

Investor Presentation

\$94,370,000*

Electric System Revenue Bonds,
Series 2024A (**Green Bonds**)

\$94,140,000*

Electric System Revenue Refunding Bonds,
Series 2024B



*Preliminary, subject to change

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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

Issue Description	Electric System Revenue Bonds, Series 2024A (Green Bonds)	Electric System Revenue Refunding Bonds, Series 2024B
Par Amount*	\$94,370,000*	\$94,140,000*
Security	<ul style="list-style-type: none"> The bonds will be paid from Revenues of the Electric System, after payment of Operating Expenses 	
Ratings	<ul style="list-style-type: none"> S&P: AA (Stable) Fitch: AA- (Stable) 	
Bond Structure*	<ul style="list-style-type: none"> Serial Bonds, due in 2036-2044 Term Bonds, due in 2049 and 2054 	<ul style="list-style-type: none"> Serial Bonds, due in 2025-2026, 2028-2030, and 2036-2042
Use of Proceeds	<ul style="list-style-type: none"> Capital improvements to the Electric System through repaying a portion of the outstanding draws on the City's 2021 Subordinate Lien Note The 2024A Bonds have been designated as “Green Bonds” - Kestrel has provided an external review 	<ul style="list-style-type: none"> Current refunding of a portion of the outstanding 2013 Bonds
Optional Redemption*	<ul style="list-style-type: none"> January 1, 2034 @ 100% 	
Tax Status	<ul style="list-style-type: none"> Tax-Exempt 	
Pricing Date*	<ul style="list-style-type: none"> Tuesday, January 30, 2024 	
Closing Date*	<ul style="list-style-type: none"> Thursday, February 15, 2024 	
Syndicate	<ul style="list-style-type: none"> Bookrunner: J.P. Morgan Co-Senior Manager: Goldman Sachs & Co. LLC Co-Manager: Loop Capital Markets 	

*Preliminary – subject to change

Overview of Tacoma Power

The City of Tacoma's (the "City") Department of Public Utilities (the "Department") consists of three divisions:

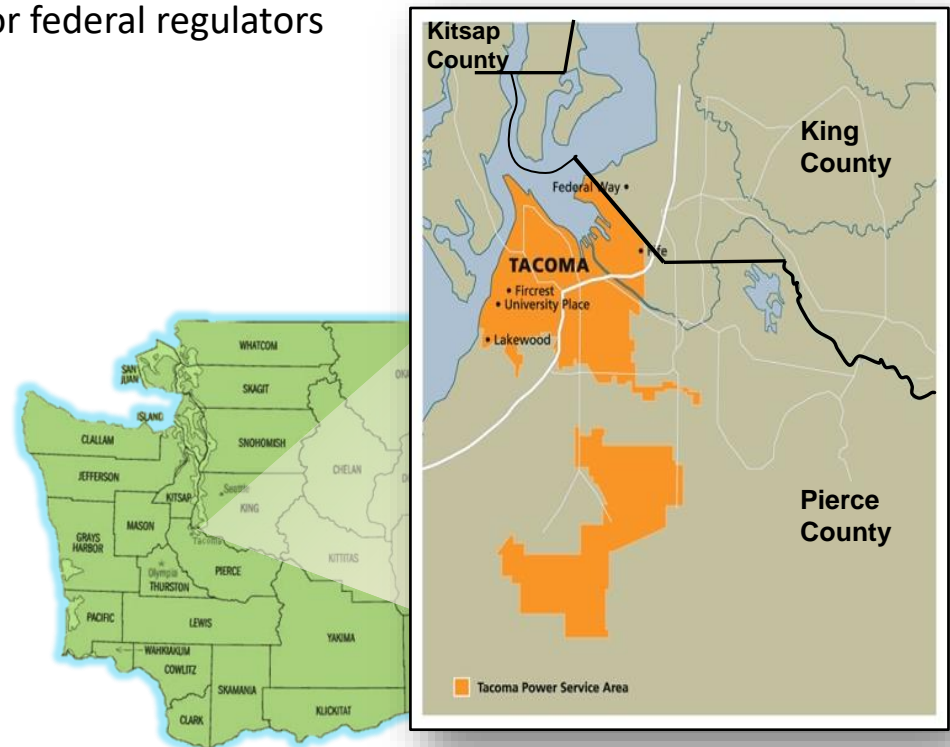
- Light Division ("Tacoma Power")
- Water Division ("Tacoma Water")
- Belt Line Railroad Division ("Tacoma Rail")

The Department is governed by a five-member Board, which has decision making authority

