



Proposed Financing Transactions

\$150 Million Series 2021 Bonds
\$150 Million Note Purchase Agreement
\$50 Million Liquidity Agreement

Bill Berry
Rates, Planning, and Analysis Manager
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Proposed Financing Transactions

Financing Plan

1. Issuance of up to \$150 million Tacoma Power Electric System Revenue Bonds, Series 2021 to pay down current Wells Fargo Note Purchase Agreement
2. Execute new three-year \$150 million Note Purchase Agreement with Wells Fargo
3. Modify and extend current KeyBank Note Purchase Agreement

The Ordinances would delegate authority to complete these transactions to the Director and Superintendent

This presentation has been prepared by the City and its advisors and provides general background information about Tacoma Power's proposed financing plan as of the date of this presentation. The information in this presentation is provided in summary form only and does not purport to be complete. This presentation does not contain all the information that is, or may be, material to investors or potential investors, and should not be considered as advice or a recommendation to, or relied upon by, investors or potential investors. The information contained in this presentation, including financial information and the plan of finance, is preliminary, subject to change.



Series 2021 Bonds

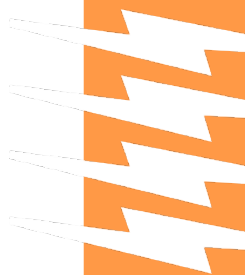


Issue up to \$150 million Tacoma Power Electric System Revenue Bonds, Series 2021, to pay down current Wells Fargo Note Purchase Agreement (NPA)

Tax-exempt Bond proceeds will be used to pay off the current Wells Fargo NPA and pay costs of issuance

Sources of Funds*	
New Bonds Par	\$108,995,000
Premium	\$31,635,020
TOTAL SOURCES	\$140,630,020
Use of Funds*	
Repayment of Wells Fargo NPA	\$140,000,000
Issuance Cost	\$630,020
TOTAL USES	\$140,630,020

* Preliminary estimates; subject to change.



Series 2021 Bonds

Plan to issue all, or a portion, of the 2021 Bonds as “Green Bonds”

- Amount of Green Bond issue based on the value of qualified capital projects
- Bond Ordinance provides flexibility to issue debt as “Green Bonds”
- Green Bonds offer may broaden the investor base and may result in a reduced issue price
- Many utilities in the Pacific Northwest and other areas of the U.S. have issued Green Bonds

- We have retained Kestrel Verifiers to provide 3rd-party verification that our projects qualify as “Green”



Series 2021 Bonds

Enact a “**Springing Amendment**” to align Master Ordinance language with operational processes

1. Change language to reflect current rate-setting practices that are based on forecasts of revenues and expenses
2. Enable an option to amortize debt service of future Tacoma Power Bonds with principal balloon payments

- This language would amend the Master Ordinance automatically when at least 50 percent of the bondholders consent to the changes (likely to occur after the 2013 series bonds are refunded and if the Surety company for our debt service reserve fund approves the changes)

	Current Language	Proposed Language
Rate-setting	Requires rates be set to meet financial metrics based on actual results	Reflect current practices based on forecasts of revenues and expenses
Amortization of principal Balloon payments	None. Tacoma Power only collects the large debt service the year prior to the due date	Tacoma Power can determine if a bond has a balloon payment structure and spread that debt service over the years prior to the due date



