

\$118,260,000  
City of Tacoma, Washington  
Electric System Revenue Bonds  
Series 2021 (**Green Bonds**)

Investor Presentation



# Disclaimer

This electronic Investor Presentation you are about to view is provided as of August 16, 2021 for a proposed offering by the City of Tacoma, Washington (the “City” or “Tacoma Power”) for its Electric System Revenue Bonds, Series 2021 (Green Bonds) (the “Bonds”). If you are viewing this presentation after August 16, 2021, there may have been events that occurred subsequent to such date that would have a material adverse effect on the financial information that is presented herein, and neither Citigroup Global Markets Inc. or KeyBanc Capital Markets (together the “Underwriters”) nor the City has undertaken any obligation to update this electronic presentation. All market prices, financial presentation prices, data and other information provided herein are not warranted as to completeness or accuracy and are subject to change without notice.

This Investor Presentation is provided for your information and convenience only. Any investment decisions regarding the Bonds should only be made after a careful review of the complete Preliminary Official Statement, dated August 16, 2021. By accessing this presentation, you agree not to duplicate, copy, download, screen capture, electronically store or record this Investor Presentation, nor to produce, publish or distribute this Investor Presentation in any form whatsoever.

This Investor Presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security or other financial instrument, including the Bonds, or to adopt any investment strategy. Any offer or solicitation with respect to the Bonds will be made solely by means of the Preliminary Official Statement and Official Statement, which describe the actual terms of such Bonds. The securities have not been, and will not be, registered under the securities laws of any jurisdiction, and may not be offered or sold outside of the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of any applicable securities laws. Specifically, for prospective investors outside the United States, by accessing this investor presentation, then (a) you must be outside the United States and not a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), nor acting on behalf of a U.S. person and (b) if you are a person in the United Kingdom, then you are a person who is a qualified investor within the meaning of the Prospectus Directive (Directive 2003/71/EC) (as amended (the “Prospectus Directive”) or are Investment Professionals as defined in Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”) or are a high net worth entity and any other persons falling within Article 49(2)(a) to (d) of Financial Promotion Order and (c) in jurisdictions where the Prospectus Directive is not in force, an institutional or other investor eligible to participate in private placement of securities under applicable law. This investor presentation does not constitute a prospectus for the purposes of the Prospectus Directive. You are advised to seek further advice regarding the applicability of any investment or purchase restrictions or securities laws to which you are or may be subject.

In no event shall the Underwriters nor the City be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, the information contained herein, and such information is to be considered by you in evaluating the merits of participating in any transaction mentioned herein only in connection with the Preliminary Official Statement and Official Statement. The City and the Underwriters make no representations as to the legal, tax or accounting treatment of the Bonds, or any other effects such transactions may have on you and your affiliates. You should consult with your own advisors as to such matters and the consequences of the purchase and ownership of the Bonds. Nothing in these materials constitutes a commitment by the Underwriters or any of their affiliates to enter into any transaction. No assurance can be given that any transaction mentioned herein could in fact be executed. Past performance is not indicative of future performance, which will vary. Transactions involving the Bonds may not be suitable for all investors. Clients should contact their salesperson at, and execute transactions through, an entity of the Underwriters or other syndicate member entity qualified in their home jurisdiction unless governing law permits otherwise.

This investor presentation contains statements which, to the extent they are not recitations of historical fact, may constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

This investor presentation is not part of the preliminary official statement or the final official statement as those terms are defined in SEC rule 15c2-12, and are qualified in all respects by reference to the Preliminary Official Statement. Prospective purchasers of the Bonds should rely only on the Preliminary Official Statement, and not this investor presentation, in making an investment decision. To the extent there are conflicts between statements made in the Preliminary Official Statement and this presentation, the information contained in the Preliminary Official Statement should be deemed more reliable.