- Rates, budget and debt proposals / actions are initiated by the Board and adopted by City Council
- Retail rate setting is not subject to review by state or federal regulators

Tacoma Power operates the City's electrical generation, transmission and distribution facilities

- Second largest municipally-owned utility in the State of Washington (the "State")
- Serves an average of approximately 188,000 retail customer accounts
- Approximately 805 employees
- Operating revenues of approximately \$481 million



Source: POS—"THE DEPARTMENT OF PUBLIC UTILITIES –TACOMA POWER - Overview", chart from "CITY OF TACOMA, WASHINGTON DEPARTMENT OF PUBLIC UTILITIES, TACOMA POWER"

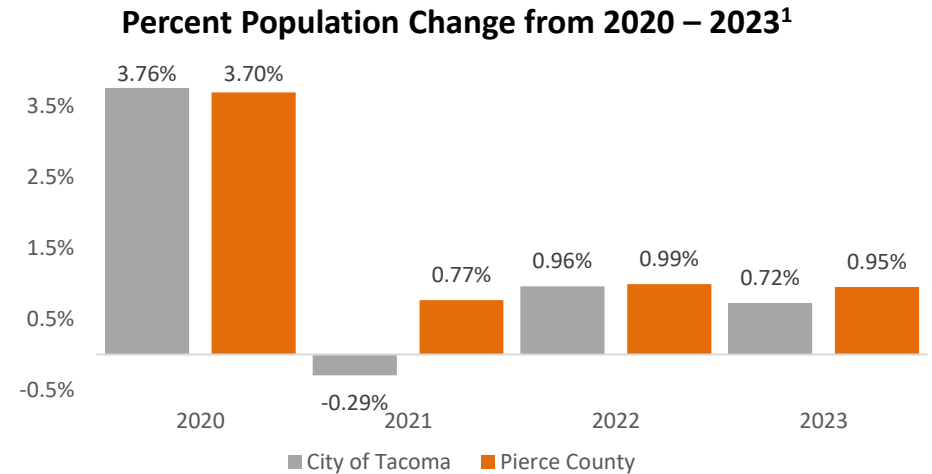
Credit Overview

Financial Management and Policies	<ul style="list-style-type: none"> • Experienced senior management team and supportive Board • History of Board and City Council support for implementing prudent rate increases when needed • Energy risk management policies are well defined and implemented • Rates set at levels to maintain a debt service coverage ratio of at least 1.5x assuming Adverse Water⁽¹⁾ conditions
Access to Low-Cost Virtually Carbon Free Power	<ul style="list-style-type: none"> • Low cost and virtually carbon-free power supply portfolio
Competitive Market Position	<ul style="list-style-type: none"> • Retail rates among the lowest in the region • Diverse customer base and class characteristics • Strong, growing economy in the service territory
Financial Performance	<ul style="list-style-type: none"> • Operating results produced debt service coverage averaging 3.59x over the past five years • Rate Stabilization Fund balance of \$158 million promotes moderate and stable rate increases
Bond Security	<ul style="list-style-type: none"> • Rate covenant of 1.25x • Additional bonds test of 125% future Maximum Annual Debt Service of all Parity Bonds

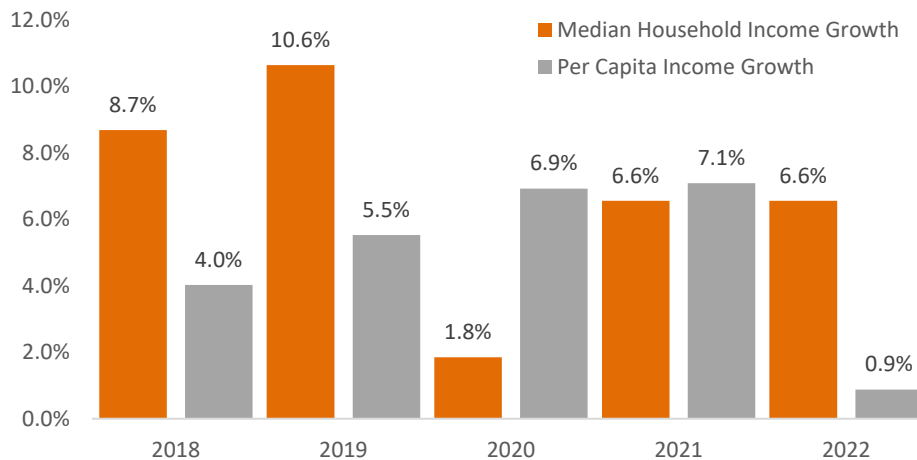
(1) Water conditions for Tacoma Power’s resource portfolio that have historically been exceeded 75% of the time