Series 2021 Bonds

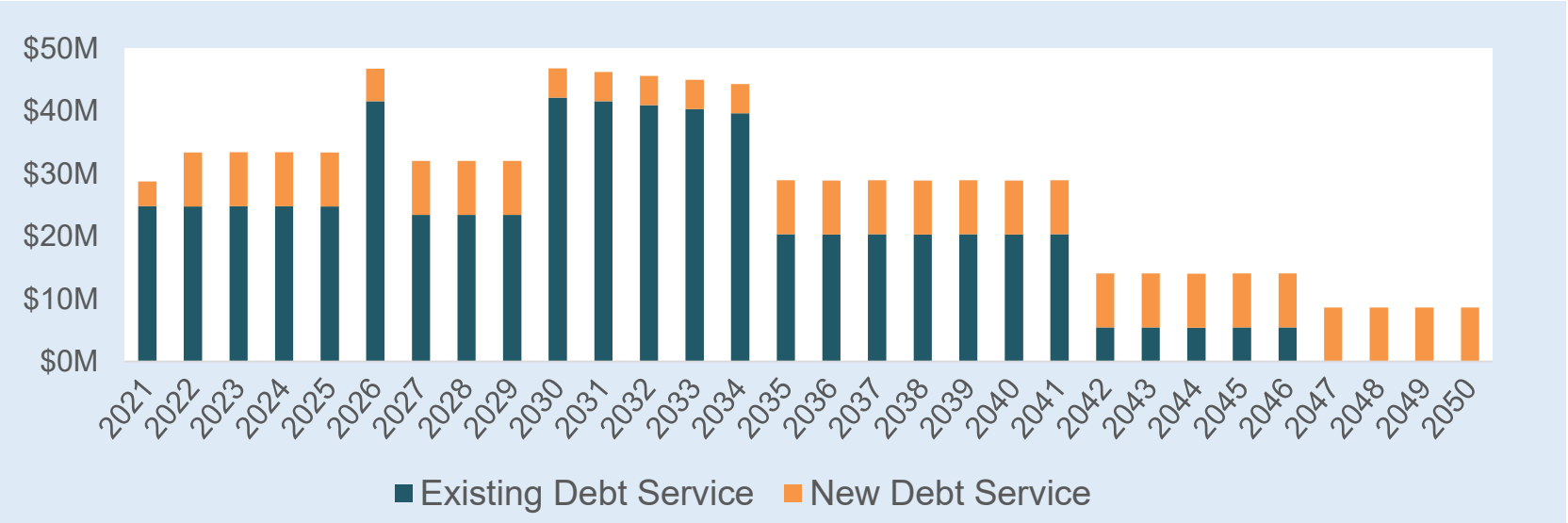


Financing Statistics*

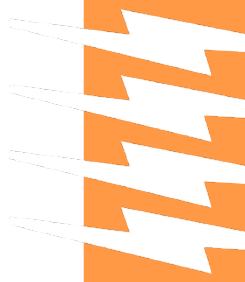
- **Total Max. Annual Debt Service: \$46,826,974 in 2030**
- **Repay NPA balance: ~\$140,000,000**
(2017 - July 2021 capital spending)
- **Issuance Costs: ~\$670,000**
(Underwriters, Green Bond Verification, Bond Counsel, Financial Advisor)
- **True Interest Cost: ~3.215%**

* Preliminary estimates; subject to change.

Aggregate Debt Service Overview



- Bonds would pay interest-only during spike years
- Bonds would be rated by Standard & Poors and Fitch
- No Debt Service Reserve Fund



Series 2021 Bonds

Interest Rates as of 6/23/21

Tenor	Maturity Date	Coupon	Yield*	Yield to Maturity	Yield to Call
0.3	1/1/2022	5.00%	0.13%	0.13%	--
1	1/1/2023	5.00%	0.17%	0.17%	--
2	1/1/2024	5.00%	0.23%	0.23%	--
3	1/1/2025	5.00%	0.36%	0.36%	--
5	1/1/2027	5.00%	0.52%	0.52%	--
6	1/1/2028	5.00%	0.64%	0.64%	--
7	1/1/2029	5.00%	0.78%	0.78%	--
13	1/1/2035	5.00%	1.33%	2.22%	1.33%
14	1/1/2036	5.00%	1.36%	2.37%	1.36%
15	1/1/2037	5.00%	1.41%	2.53%	1.41%
16	1/1/2038	5.00%	1.44%	2.65%	1.44%
17	1/1/2039	5.00%	1.47%	2.76%	1.47%
18	1/1/2040	5.00%	1.50%	2.86%	1.50%
19	1/1/2041	5.00%	1.54%	2.96%	1.54%
24	1/1/2046	5.00%	1.67%	3.28%	1.67%
29	1/1/2051	5.00%	1.72%	3.47%	1.72%

* The lesser of the yield to maturity or the yield to call. The assumed call date is January 1, 2031.



