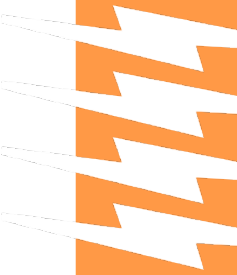


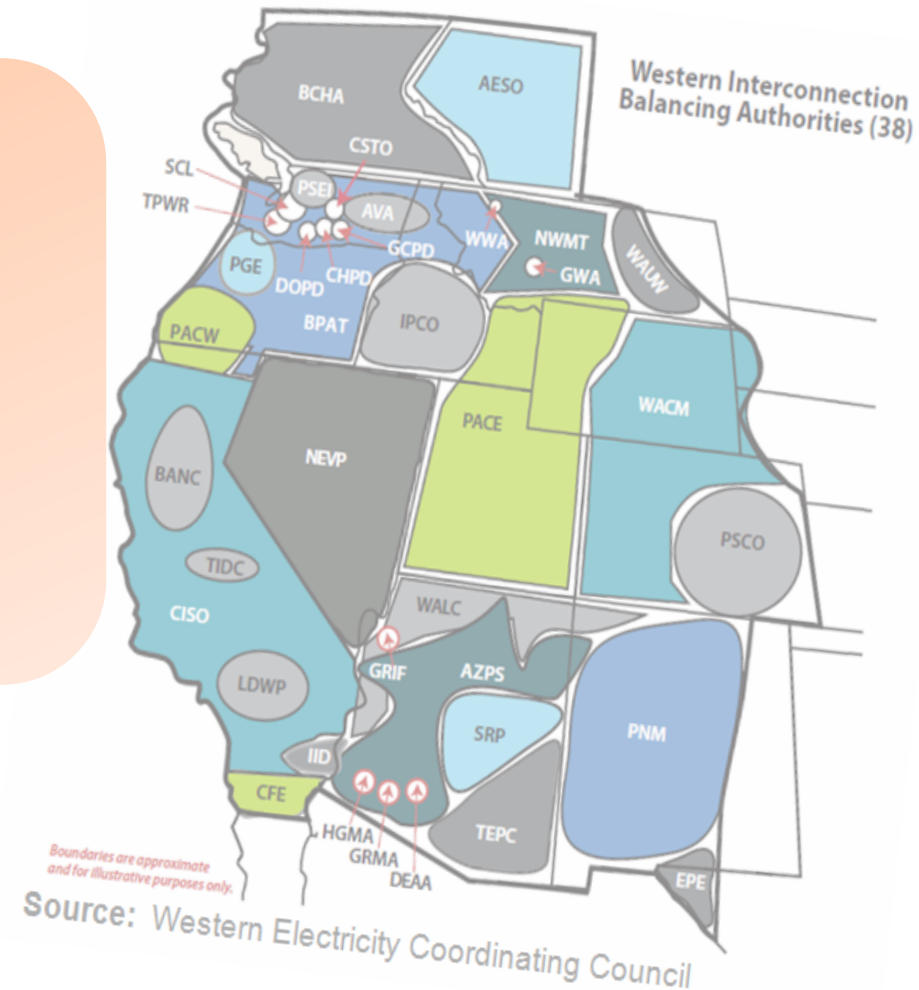
Tacoma Power

2023 Financial Overview



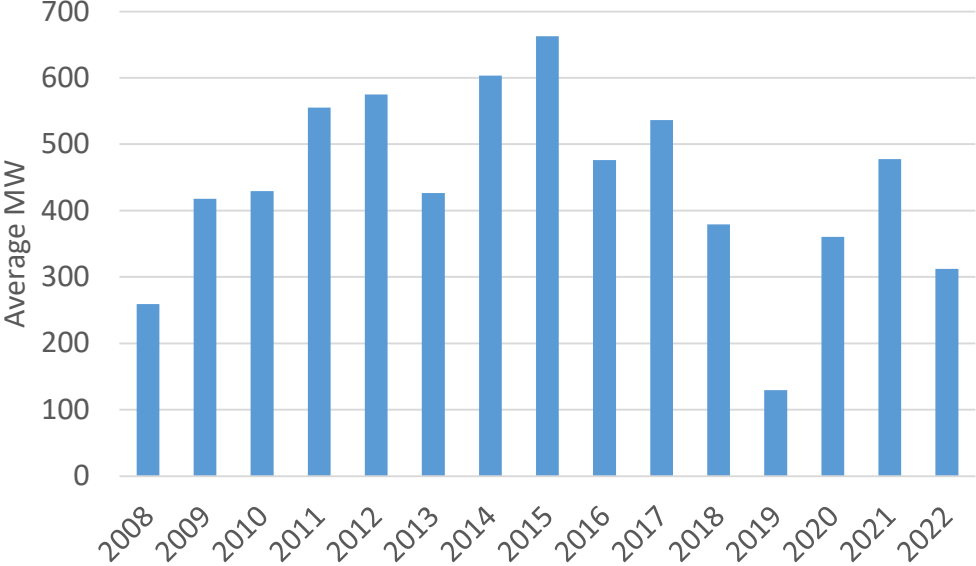
Why do we participate in the Wholesale Market?

- ✓ **Supply variability:** we buy and sell to meet our operational constraints and license requirements.
- ✓ **System reliability:** we maintain balance between our customer demand and our generation.
- ✓ **Hydro uncertainty:** we sell our surplus power, and as needed buy to meet customer demand.

