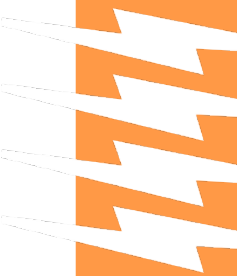


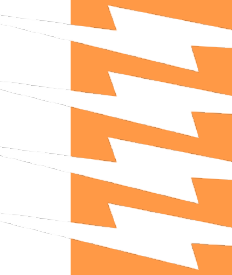
Tacoma Power Budget Overview

May 11, 2022

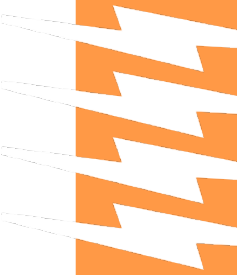


Introduction

- What is our budget?
- How is it developed?
- How is it managed?
- What is our philosophy?



But first, a word about our customers

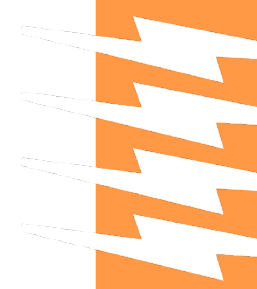


Where our Retail Revenue comes from

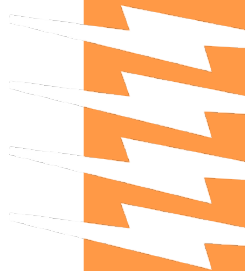
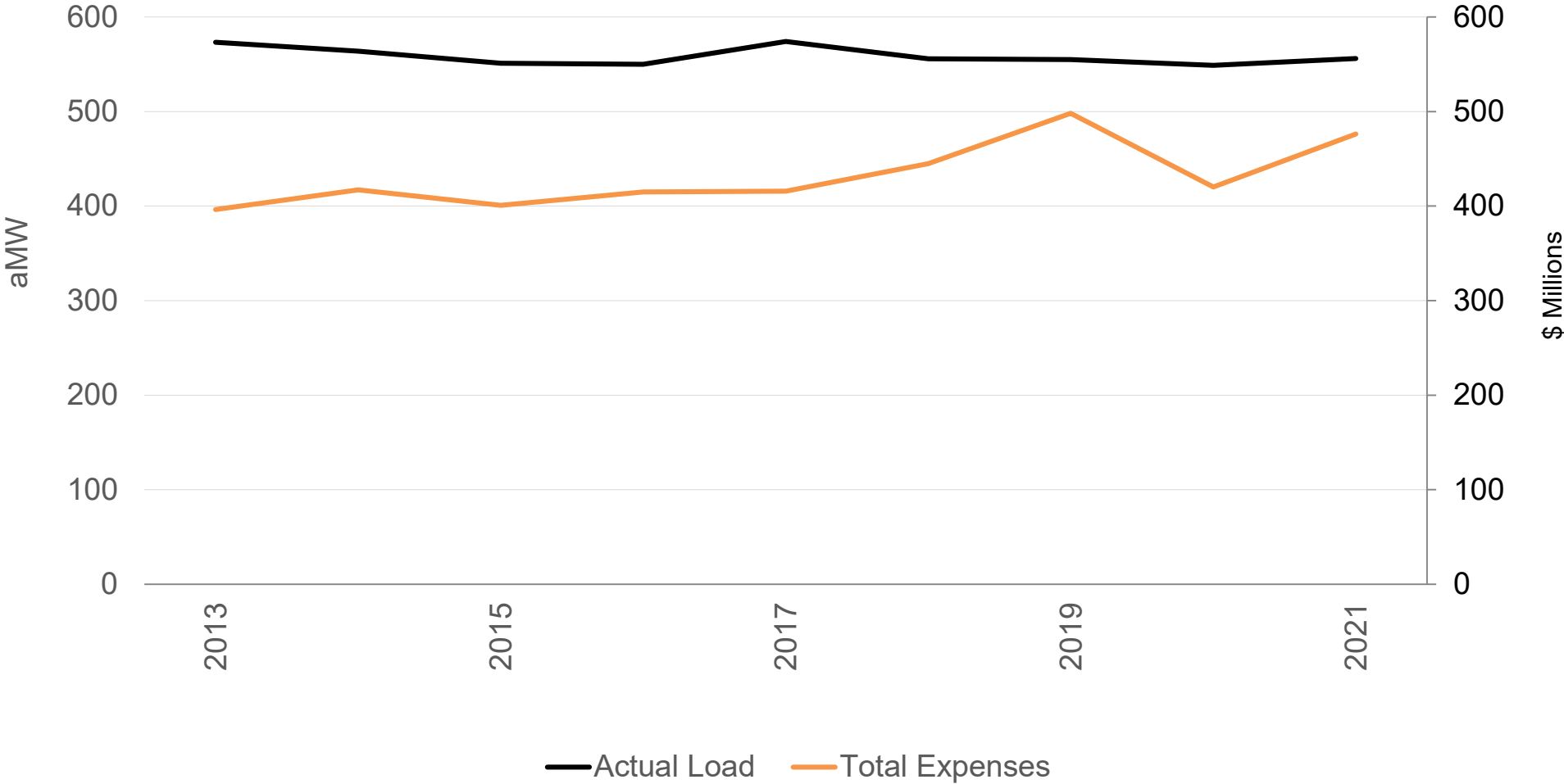
Customer Classes	Percent of Retail Revenue	Percent of Customers by Class	Sales of Electricity
Residential	49.8%	87.4%	\$185,112,028
Small General	7.7%	9.0%	\$28,587,971
General	28.4%	1.4%	\$105,583,488
High Voltage General	6.8%	Less than 1%	\$25,416,533
Contract Industrial	6.5%	Less than 1%	\$23,962,855
Lighting	0.8%	2.2%	\$2,788,231
2020 Total Retail Sales			\$371,451,106