Series 2021 Bonds

Potential Refunding Bond Issue up to \$155 million to refund the outstanding Tacoma Power 2013A and 2013B Bonds

- Tax-exempt advanced refunding bonds are not currently allowed, but legislation is being considered
- Potential taxable refunding bonds could be issued as a stand-alone issue later in 2021.
- Will reduce the debt service in the “spike” years
- Bond documents currently authorize sale at any time prior to December 31, 2021
- This potential Bond issue increases Tacoma Power’s total request in the Ordinance to \$320 million

Sources of Funds*	
Refunding Bonds Par	\$126,985,000
TOTAL SOURCES	\$126,985,000
Use of Funds*	
Refunding Bonds Escrow Cost	\$126,314,600
Issuance Cost	\$670,400
TOTAL USES	\$126,985,000

* Preliminary estimates; subject to change.



\$150 million Note Purchase Agreement



Request approval to enter into new Note Purchase Agreement with Wells Fargo

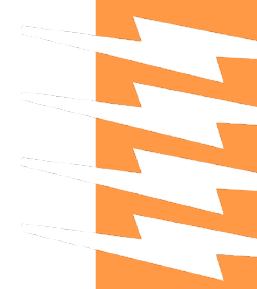
Existing Note Purchase Agreement has served us well

- The current Wells Fargo NPA began in 2015 and expires in December 2021
- Current NPA will be paid off from Bond proceeds
- New NPA would provide interim funding for capital projects from 2021 to 2023
- The new NPA will be similar to the existing agreement

The new Wells Fargo NPA is priced based on SIFMA rates

- Current Wells Fargo NPA advances are priced based on the London Interbank Offering Rate (LIBOR index), which is currently set to sunset in June 2023
- The Securities Industry and Financial Markets Association Municipal Index (SIFMA) is an accepted replacement index

Wells Fargo's response to our RFP provided the best pricing (lower all-in cost by 30 percent) compared to the nearest competitor



\$150 million Note Purchase Agreement

Wells Fargo Note Purchase Agreement Terms

Commitment Amount	\$150,000,000
General Purpose	Interim Financing of Capital Projects
Term	October 2024 + Extensions as Negotiated
Upfront Fee	None
Undrawn Fee	0.17 bps = .0017 x amount not drawn
Interest Rate	SIFMA Index + 35 bps as of 6/16/2021 = .03 + .35 = 0.38
Downgrade Pricing	+.05 bps on unutilized and utilized fee per downgrade below current ratings
Repayment	Anytime
Minimum Draw Amount	\$5,000,000
Est. Issuance Costs	\$160,000

- We estimate the current NPA has saved about \$26 million from 2015 through 2020 by postponing long-term bond issues*



KeyBank Liquidity Agreement

- In May 2020, Tacoma Power entered into a taxable 2-year general liquidity \$100 million line of credit with KeyBank in 2020 in response to pandemic uncertainty
- We propose reducing the the commitment amount from \$100 million to \$50 million and extending the term to 2024

- Tacoma Power’s liquidity is stable and the market terms have improved
- *We estimate saving \$185,000 in fees from September 2021 through May 2022 by amending the terms*

	Current Keybank NPA (taxable)	Amended Keybank NPA (taxable)
Expiration Date	May 2022	December 2024
Commitment Amount	\$100M	\$50M
Rate on Drawn Amount	1M LIBOR + 1.75% x amount drawn	1M LIBOR + .50% x amount drawn
Unutilized Fee	.35% x amount not drawn	.20% x amount not drawn
LIBOR Floor	.50%	0%