## Transaction Overview

# Electric System Revenue Bonds, Series 2021 (Green Bonds)

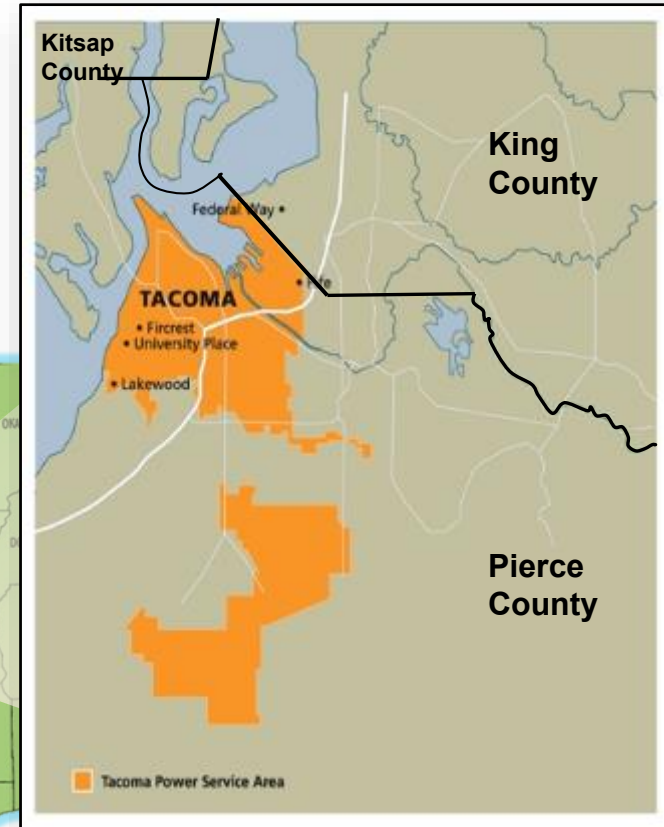
Par Amount*	<ul style="list-style-type: none"><li>• \$118,260,000</li></ul>
Security	<ul style="list-style-type: none"><li>• The bonds will be paid from Revenues of the Electric System, after payment of Operating Expenses</li></ul>
Ratings	<ul style="list-style-type: none"><li>• S&amp;P: AA</li><li>• Fitch: AA-</li></ul>
Green Bonds	<ul style="list-style-type: none"><li>• The 2021 Bonds will be designated as <b>Green Bonds</b>. Kestrel Verifiers has verified the Use of Proceeds</li></ul>
Tax Status	<ul style="list-style-type: none"><li>• Tax-Exempt</li></ul>
Structure*	<ul style="list-style-type: none"><li>• Serial Bonds, due in 2036 – 2041</li><li>• Term Bonds, due in 2046 and 2051</li></ul>
Optional Redemption*	<ul style="list-style-type: none"><li>• July 1, 2031 @ 100%</li></ul>
Use of Funds	<ul style="list-style-type: none"><li>• Capital Improvements to the Electric System, through refinancing of the 2015A Subordinate Note</li></ul>
Underwriting	<ul style="list-style-type: none"><li>• Bookrunner: Citigroup and Co-Senior Manager: KeyBanc Capital Markets</li><li>• Co-Managers: Goldman Sachs &amp; Co. LLC. ; Siebert Williams Shank &amp; Co., LLC</li></ul>
Schedule*	<ul style="list-style-type: none"><li>• Pricing: August 25, 2021</li><li>• Closing: September 14, 2021</li></ul>

\*Preliminary and subject to change

## Transaction Overview

# Overview of Tacoma Power

- The Light Division, doing business as Tacoma Power (“Tacoma Power”), of the City’s Department of Public Utilities, operates the City’s electrical generation, transmission and distribution facilities
- Approximately 183,000 retail customer accounts
- 4<sup>th</sup> largest public power utility in Washington State
- Governed by 5-person board with decision making authority
- Rates, budget and debt initiated by Board and adopted by City Council
- Retail rate setting is not subject to review by state or federal regulators



## Transaction Overview

# Summary of Credit

### Financial Management and Policies

- Experienced Board / senior management team
- History of Board and City Council support for implementing prudent rate increases when needed
- Energy risk management policies are well defined and implemented

### Access to Low-Cost Virtually Carbon Free Power

- Low cost and virtually carbon-free power supply portfolio

### Competitive Market Position

- Retail rates are among the lowest in the region
- Diverse customer base and class characteristics
- Strong, growing economy in the service territory

### Financial Performance

- Operating results produced debt service coverage of at least 2.1x in the past five years
- Cash reserves reflecting over 231 days cash on hand in 2020

### Bond Security

- Rate covenant of 1.25x
- Additional bonds test of 125% future Maximum Annual Debt Service of all Parity Bonds