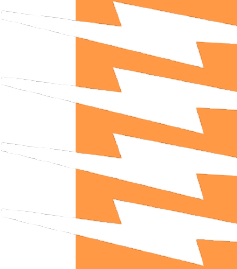
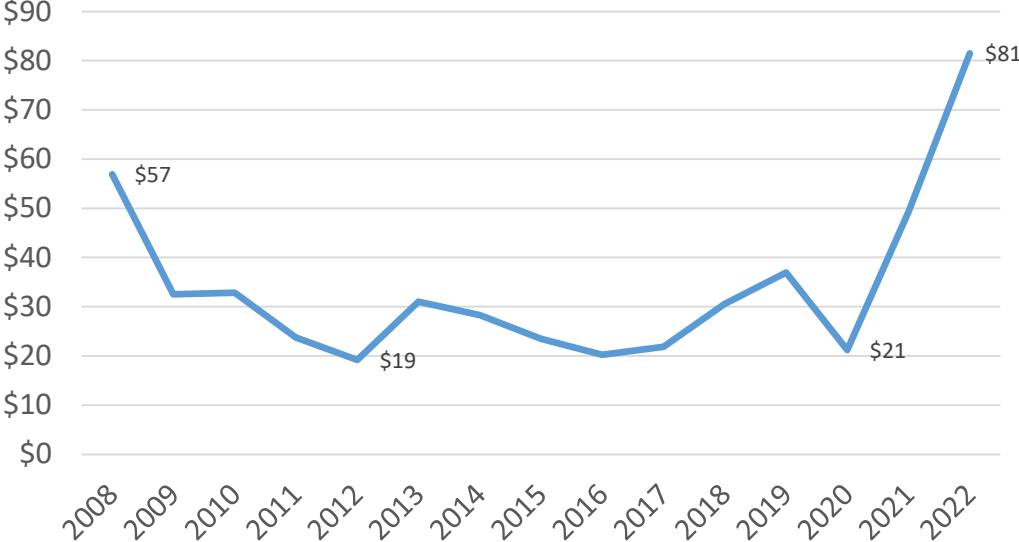