Tacoma Power is Financially Strong



	Moody's	S&P	Fitch
<i>Investment Grade</i>	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
<i>Non-Investment Grade Speculative</i>	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	
	Caa2	CCC	
	Caa3	CCC-	CCC
	Ca	CCC	
	C		DDD
		D	DD
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— Target ■ Current Tacoma Power Rating

AA credit ratings

- S&P confirmed AA rating in December 2020
- Fitch will review Tacoma Power Credit in July and again for upcoming transaction

Healthy financial metrics

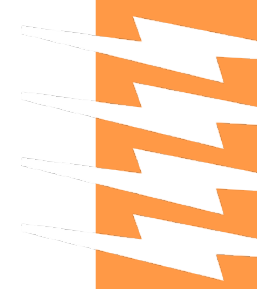
- Greater than 2.0x Debt Service Coverage Target
- Greater than 180 Days Liquidity Target

Adequate reserve fund levels

Strong management team

Flexibility to manage future debt service

Demonstrated willingness to raise rates as necessary



Financing Team

Bond Issue

Bond Senior Underwriters

Citigroup

KeyBank

Co-Managers

Goldman Sachs

Siebert Williams Shank

Underwriter's Counsel

Orrick, Herrington & Sutcliffe

Short-term Financing

Tax-Exempt Note Purchase Agreement Lender

Wells Fargo Bank

Wells Fargo's Counsel

Chapman and Cutler

Taxable Note Purchase Agreement Lender

KeyBank

KeyBank's Counsel

Davis Wright Tremaine

Tacoma Power

Financial Advisor

Montague DeRose & Associates

Bond Counsel

Pacifica Law Group



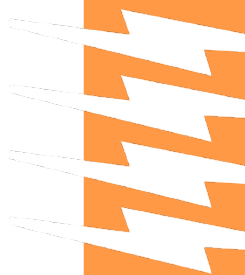
Current Schedule

- 6/30** **Public Utility Board Study Session**
- 7/14** **Public Utility Board – Consideration of Bond Resolutions**
- 7/20** **Government Performance & Finance Committee (GPFC)**
- 7/27** **City Council Meeting – 1st Reading**
- 8/3** **City Council Meeting – 2nd Reading**
- 8/12** **Ratings Received**
- 8/24** **Price Bonds and Sign Bond Purchase Agreement**
- 9/8** **Closing of 2021 Bonds**
- 10/1** **Closing of Note Purchase Agreements**