Top 10 Customers by Revenue

Customer	Business Description	Percent of Retail Revenue
WestRock CP, LLC	Pulp and Paper	4.8%
Fort Lewis Army Post	Military Base	3.6
Linde Inc.	Industrial Gases	1.6
McChord Air Force Base	Military Base	1.1
Multicare Health System	Healthcare	1.0
Tacoma School District	Education	0.9
U.S. Oil & Refining	Oil Refining	0.8
James Hardie Building Products, Inc.	Healthcare	0.6
St. Joseph Medical Center	Healthcare	0.5
Niagara Bottling, LLC	Beverage	0.4
Total		15.4%



Loads declining while expenses increasing



Strategy



Equity & Inclusion



Economic Development



Reliability & Resiliency



Environmental Leadership



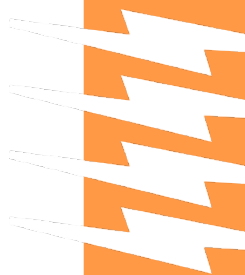
Decarbonization/Electric Vehicles



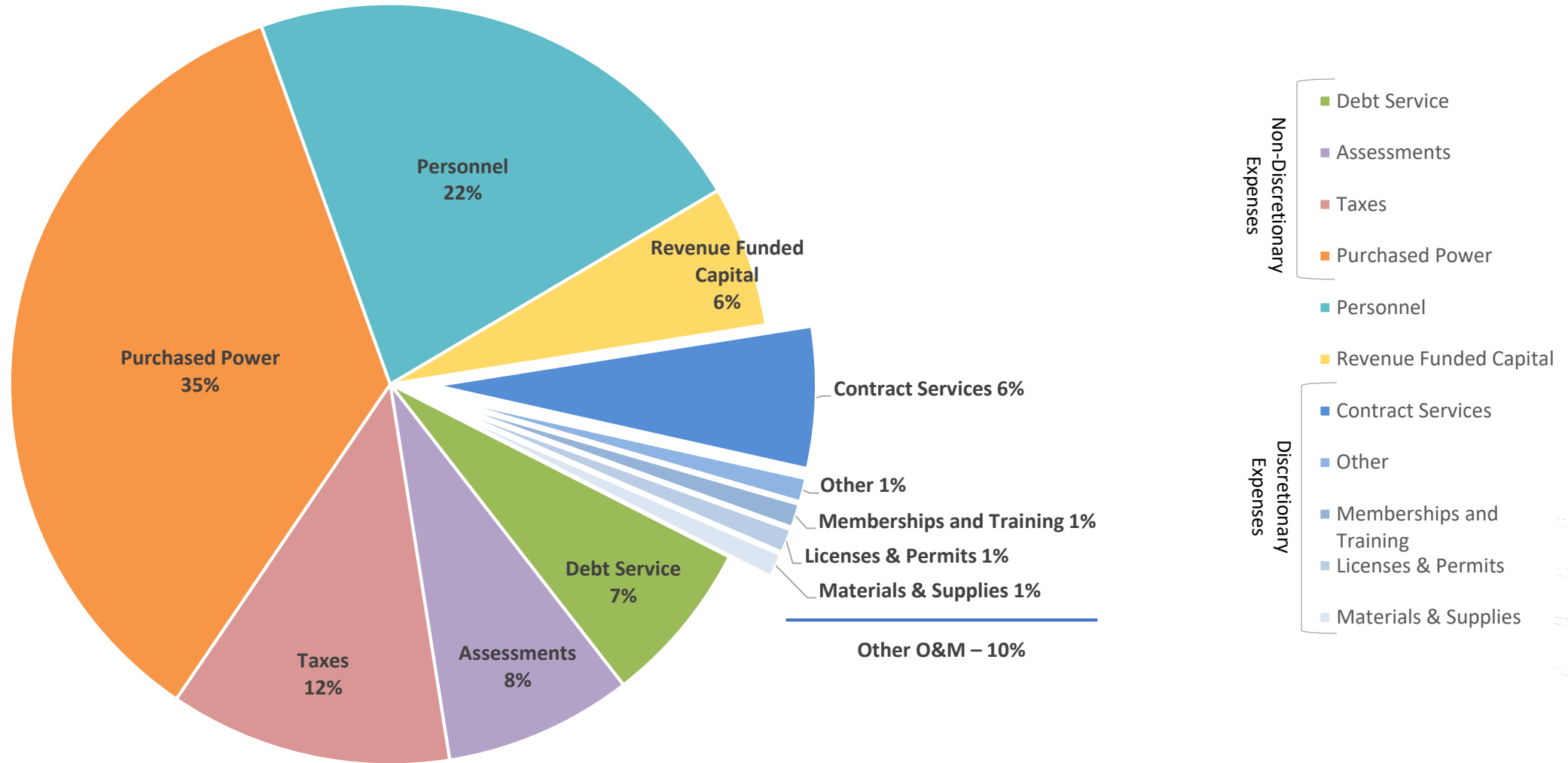
Employee Relations



Financial Sustainability



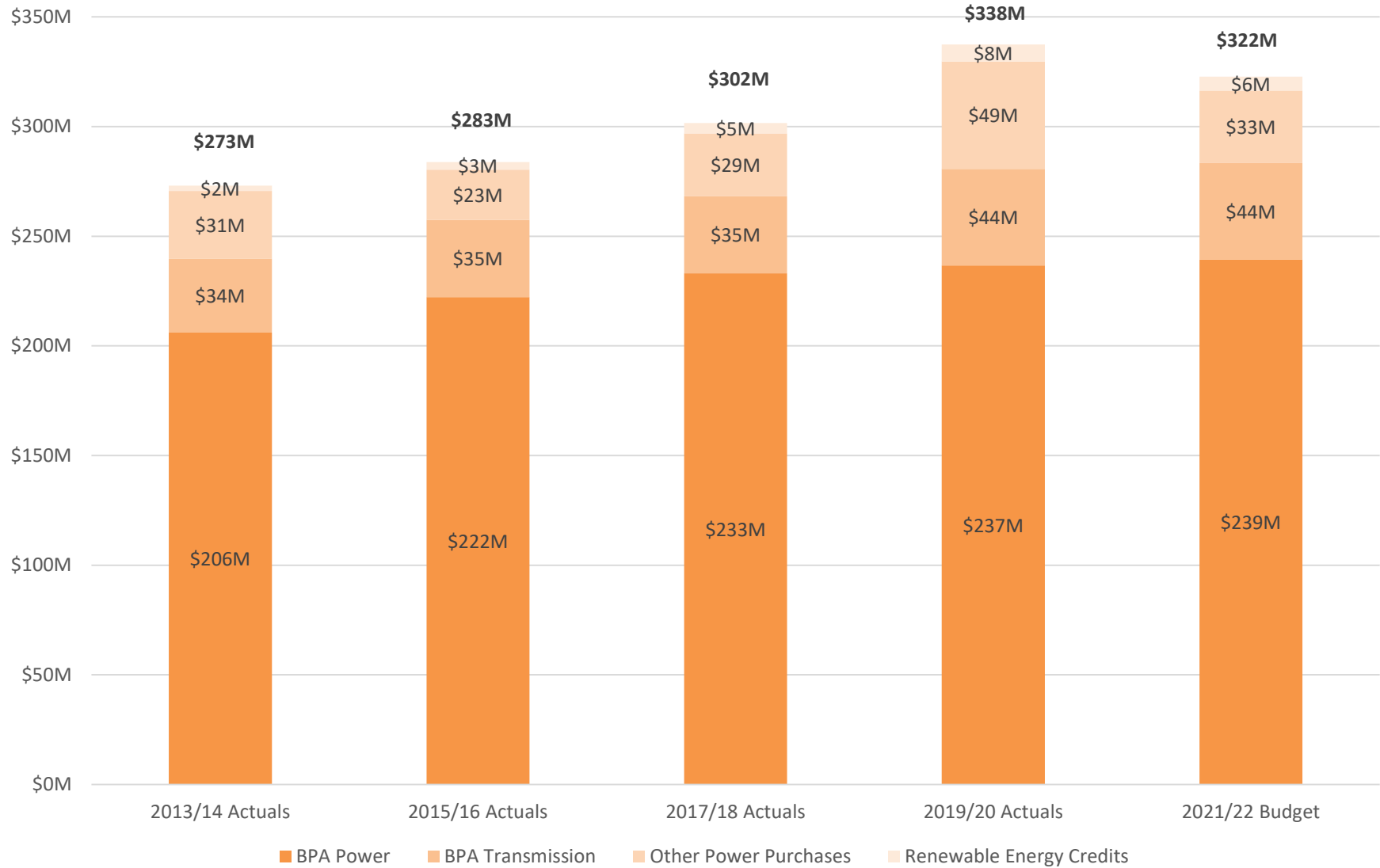
The majority of our expenses are non-discretionary



2021/22 Budget

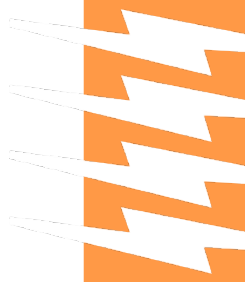
Purchased Power

35% of budget



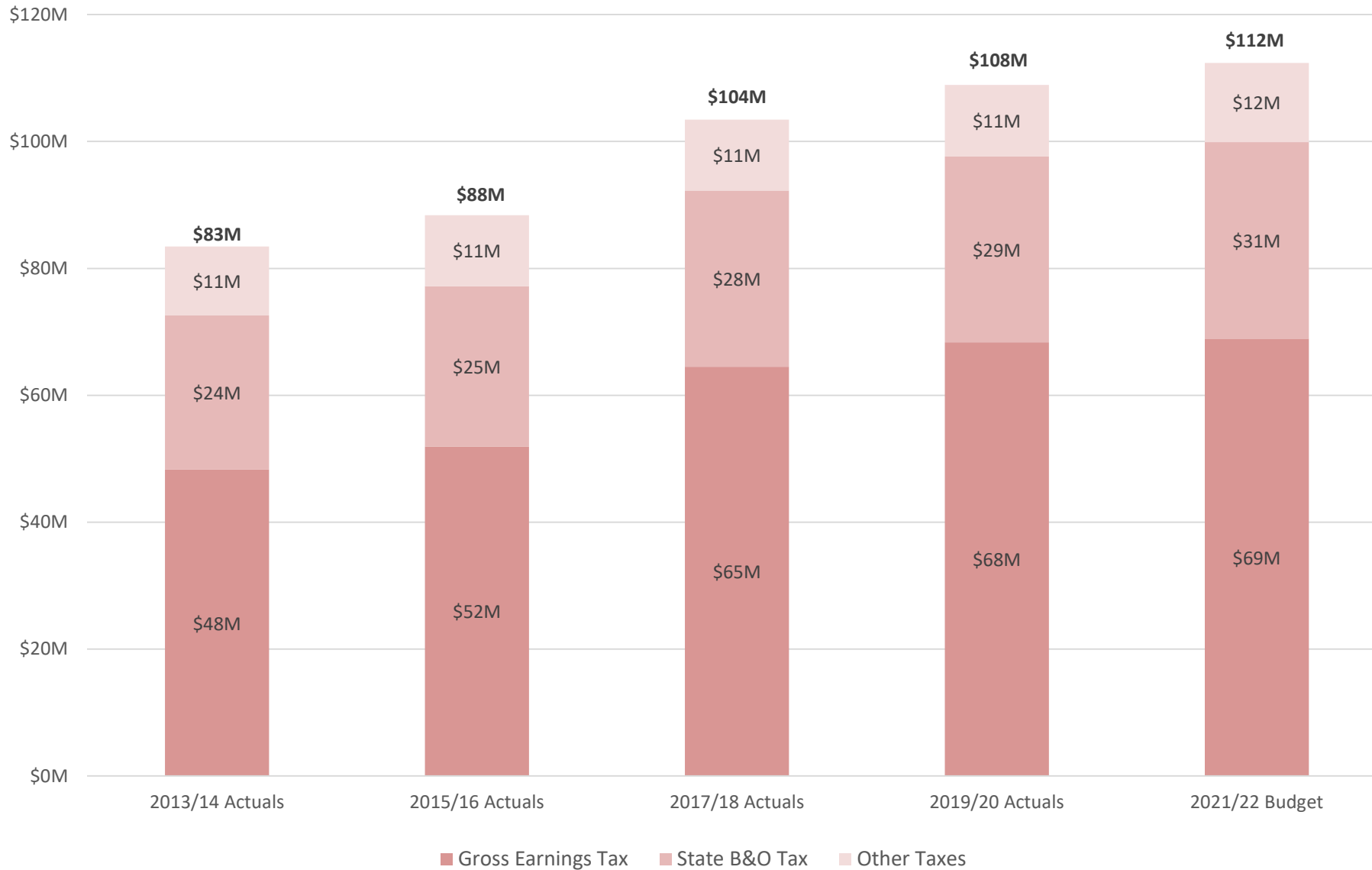
Anticipated biennial rate increase in 2023/24