Tacoma Experiences Significant Generation and Wholesale Power Price Volatility

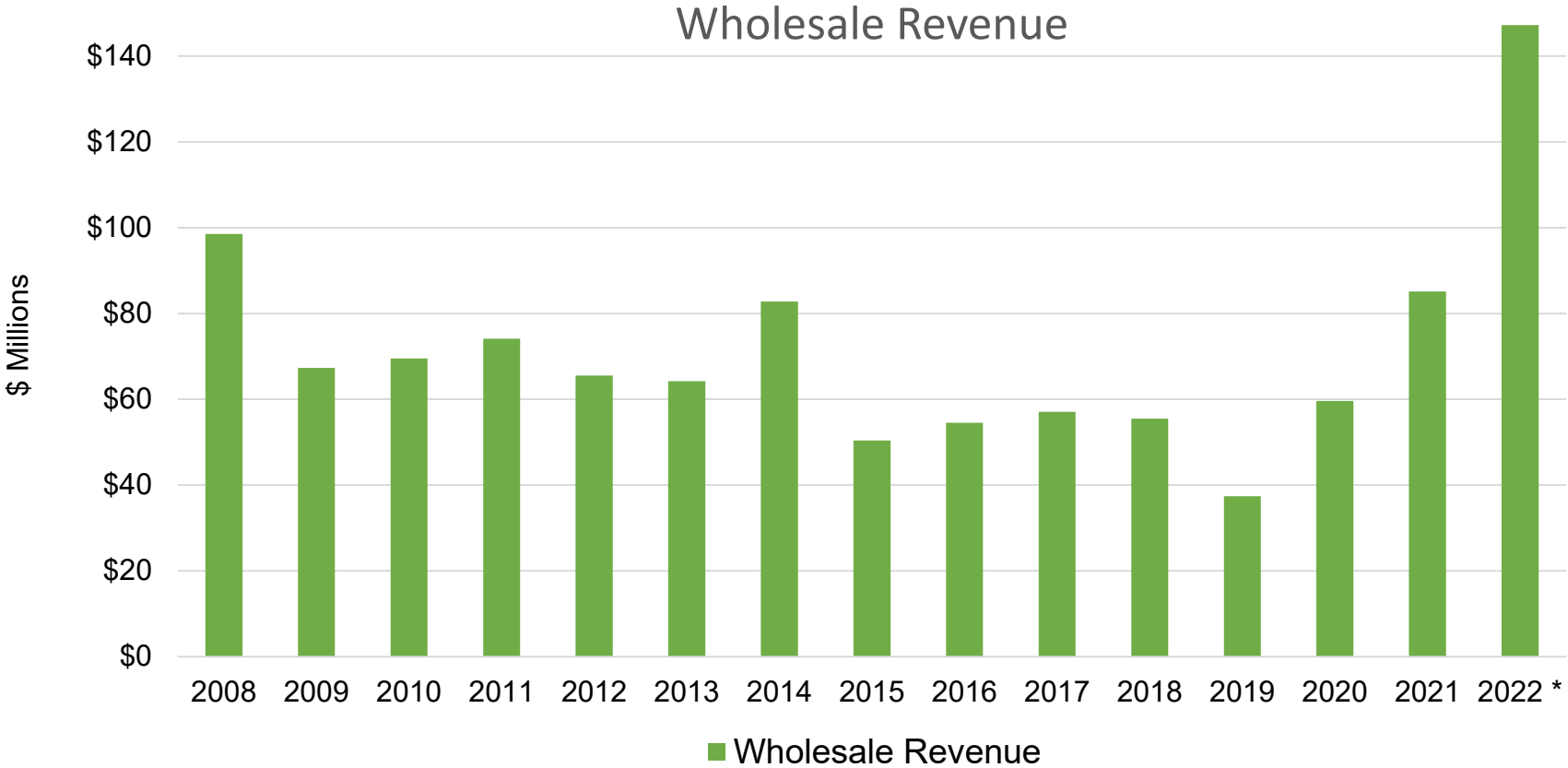
Tacoma Owned Generation



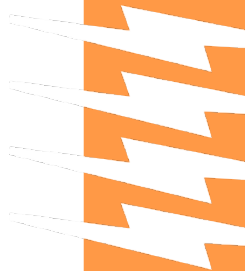
Wholesale Power Prices - Average Spot Price



Generation and Wholesale Price Volatility Contributes to Wholesale Revenue Variability



* Unaudited



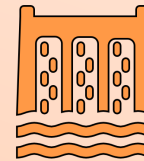
Wholesale Market Participation Risks Are Addressed Through the Energy Risk Management Program



Market Risk



Counterparty Credit Risk



Volumetric Risk



Price Risk

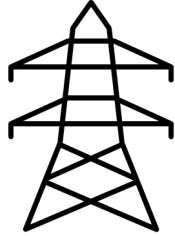
The risks associated with a lack of sufficient market participants willing and able to transact at a time when Tacoma Power is in the market.

The practice of providing credit to trading partners based on their financial health and stability.

Uncertainty associated with our generation and load usage from our customers, and the corresponding surplus available to sell into the wholesale market.

Once generated, electricity cannot be stored. This and other complex factors lead to very high volatility in power prices.

Forward Hedging Addresses Price Volatility and Market Liquidity Risks for Tacoma Power



Physical Products

- ✓ Physical delivery of power
- ✓ Addresses unfavorable price movements
- ✓ Addresses volumetric uncertainty
- ✓ Declining market participation

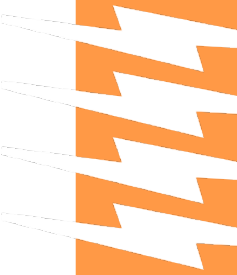


Financial Products

- ✓ Exchange of cash flows
- ✓ Addresses unfavorable price movements
- ✓ Provides operational flexibility
- ✓ Robust market participation

Tacoma Power

2022 Financial Results



2022 Preliminary Financial Results

as of 12/31/2022	\$ In Millions		
	2022	2022*	2022
Revenue	Actual	Budget	Difference
Retail Sales	\$401,831	\$390,876	\$10,956
Bulk Power (wholesale) Sales	\$153,101	\$51,583	\$101,518
Transfer to Rate Stabilization Fund	(\$95,000)	\$0	(\$95,000)
Other Revenue	\$36,744	\$33,116	\$3,628
Total Revenue	\$496,677	\$475,575	\$21,102
Expenses			
Purchased Power & RECs	\$170,139	\$173,732	(\$3,593)
Personnel Costs	\$110,689	\$113,283	(\$2,593)
Supplies, Other Services & Charges	\$81,181	\$80,661	\$521
Revenue Funded Capital Outlay	\$13,247	\$30,119	(\$16,871)
Debt Service	\$30,622	\$35,244	(\$4,623)
Taxes	\$65,690	\$64,088	\$1,602
Total Expenses	\$471,569	\$497,126	(\$25,557)
Total Revenues less Expenses	\$25,107	(\$21,552)	\$46,659

High wholesale revenues in 2022 improve future financial flexibility when transferred into the Rate Stabilization Fund.

* Unaudited

What is the Rate Stabilization Fund (RSF) and how do we use it?

What is the RSF?

The RSF holds surplus revenue from selling power in the wholesale market that we have set aside to use in the future.

We use it to meet financial metric requirements and keep rates as low as possible over time.