## Overview: Mitigating and Managing Through COVID-19

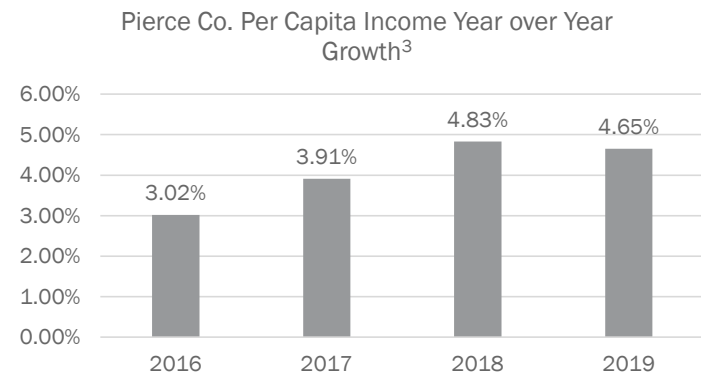
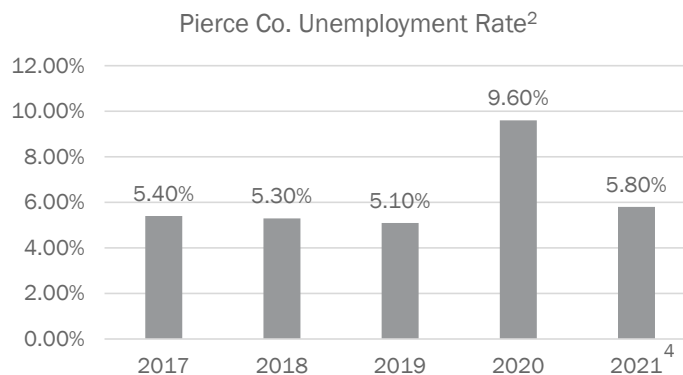
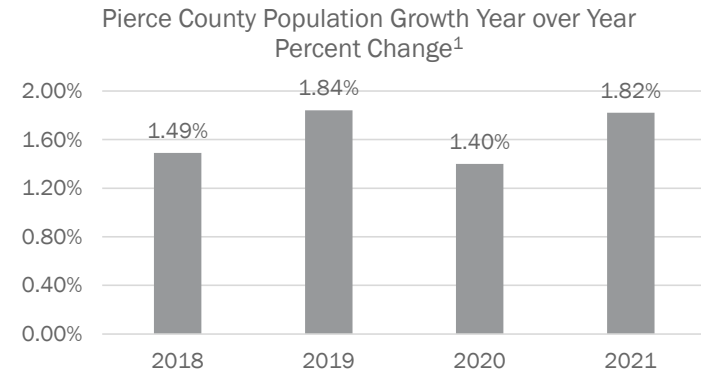
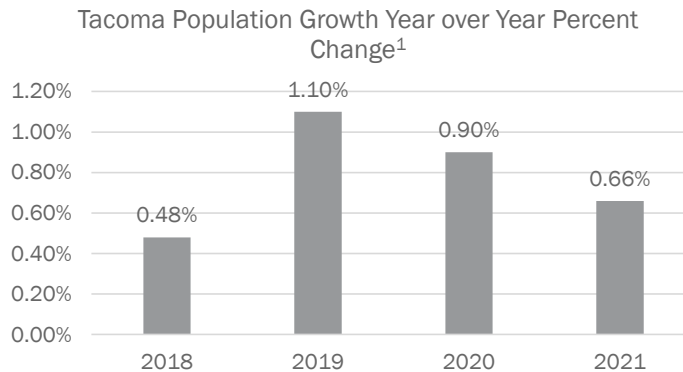
# Tacoma Power's Response to COVID-19

- Reduced costs by approximately \$22 million in 2020 and \$35 million for the 2021-2022 biennium planned budget in response to the reduction in energy usage from the COVID-19 pandemic
- Entered into a \$100 million taxable Note Purchase Agreement with KeyBank as of May 21, 2020, to provide general credit and additional liquidity for operational purposes
- Created a \$2.4 million fund to help customers experiencing immediate financial crisis with a utility bill credit for eligible households
- In collaboration with Pierce County Human Services and the City, Tacoma Power provided utility assistance for tenants impacted by COVID-19
  - These funds apply to the past-due utilities of eligible applicants, and are distributed on a first-come, first-served basis
- Developed several options for payment assistance, including developing payment arrangements, extending due dates for utility payments from 15 days to 12 weeks, waived late fees, and discontinued shut-off due to non-payment
- Instituted various precautionary measures for staff, including field staff and dispatchers, for home and other visits in the field