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



Taxes

12% of budget

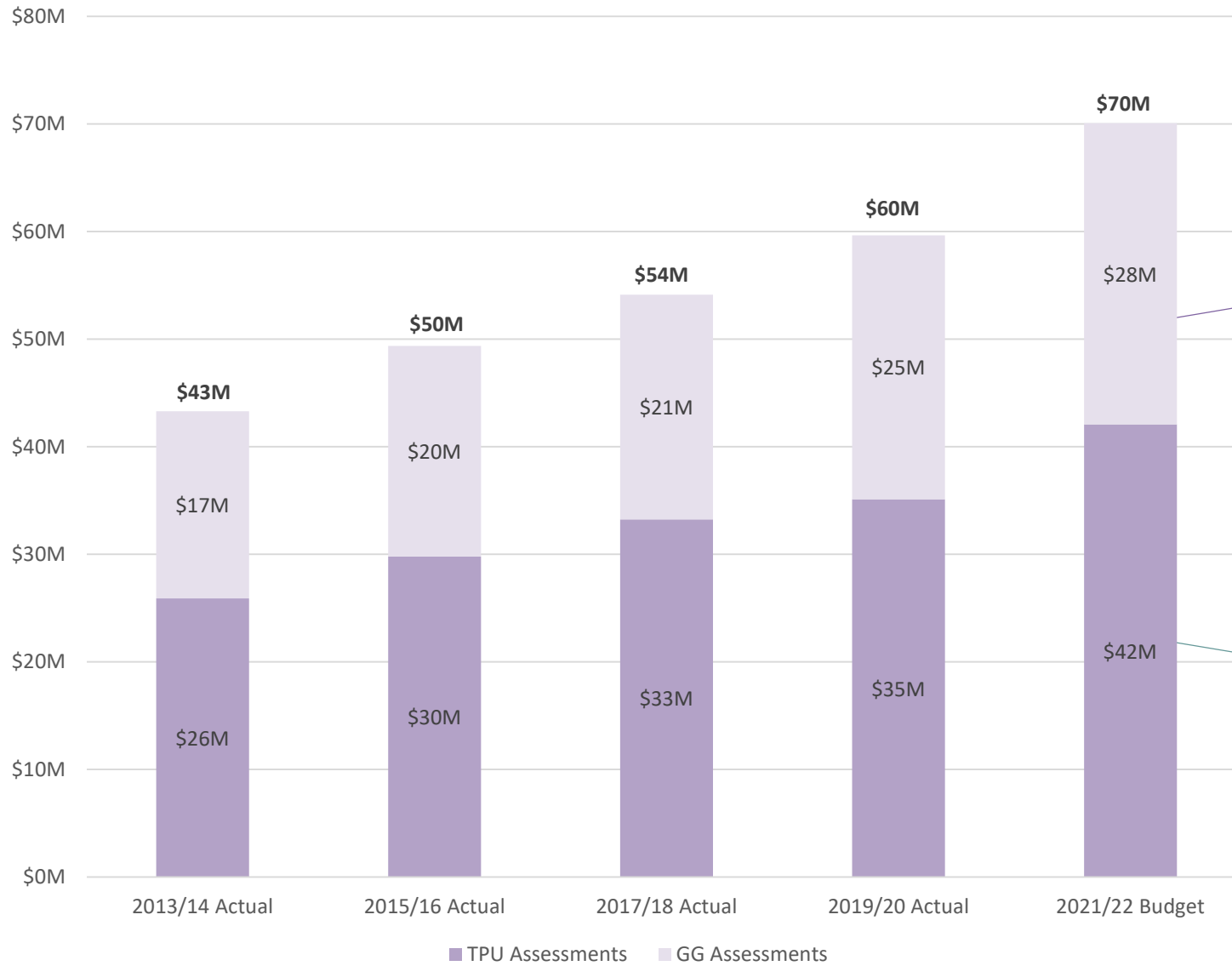


2023/24 taxes will increase as a percentage of our revenue increase

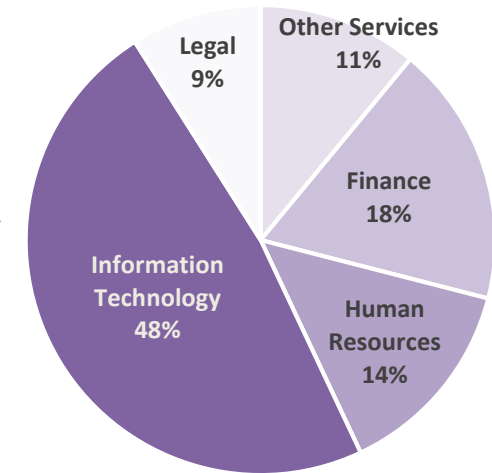