Regional Economy

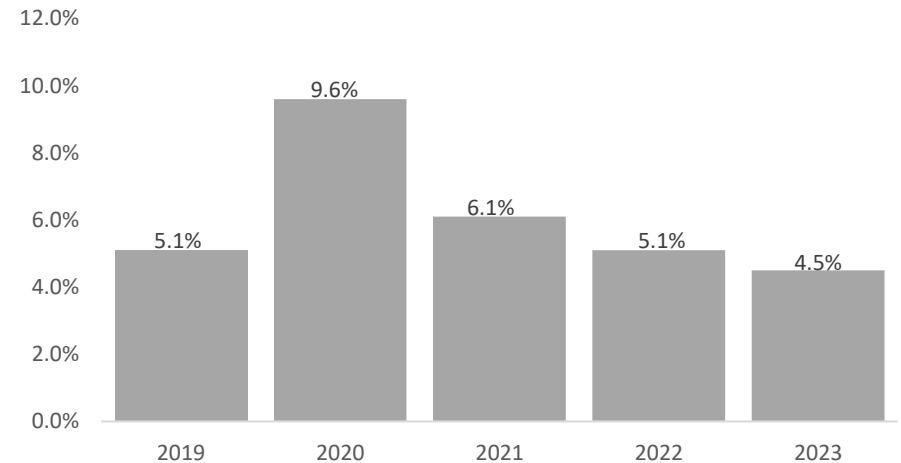
- Population has grown by 5.2% in the City of Tacoma and by 6.5% in Pierce County from 2019 to 2023
- Per Capita income increased more than 21% in Pierce County from 2018 to 2022
- Anchor employers, like Joint Base Lewis-McChord, have significant history and infrastructure in Pierce County, providing a stable employment base



**Pierce County Median Household² and Per Capita Income³
YoY % Growth 2018 - 2022**



Pierce County Unemployment Rate from 2019 – 2023⁴



¹ Washington State Office of Financial Management estimates

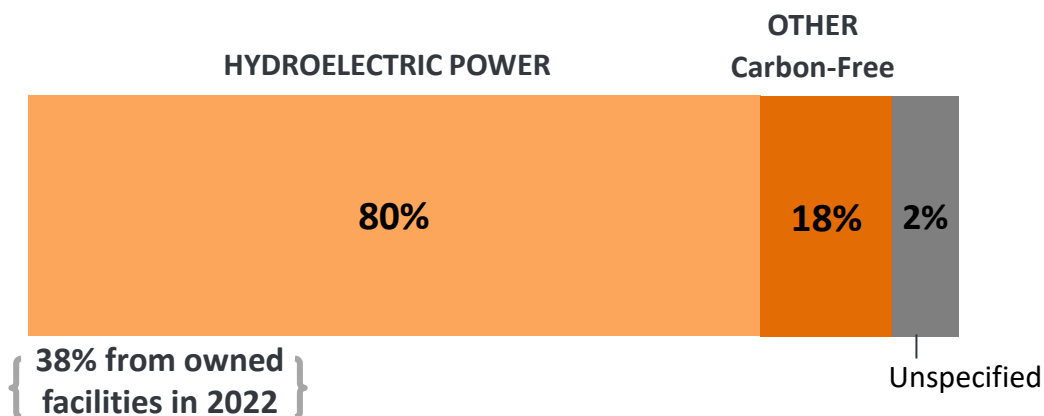
² Washington State Office of Financial Management, 2022 is projected and 2021 is a preliminary estimate, POS Table E-5

³ Census Bureau mid-year population estimates. Estimates for 2010-2019 reflect county estimates available as of March 2020, POS Table E-6

⁴ Washington State Employment Security Department, POS Table E-7

Power Supply Portfolio

Virtually Carbon-free Portfolio



Quick Facts

- 66 substations serving retail load
- 352 miles of transmission lines
- 2,036 miles of distribution lines
- 23 load-service points to other utilities
- 8 generation switchyards

62% Contracted Generation in 2022

- The long-term power supply contract with Bonneville Power Administration is largest source at 54% of portfolio and extends through 2028
- Tacoma Power has been participating in negotiations with BPA alongside other Slice/Block customers to achieve the best outcome for retail customers

38% Owned Generation in 2022

- 7 hydro facilities on 4 rivers in Western Washington



Source: POS—"POWER SUPPLY RESOURCES AND COST OF POWER"