# Overview: Regional Economy

## Growing Economy

- One of the fastest growing regions in the nation, with year-over-year population and income growth
- Anchor employers, like Joint Base Lewis-McChord, have significant history and infrastructure in Pierce County, providing a stable employment base



1. Washington State Office of Financial Management & US Census Data

2. Washington State Employment Security Department

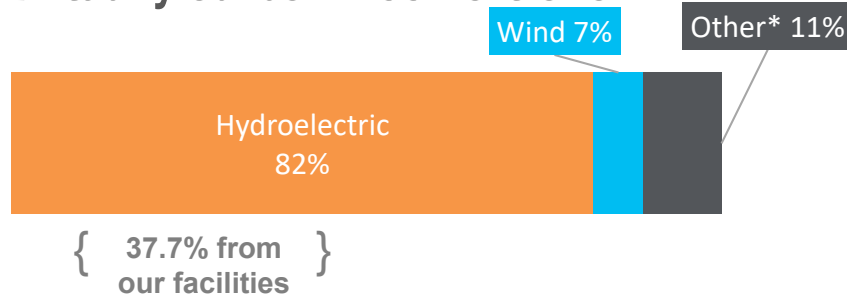
3. U.S. Department of Commerce, Bureau of Economic Analysis

4. Information uses the most recent quarter from the Unemployment Insurance tax reports (currently December 2020) and estimates employment from that point to present. Most recent data available is May 2021.

## Overview: Power Supply Portfolio

# How We Serve Our Customers

### Virtually Carbon-free Portfolio



### Quick Facts

- Owns, operates, and maintains 352 miles of transmission facilities
- Five transmission substitutions
- 49 distribution substations and 2,034 miles of distribution lines
- 8 generation switchyards

### 62.3% Contracted Generation

- The long-term power supply contract with Bonneville Power Administration is largest source and extends through 2028

### 37.7% Owned Generation

- Four hydroelectric projects: Nisqually, Cowlitz, Cushman, and Wynoochee



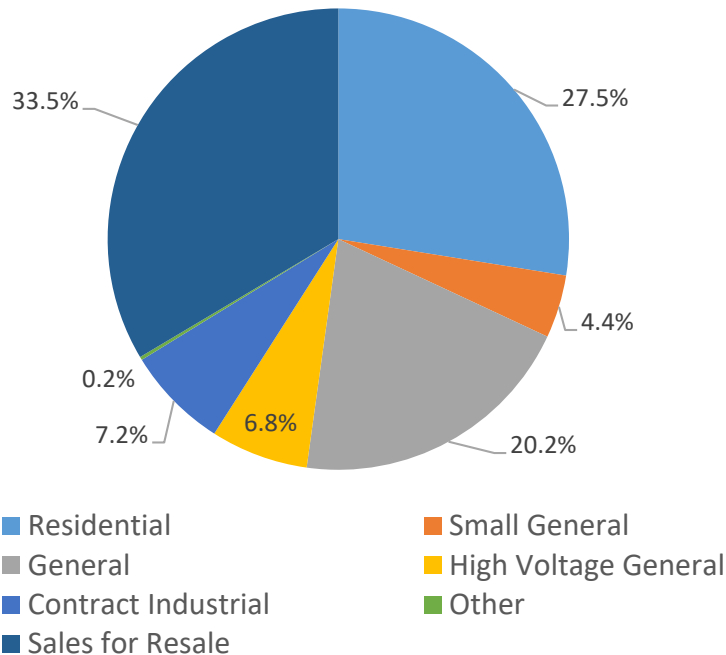
\* Represents mostly nuclear and market purchases



