NEW ISSUE
BOOK-ENTRY ONLY
NOT BANK QUALIFIED

RATINGS: S&P Global Ratings: "AA"
Fitch: "AA-"
See "RATINGS" herein.

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the 2025 Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the 2025 Bonds may affect the federal alternative minimum tax applicable to certain corporations. See "TAX MATTERS."

CITY OF TACOMA, WASHINGTON

$131,370,000 ELECTRIC SYSTEM REVENUE BONDS, SERIES 2025A (GREEN BONDS)

$91,375,000 ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2025B (GREEN BONDS)

DATED: Date of Delivery

DUE: January 1, as shown on the inside cover

The City of Tacoma, Washington (the "City"), Electric System Revenue Bonds, Series 2025A (Green Bonds) (the "2025A Bonds") and Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds) (the "2025B Bonds," and together with the 2025A Bonds, the "2025 Bonds"), will be issued in fully registered form under a book entry only system. When issued, the 2025 Bonds initially will be registered to Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as initial securities depository for the 2025 Bonds. Individual purchases of the 2025 Bonds will be made in the principal amount of $5,000 or integral multiples thereof within a series and maturity. Purchasers of the 2025 Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the 2025 Bonds purchased. The fiscal agent of the state of Washington (the "State"), currently U.S. Bank Trust Company, National Association, will act as the registrar, paying agent, transfer agent and authenticating agent for the 2025 Bonds (the "Bond Registrar").

The 2025 Bonds will bear interest payable semiannually on each January 1 and July 1, commencing January 1, 2026, to the maturity or prior redemption of the 2025 Bonds, as applicable. The 2025 Bonds will mature on the dates and in the amounts and bear interest at the rates set forth on the inside cover. For so long as the 2025 Bonds are held in book-entry only form, the principal of and interest on the 2025 Bonds will be paid by the Bond Registrar to DTC, which in turn is obligated to remit such payments to its broker-dealer participants for subsequent disbursement to the Beneficial Owners. See Appendix B—"BOOK-ENTRY SYSTEM."

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices, and CUSIP Numbers on Inside Cover

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The 2025A Bonds are subject to redemption by the City prior to their stated maturities as described herein. See "DESCRIPTION OF THE 2025 BONDS—Redemption Provisions."

Proceeds of the 2025A Bonds will be used to finance and reimburse the City for certain capital improvements to the Electric System, and to pay costs of issuing the 2025A Bonds. Proceeds of the 2025B Bonds will be used, together with available funds of the Electric System, to refund certain outstanding obligations of the Electric System, and to pay costs of issuing the 2025B Bonds. See "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS."

The 2025 Bonds are payable solely from special funds of the City known as the Electric System Revenue Fund and the Electric System Revenue Bond Fund, and from Net Revenues of the Electric System (each as defined herein), and other funds pledged therefor, on a parity of lien on such revenues with the outstanding Electric System revenue bonds and other future Electric System revenue bonds hereafter issued. See "SECURITY FOR THE 2025 BONDS."

The 2025 Bonds have been designated as "Green Bonds." Kestrel has provided an independent external review and opinion that the 2025 Bonds conform with the four core components of the International Capital Market Association Green Bond Principles, and therefore qualify for Green Bonds designation. See "2025 BONDS DESIGNATED AS GREEN BONDS," and Appendix G—"GREEN BOND SECOND PARTY OPINION."

THE 2025 BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, OR THE STATE OF WASHINGTON, OR A CHARGE UPON ANY GENERAL FUND OR OTHER PROPERTY OF THE CITY OR THE STATE OF WASHINGTON NOT SPECIFICALLY PLEDGED THERETO BY THE BOND ORDINANCE, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR OF THE STATE OF WASHINGTON NOR ANY REVENUES OF THE CITY DERIVED FROM SOURCES OTHER THAN THE ELECTRIC SYSTEM ARE PLEDGED TO THE PAYMENT THEREOF. SEE "SECURITY FOR THE 2025 BONDS." BY PURCHASE OF THE 2025 BONDS, THE OWNERS OF THE 2025 BONDS SHALL BE DEEMED TO HAVE CONSENTED TO CERTAIN AMENDMENTS TO THE MASTER ORDINANCE (AS DEFINED HEREIN) TO OCCUR IN THE FUTURE UPON SATISFACTION OF CERTAIN CONDITIONS. SEE "SECURITY FOR THE 2025 BONDS—RATE COVENANT AND DEBT SERVICE COVERAGE COVENANT."

The City has not designated the 2025 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2025 Bonds are offered when, as and if issued and delivered, subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. A form of Bond Counsel's opinion is attached hereto as Appendix C. Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. It is anticipated that the 2025 Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about on or about July 3, 2025.

Raymond James **BofA Securities**

Siebert Williams Shank

Official Statement Dated: June 3, 2025

CITY OF TACOMA, WASHINGTON

$131,370,000
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2025A (GREEN BONDS)

Due (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. (873519)**
2043	$ 7,345,000	5.00%	4.49%*	103.906	QX3
2044	7,715,000	5.00	4.54*	103.515	QY1
2045	8,100,000	5.00	4.60*	103.048	QZ8

$47,225,000 5.25% Term Bond due January 1, 2050; Price 103.476; Yield 4.79%*; CUSIP 873519RA2**

$60,985,000 5.25% Term Bond due January 1, 2055; Price 102.861; Yield 4.87%*; CUSIP 873519RB0**

$91,375,000
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2025B (GREEN BONDS)

Due (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. (873519)**
2027	$ 500,000	5.00%	2.87%	103.093	RC8
--					
2031	16,520,000	5.00	3.05	109.795	RD6
2032	17,325,000	5.00	3.13	110.912	RE4
2033	18,125,000	5.00	3.25	111.557	RF1
2034	18,995,000	5.00	3.35	112.110	RG9
2035	19,910,000	5.00	3.52	111.856	RH7

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* Calculated to the par call date of January 1, 2035.

** CUSIP Global Services ("CGS") has provided the CUSIP data herein. FactSet Research Systems Inc. manages CGS on behalf of the American Bankers Association. This Official Statement's inclusion of CUSIP data is for convenience and reference only, and does not create a database or serve as a substitute for the CUSIP service. Neither the City, nor the Underwriters, nor their agents or counsel assume responsibility for the data's accuracy. CUSIP is a registered trademark of the American Bankers Association.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. The offering of the 2025 Bonds is made only by means of this entire Official Statement.

The information within this Official Statement has been compiled from sources the City considers reliable and, while not guaranteed as to accuracy, the City believes to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in APPENDIX B—"BOOK-ENTRY SYSTEM," which has been obtained from DTC's website or the form of opinion of Bond Counsel. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the other matters described herein since the dates as of which such information is provided.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, sales representative, or other person has been authorized by the City to give any information or to make any representations with respect to the 2025 Bonds other than as contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2025 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts shown. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, technological change, seismic events, infectious disease including the coronavirus pandemic, and various other events, conditions and circumstances, many of which are beyond the control of the City. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The City does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur and specifically disclaims any such obligation.

The presentation of certain information, including tables of receipts from revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue to be repeated in the future.