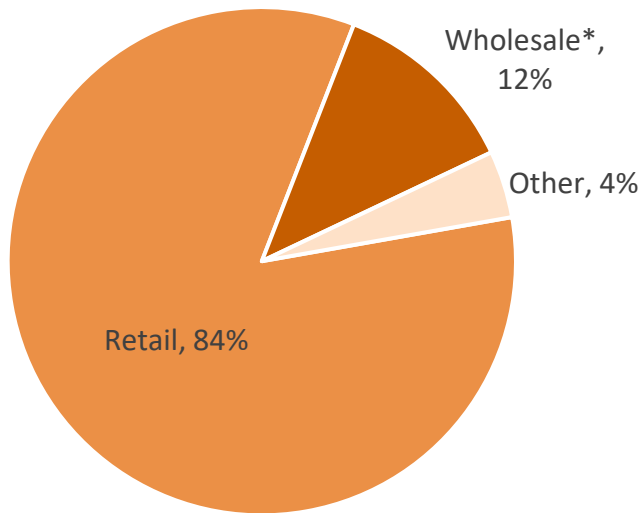
Customer Classes and Sources of Revenue

Tacoma Power’s 2022 Total Operating Revenue was \$481 million

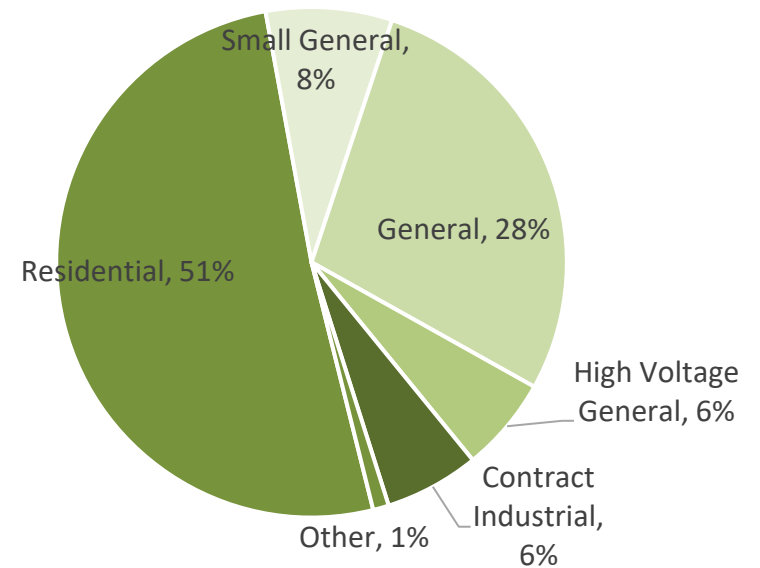
- \$402 million, or 84%, is attributable to retail revenue
- Retail rates are the same both inside and outside of the City of Tacoma

Customer Classes	% of 2022 Retail Revenue
Residential (A-1, A-2)	51%
Small General (B) – Retail, restaurant, and other small business	8%
General (G) – Medium and large commercial & industrial customers	28%
High Voltage General (HVG) – Two military bases and five industrial customers	6%
Contract Industrial (CP) – Large industrial customers**	6%
Other (H-1) (H-2) – Street, traffic, and private off-street lighting	1%
2022 Total Retail Sales	\$401,831,414

FY 2022 Revenue Sales by Source



Customer Classes as % of 2022 Retail Revenue



*Wholesale is net of \$95 million transfer to the Rate Stabilization Fund

**“Contract Industrial” includes WestRock

Source: POS—“ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES – TACOMA POWER CUSTOMERS”, “ENERGY SALES AND REVENUE – TABLE 8”

Top Customers by Revenue

Tacoma Power's 10 Largest Electric System Customers - 2022

Customer	Business Description	Percent of Retail Revenue
WestRock CP, LLC ⁽¹⁾⁽²⁾	Pulp and Paper	4.3%
Fort Lewis Army Post	Military Base	3.7%
Linde Inc. ⁽¹⁾	Industrial Gases	1.6%
McChord Air Force Base	Military Base	1.1%
Tacoma School District	Education	1.0%
MultiCare Health System	Healthcare	1.0%
James Hardie Building Products, Inc.	Healthcare	0.8%
U.S. Oil & Refining	Oil Refining	0.7%
PSE Tacoma LNG	Liquified natural gas	0.6%
St. Joseph Medical Center	Healthcare	0.5%
Total		15.3%

⁽¹⁾ Contract Industrial customers.

⁽²⁾ In August 2023, WestRock announced that it would cease operations at its Tacoma mill effective September 30, 2023.