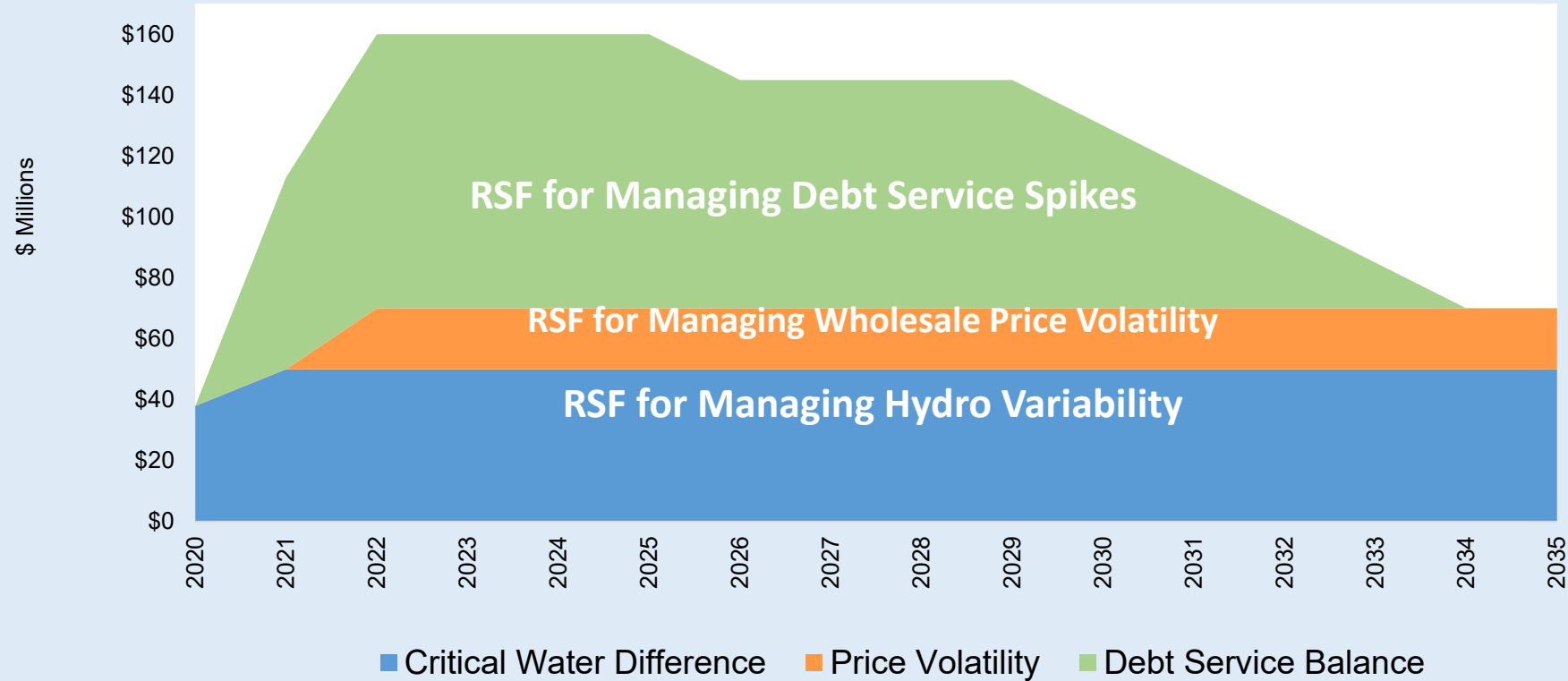
RSF planned use to stabilize rates

1. Continue to mitigate the financial impact of dry water years
2. Apply toward debt service spikes in 2026 and 2030 through 2034
3. Provide a revenue cushion when wholesale prices go down again

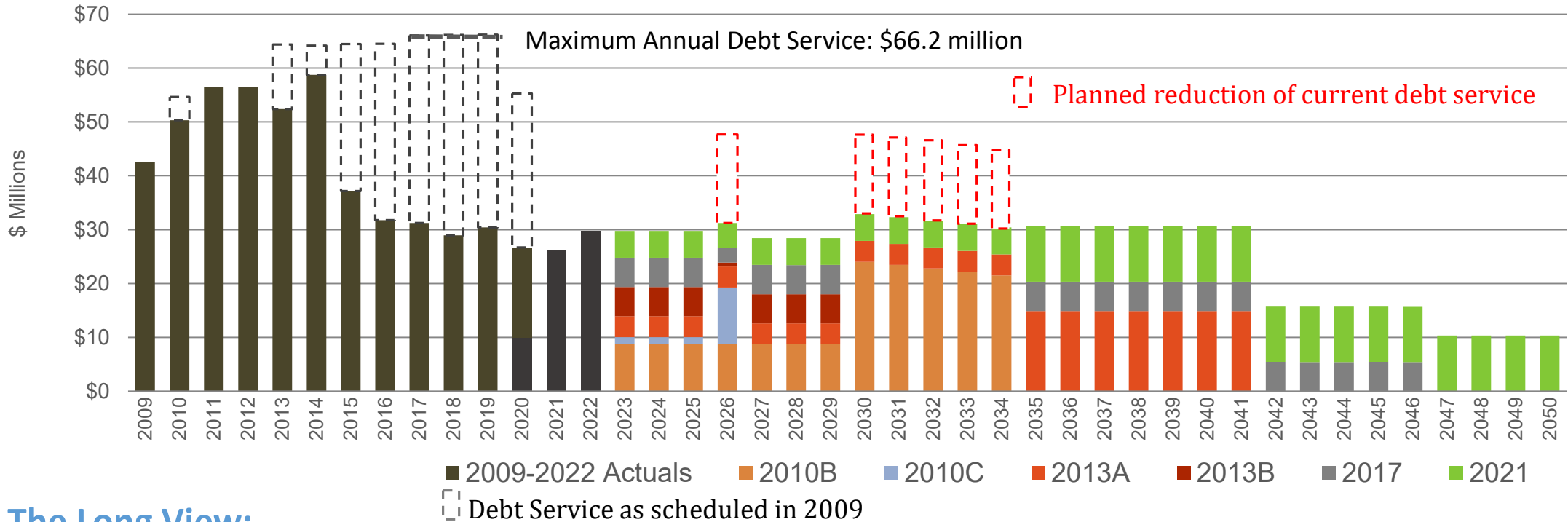
Strategic Directive SD-3 on Rates, Value 4 states “TPU values planning gradual and consistent utility rate changes that are stable and predictable over the long term and avoid sudden or large changes within customer classes.”