The 2025 Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. No federal or state securities commission or regulatory authority has passed upon the merits of the 2025 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement for purposes of, and as that term is defined in Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

TACOMA PUBLIC UTILITIES
3628 South 35th Street
Tacoma, Washington 98409
(253) 502-8600
mytpu.org[1]

MAYOR AND TACOMA CITY COUNCIL

Victoria Woodards	Mayor
Kiara Daniels	Deputy Mayor and Council Member
Joe Bushnell	Council Member
Olgy Diaz	Council Member
John Hines	Council Member
Sarah Rumbaugh	Council Member
Sandesh Sadalge	Council Member
Jamika Scott	Council Member
Kristina Walker	Council Member

PUBLIC UTILITY BOARD

John O'Loughlin	Chair
William Bridges	Vice-Chair
Elly Claus-McGahan	Secretary
Anita Gallagher	Member
Devin Hampton	Member

DEPARTMENT OF PUBLIC UTILITIES, TACOMA POWER

Jackie Flowers	Tacoma Public Utilities Director
Alex Yoon	Deputy Director of Utilities and Chief Administrative Officer
Chris Robinson	Power General Manager and Superintendent
Rachel Allen	Deputy General Manager - Power Shared Services
Ying Hall	Deputy General Manager - Rates, Planning and Analysis
Ray Johnson	Deputy General Manager - Power Management
Kalyan Kakani	Deputy General Manager - Utility Technology Services and Chief Information Officer
Chris Mattson	Deputy General Manager - Generation
Valerie Sherman	Deputy General Manager - Environmental, Health and Safety
Joseph Wilson	Deputy General Manager - Transmission and Distribution

CERTAIN CITY ADMINISTRATIVE STAFF

Elizabeth Pauli[2]	City Manager
Andy Cherullo	Finance Director
Susan Calderon	Assistant Finance Director/Controller
Michael San Soucie	City Treasurer
Chris Bacha	City Attorney
Nicole Emery	City Clerk

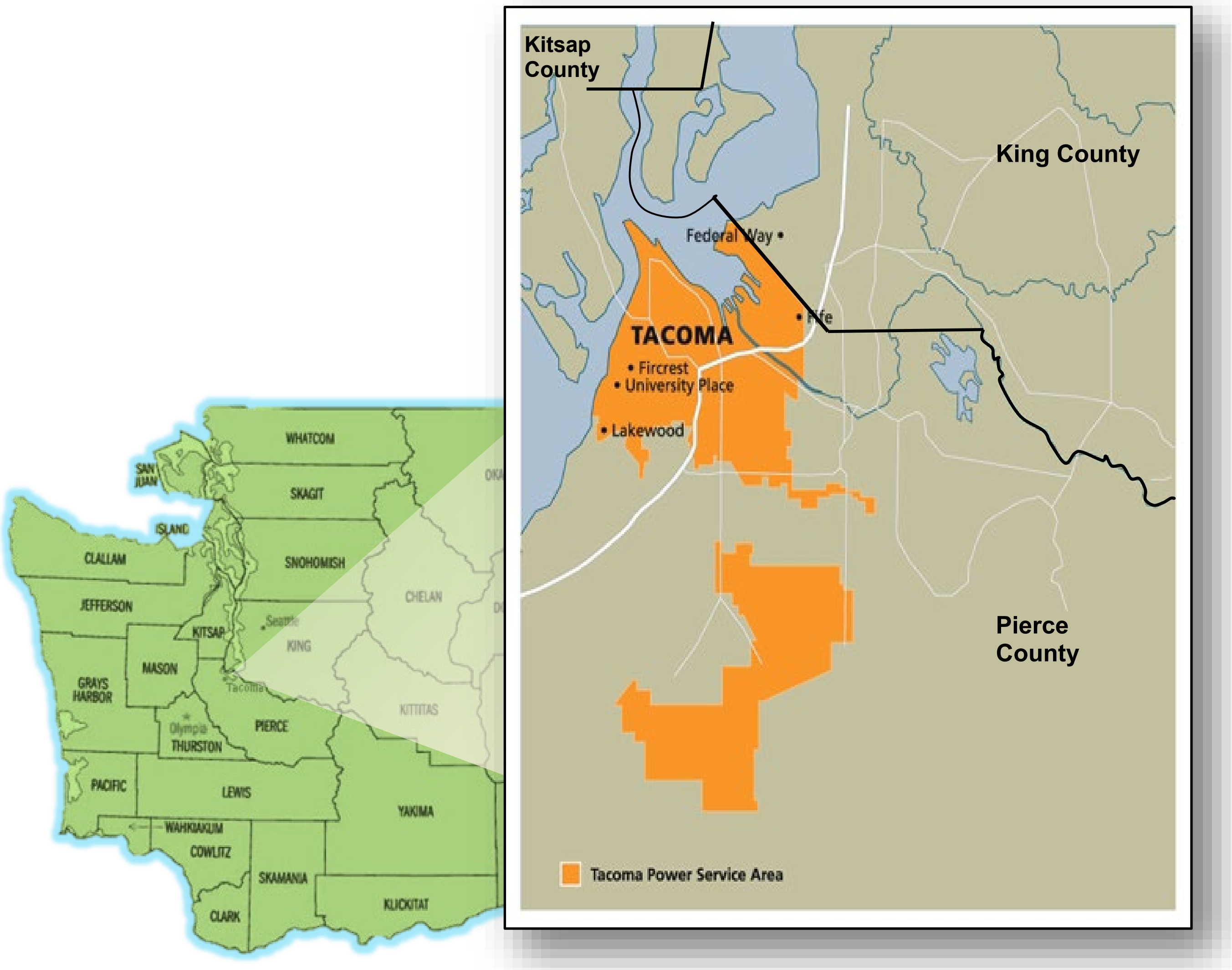
BOND AND DISCLOSURE COUNSEL
Pacifica Law Group LLP
Seattle, Washington

MUNICIPAL ADVISOR
Montague DeRose and Associates, LLC
Walnut Creek, California

INDEPENDENT AUDITORS
Moss Adams LLP
Seattle, Washington

[1] The City's website is not part of this Official Statement, and investors should not rely on information presented in the City's website in determining whether to purchase the Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website by reference.
[2] Elizabeth Pauli has announced her retirement effective July 1, 2025. The City is in the process of selecting a successor.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, TACOMA POWER



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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

$131,370,000
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2025A (GREEN BONDS)

$91,375,000
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2025B (GREEN BONDS)

INTRODUCTION

General

The City of Tacoma, Washington (the "City" or "Tacoma"), acting by or through its Department of Public Utilities (the "Department"), furnishes this Official Statement in connection with the offering of $131,370,000 principal amount of its Electric System Revenue Bonds, Series 2025A (Green Bonds) (the "2025A Bonds"), and $91,375,000 principal amount of its Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds) (the "2025B Bonds," and together with the 2025A Bonds, the "2025 Bonds"). The 2025 Bonds are being issued pursuant to Ordinance No. 28146, passed by the City Council on April 30, 2013, as supplemented and amended (the "Master Ordinance"), including as supplemented and amended by Supplemental Ordinance No. 29033 passed by the City Council on May 6, 2025 (the "Supplemental Ordinance," and together with the Master Ordinance, the "Bond Ordinance"), and under the authority of chapters 35.41, 39.46 and 39.53 of the Revised Code of Washington ("RCW") and the City Charter. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Bond Ordinance. See Appendix A for certain definitions.