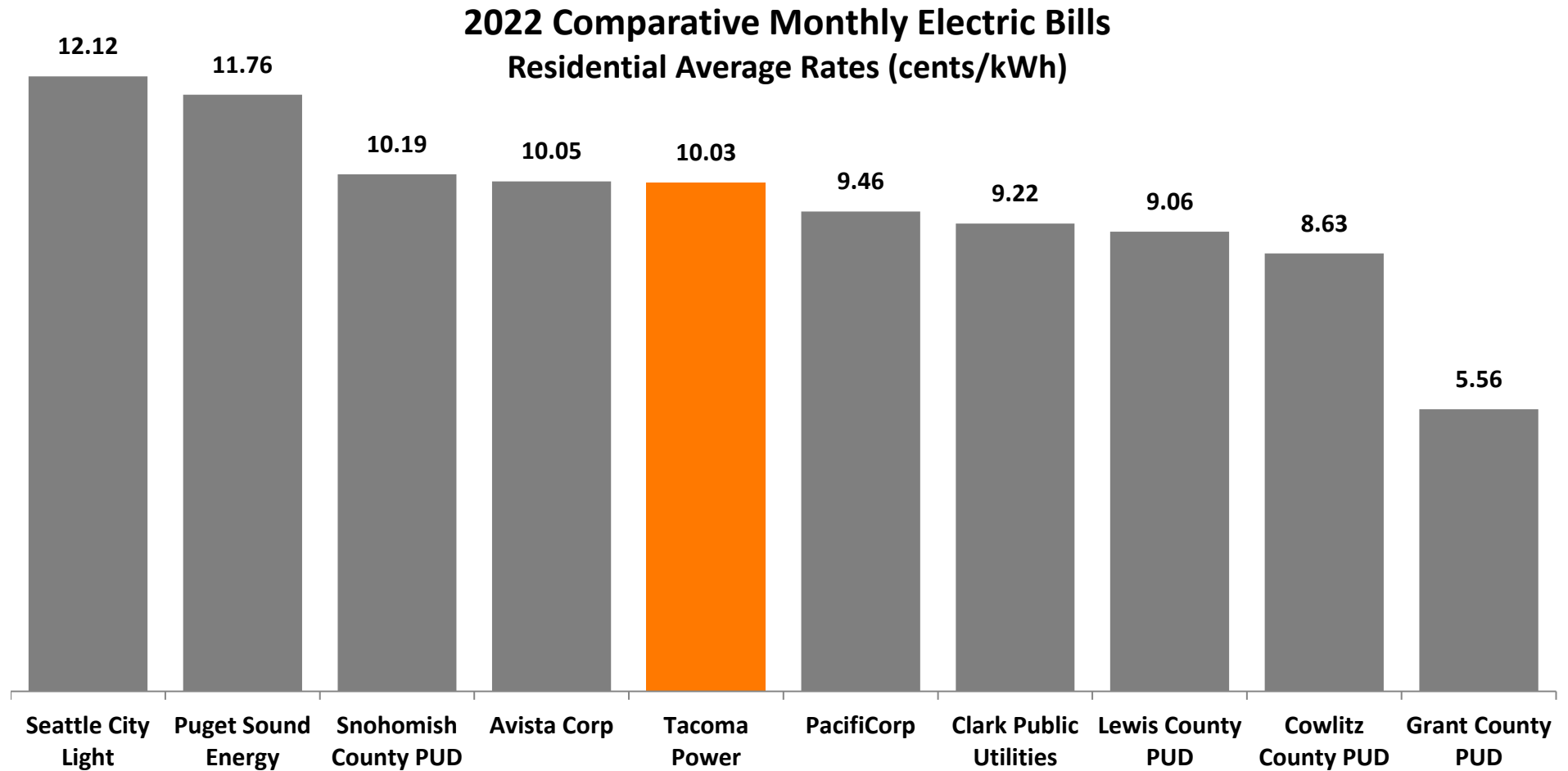
- In 2022, Tacoma Power's top 10 customers accounted for approximately 15% of revenues and 22% of retail energy sales

⁽²⁾WestRock Mill Closure

- Tacoma Power's largest customer announced closure of its paper mill effective September 30, 2023 followed by a 1 year ramp down period
- Represented approximately 4% annual retail revenue, Tacoma Power provided \$17 million in electricity to WestRock in 2022
- Impact of closure is mitigated by decrease in associated expenses
- Tacoma Power does not expect a material impact on operations and finances, nor does it currently anticipate closures will affect rates for Electric System customers

Source: POS—"ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES – TACOMA POWER CUSTOMERS" "TABLE 7"