Forecasts use the Rate Stabilization Fund to smooth rates

Projected Rate Stabilization Fund Balances, 2023 through 2034



Historical and Current Debt Service



The Long View:

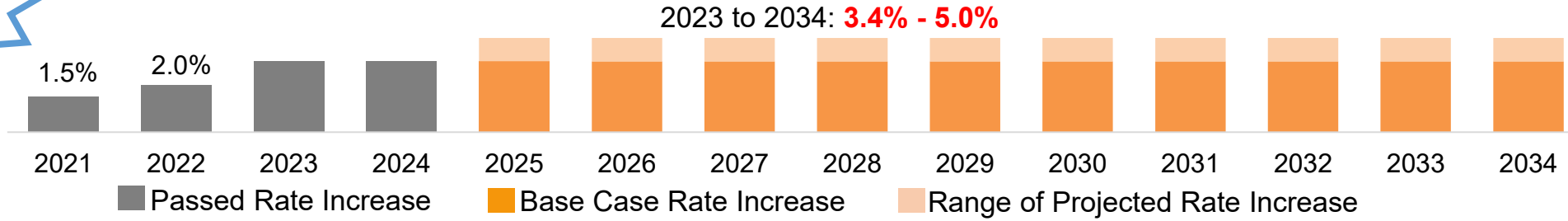
Managing debt service, through bond defeasances & repayments, have produced significant savings to date.

Defeasances and use of the Rate Stabilization Fund in 2026 and 2030-2034 are assumed to manage debt service and keep rates low.

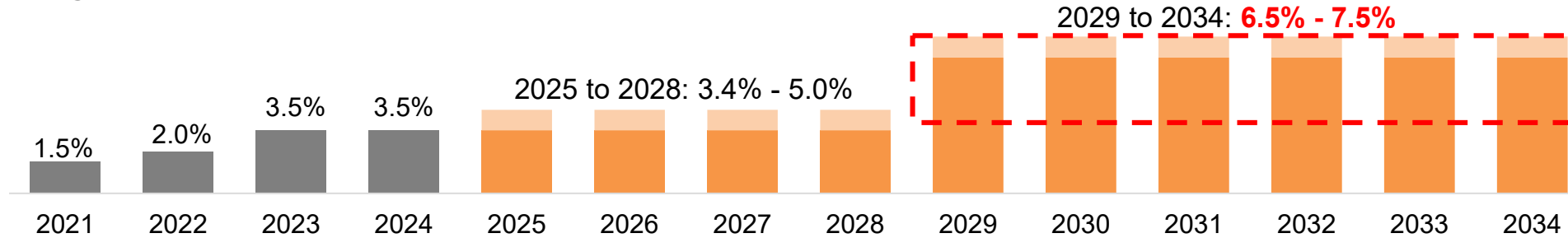
RSF necessary to avoid high future rates



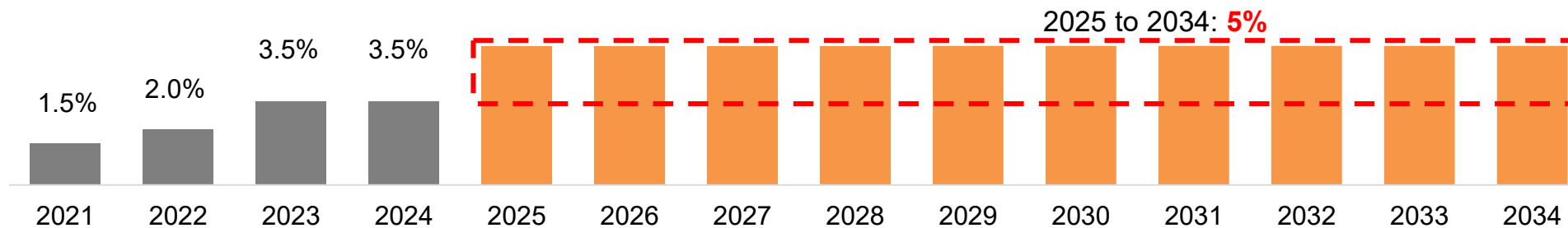
Projected Rate Increases if we use the Rate Stabilization Fund



Projected Rate Increases if we do not plan for the debt service spikes in 2030 - 2034