The City is a municipal corporation organized and existing under the Constitution and laws of the State of Washington (the "State"). The City Charter provides for the Department, which is governed by a five-member Public Utility Board (the "Board"). The Board is responsible for general utility policy, and its members are appointed by the City Mayor and confirmed by the City Council, the legislative authority of the City. See "THE DEPARTMENT OF PUBLIC UTILITIES—TACOMA POWER."

The Department consists of the Light Division ("Tacoma Power"), the Water Division ("Tacoma Water"), and the Belt Line Railroad Division ("Tacoma Rail"). The Board serves as the sole policy board for the approval of most Department business. In the case of budgets, rates, bond issues, and system expansions, actions approved by the Board must also be approved by the City Council. Tacoma Power operates the City's electrical generation, transmission and distribution facilities (collectively, the "Electric System"). Tacoma Power is one of the largest municipally-owned utilities in the Pacific Northwest in terms of customers served and energy sold. In 2024, Tacoma Power served an average of approximately 195,000 retail accounts, had approximately 893 employees and had operating revenues of approximately $512 million. See "THE DEPARTMENT OF PUBLIC UTILITIES—TACOMA POWER."

The 2025 Bonds are special limited obligations of the City payable from and secured solely by special funds of the City known as the Electric System Revenue Fund ("Revenue Fund") and the Electric System Revenue Bond Fund ("Bond Fund") and from Net Revenues of the Electric System (each as defined herein), and other funds pledged therefor, on a parity of lien on such revenues with the outstanding Electric System revenue bonds and other Electric System revenue bonds that may be issued in the future. See "SECURITY FOR THE 2025 BONDS." As of the date of this Official Statement, the Electric System has the following parity lien obligations outstanding:

- Electric System Revenue Bonds, Series 2010B (Taxable Build America Bonds – Direct Payment) (the "2010B Bonds"), all of which will be refunded with proceeds of the 2025B Bonds;
- Electric System Revenue Bonds, Series 2010C (Taxable Clean Renewable Energy Bonds – Direct Payment) (the "2010C Bonds," and together with the 2010B Bonds, the "2010 Bonds"), all of which are to be redeemed with available funds of the Electric System on or around the date of issuance of the 2025 Bonds;
- Electric System Revenue and Refunding Bonds, Series 2013A (the "2013A Bonds");

- Electric System Revenue Bonds, Series 2017 (the "2017 Bonds");
- Electric System Revenue Bonds, Series 2021 (Green Bonds) (the "2021 Bonds");
- Electric System Revenue Bonds, Series 2024A (Green Bonds) (the "2024A Bonds"); and
- Electric System Revenue Refunding Bonds, Series 2024B (the "2024B Bonds" and, together with the 2024A Bonds, the "2024 Bonds").

The 2013A Bonds, the 2017 Bonds, the 2021 Bonds, and the 2024 Bonds are collectively referred to herein as the "Outstanding Parity Bonds."

The Outstanding Parity Bonds are currently outstanding in the aggregate principal amount of $547,380,000, including the 2010 Bonds to be refunded and redeemed with proceeds of the 2025B Bonds and available funds of the Electric System. See "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS." The City has reserved the right in the Bond Ordinance to issue additional parity bonds upon satisfaction of certain requirements ("Future Parity Bonds"). The 2025 Bonds, the Outstanding Parity Bonds and any Future Parity Bonds are referred to as the "Parity Bonds." See "DEBT INFORMATION" herein.

Extraordinary Optional Redemption of 2010B Bonds and 2010C Bonds

The 2010B Bonds and the 2010C Bonds were issued as taxable "Build America Bonds" and "New Clean Renewable Energy Bonds," respectively, and are subject to extraordinary optional redemption at any time prior to maturity at the option of the City, in whole or in part, upon the occurrence of an Extraordinary Event at the Extraordinary Redemption Price (each as defined in the Official Statement for the 2010B Bonds and the 2010C Bonds, available at https://emma.msrb.org/EA392817-EA308628-EA704312.pdf, which document is expressly not incorporated herein by this reference). The City has determined that an Extraordinary Event has occurred, and the refunding and redemption of the 2010B Bonds and 2010C Bonds will be achieved through the exercise of the extraordinary optional redemption provisions applicable to such bonds. See "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS—Refunding Plan."

Documents and Summaries; Investor Considerations

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument. All references herein to the 2025 Bonds and the Bond Ordinance are qualified in their entirety to the actual documents. See Appendix A for a summary of the Bond Ordinance.

The City regularly prepares a variety of publicly-available reports, including audits, budgets and related documents. Such reports are not incorporated herein by this reference. An investor may obtain a copy of any such report, as available from the City.

In the preparation of the projections in this Official Statement, the City has made certain assumptions with respect to conditions that may occur in the future. Although the City believes these assumptions are reasonable for the purpose of the projections, they are dependent upon future events, and actual conditions may differ from those assumed. To the extent actual future events or conditions differ from those assumed by the City or provided to the City by others, the actual results will vary from those projected. The City has not committed itself to provide investors with updated forecasts or projections.

The 2025 Bonds may not be suitable for all investors. Prospective purchasers of the 2025 Bonds should give careful consideration to the information set forth in this Official Statement and confer with their own tax and financial advisors before deciding whether to purchase the 2025 Bonds.

This introduction is qualified in its entirety by reference to the entire Official Statement, and a full review of the Official Statement should be made by potential investors. This Official Statement speaks only as of its date, and the information contained in it is subject to change.

Springing Amendments

Ordinance No. 28773 of the City, passed by the City Council on August 3, 2021, provides for certain springing amendments that will take effect immediately upon receipt of certain consents (including deemed 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: (a) modify the calculation of Net Revenues for purposes of the annual debt service coverage calculation, and (b) 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. ***By purchase of the 2025 Bonds, the owners of the 2025 Bonds shall be deemed to have consented to these springing amendments. Following the issuance of the 2025 Bonds, the refunding of the 2010B Bonds, and the cash redemption of the 2010C Bonds (as described below under "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS"), the bondholder consent requirement will be met and these springing amendments will become effective.*** See "SECURITY FOR THE 2025 BONDS—Rate Covenant and Debt Service Coverage Covenant" and Appendix A.

PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS

Purpose of the 2025 Bonds

2025A Bonds. The 2025A Bonds are being issued to provide funds to finance and reimburse the City for certain capital improvements to the Electric System, and to pay the costs of issuance of the 2025A Bonds. Capital improvements to be reimbursed and financed with proceeds of the 2025A Bonds include fish passage and dam improvement, seismic upgrades, distribution upgrades, and wood pole projects, among others.

2025B Bonds. Proceeds of the 2025B Bonds will be used, together with available funds of the Electric System, to refund all of the outstanding 2010B Bonds as described below under "Refunding Plan", and to pay the costs of issuance of the 2025B Bonds. Proceeds of the 2010B Bonds were used to finance and refinance capital improvements to the Electric System.

Green Bond Designation. The 2025 Bonds have been designated as "Green Bonds." See "2025 BONDS DESIGNATED AS GREEN BONDS."