Assessments for Support Services

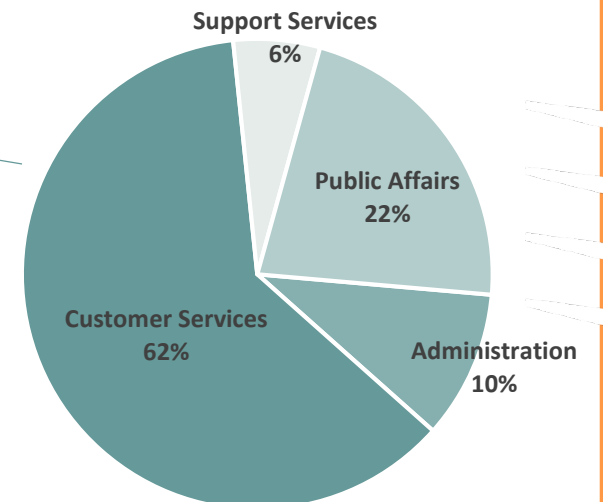
8% of budget



GG Assessments

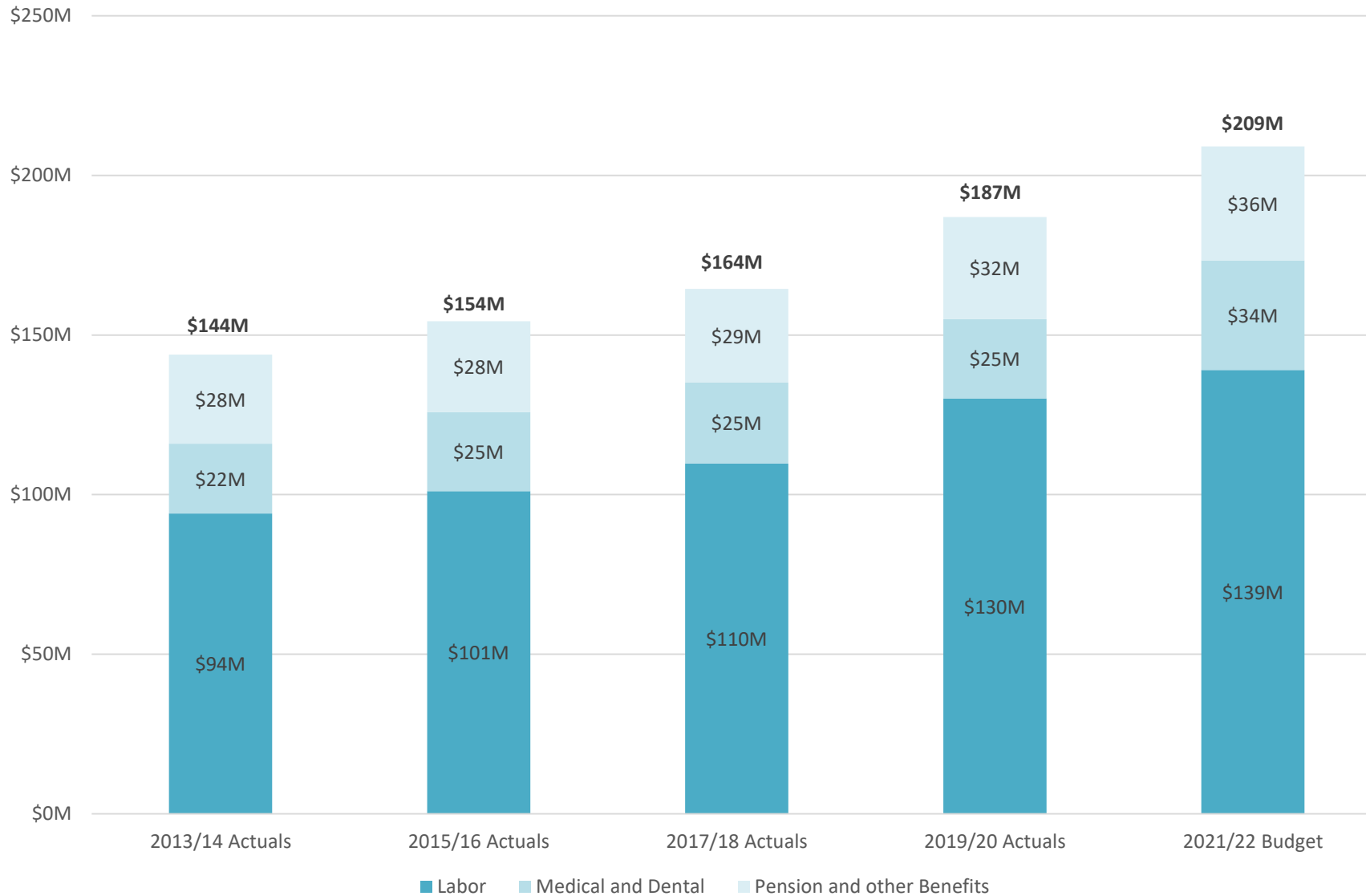


TPU Assessments



Personnel

22% of budget

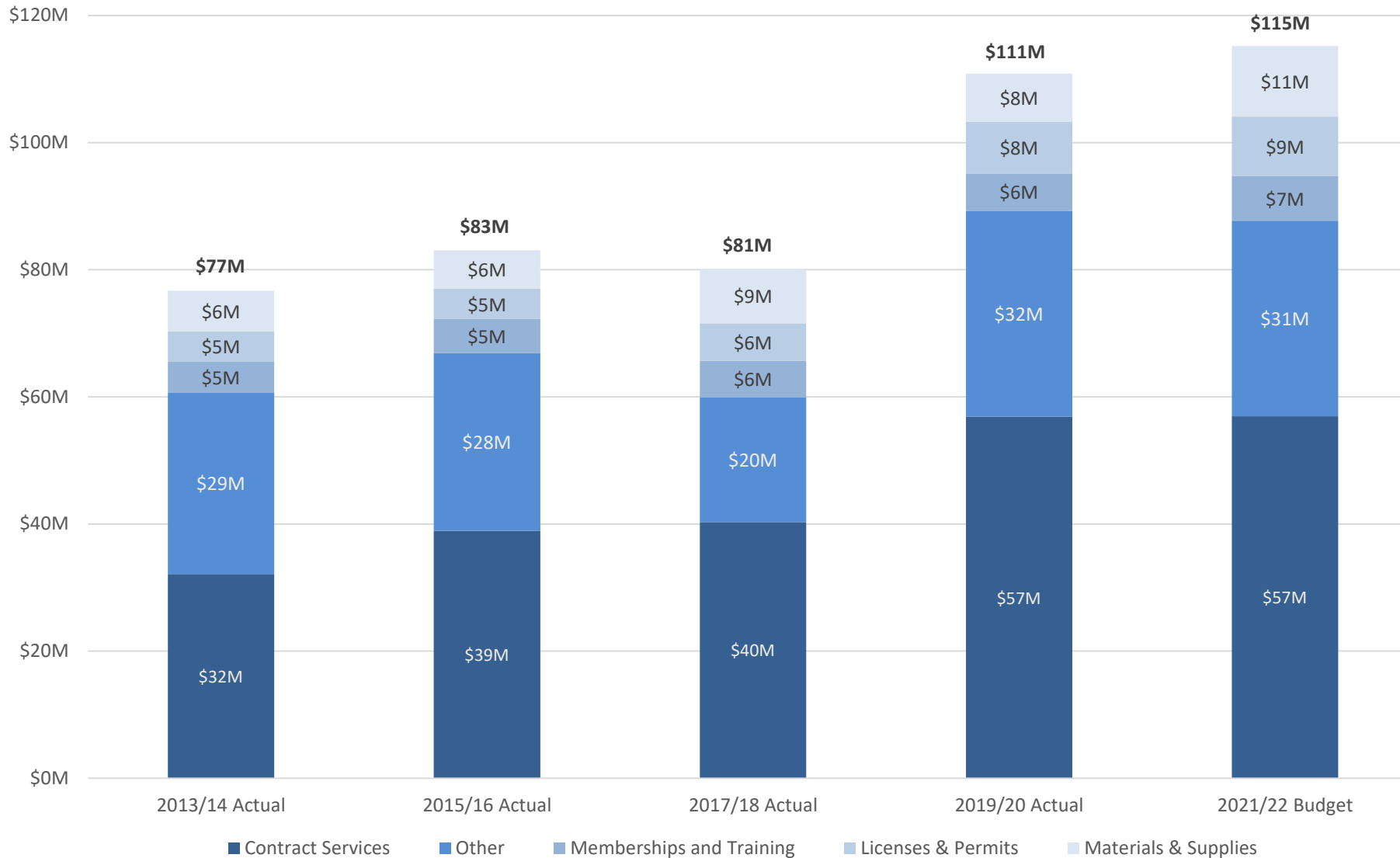


