of Retail Revenue</th>
<th>Percent of Customers by Class</th>
<th>Sales of Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>49.8%</td>
<td>87.4%</td>
<td>$185,112,028</td>
</tr>
<tr>
<td>Small General</td>
<td>7.7%</td>
<td>9.0%</td>
<td>$28,587,971</td>
</tr>
<tr>
<td>General</td>
<td>28.4%</td>
<td>1.4%</td>
<td>$105,583,488</td>
</tr>
<tr>
<td>High Voltage General</td>
<td>6.8%</td>
<td>Less than 1%</td>
<td>$25,416,533</td>
</tr>
<tr>
<td>Contract Industrial</td>
<td>6.5%</td>
<td>Less than 1%</td>
<td>$23,962,855</td>
</tr>
<tr>
<td>Lighting</td>
<td>0.8%</td>
<td>2.2%</td>
<td>$2,788,231</td>
</tr>
<tr>
<td><strong>2020 Total Retail Sales</strong></td>
<td></td>
<td></td>
<td><strong>$371,451,106</strong></td>
</tr>
</tbody>
</table>
## Top 10 Customers by Revenue

<table>
<thead>
<tr>
<th>Customer</th>
<th>Business Description</th>
<th>Percent of Retail Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>WestRock CP, LLC</td>
<td>Pulp and Paper</td>
<td>4.8%</td>
</tr>
<tr>
<td>Fort Lewis Army Post</td>
<td>Military Base</td>
<td>3.6</td>
</tr>
<tr>
<td>Linde Inc.</td>
<td>Industrial Gases</td>
<td>1.6</td>
</tr>
<tr>
<td>McChord Air Force Base</td>
<td>Military Base</td>
<td>1.1</td>
</tr>
<tr>
<td>Multicare Health System</td>
<td>Healthcare</td>
<td>1.0</td>
</tr>
<tr>
<td>Tacoma School District</td>
<td>Education</td>
<td>0.9</td>
</tr>
<tr>
<td>U.S. Oil &amp; Refining</td>
<td>Oil Refining</td>
<td>0.8</td>
</tr>
<tr>
<td>James Hardie Building Products, Inc.</td>
<td>Healthcare</td>
<td>0.6</td>
</tr>
<tr>
<td>St. Joseph Medical Center</td>
<td>Healthcare</td>
<td>0.5</td>
</tr>
<tr>
<td>Niagara Bottling, LLC</td>
<td>Beverage</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>15.4%</strong></td>
</tr>
</tbody>
</table>
Loads declining while expenses increasing
Strategy

Equity & Inclusion

Economic Development

Reliability & Resiliency

Environmental Leadership

Decarbonization/Electric Vehicles

Employee Relations

Financial Sustainability
The majority of our expenses are non-discretionary
Purchased Power

35% of budget

Anticipated biennial rate increase in 2023/24

- 5% - BPA Power
- 5% - BPA Transmission
Taxes

2023/24 taxes will increase as a percentage of our revenue increase.
Assessments for Support Services

8% of budget

TPU Assessments

GG Assessments

行政管理 10%
客户服务 62%
支持服务 6%
公共事务 22%

其他服务 11%
信息技术 48%
人力资源 14%
法律 9%
财务管理 18%

信息科技

2013/14 实际 2015/16 实际 2017/18 实际 2019/20 实际 2021/22 预算

TPU 基准

GG 基准

$0M $10M $20M $30M $40M $50M $60M $70M $80M

$0M $10M $20M $30M $40M $50M $60M $70M
Personnel

22% of budget

2023/24 Budget

- Medical benefits are expected to increase
- 483 labor contract wage increases recognized in budget
- Class & Comp increase?
- Market wage pressure
- Proposed FTE additions