Refunding Plan

The City will use proceeds of the 2025B Bonds and available funds of the Electric System to refund all of the outstanding 2010B Bonds (the "Refunded Bonds"). The Refunded Bonds are shown in Table 1.

TABLE 1
REFUNDED BONDS

Electric System Revenue Bonds, Series 2010B
(Taxable Build America Bonds – Direct Payment)

Maturity Date (January 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price[2][3]	CUSIP No. (873519)
2032[1]	$ 47,070,000	5.791%	07/03/2025	102.846	MM1
2035[1]	100,000,000	5.966	07/03/2025	103.369	ML3

(1) Term bond.
(2) The Extraordinary Redemption Price was calculated per the terms of the 2010B Bonds, as described below.
(3) Prices exclude accrued interest to the Redemption Date.

Extraordinary Optional Redemption of the 2010B Bonds. The 2010B Bonds were issued as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), and as "qualified bonds" pursuant to Subsection 54AA(g), pursuant to which the City would be allowed a credit payable by the United States

Treasury pursuant to Section 6431 of the Code in an amount equal to 35% of the interest payable on each interest payment date of the 2010B Bonds. The 2010B Bonds are subject to extraordinary optional redemption at any time prior to maturity at the option of the City, in whole or in part, upon the occurrence of an Extraordinary Event (as defined below), at the Extraordinary Redemption Price (as described in the Official Statement for the 2010B Bonds, available at https://emma.msrb.org/EA392817-EA308628-EA704312.pdf, which document is expressly not incorporated herein by this reference).

As defined in the Official Statement for the 2010B Bonds, an "Extraordinary Event" will have occurred with respect to the 2010B Bonds if the City has determined that a material adverse change has occurred to Section 54AA of the Code (as such Section was added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to "Build America Bonds"), or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Section or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the City to satisfy the requirements to receive the 35% cash subsidy payment from the United States Treasury with respect to the 2010B Bonds, pursuant to which the 35% cash subsidy payment from the United States Treasury with respect to the 2010B Bonds is reduced or eliminated. The City has determined that an "Extraordinary Event" has occurred with respect to the 2010B Bonds, and the redemption of the 2010B Bonds will be achieved through the exercise of the extraordinary optional redemption provisions applicable to the 2010B Bonds.

Refunding Procedure for Refunded Bonds. The City will transfer the proceeds of the 2025B Bonds and available funds of the Electric System in an amount sufficient to carry out the plan of refunding to the paying agent for the Refunded Bonds, U.S. Bank Trust Company, National Association (the "Refunding Agent"), on the closing date of the 2025 Bonds in order to effect the redemption of the 2010B Bonds at the Extraordinary Redemption Prices for the Refunded Bonds, plus accrued interest to the date of redemption for the Refunded Bonds.

Extraordinary Optional Redemption of the 2010C Bonds with Funds of the Electric System. Simultaneously with the issuance of the 2025 Bonds the City will use available funds of the Electric System to redeem, in whole, the outstanding 2010C Bonds. The 2010C Bonds were issued as taxable "New Clean Renewable Energy Bonds," and are subject to extraordinary optional redemption at any time prior to maturity at the option of the City, in whole or in part, upon the occurrence of an Extraordinary Event at the Extraordinary Redemption Price (each as defined in https://emma.msrb.org/EA392817-EA308628-EA704312.pdf, which document is expressly not incorporated herein by this reference). The City has determined that an Extraordinary Event has occurred with respect to the 2010C Bonds, and the redemption of the 2010C Bonds will be achieved through the exercise of the extraordinary optional redemption provisions applicable to the 2010C Bonds. Proceeds of the 2025 Bonds will not be applied to the redemption of the 2010C Bonds, and the redemption of the 2010C Bonds is not contingent on the issuance of the 2025 Bonds or the refunding of the Refunded Bonds.

Verification of Mathematical Calculations and Sufficiency. Robert Thomas CPA, LLC (the "Verification Agent") has verified, from the information provided to it, the mathematical accuracy of the calculations of the Extraordinary Redemption Price (as described in the Official Statement for the 2010B Bonds and the 2010C Bonds noted above) with respect to the extraordinary optional redemption of the 2010B Bonds and the 2010C Bonds on the date of redemption.

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Estimated Sources and Uses of Funds

The following table shows estimated sources and uses of 2025 Bond proceeds and other available funds of the Electric System (amounts in table have been rounded).

TABLE 2
SOURCES AND USES OF FUNDS[(1)]

Sources of Funds	**2025A Bonds**	**2025B Bonds**	**Total**
Par Amount	$ 131,370,000	$ 91,375,000	$ 222,745,000
Original Issue Premium	4,191,288	10,279,633	14,470,921
Cash Contribution	--	50,565,813	50,565,813
Total	$ 135,561,288	$ 152,220,446	$ 287,781,734
Uses of Funds			
Project Fund Deposit	$ 135,000,000	--	$ 135,000,000
Refunding Account	--	$ 151,826,900	151,826,900
Issuance Expenses[(2)]	561,288	393,546	954,834
Total	$ 135,561,288	$ 152,220,446	$ 287,781,734

(1) Totals may not foot due to rounding.
(2) Includes underwriters' discount, legal fees, municipal advisor's fees, green bond verification report fees, rating agency fees, and other costs incurred in connection with the issuance of the 2025 Bonds and the refunding of the Refunded Bonds, and additional proceeds.

2025 BONDS DESIGNATED AS GREEN BONDS

General

The 2025 Bonds have been designated as "Green Bonds." This designation is intended to allow investors the opportunity to invest directly in bonds that finance environmentally-beneficial projects. This designation is not intended to provide or imply that the holders of the Green Bonds are entitled to any additional terms or security to those provided in the Bond Ordinance.

The City has retained Kestrel, a Climate Bonds Initiative Approved Verifier, to verify that the Green Bonds conform, in all material respects, with the International Capital Market Association ("ICMA") Green Bond Principles (June 2021) (the "Green Bond Principles").

Green Bonds Designation

Per the ICMA, "Green Bonds" are any type of debt instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible "green projects" and which are aligned with the four core components of the Green Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel has determined that the 2025 Bonds are in conformance with the four core components of the Green Bond Principles, as described in Kestrel's "Second Party Opinion," which is attached hereto as Appendix G.

In the Second Party Opinion, Kestrel has agreed to provide one update report on the 2025 Bonds within 12 months of issuance. This report is expected to be produced after all proceeds have been spent and will include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects including allocation of proceeds. See Appendix G. The City regularly provides operating and other information regarding its facilities as described in Appendix G.

Independent Second Party Opinion on Green Bond Designation and Disclaimer

For over 23 years, Kestrel has been consulting in sustainable finance. Kestrel is an Approved Verifier accredited by the Climate Bonds Initiative. Kestrel reviews transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria. Municipal bonds are benchmarked with Kestrel Sustainability Intelligence™.

The Second Party Opinion issued by Kestrel does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the 2025 Bonds. Second Party Opinions provided by Kestrel are not a recommendation to any person to purchase, hold, or sell the 2025 Bonds and designations do not address the market price or suitability of the 2025 Bonds for a particular investor and do not and are not in any way intended to address the likelihood of timely payment of interest or principal when due. The Second Party Opinion may be withdrawn at any time in the sole and absolute discretion of Kestrel and there is no assurance that the Second Party Opinion will not be withdrawn.