2023/24 Budget

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

Other O&M

10% of budget



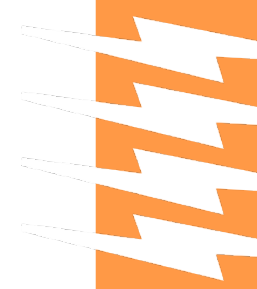
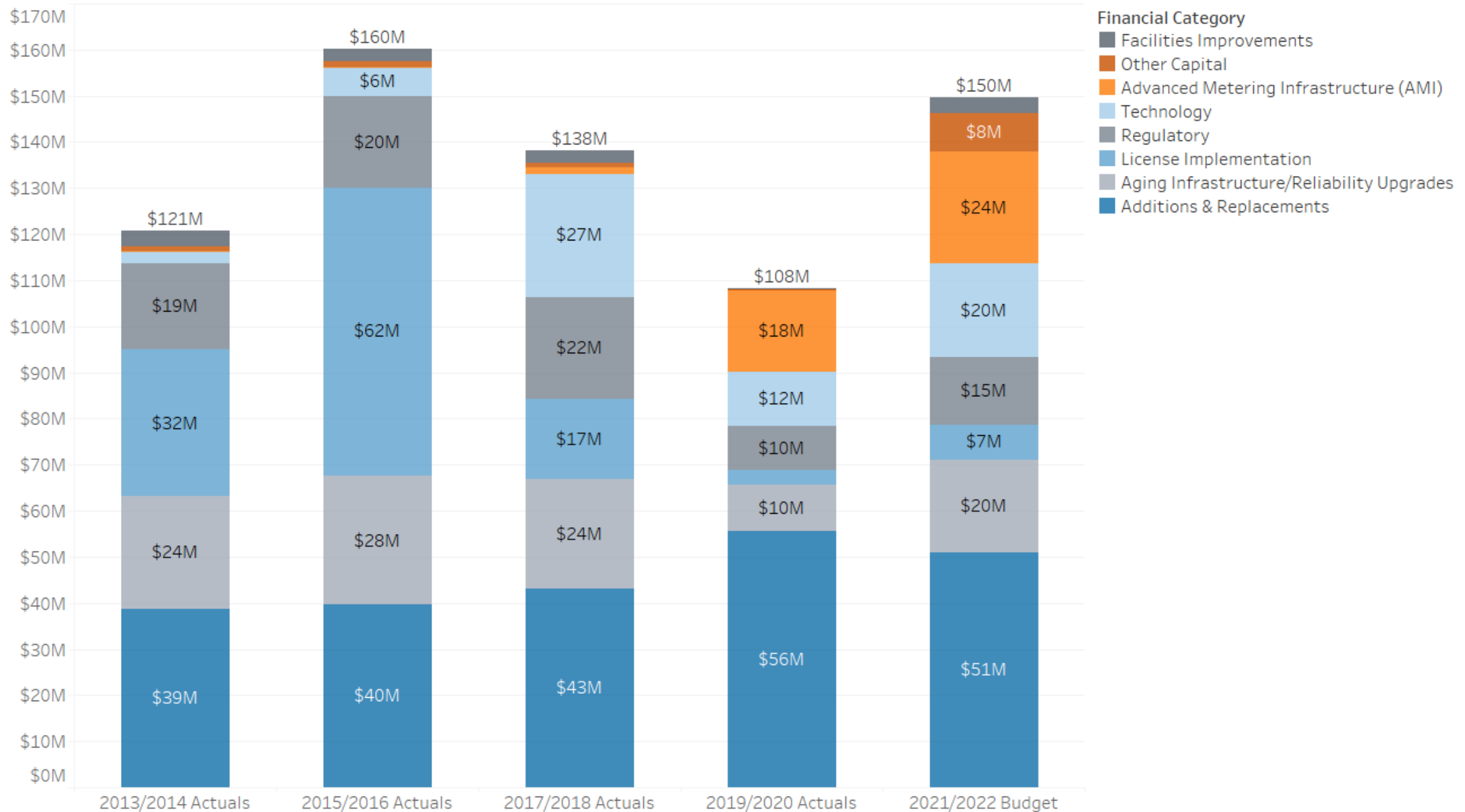
TBD for 2023/24



We're working on it!