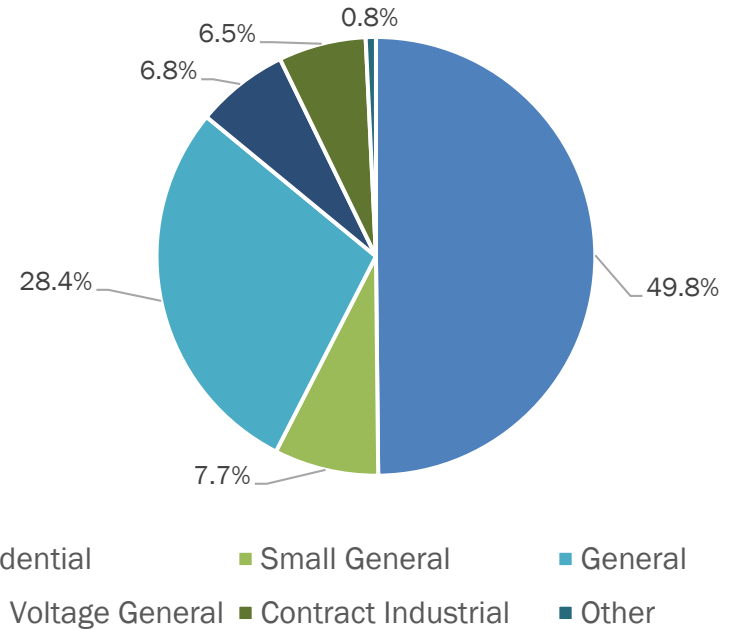
## Overview: Customers and Energy Sales

# Energy Sales and Customers by Rate Class

### FY 2020 Energy Sales (MWh)



### FY 2020 Retail Sales: Customers by Rate Class



## Overview of Customers

# Tacoma Power's Largest Customers

- In 2020, Tacoma Power's top 10 customers accounted for approximately 15% of revenues and 22% of retail energy sales.
- No single customer represents more than 5% of Tacoma Power's load

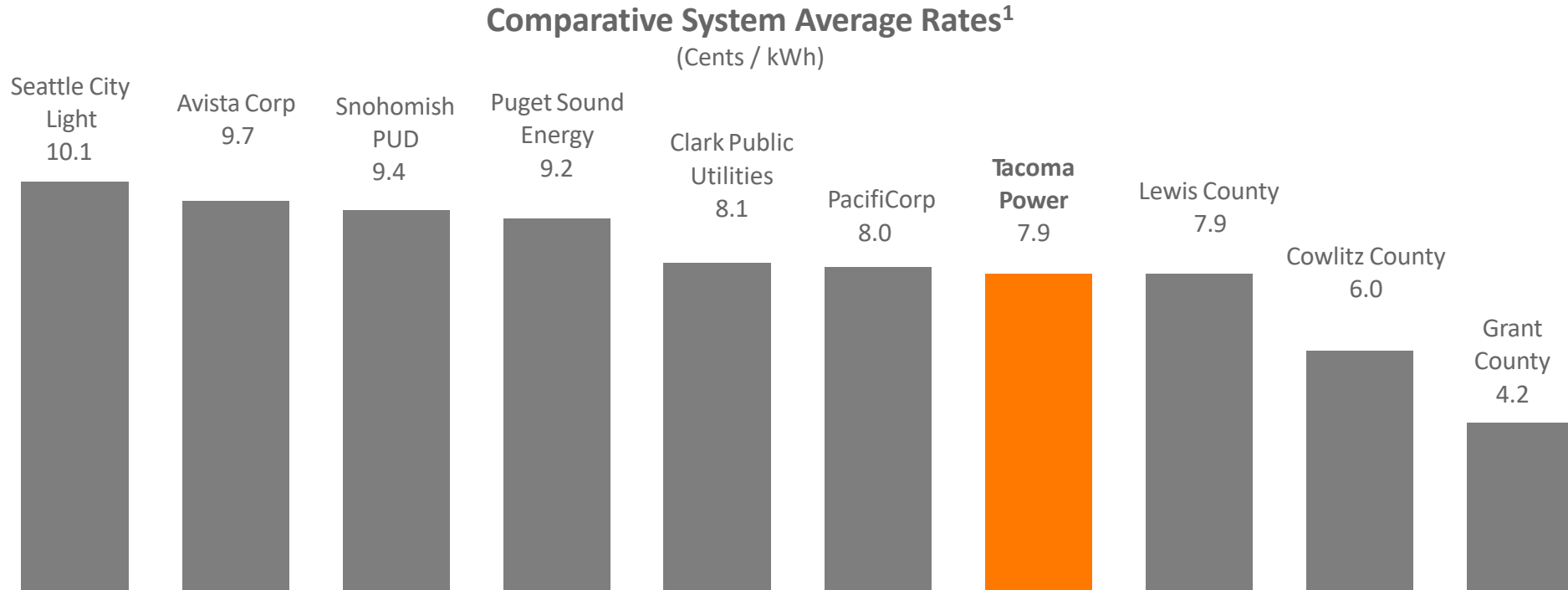
### Tacoma Power's 10 Largest Electric System Customers - 2020

Customer	Business Description	Percent of Retail Revenues
WestRock CP LLC <sup>1</sup>	Pulp and Paper	4.8%
Fort Lewis Army Post	Military Base	3.6%
Linde Inc. <sup>1</sup>	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%
<b>Total</b>		<b>15.4%</b>

<sup>1</sup>. Contract Industrial customers  
Source: Tacoma Power

## Peer Rate Comparison

# Rates Remain Low and Competitive



Tacoma City Council has approved rate increases of 1.5% which began April 2021 and 2.0% which will begin April 2022

1. Computed from the revenues, customers, and kWh provided by the utilities listed. There are some variations in rate schedules and rate classification of the various utilities.