Peer Group Rates Comparison



Tacoma City Council approved a Residential rate increase of 3.9% for 2023 and 2024 (effective April 1, 2023 and April 1, 2024, respectively)

Source: POS – “ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES – 2022 COMPARATIVE MONTHLY ELECTRIC BILLS” “TABLE 11”

Financial Policies

- Rates set at levels to maintain a debt service coverage ratio (after transfer of Gross Earnings Tax) of at least 1.5x assuming Adverse Water conditions and 1.8x assuming Average Water conditions for Tacoma Power's resource portfolio
 - Wholesale power sales are budgeted based on Adverse Water
- Rates set at water levels to provide minimum projected cash balances of 90 days of current budgeted expenditures (equivalent to approximately 120 Days Cash), with a target of 180 Days Cash
- Rate Stabilization Fund of \$158 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 for Tacoma Power's resource portfolio that have historically been exceeded 75% of the time

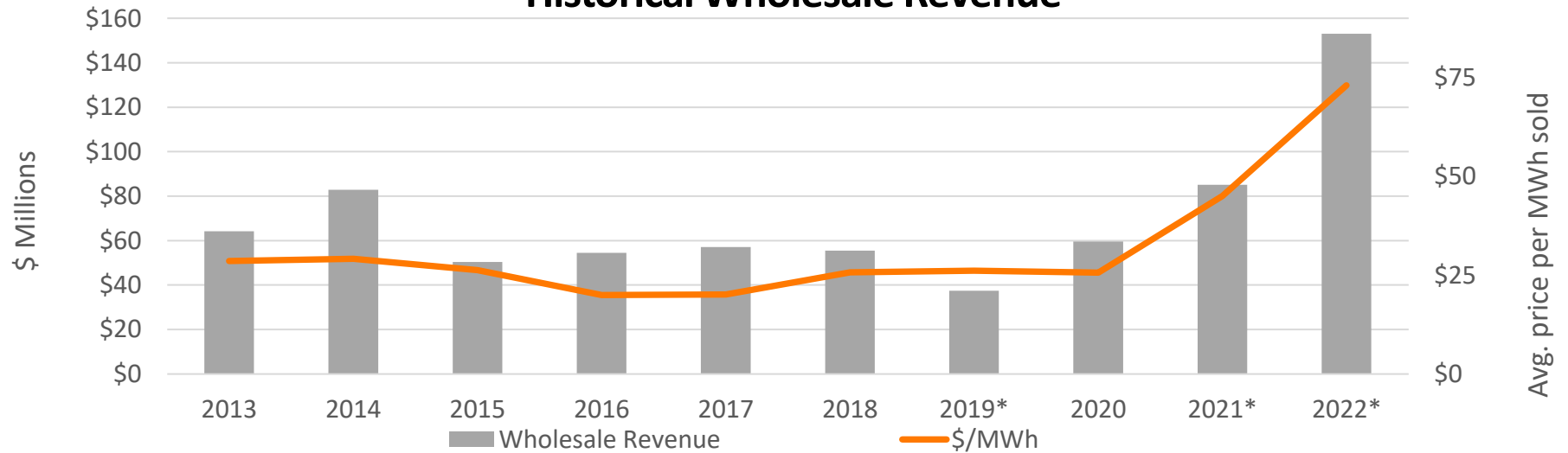
Budgeted Expenditures: O&M, debt service, revenue-financed capital

Gross Earnings tax payments: 7.5% to City of Tacoma (subordinate to debt service)

Wholesale Revenue

- Tacoma Power sells power in the wholesale energy market when owned and contracted resources exceed retail load requirements (retail consumption) and makes purchases from the wholesale energy market when required to meet retail load obligations
- Due to conservative planning assumptions, under most water conditions Tacoma Power expects to be a net seller into the wholesale electricity market

Historical Wholesale Revenue



* Does not include transfers to / from the Rate Stabilization Fund

Wholesale as a percent of Total Revenue

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
15%	18%	12%	13%	13%	12%	8%	12%	17%	26%

Use of Rate Stabilization Fund to mitigate volatility & future expenses

	2018	2019	2020	2021	2022
Transfers to / from the RSF		-\$10M		+\$25M	+\$95M
RSF Balance	\$48M	\$38M	\$38M	\$63M	\$158M