*Excludes Capitalized A&G credit

Capital Portfolio



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

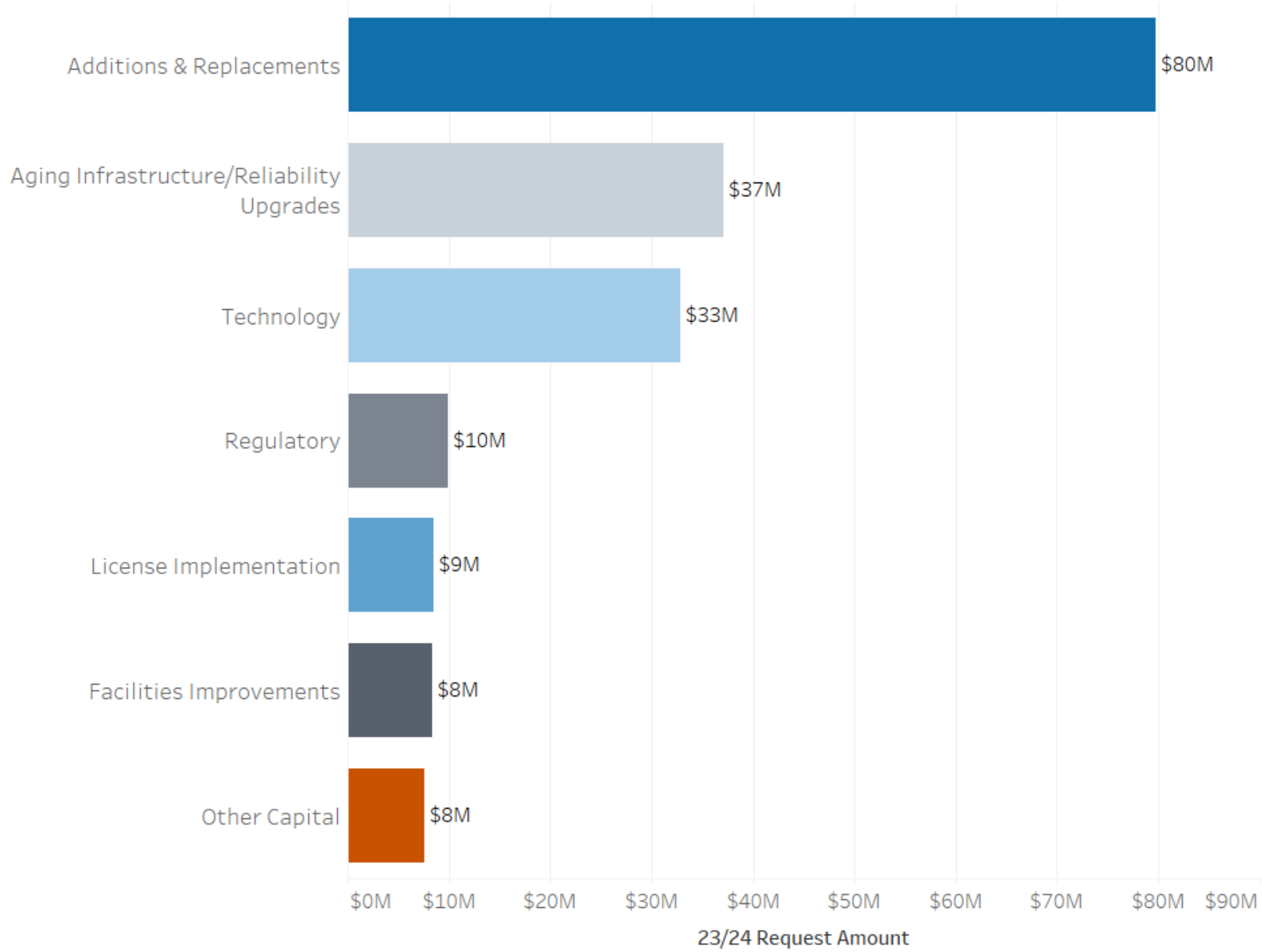
Technology

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

AMI



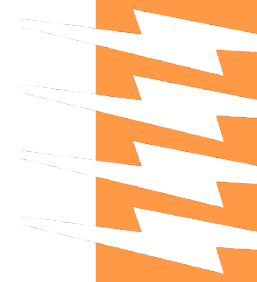
2023/24 Proposed Capital