Source: EIA-861 data released October 2020.

## Financials: Financial Policies

# Financial Policies

- Policy to set retail rates at levels to maintain a debt service coverage ratio (after transfer of Gross Earnings Tax to City) of at least 1.5x net revenues assuming Adverse Water and 1.8x net revenues assuming average water conditions
- Rates set at levels to provide minimum projected cash balances of 90 days of current budgeted expenditures
- Rate Stabilization Fund with a current balance of \$38 million to promote moderate and stable rate increases
  - Amounts withdrawn can be applied for any purposes and are a part of available liquidity

**Adverse Water:** Water conditions that have historically been exceeded 75% of the time  
**Budgeted Expenditures:** O&M, debt service, revenue-financed capital  
**Gross Earnings tax payments:** 7.5% to City of Tacoma

## Financials: 2016-2020 Financial Results

# Historical Financial Results

(\$000s)	2016	2017	2018	2019	2020
Sales of Electric Energy <sup>1</sup>	\$374,249	\$401,632	\$411,393	\$417,066	\$430,538
Other Operating Revenue <sup>2</sup>	\$17,690	\$18,192	\$18,540	\$18,802	\$24,212
Click! Network Operating Revenue <sup>3</sup>	\$26,675	\$26,520	\$25,358	\$25,498	\$6,203
Total Other Income	\$7,142	\$4,284	\$9,176	\$12,410	\$15,838
<b>Total Revenues<sup>3</sup></b>	<b>\$425,756</b>	<b>\$450,628</b>	<b>\$464,467</b>	<b>\$473,777</b>	<b>\$476,791</b>
<b>Total Operating Expenses</b>	<b>\$332,518</b>	<b>\$345,774</b>	<b>\$335,373</b>	<b>\$410,865</b>	<b>\$359,613</b>
<b>Net Revenues</b>	<b>\$93,238</b>	<b>\$104,854</b>	<b>\$129,095</b>	<b>\$62,911</b>	<b>\$117,178</b>
<b>Net Debt Service</b>	<b>\$31,756</b>	<b>\$30,525</b>	<b>\$30,238</b>	<b>\$29,053</b>	<b>\$26,690</b>
<b>Debt Service Coverage</b>	<b>2.94x</b>	<b>3.44x</b>	<b>4.27x</b>	<b>2.17x</b>	<b>4.39x</b>

1. Includes unbilled revenues.

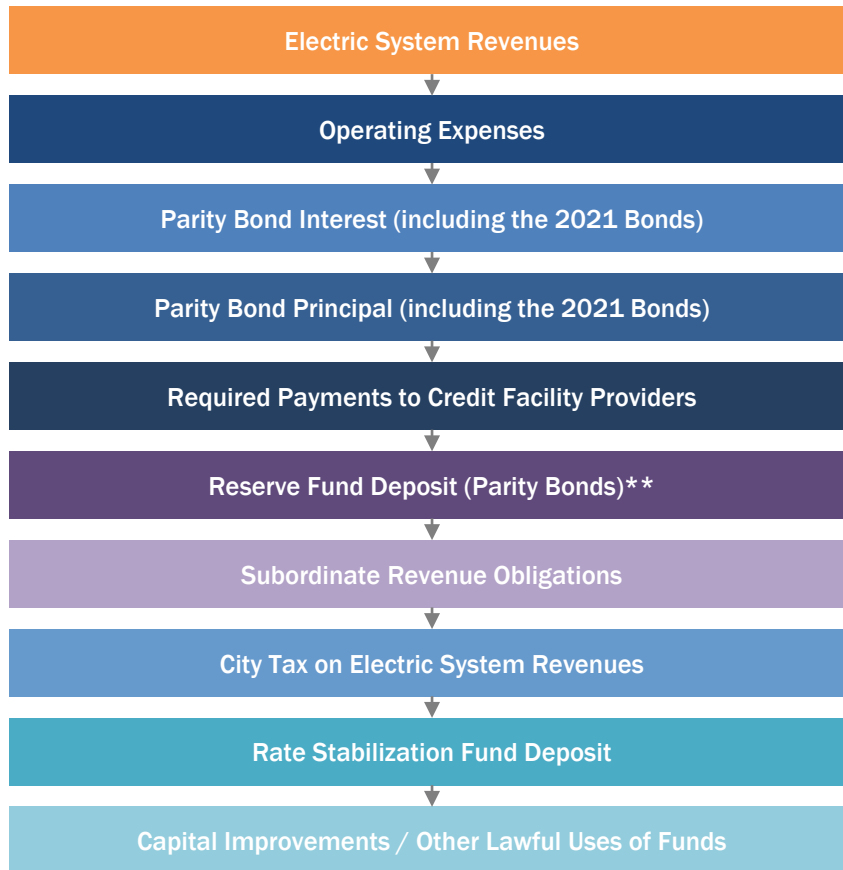
2. Includes rentals and leases from electrical properties, wheeling and service fees, and telecommunications revenues.