In issuing the Second Party Opinion, Kestrel has assumed and relied upon the accuracy and completeness of the information made publicly available by the City or that was otherwise made available to Kestrel.

Despite the Second Party Opinion being provided by Kestrel, it should be noted that there is currently no clearly defined regulatory definition applicable to the 2025 Bonds, as to what constitutes a "green" or equivalently labelled project. No assurance can be given that such a clear regulatory definition will develop over time, or that, if developed, it will include the projects to be financed with the proceeds of the 2025 Bonds. Accordingly, no assurance is or can be given to investors that any uses of the 2025 Bonds will meet investor expectations regarding such "green" or other equivalently labeled performance objectives or that any adverse environmental and other impacts will not occur during the construction or operation of projects to be financed with 2025 Bond proceeds.

No representation is made by the City or the Board as to the suitability of any 2025 Bonds to fulfill Green Bond criteria required by prospective investors. Each potential purchaser of 2025 Bonds should determine for itself the relevance of the information contained or referred to herein or in the Bond Ordinance, including regarding the intended use of the 2025 Bond proceeds. Any purchase of 2025 Bonds should be based upon such investigation as the purchaser deems necessary.

DESCRIPTION OF THE 2025 BONDS

General Terms

The 2025 Bonds will be dated their date of delivery and will be issued in fully registered form in denominations of $5,000 each or integral multiples thereof within a series and maturity. The 2025 Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement and will bear interest from their date, payable on January 1, 2026 and semiannually thereafter on July 1 and January 1 of each year, until maturity or prior redemption, as applicable, at the rates set forth on the inside cover of this Official Statement. Interest on the 2025 Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

Registration and Payment

Book-Entry System. The 2025 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). DTC will act as the initial securities depository for the 2025 Bonds. Individual purchases and sales of the 2025 Bonds will be made in book-entry form only in minimum denominations of $5,000 or integral multiples thereof within a series and maturity. Purchasers ("Beneficial Owners") will not receive certificates representing their interests in the 2025 Bonds. So long as Cede & Co. is the Registered Owner of the 2025 Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. or its successor and will not mean the Beneficial Owners of the 2025 Bonds. For information about DTC and its book-entry system, see APPENDIX B—"BOOK-ENTRY SYSTEM." The City makes no representation as to the accuracy or completeness of the information in Appendix B provided by DTC. Purchasers of the 2025 Bonds should confirm this information with DTC or its broker-dealer participants.

Bond Registrar. The City has adopted the system of registration for the 2025 Bonds approved, from time to time, by the State Finance Committee (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates a fiscal agent for bonds issued within the State. The State's fiscal agent, currently U.S. Bank Trust Company, National Association (the "Bond Registrar"), will authenticate the 2025 Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the 2025 Bonds, recording the purchase and registration, exchange or transfer, and payment of 2025 Bonds and performing the other respective obligations of the paying agent and registrar. No resignation or removal of the Bond Registrar shall become effective until a successor has been appointed and has accepted the duties of Bond Registrar.

Payments. To pay the principal of and interest on the 2025 Bonds and other Parity Bonds when due, the City will remit money from the Bond Fund for the purpose of paying debt service to the Bond Registrar. The Bond Registrar is obligated to remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the 2025 Bonds as described in Appendix B.

For so long as the 2025 Bonds are held by a depository, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC. In the event that the 2025 Bonds are no longer held by a depository, interest on the 2025 Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date (as defined below), or upon the written request of a Registered Owner of more than $1,000,000 of 2025 Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the 2025 Bonds shall be payable upon presentation and surrender of such 2025 Bonds by the Registered Owners at the designated office of the Bond Registrar. "Record Date" is defined in the Bond Ordinance as the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

Transfer and Exchange. The transfer of any 2025 Bond may be registered and 2025 Bonds may be exchanged as provided in the Bond Ordinance. Upon such surrender, the Bond Registrar shall cancel the surrendered 2025 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new 2025 Bond (or 2025 Bonds at the option of the new Registered Owner) of the same date, series, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered 2025 Bond, in exchange for such surrendered and cancelled 2025 Bond. Any 2025 Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of 2025 Bonds of the same date, series, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any 2025 Bond during the period between the preceding Record Date and the principal payment or redemption date.

Redemption Provisions

Optional Redemption. The 2025A Bonds are subject to optional redemption, as a whole or in part (and if in part, with maturities to be selected by the City), on any date on or after January 1, 2035, at a price equal to the principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

The 2025B Bonds are not subject to optional redemption prior to maturity.

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Mandatory Redemption. The 2025A Bonds stated to mature on January 1, 2050 are term bonds and, if not previously redeemed under the optional redemption provisions or purchased by the City and surrendered for cancellation, are to be called for mandatory redemption at a price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, on the dates and in the principal amounts set forth below.

2025A TERM BONDS (2050 Maturity)

Years (January 1)	Amounts
2046	$ 8,505,000
2047	8,950,000
2048	9,420,000
2049	9,915,000
2050[1]	10,435,000
Total	$ 47,225,000

(1) Final Maturity.

The 2025A Bonds stated to mature on January 1, 2055 are term bonds and, if not previously redeemed under the optional redemption provisions or purchased by the City and surrendered for cancellation, are to be called for mandatory redemption at a price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, on the dates and in the principal amounts set forth below.

2025A TERM BONDS (2055 Maturity)

Years (January 1)	Amounts
2051	$ 10,980,000
2052	11,560,000
2053	12,165,000
2054	12,805,000
2055[1]	13,475,000
Total	$ 60,985,000

(1) Final Maturity.

To the extent that the City redeems (other than in satisfaction of the mandatory sinking fund requirements) or purchases for cancellation any term bonds that are subject to mandatory redemption, the City may reduce the mandatory sinking fund requirement of such term bonds of the same maturity, in like aggregate principal amount for the year specified by the City.

Selection of 2025 Bonds for Redemption. For as long as the 2025 Bonds are held in book-entry only form, the selection of 2025 Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the 2025 Bonds are no longer held in uncertificated form, the selection of such 2025 Bonds to be redeemed shall be made as follows: If the City redeems at any one time fewer than all of the 2025 Bonds of a series having the same maturity date, the particular 2025 Bonds or portions of 2025 Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of a 2025 Bond of a denomination greater than $5,000, the City and the Bond Registrar shall treat each such 2025 Bond as representing such number of separate 2025 Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such 2025 Bonds, as applicable, by $5,000. In the event that only a portion of the principal sum of a 2025 Bond is redeemed, upon surrender of such 2025 Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a 2025 Bond of like maturity, series and interest rate in any of the denominations authorized in the Bond Ordinance.

Notice of Redemption; Conditional Redemption; Rescission. For so long as the 2025 Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. The notice of redemption may be conditional. If the 2025 Bonds are no longer held by a depository, notice of redemption will be given as follows: Unless waived by any owner of 2025 Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the 2025 Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or unless such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the 2025 Bonds or portions of 2025 Bonds which are to be redeemed on that date.