Other Considerations



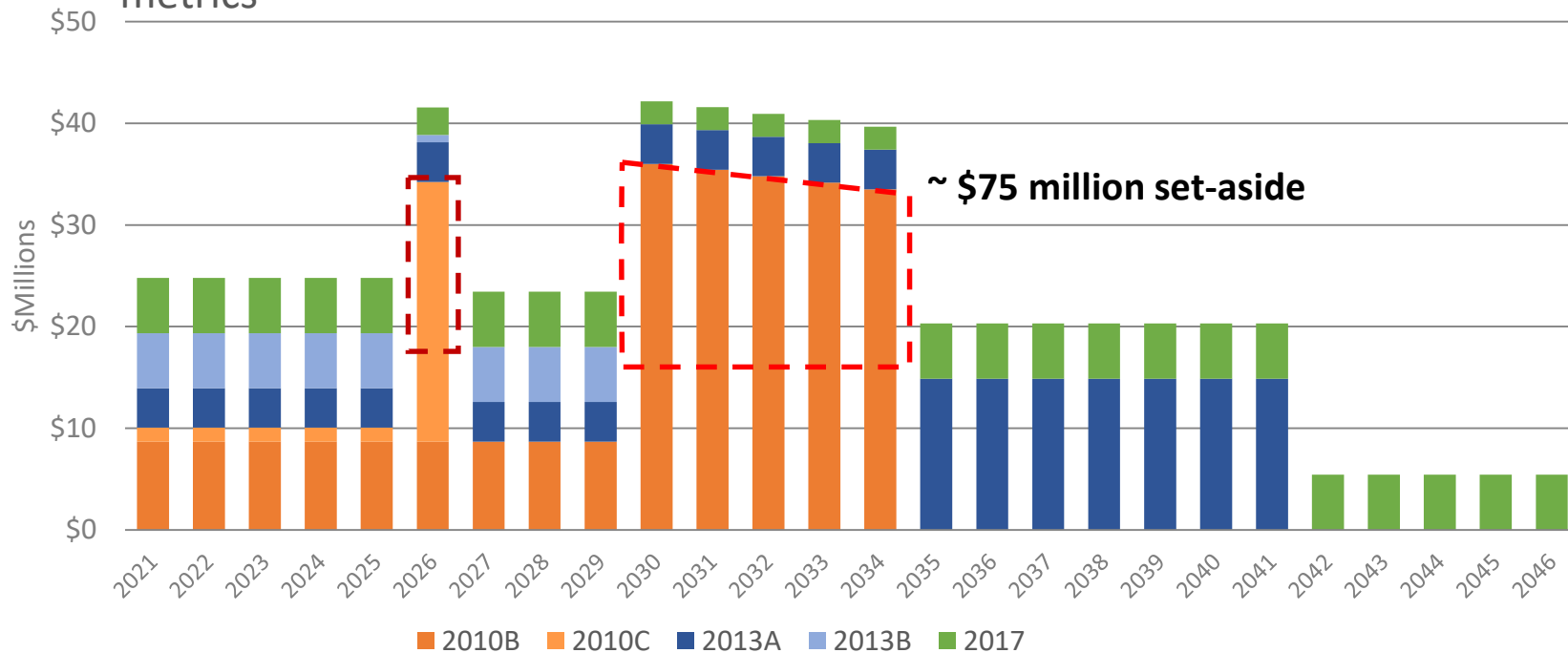
Plan to Manage Debt Service Spikes

Series 2010B Bonds (Build America Bonds - BABs) and 2010C Bonds (Clean Renewable Energy Bonds - CREBs)

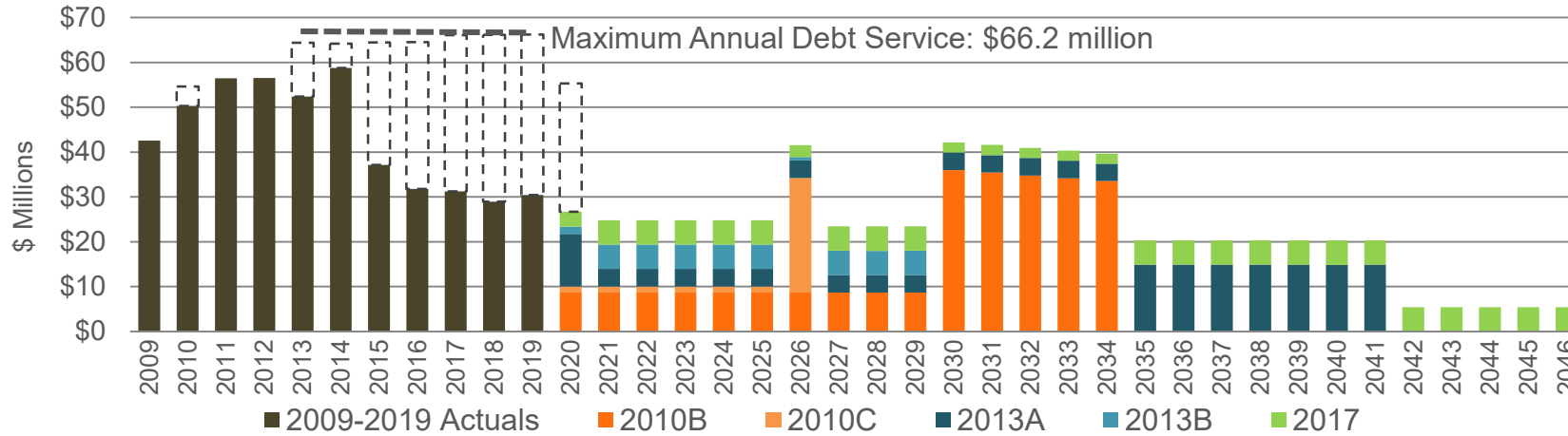
- 1 Set aside revenue to pay off or defease approximately \$75 million in principal payments accrued in 2030 through 2034
- 2 Use the Rate Stabilization Fund and Current Fund to set-aside approximately \$9 million revenue annually, if possible
- 3 We plan to pay off or defease approximately \$15 million of the 2010 CREB payment with cash in 2026
- 4 Results in levelizing upcoming debt service payments and maintaining financial metrics