3. On April 1, 2020, operational control of the Click! network was transferred from Tacoma Power to a private operator. See Preliminary Official Statement.

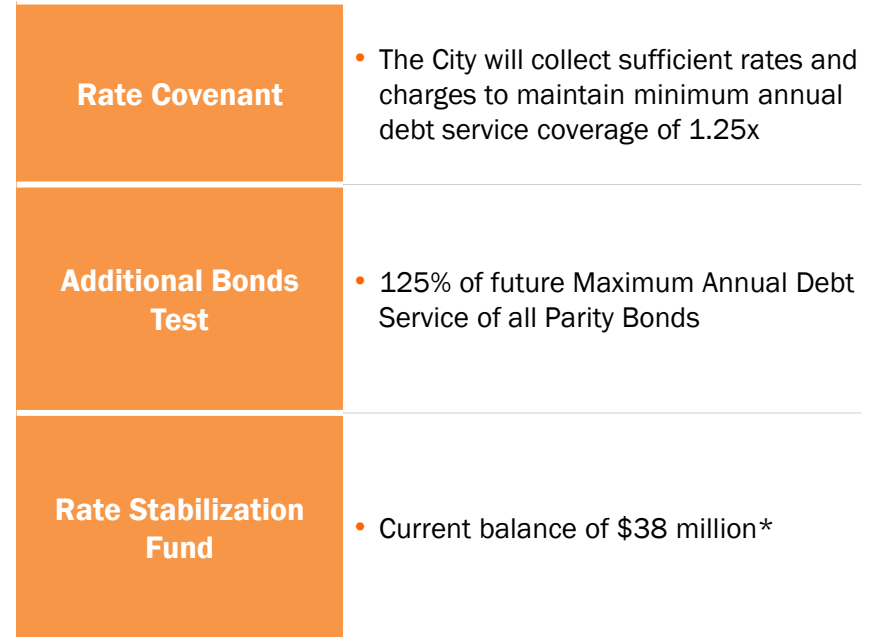
## Transaction Summary

# Security Features Supporting Parity Bonds

### Electric System Flow of Funds



### Series 2021 Bonds Security Features



\*Rate Stabilization Fund balance as of 7/31/2021

\*\* Only the 2010 and 2013 Bonds have a Debt Service Reserve Fund, 2021 Bonds will not have a Debt Service Reserve Fund

## 2021 Green Bonds

# Springing Amendments to the Ordinance

- The Supplemental Ordinance includes certain springing provisions that will take effect immediately upon receipt of certain consents, including the consent of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, without with the need for further action of the City Council
- These amendments:
  - Modify the calculation of Net Revenues for purposes of the annual debt service coverage calculation
  - Permit the City to take into consideration certain designated “Balloon Indebtedness” when calculating Annual Debt Service for purposes of satisfying the annual debt service coverage calculation and the additional bonds test

## 2021 Green Bonds

# 2021 Bonds Are Designated as Green Bonds

- Kestrel Verifiers has verified that the Green Bonds conform with the International Capital Market Association’s Green Bond Principles