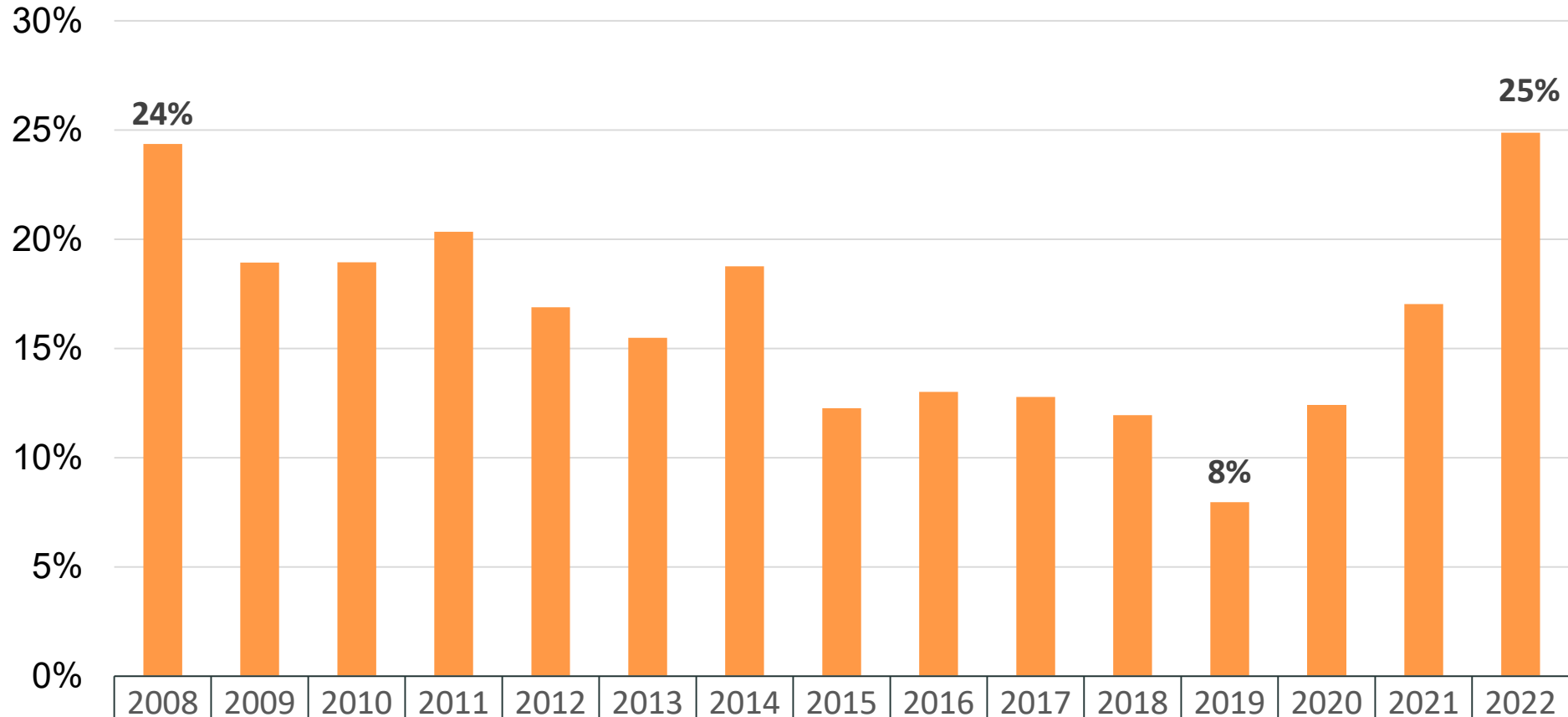


Projected Rate Increases if we do not plan for decline in wholesale prices

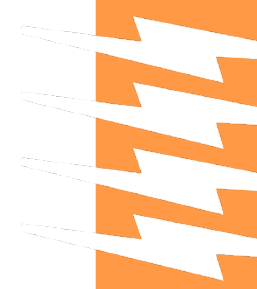


Wholesale revenue contribution to total revenue is very volatile

Wholesale Revenue as a % of Total Revenue

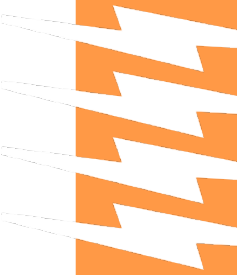


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wholesale % of Total Revenue	24%	19%	19%	20%	17%	15%	19%	12%	13%	13%	12%	8%	12%	17%	25%



Tacoma Power

2023 Financial Plan



How we finance our capital program

Wells Fargo Note Purchase Agreement (NPA)

Capital spending initially paid for by short-term line of credit with Wells Fargo

Successfully utilized the NPA to interim finance capital project expenses since 2015.

Tacoma Power issues long-term bonds to repay the amounts borrowed under the Wells Fargo NPA.

Benefits

- Match financing of capital projects with expenditures
- Lower financing costs vs long-term bonds
- Helps manage liquidity balances

Financial hedging will require a letter of credit

KeyBank Note Purchase Agreement

KeyBank agreement provides financial flexibility

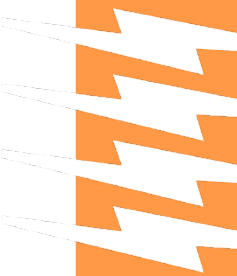
It can be either a:

- revolving line of credit for emergency purposes, or
- letter of credit for collateral purposes

Tacoma Power anticipates using the KeyBank agreement as a letter of credit to enable financial hedging in the wholesale power market

Benefits

- Preserves financial flexibility
- Low financing costs



2023 Financing Plan - approval requests



**KeyBank
Note Purchase Agreement**

Request to amend KeyBank NPA index



2023 Bond Issue

Expect to issue bonds end of 2023



**Wells Fargo
Note Purchase Agreement**

Request to extend Wells Fargo NPA



Amend KeyBank Credit Facility

Amend the KeyBank pricing interest rate

- Tacoma Power has a taxable \$50 million line of credit facility with KeyBank which may be converted up to a \$25 million letter of credit.
- The interest rate is variable, based on the London Interbank Offered Rate (LIBOR), which is expiring on June 30, 2023.
- Propose to amend the interest rate index to the Secured Overnight Financing Rate (SOFR).
- *Tacoma Power entered into this agreement when interest rates were low.*
- *KeyBank is offering to keep these same low rates with the replacement SOFR index.*
- *We intend to use this credit facility to enable financial hedging in the future.*

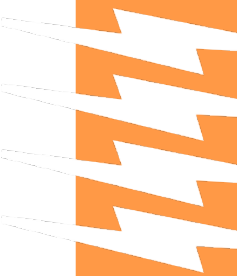
Issue Bonds

Pay Down Wells Fargo Note Purchase Agreement

- Anticipate Wells Fargo Note Purchase Agreement (NPA) draws will total approximately \$150 million by year-end 2023
- In third quarter 2023, begin the process of issuing approximately \$150 million in long-term bonds to pay down the Wells Fargo NPA for 2021/2022/2023 capital project spending

Other Considerations

- Potential refunding of Tacoma Power's 2013 Bonds



Extend Wells Note Purchase Agreement (NPA)

Request to extend the line of credit with Wells Fargo through 2025 to continue to interim fund capital project spending prior to issuing bonds.