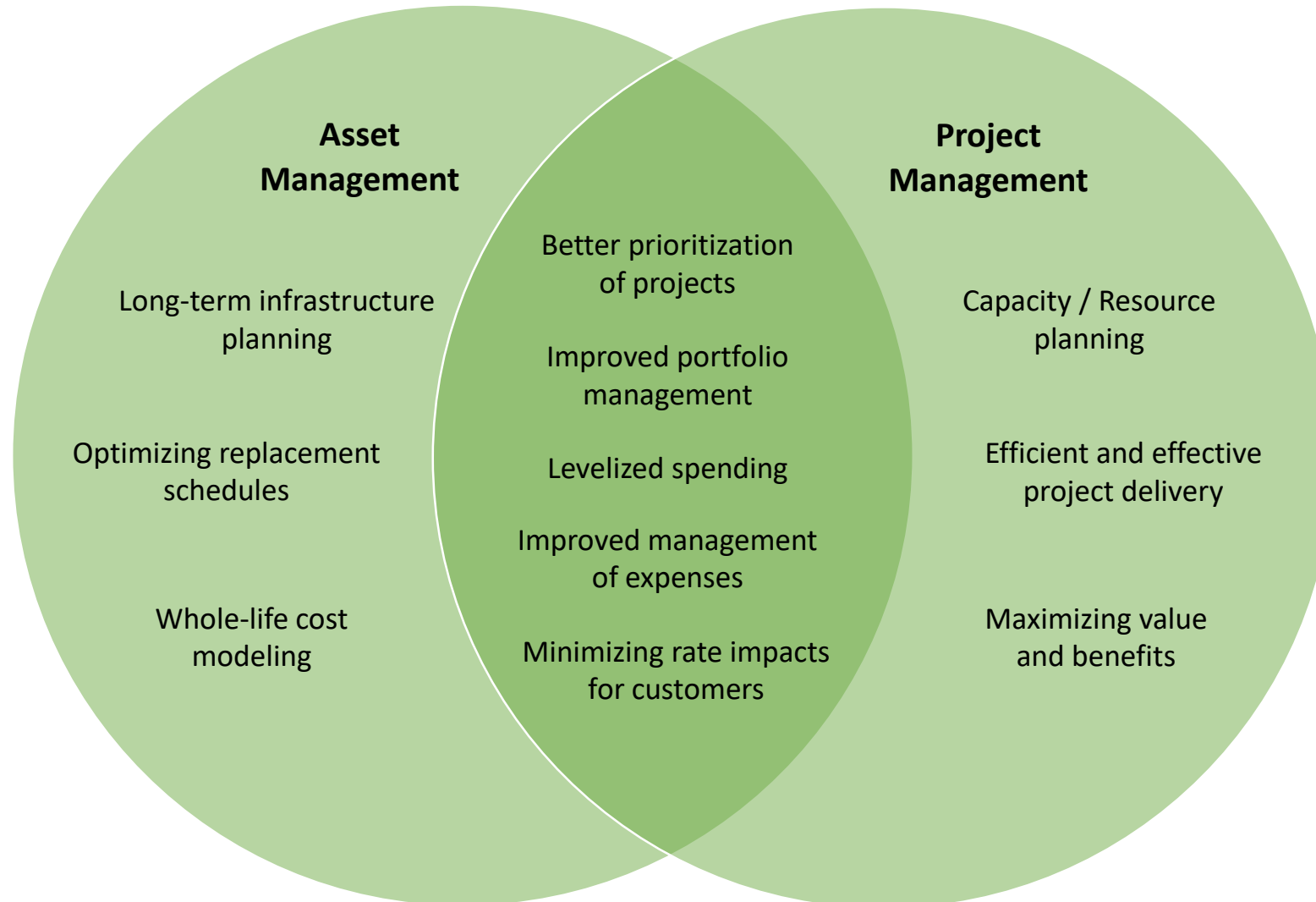
2023/24 Budget

Original Proposal - \$226M

Current Proposal - \$185M



Major initiatives to improve planning, prioritization and delivery of capital investments



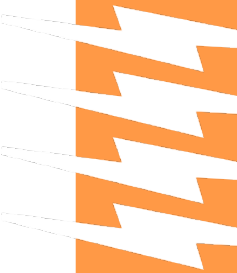
Budget Development Process

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