Historical Financial Results

(\$000s)	2018	2019	2020	2021	2022
Sales of Electric Energy ¹	\$411,393	\$417,066	\$430,538	\$448,242	\$454,760
Other Operating Revenue ²	18,540	18,802	24,212	19,095	23,151
Click! Network Operating Revenue ³	25,358	25,498	6,203	-	-
Property Lease Revenues ⁴	-	-	-	2,617	2,617
Total Revenues	\$455,291	\$461,366	\$460,953	\$469,954	\$480,528
Total Operating Expenses	\$335,373	\$410,865	\$359,613	\$376,399	\$373,087
Net Revenues	\$129,095	\$62,911	\$117,178	\$94,775	\$105,279
Net Debt Service	\$30,238	\$29,053	\$26,690	\$26,278	\$29,778
Parity Bond Coverage	4.27x	2.17x	4.39x	3.61x	3.54x

1. Includes unbilled revenues.

2. Includes wheeling and service fees, and telecommunications revenues.

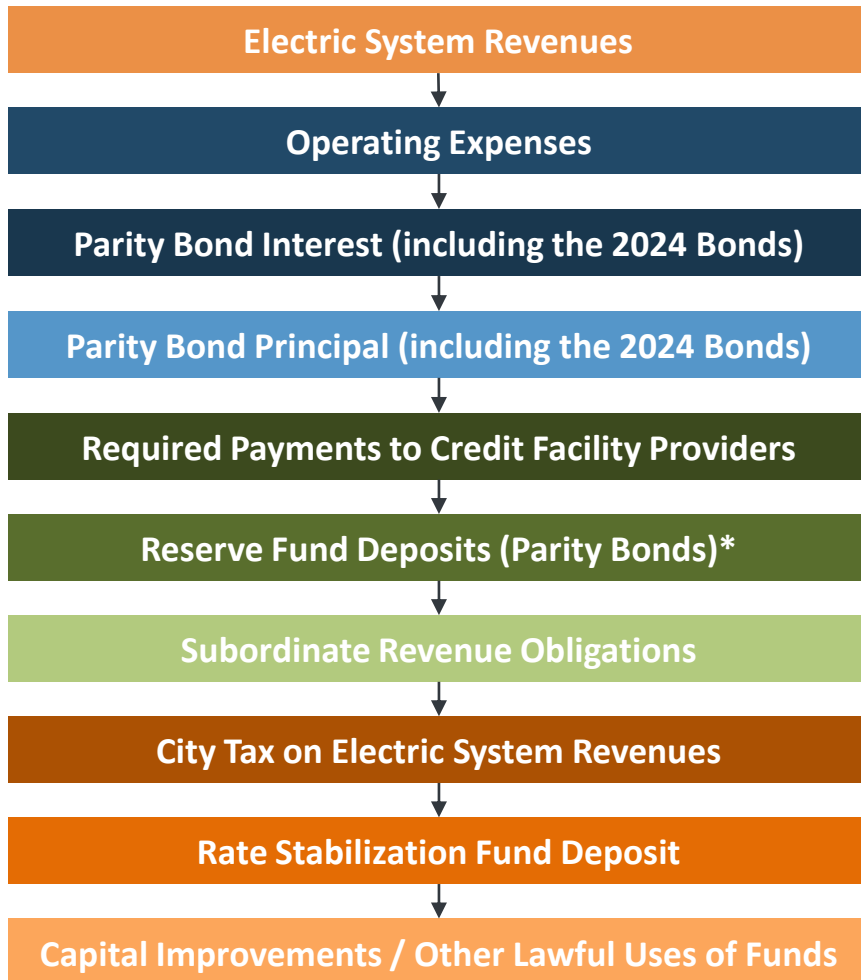
3. On April 1, 2020, operational control of Click! was transferred from Tacoma Power to a private operator. See Preliminary Official Statement

4. Includes rentals and leases from electrical properties and equipment.

For additional detail on operating results and debt service coverage please see Table 21 of the Preliminary Official Statement

Security Features Supporting Parity Bonds

Electric System Flow of Funds



Rate Covenant	<ul style="list-style-type: none"> The City will collect sufficient rates and charges to maintain a minimum annual debt service coverage of 1.25x*
Additional Bonds Test	<ul style="list-style-type: none"> Additional bonds test of 125% future Maximum Annual Debt Service of all Parity Bonds
Rate Stabilization Fund	<ul style="list-style-type: none"> Current balance of \$158 million

*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

See “SECURITY FOR THE 2024 BONDS—Rate Covenant and Debt Service Coverage Covenant” in the Preliminary Official Statement

*2010 and 2013 Bonds have a Debt Service Reserve Fund
Source: POS—“SECURITY FOR THE 2024 BONDS ”

Series 2024A Bonds Designated as **Green Bonds**

Kestrel has verified that the Series 2024A Green Bonds conform with the International Capital Market Association’s Green Bond Principles