The City retains the right to rescind any optional redemption notice and the related optional redemption of 2025 Bonds by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the 2025 Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Effect of Call for Redemption. If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the 2025 Bonds or portions of 2025 Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such 2025 Bonds or portions of 2025 Bonds shall cease to bear interest. Upon surrender of such 2025 Bonds for redemption in accordance with said notice, such 2025 Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as provided in the Bond Ordinance for payment of interest. All 2025 Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

Purchase

The City reserves the right to purchase any or all of the 2025 Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Failure to Pay Bonds

If any 2025 Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the 2025 Bond until the 2025 Bond is paid.

Defeasance

In the event that the City, to effect the payment, retirement, or redemption of any 2025 Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such 2025 Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into such Bond Fund for the payment of the principal of and interest on such 2025 Bond. The owner of a 2025 Bond so provided for shall cease to be entitled to any benefit or security of the Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such 2025 Bond shall be deemed to be not outstanding under the Bond Ordinance. The City shall give written notice of defeasance to the Registered Owner(s) of the 2025 Bonds and to each party entitled to receive notice in accordance with the Continuing Disclosure Certificate.

The term "Government Obligations" is defined in the Bond Ordinance to mean direct or indirect obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

SECURITY FOR THE 2025 BONDS

Pledge

Under the Bond Ordinance, the 2025 Bonds are special limited obligations of the City payable from and secured solely by (i) Net Revenues of the Electric System and (ii) the money and investments, if any, credited to the Electric System Revenue Fund (the "Revenue Fund") and the Bond Fund and the income therefrom.

Pursuant to the Bond Ordinance, the City has pledged as security for the payment of the principal of, premium, if any, and interest on the 2025 Bonds, subject only to the provisions of the Bond Ordinance restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Ordinance: (i) the proceeds of the sale of the 2025 Bonds to the extent held in funds established by the Bond Ordinance, (ii) Net Revenues, and (iii) the money and investments, if any, credited to the Revenue Fund and the Bond Fund, and the income therefrom.

All Parity Bonds shall be equally and ratably payable and secured under the Bond Ordinance without priority by reason of date of adoption of the ordinance providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, or by the liens, pledges, charges, trusts, assignments, and covenants made in the Bond Ordinance, except as otherwise expressly provided or permitted in the Bond Ordinance.

"Net Revenues," is defined in the Bond Ordinance to mean for any period, the excess of Revenues over Operating Expenses for such period, excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; (b) insurance and condemnation proceeds; (c) income from investment of money on hand in any construction fund and other investment income restricted to a particular purpose inconsistent with its use for the payment of debt service; and (d) any other extraordinary, non-recurring income or contribution.

"Revenues" is defined in the Bond Ordinance to mean all income (including investment income), receipts and revenues received by the City through the ownership and operation of the Electric System (including any income derived by the City through the ownership and operation of any facilities that may hereafter be purchased, constructed, or otherwise acquired and operated by the City as a separate utility system, which income is available after meeting all requirements of the obligations of such separate system and is paid into the Revenue Fund) "Revenues" do not include investment income restricted to a particular purpose inconsistent with its use for the payment of debt service, including investment income derived pursuant to a plan of debt refunding.

"Operating Expenses" is defined in the Bond Ordinance to mean the City's expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses included in the Uniform System of Accounts and includes, without limiting the generality of the foregoing, (a) all costs of purchased Power and Services required under contracts existing as of the date of passage of the Bond Ordinance to be taken by the City for the account of the Electric System, and otherwise all costs of purchased Power and Services to the extent, but only to the extent, that the City is not obligated to make payment therefor unless the City is receiving Power and Services in return for such payment and (b) costs of Contract Resource Obligations upon satisfaction of the requirements established by the Bond Ordinance. "Operating Expenses" include payments to the City for services rendered to the electric utility by other departments or offices of the City but do not include any extraordinary, non-recurring expenses, any costs or expenses for new construction, interest, amortization, any allowance for depreciation or any taxes payable to the City (or payments in lieu of taxes) upon the properties or earnings of the Electric System or the earnings of any separate electric utility system derived from payments by the Electric System.

"Power and Services" is defined in the Bond Ordinance to mean energy, capacity, reserves and services, excluding the purchase of ownership of generating capability.

Limited Obligations

THE 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE GENERAL OBLIGATIONS OF THE CITY OR OF THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE, OR

A CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY OR OF THE STATE, OR OF ANY POLITICAL SUBDIVISION OF THE STATE, NOT SPECIFICALLY PLEDGED THERETO BY THE BOND ORDINANCE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR OF THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE, NOR ANY REVENUES OF THE CITY DERIVED FROM SOURCES OTHER THAN THE ELECTRIC SYSTEM OF THE CITY, OR ANY OTHER MONEYS OR PROPERTY OF THE CITY, ARE PLEDGED TO THE PAYMENT THEREOF.

State law provides that the owner of a bond, such as the 2025 Bonds, the payment of which is pledged from a special fund, such as the Bond Fund, has a claim only against that fund and proportionate amounts of revenue pledged to that fund. Under State law, any bond owner may bring a mandamus action to compel a city to set aside and pay into the special fund, such as the Bond Fund, the amount that a city is obligated to set aside and pay therein if funds are sufficient and it has otherwise failed to do so.

Flow of Funds

The City has covenanted under the Bond Ordinance to pay or cause to be paid all Revenues into the Revenue Fund as promptly as practicable after receipt thereof. The Revenues in the Revenue Fund are required by the Bond Ordinance to be held by the City in trust for the equal and ratable benefit of owners of the Parity Bonds and holders of reimbursement obligations ranking on a parity of lien with the Parity Bonds subject to application thereof in accordance with the Bond Ordinance. The City is further required by the Bond Ordinance to hold the Revenue Fund separate and distinct from all other funds of the City.

The City by ordinance has previously created in the Revenue Fund two accounts to be known as the General Account and the Operating Account. The Revenues paid into the Revenue Fund shall first be credited to the General Account and thereafter applied and used only for the following purposes and in the following order of priority:

First, to make all payments required to be made into the Operating Account to pay Operating Expenses;

Second, to make all payments required to be made into the Interest Account in the Bond Fund for the payment of accrued interest on the next interest payment date;

Third, to make all payments required to be made into the Principal Account in the Bond Fund for the payment of the principal amount of Serial Bonds next coming due, and into the Bond Retirement Account in the Bond Fund for the mandatory redemption of Term Bonds;

Fourth, to make all payments required to be made pursuant to a reimbursement agreement in connection with a Qualified Letter of Credit, Qualified Insurance or other equivalent credit facility, unless such payments are contractually obligated to be paid under Third above, provided that if there is not sufficient money to make all payments under reimbursement agreements the payments will be made on a pro rata basis;

Fifth, to make all payments required to be made into the Reserve Account in the Bond Fund for the Parity Bonds;

Sixth, to make all payments required to be made into any special fund created to pay and secure the payment of any revenue bonds, warrants or other revenue obligations of the City having a lien upon Net Revenues and money in the Reserve Fund and accounts therein junior or inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds;

Seventh, to pay any taxes (or payments in lieu of taxes) upon properties or earnings of the Electric System payable to the City;

Eighth, to deposit into the Rate Stabilization Fund the amounts budgeted or appropriated to be deposited therein; and

Ninth, for any lawful purpose of the City related to the Electric System, including capital improvements to the Electric System.