Large Principal Payments due in January 2027 and from 2031 through 2035

- Taxable and subsidized by the Federal Government
- Expensive to call and we lose the subsidy if we retire prematurely
- Without action, significant jump in rate increases would be required

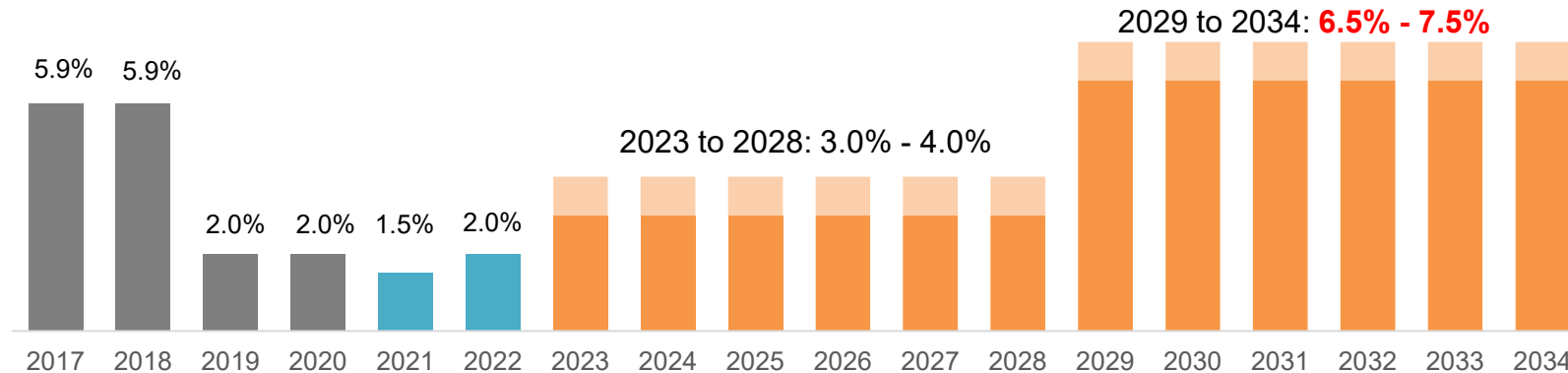


Current Debt Structure and Rate Projections



Projected rate increases to maintain AA-rated utility financial metrics

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

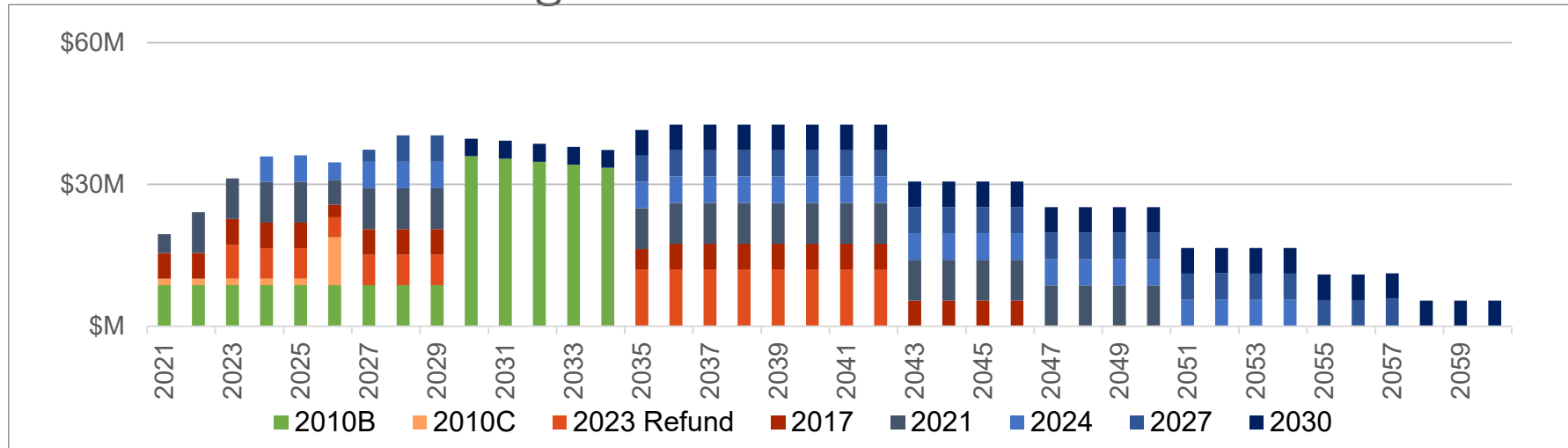


*Light shading in future years represents uncertainty associated with revenues and expenses, mostly due to potential for adverse** or critical water conditions, changes to sales projections, and future debt service.*