Capital Improvement Projects	Net Zero Alignment	Reporting
<ul style="list-style-type: none"> The refinanced capital improvements support Tacoma Power’s hydropower system—a renewable system that has minimal greenhouse gas emissions, prioritizes climate resiliency and environmental restoration, and expands community access to electricity <p>Projects include:</p> <ul style="list-style-type: none"> Substation and distribution network upgrades Fish passage and hatchery projects Advanced metering infrastructure 	<ul style="list-style-type: none"> The Tacoma Power emissions factor is 0.023 MTCO₂e/MWh The Tacoma Power system supports the State of Washington commitment to reduce emissions 95% by 2050 and the City of Tacoma target to meet net zero greenhouse gas emissions by 2050 	<ul style="list-style-type: none"> The City regularly provides publicly available updates on operating results of capital improvements Kestrel will provide one update report on the bonds within 12 months of issuance. This report will include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects, including allocation of proceeds

The 2024A Bonds advance the following United Nations Sustainable Development Goals:



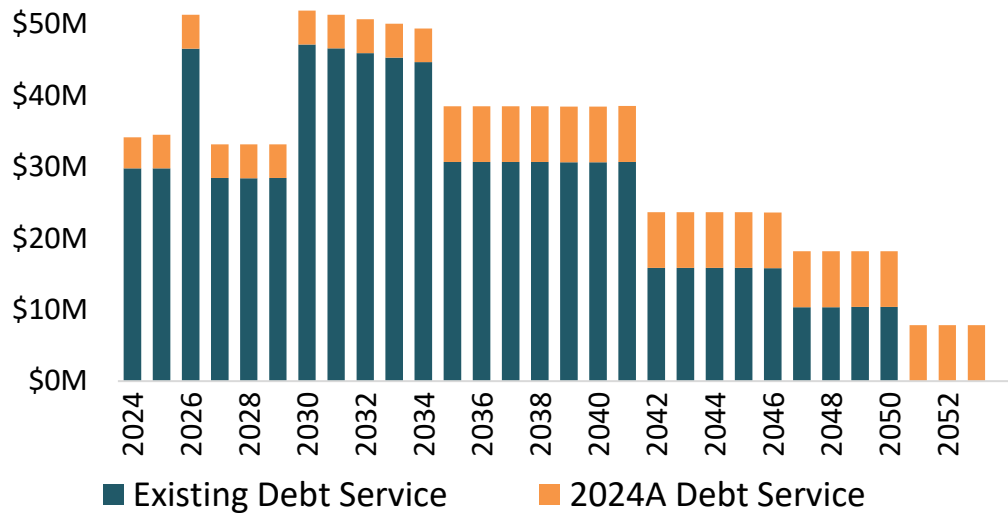
2024 Plan of Finance

Series 2024A (Green Bonds): Issue approximately \$94 million of new money bonds to pay down approximately \$105 million drawn to date on Wells Fargo interim funding facility

- Tacoma Power is issuing the 2024A Bonds as “Green Bonds” based on the climate adaption and/or mitigation benefits of the projects financed and refinanced by the 2024A Bonds

Series 2024B (Refunding): Current refunding of a portion of outstanding Series 2013A and Series 2013B Bonds for debt service savings (subject to market conditions)

Aggregate Debt Service Overview^{1,2}



¹Preliminary, subject to change ²Debt Service shown on an accrual basis, as stated in audited financials. Does not include potential refunding of the 2013A or 2013B Bonds.

Preliminary Amortization ¹		
Due (January 1)	Series 2024A Par Amount	Series 2024B Par Amount
2025	-	3,535,000
2026	-	3,180,000
2027	-	-
2028	-	3,340,000
2029	-	3,505,000
2030	-	3,685,000
2031-2035	-	-
2036	3,090,000	9,445,000
2037	3,245,000	9,915,000
2038	3,405,000	10,415,000
2039	3,575,000	10,935,000
2040	3,755,000	11,480,000
2041	3,945,000	12,050,000
2042	4,140,000	12,655,000
2043	4,350,000	-
2044	4,565,000	-
2049 (Term Bond)	26,490,000	-
2054 (Term Bond)	33,810,000	-

Transaction Schedule and Contact Information

Key Transaction Dates*	
Date	Event
Jan. 22	<ul style="list-style-type: none"> • Mail / Post POS • Release investor presentation
Jan. 30	<ul style="list-style-type: none"> • Pricing
Feb. 15	<ul style="list-style-type: none"> • Closing

*Preliminary, subject to change

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