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor</th>
<th>Medical and Dental</th>
<th>Pension and other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14 Actual</td>
<td>$94M</td>
<td>$25M</td>
<td>$22M</td>
</tr>
<tr>
<td>2015/16 Actual</td>
<td>$101M</td>
<td>$29M</td>
<td>$25M</td>
</tr>
<tr>
<td>2017/18 Actual</td>
<td>$110M</td>
<td>$25M</td>
<td>$25M</td>
</tr>
<tr>
<td>2019/20 Actual</td>
<td>$130M</td>
<td>$25M</td>
<td>$25M</td>
</tr>
<tr>
<td>2021/22 Budget</td>
<td>$139M</td>
<td>$34M</td>
<td>$36M</td>
</tr>
<tr>
<td>2023/24 Budget</td>
<td>$209M</td>
<td>$36M</td>
<td>$34M</td>
</tr>
</tbody>
</table>
**Other O&M**

Annual Spending:

- **2013/14 Actual:**
  - Contract Services: $0M
  - Other: $20M
  - Memberships and Training: $40M
  - Licenses & Permits: $32M
  - Materials & Supplies: $5M

- **2015/16 Actual:**
  - Contract Services: $6M
  - Other: $5M
  - Memberships and Training: $5M
  - Licenses & Permits: $5M
  - Materials & Supplies: $6M

- **2017/18 Actual:**
  - Contract Services: $5M
  - Other: $6M
  - Memberships and Training: $6M
  - Licenses & Permits: $6M
  - Materials & Supplies: $6M

- **2019/20 Actual:**
  - Contract Services: $8M
  - Other: $9M
  - Memberships and Training: $9M
  - Licenses & Permits: $32M
  - Materials & Supplies: $6M

- **2021/22 Budget:**
  - Contract Services: TBD
  - Other: TBD
  - Memberships and Training: TBD
  - Licenses & Permits: TBD
  - Materials & Supplies: TBD

*Excludes Capitalized A&G credit

10% of budget

TBD for 2023/24

We’re working on it!
Capital Portfolio

Financial Category:
- Facilities Improvements
- Other Capital
- Advanced Metering Infrastructure (AMI)
- Technology
- Regulatory
- License Implementation
- Aging Infrastructure/Reliability Upgrades
- Additions & Replacements
What are we spending capital on?

Additions & Replacements
- Poles
- Transformers
- New Services
- Security Upgrades

Aging infrastructure/Reliability Upgrades
- Cushman Unit Rebuilds
- Alder Unit 11 Generator Rewind
- Cushman Barrier Dam Repair
- Distribution Substation Transformer Replacements
- #6 Copper Replacement Program

Fleet Replacements
- Vehicles
- Equipment

Facilities Improvements
- Elevator Controls Upgrades

Regulatory
- Customer Energy Programs

Technology
- Energy Imbalance Market (EIM) Integration
- Workforce Connect
- Customer Engagement Portal
- Power GIS Modernization

AMI
2023/24 Proposed Capital

Financial Category
- Additions & Replacements
- Aging Infrastructure/Reliability Upgrades
- Facilities Improvements
- License Implementation
- Other Capital
- Regulatory
- Technology

2023/24 Budget

Original Proposal - $226M
Current Proposal - $185M
Major initiatives to improve planning, prioritization and delivery of capital investments

**Asset Management**
- Long-term infrastructure planning
- Optimizing replacement schedules
- Whole-life cost modeling

**Project Management**
- Better prioritization of projects
- Improved portfolio management
- Levelized spending
- Improved management of expenses
- Minimizing rate impacts for customers
- Capacity / Resource planning
- Efficient and effective project delivery
- Maximizing value and benefits
Budget Development Process

O&M - Proposed Additions & Reductions

• Evaluating new 2023/24 work
• Identifying priorities
• Discussing new FTE requests
• Evaluating impacts of not adding positions
• Included in Long-Range Financial Plan and recommended rate increases

Capital

• Active portfolio management
• Evaluating strategic value scores, prioritization and risk levels
• Identifying level of uncertainty in scope and costs
• Rebalancing portfolio mid-biennium
Key Takeaways

• Majority of our expenses are non-discretionary
• Small percentage that we actually have control over
• Costs continue to increase over time
• Significant pressures from inflation
• Still early in our budget development process
• Focused on keeping rates reasonable by closely managing expenses
• Continuing to explore new sources of revenue
• Balancing Capital and O&M including potential FTE increases