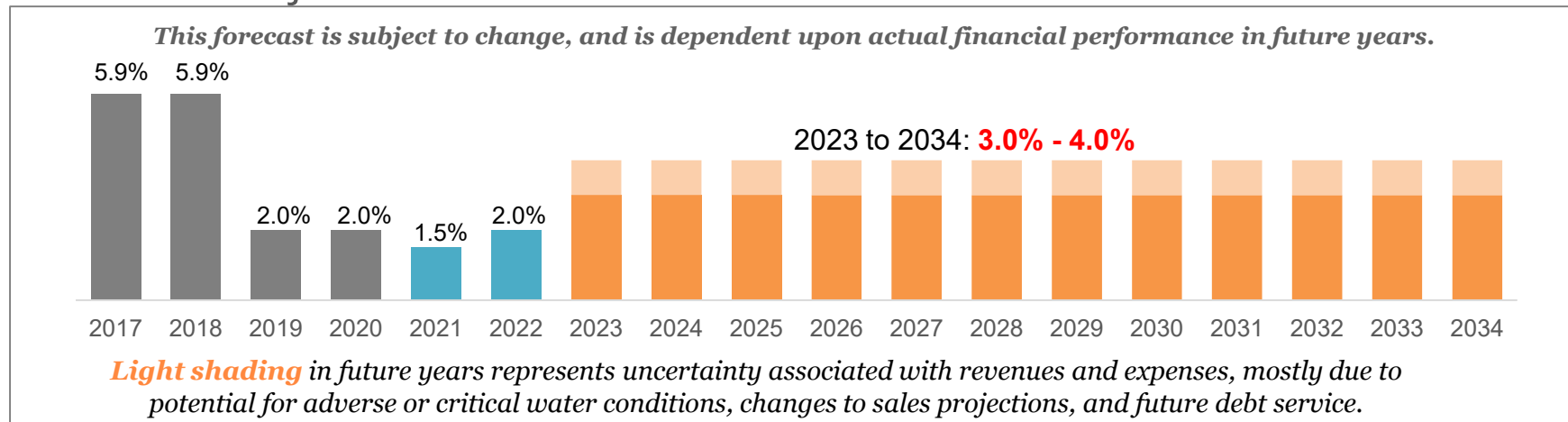


Projected Debt Structure and Rates

Assumes setting aside funds to levelize debt service



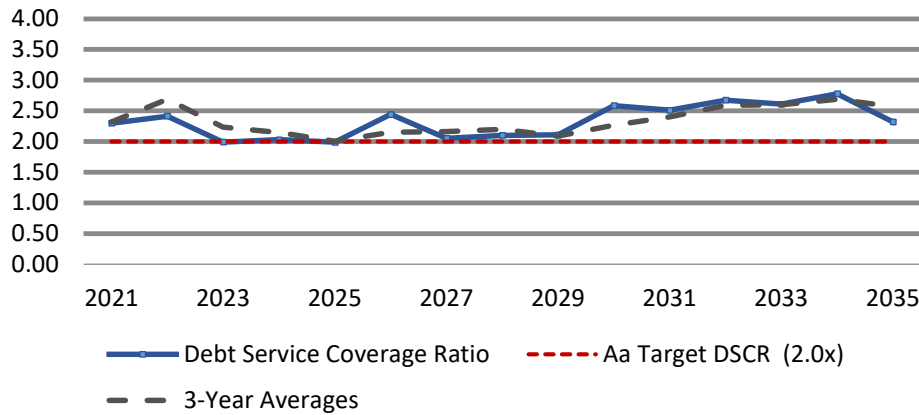
Projected rate increases with levelized-debt service



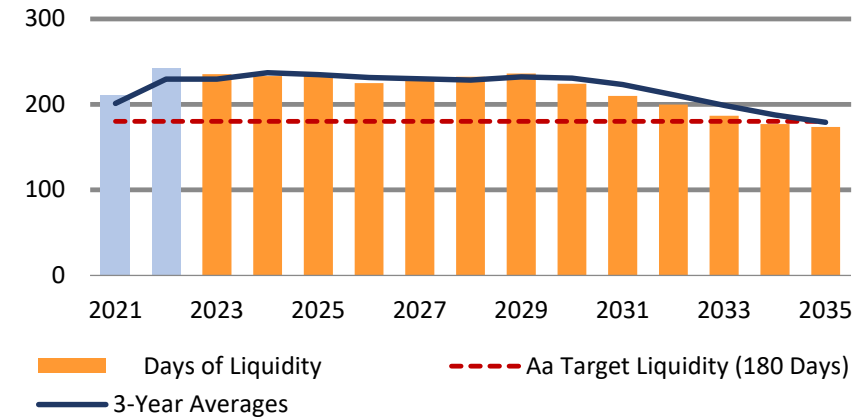
Debt Service Coverage, Liquidity & Rate Forecasts

(assuming use of RSF and defeasances to manage *spike years*)

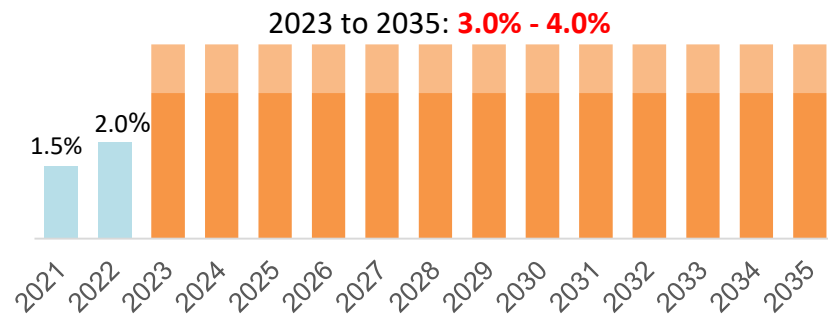
Debt Service Coverage



Days of Liquidity



Range of Projected Rate Increases



Factors That Could Change Forecast

- Load forecast
- Water conditions
- Power prices
- Spending differences compared to budget
- Lower rate increases compared to base case would likely translate into higher increases in future years





Thank You