Planned NPA Activity

- The Wells Fargo NPA will be paid down with the bonds issued at the end of 2023.
- After repayment, Tacoma Power will once again have \$150 million available to pay for capital project spending using this line of credit.
- The Wells Fargo line of credit will expire October 1, 2024.
- Anticipate only spending \$70 million of the \$150 line of credit before it expires.
- Will request to extend the Wells Fargo line of credit through 2025 to utilize the full \$150 million.

2023 Financial Plan Draft Schedule

Proposed Scheduled

2023 Tacoma Power Financing Plan

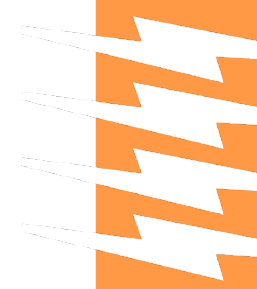
March	22nd	Board overview
April	4th	Government Performance & Finance Committee (GPFC) overview

KeyBank amendment request

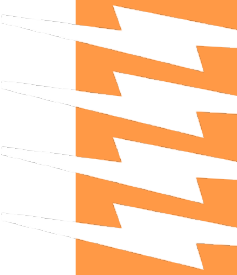
April	12th	Board Study Session
	18th	Government Performance & Finance Committee (GPFC) presentation
	26th	Board approval
May	9th	City Council first reading
	16th	City Council second reading

Bond Issuance and Wells Fargo extension request

Aug	Issue RFI to select underwriters for bond issuance
	Begin negotiations with Wells Fargo to extend NPA



Appendix



How financial metrics impact recommended average rates

Financial metrics demonstrate how well we are managing our resources.

Tacoma Power estimates and recommends levelized rate increases to achieve the targeted ratios below in each year over the next ten years.

Debt Service Coverage Ratio

Measures how many times we can pay the annual interest and principal payments on our debt, with our available net revenue for a given year.

Net Revenue / Debt Service Expenses

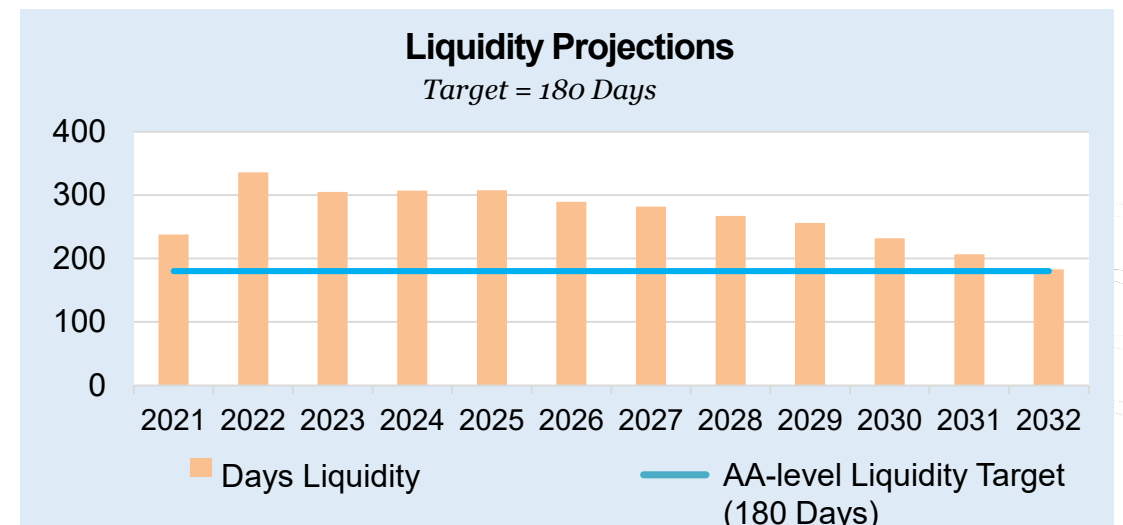
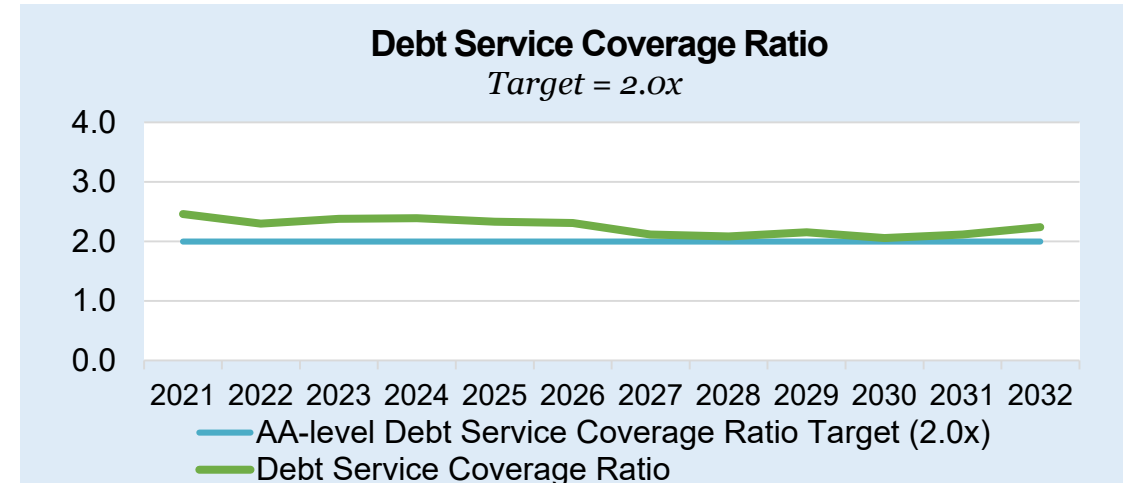
Target > 2.0