Use of Proceeds	Process for Evaluation	Green Bond Reporting
<p>Select Capital Improvements receiving 2021 Bond proceeds include:</p> <ul style="list-style-type: none"> <li>▪ Cowlitz Falls Downstream Fish Passage and Dam Improvements</li> <li>▪ Advanced Metering Infrastructure Upgrades</li> <li>▪ LED Streetlighting Additions</li> <li>▪ Cowlitz Salmon Hatchery Dam Barrier Repair</li> </ul>	<p>Tacoma Power utilizes internal Value Criteria to evaluate and prioritize potential capital improvement projects. Several planning documents guide and inform decision-making for electric system projects, including the 2021 Long-Range Financial Plan, Integrated Resources Plan, and the 2015 Climate Report</p> <p>One of Tacoma Power's strategic directives is decarbonization of the electric utility system and transportation electrification</p>	<p>The City has undertaken to provide one post-issuance report at the end of 2022 in tandem with the closing of its Fiscal Year</p>



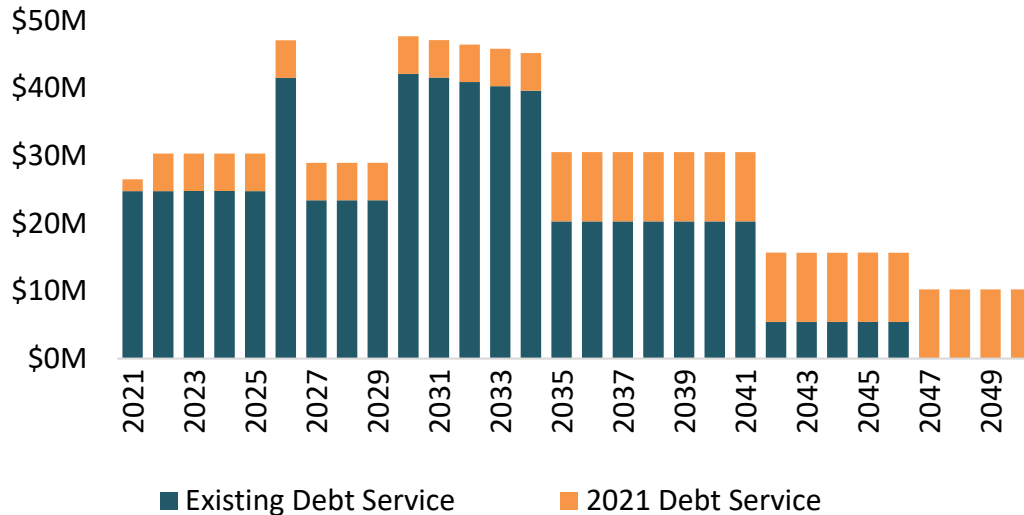
## Transaction Summary

# Overview of 2021 Plan of Finance

### 2021 Financing Activity

- Issue approximately \$118,260,000\* million Tacoma Power Electric System Revenue Bonds (Green Bonds)
- First Maturity: 2036\*
- Final Maturity: 2051\*

### Aggregate Debt Service Overview\*



### Preliminary Amortization\*

Year	Par
2036	5,185,000
2037	5,440,000
2038	5,715,000
2039	6,000,000
2040	6,300,000
2041	6,490,000
2046 (Term Bond)	36,930,000 (t)
2051 (Term Bond)	46,200,000 (t)

\* Preliminary, Subject to Change.

Debt Service shown on an accrual basis, as stated in CAFR.

(t) Indicates term bond

## Transaction Summary

# Transaction Schedule and Contact Information

### Key Transaction Dates

Date	Event
Aug 16	<ul style="list-style-type: none"><li>• Post POS</li><li>• Release Internet Roadshow</li></ul>
Aug 25	<ul style="list-style-type: none"><li>• Pricing</li></ul>
Sept 14	<ul style="list-style-type: none"><li>• Closing</li></ul>

### Contact Information

#### Tacoma Power

Bill Berry Phone: (253) 502-8294  
E-mail: bberry@cityoftacoma.org

Michelle Brown Phone: (253) 219-8209  
E-mail: mbrown@cityoftacoma.org

#### Financial Advisor

#### Montague DeRose and Associates

Frank Perdue Phone: (925) 256-9797  
E-mail: perdue@montaguederose.com

Josepha Miller Phone: (925) 357-9154  
E-mail: miller@montaguederose.com

#### Senior Managing Underwriters

#### Citigroup Global Markets

*(Bookrunner)*

Ben Selberg Phone: (206) 628-4951  
E-mail: benjamin.selberg@citi.com

Stephen Field Phone: (206) 830-6002  
E-mail: stephen.field@citi.com

#### KeyBanc Capital Markets

Matt Zehnder Phone: (206) 343-6960  
E-mail: matt.zehnder@key.com