Rate Covenant and Debt Service Coverage Covenant

General Rate Covenant. The City has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that will be fair and adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Parity Bonds for which the payment otherwise has not been provided, for all payments the City is obligated to make into the Bond Fund and for the proper operation and maintenance of the Electric System, including payment of all Contract Resource Obligations included in the Electric System's Operating Expenses, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts that the City may now or hereafter become obligated to pay from the Revenues by law or contract. See "Contract Resource Obligations" below for conditions qualifying such obligations as Operating Expenses.

Debt Service Coverage Covenant. The City also has covenanted in the Bond Ordinance to establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year.

Upon receipt of consent (including deemed consent) of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding and consent of Assured Guaranty Municipal Corporation ("Assured"), and without the need for any further action by the City Council, the City's debt service coverage covenant shall read as follows:

> The City shall also establish, fix and prescribe rates and charges which are reasonably expected to be at least sufficient to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year. In connection with establishing, fixing and prescribing rates and charges for the upcoming Fiscal Year, the City shall take into account the collection experience in the then-current Fiscal Year.
>
> So long as the City has complied with its general rate covenant and debt service coverage covenant, after the effective date of this amendment, failure to collect Net Revenues in an amount equal to at least 1.25 times actual Annual Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default under the Bond Ordinance so long as the City has complied with its debt service coverage covenant as of the commencement of such Fiscal Year.

The City received the required consent of Assured at the time of issuance of the 2021 Bonds.

By purchase of the 2025 Bonds, the owners of the 2025 Bonds shall be deemed to have consented to these springing amendments. Following the issuance of the 2025 Bonds, the refunding of the Refunded Bonds, and the cash redemption of the 2010C Bonds (as described under "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS"), the bondholder consent requirement will be met and these springing amendments will become effective.

Solely for purposes of this calculation, there is added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the General Account in the Revenue Fund and deposited in the Rate Stabilization Fund. See "Rate Stabilization Fund" below.

Under the Bond Ordinance, Annual Debt Service, for any Fiscal Year means the amount equal to:

(A) the interest accruing during such Fiscal Year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of sale of Parity Bonds and less any federal credit for a portion of interest on Parity Bonds if permitted to be deducted as provided in the Bond Ordinance; and

(B) the principal of all outstanding Serial Bonds due in such Fiscal Year; and

(C) the Sinking Fund Requirement, if any, for such Fiscal Year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

For the purpose of calculating the principal and interest on Option Bonds in any Fiscal Year, such Option Bonds shall be assumed to mature on the stated maturity date or mandatory redemption date thereof.

Upon receipt of consent (including deemed consent) of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding and consent of Assured, and without the need for any further action by the City Council, the following shall be taken into account in the calculation of "Annual Debt Service":

> For purposes of computing Annual Debt Service on any Parity Bonds which constitute Balloon Indebtedness (as defined below), it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the then-current rate applicable to such Balloon Indebtedness or, at the option of the City, on a fixed rate equal to the rate at which the City could borrow for such period, as certified by a financial advisor, shall be amortized for a period specified by the City at the time of issuance of the Balloon Indebtedness (but no longer than thirty (30) years from the Issue Date of the Parity Bonds to which such Balloon Indebtedness relates) on a substantially level debt service basis or other amortization basis designated by the City.
>
> "Balloon Indebtedness" shall mean any series of Parity Bonds (a) more than 25% of the principal of which, in accordance with the terms of such Parity Bonds, is due and payable in any one Fiscal Year either by reason of the stated maturity date of such Parity Bonds or pursuant to a Sinking Fund Requirement, and (b) are designated by the City as "Balloon Indebtedness" at or prior to the Issue Date of such bonds; provided, that with respect to any Parity Bonds issued as Term Bonds, such Bonds shall only be treated as Balloon Indebtedness if more than 25% of the principal thereof is due in any one Fiscal Year pursuant to the applicable Sinking Fund Requirement or upon the stated maturity date thereof (assuming that the only principal due on the stated maturity date thereof will be the principal remaining outstanding after all redemptions have been made pursuant to the applicable Sinking Fund Requirement).

As noted above, the City received the required consent of Assured at the time of issuance of the 2021 Bonds.

By purchase of the 2025 Bonds, the owners of the 2025 Bonds shall be deemed to have consented to these springing amendments. Following the issuance of the 2025 Bonds, the refunding of the Refunded Bonds, and the cash redemption of the 2010C Bonds (as described under "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS"), the bondholder consent requirement will be met and these springing amendments will become effective.

The calculation of the coverage requirement set forth above, and the City's compliance therewith, may be made without regard to changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then a default relating to the coverage requirement shall not be considered an Event of Default if the coverage requirement would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of the Bond Ordinance.

Rate Stabilization Fund

Tacoma Power has previously established by ordinance, and will maintain, a Rate Stabilization Fund as a means of managing potential volatility in rates and augmenting reserve policies. Funds are intended to mitigate the need for large changes in rates from one year to the next. The Fund also may be used as a rate stabilization account for purposes of the ordinances authorizing the Parity Bonds. For purposes of calculating the coverage requirement, there shall be added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the Revenue Fund and deposited in the Rate Stabilization Fund. See "Rate Covenant and Debt Service Coverage Covenant" above.

The City transferred $10 million from the Rate Stabilization Fund to the Revenue Fund in 2019 to offset lower than budgeted wholesale revenues. The City subsequently transferred $25 million and $95 million of wholesale revenues to the Rate Stabilization Fund in 2021 and 2022, respectively. There were no transfers to the Rate Stabilization Fund in 2023 or 2024. See "FINANCIAL INFORMATION—Debt Service Coverage." As of December 31, 2024, the balance in the Rate Stabilization Fund totaled $158 million. The City policy is to review the adequacy of the Fund's balance annually.

Debt Service Reserve Account

The Bond Ordinance established a Reserve Account in the Bond Fund and permits the City to establish subaccounts within the Reserve Account and separate Reserve Account Requirements in connection with the issuance of Parity Bonds. The City has previously established subaccounts in the Reserve Account in connection with the issuance of the 2010 Bonds and the 2013A Bonds (the "2010 and 2013 Reserve Subaccounts"). The Reserve Account Requirement with respect to the 2010 Bonds and the 2013A Bonds means an amount equal to the lesser of maximum Annual Debt Service in any Fiscal Year following the date of computation or 125% of average Annual Debt Service. See "2010 and 2013 Reserve Subaccounts" below. The 2010 and 2013 Reserve Subaccounts secure only the payment of principal of and interest on the 2010 Bonds and the 2013A Bonds and any Future Parity Bonds that the City elects to have secured by such subaccounts, *and do not secure the payment of the principal of or interest on the 2017 Bonds, the 2021 Bonds, 2024 Bonds or the 2025 Bonds.*

The Reserve Account Requirement with respect to the 2025 Bonds will be zero. Thus, payment of debt service on the 2025 Bonds will not be secured by any debt service reserve account.