Days of Liquidity

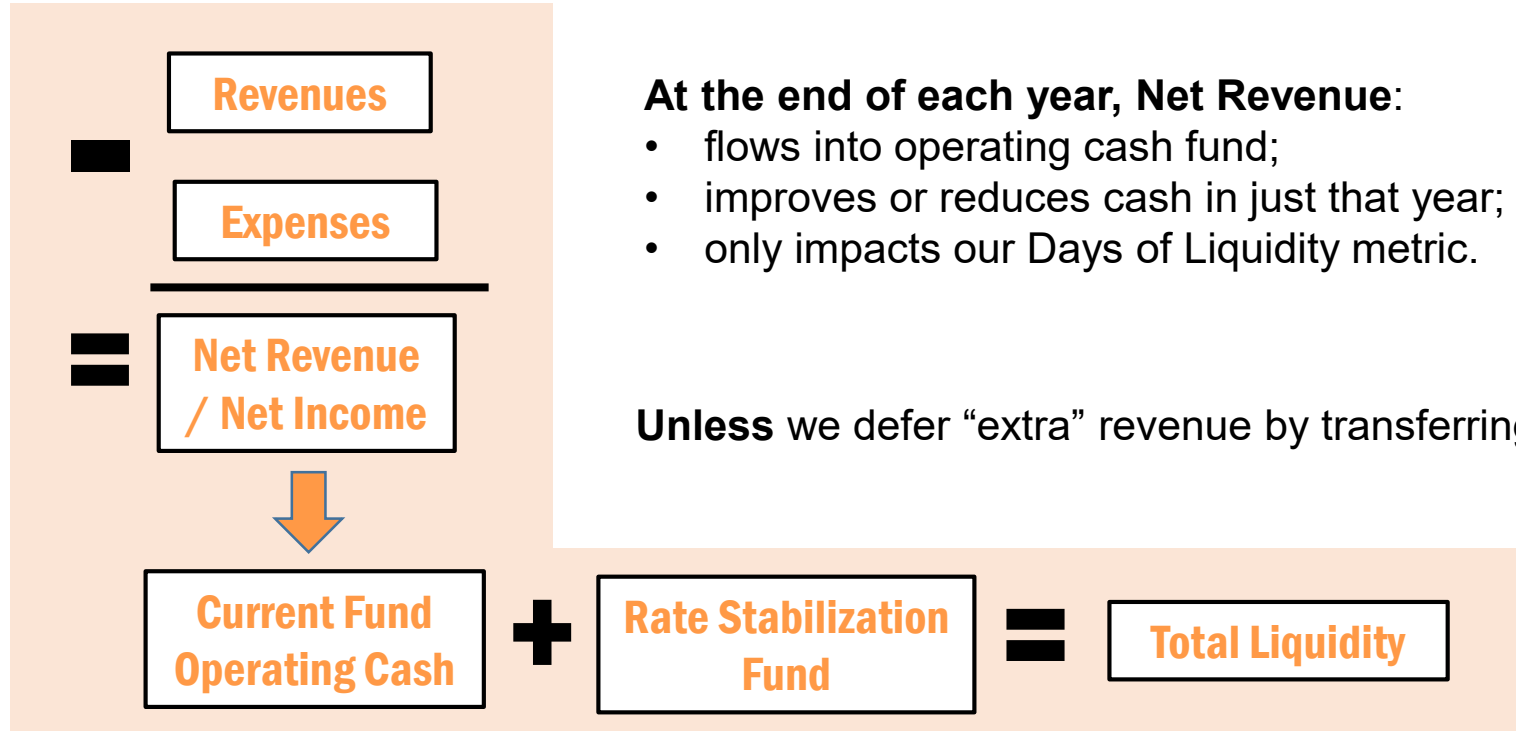
Liquidity is another way to describe the amount of cash we have available to cover necessary expenses.

Annual Liquidity / Operating Expenses

Target > 180 Days



How additional revenue helps lower future rate increases



At the end of each year, Net Revenue:

- flows into operating cash fund;
- improves or reduces cash in just that year;
- only impacts our Days of Liquidity metric.

Unless we defer “extra” revenue by transferring it into a Rate Stabilization Fund.

The Rate Stabilization Fund

- is considered revenue AND liquidity.
- impacts both our Days of Liquidity and Debt Service Coverage Ratio.

Historical and projected use of the Rate Stabilization Fund

RATE STABILIZATION FUND BALANCES (YEAR-END)

\$ IN MILLIONS	2010	2011	2012	2013 - 2018	2019	2021	2022	2026, 2030 - 2034
+ADDITION / - WITHDRAWAL	+\$10 M	+\$26 M	+\$12 M	\$0	-\$10 M	+ \$25 M	+ \$95M	— ~\$90M (TOTAL)
BALANCE	\$10 M	\$36 M	\$48 M	\$48 M	\$38 M	\$63 M	\$158 M	\$68 M