The Reserve Account Requirement with respect to any Future Parity Bonds will be an amount, if any, set forth in the Supplemental Ordinance authorizing the issuance thereof. The Supplemental Ordinance authorizing such Future Parity Bonds may provide a separate reserve account for such bonds or that such Future Parity Bonds will be secured by a common reserve account, including the 2010 and 2013 Reserve Subaccounts described below.

2010 and 2013 Reserve Subaccounts. The City obtained, for the benefit of the 2010 and 2013 Reserve Subaccounts, a reserve account surety policy (the "Reserve Surety") from Financial Security Assurance ("FSA"), now Assured, with a policy limit of $24,279,910. Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P") currently rate Assured "A1" (stable) and "AA" (stable), respectively. The Reserve Surety from Assured applies to all Parity Bonds secured by the 2010 and 2013 Reserve Subaccounts and expires on the earlier of January 1, 2042 or the date that the 2010 Bonds and the 2013A Bonds are no longer outstanding. The 2010B Bonds are Refunded Bonds, and the City will redeem, with available funds of the Electric System, the outstanding 2010C Bonds on the date of issuance of the 2025 Bonds. With the redemption of the Refunded Bonds and the 2010C Bonds, the 2010 Reserve Subaccount will be closed. The City retains the right at any time to redeem or defease the outstanding 2013A Bonds, at which time the 2013 Reserve Subaccount will close and the Reserve Surety will terminate. The 2025 Bonds will not be secured by the 2013 Reserve Subaccount or any other reserve accounts, and will not benefit from the Reserve Surety.

Contract Resource Obligations

The Bond Ordinance authorizes the City to create, acquire, construct, finance, own and operate one or more electric utility systems for the purpose of generating, transmitting or distributing electric power and energy. The Council may declare any such system to be a separate utility system not financed from Revenues (except as a Contract Resource Obligation (i) included in Operating Expenses of the Electric System upon compliance with the Bond Ordinance or (ii) on a basis junior and inferior to the lien on Revenues pledged to secure Parity Bonds). The revenue of such separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn, or otherwise acquire or expand such separate utility system.

The City has retained the right under the Bond Ordinance to create and incur Contract Resource Obligations. Contract Resource Obligations are payable from Revenues as an Operating Expense and thus prior to the payment of debt service on the Parity Bonds. The City does not have any Contract Resource Obligations.

A Contract Resource Obligation is defined in the Bond Ordinance to mean an obligation of the Electric System to pay the following costs, whether or not Power and Services are available to the Electric System in return for such payment:

(i) costs associated with generation, transmission or distribution facilities (including any common undivided interest therein) acquired, purchased or constructed by the City, and declared by the City to be a separate utility system, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate electric utility system, or

(ii) costs associated with the purchase of Power and Services under a contract.

The City may declare that the costs associated with any separate utility system shall constitute a Contract Resource Obligation and may be included in the Electric System's Operating Expenses; provided, however, no Contract Resource Obligation constituting the costs of a separate utility system for the retail distribution of electric power and energy may be included in the Electric System's Operating Expenses.

A Contract Resource Obligation may be included in the Electric System's Operating Expenses if at the time the Contract Resource Obligation is incurred:

(a) No Event of Default has occurred and is continuing;

(b) There shall be on file with the City Clerk a certificate of an Engineer stating that the average annual Net Revenues for the period beginning with the first Fiscal Year following the earlier of (1) the date to which interest is capitalized or (2) the date of initial operation of the facilities to be financed and ending with the fifth full Fiscal Year after such date shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer; and

(c) There shall be on file with the City Clerk an opinion of the Engineer to the effect that;

(1) If the Contract Resource Obligation is to be utilized to supply power and energy, (A) the additional source of power and energy is sound from a power supply planning standpoint and is technically and economically feasible in accordance with prudent utility practice; and (B) the estimated cost of such Contract Resource Obligation is reasonable; or

(2) If the Contract Resource Obligation is to be utilized to supply transmission capability, (A) the transmission capability will be necessary within a reasonable time after the estimated date of commercial operation of the transmission facilities; and (B) the estimated cost of such Contract Resource Obligation is reasonable.

Under the provisions of the Bond Ordinance, the above-referenced certificate of an Engineer may be given by a Certified Public Accountant.

Future Parity Bonds

The City may issue Future Parity Bonds payable from the Bond Fund on an equal lien with the 2025 Bonds and the Outstanding Parity Bonds and any Future Parity Bonds for:

(i) any lawful purpose of the City related to the Electric System, including acquiring, but not limited to, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, repairs, replacements and capital improvements to the Electric System, and

(ii) the purpose of providing funds, with any other available funds, for retiring at or prior to their maturity or maturities any or all of the outstanding Parity Bonds of any series or any reimbursement obligation made pursuant to a Parity Bond Ordinance, including the payment of any redemption premium thereon, and, if deemed necessary by the City, for paying the interest to accrue thereon to the date fixed for their retirement and any expenses incident to the issuance of such Future Parity Bonds.

Future Parity Bonds may be issued in such denominations, bear interest at such fixed or variable rates payable on such dates and mature on such date or dates in such year or years as the City shall determine by ordinance. Future Parity Bonds may include Capital Appreciation Bonds, Deferred Income Bonds and Option Bonds.

The City may issue additional Future Parity Bonds only upon compliance with the following conditions:

A. Except as to Future Parity Bonds issued for refunding purposes, at the time of the issuance of those Future Parity Bonds, there is no deficiency in the Bond Fund, no Event of Default has occurred and is continuing, and the certificate described in paragraph B below shall have been delivered.

B. There shall be on file with the City Clerk either:

(i) A certificate of an appropriate financial officer of the City stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the authentication and delivery of the Future Parity Bonds then proposed to be issued, as determined from the financial statements of the Electric System prepared by the Department, were not less than 125% of the maximum Annual Debt Service in any future Fiscal Year on all outstanding Parity Bonds and the bonds then proposed to be issued, (provided, that (x) in the event that any adjustment in the rates, fees and charges collected by the City for the services of the Electric System shall be effective at any time on or prior to the date of authentication and delivery of the Future Parity Bonds then proposed to be issued, such officer shall reflect in the certificate the Net Revenues such officer estimates would have been collected in such 12-month period if such new rates, fees, and charges had been in effect for the entire 12-month period, and (y) with respect to any Variable Interest Rate Bonds outstanding on the date such certificate is delivered, such officer shall estimate the debt service based upon such assumptions as such officer shall consider reasonable and set forth in such certificate), or

(ii) A certificate of an Engineer stating that the average annual Net Revenues for the period beginning with the first Fiscal Year following the earlier of (x) the date to which interest has been capitalized, or (y) the date of initial operation of the facilities to be financed by such Future Parity Bonds, and ending with the fifth Fiscal Year after such date shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year, as estimated by the Engineer in accordance with the Bond Ordinance.

C. If Future Parity Bonds are being issued for purposes of retiring outstanding Parity Bonds or any reimbursement obligation, the City Clerk shall have on file either:

(i) A certificate of an appropriate financial officer of the City showing that the maximum Annual Debt Service in any Fiscal Year thereafter shall not be increased by more than $5,000 by reason of the issuance of such Future Parity Bonds, or

(ii) Either of the certificates described under by paragraph B above.

Such Future Parity Bonds shall not be delivered unless the proceeds of such Future Parity Bonds, together with any other money that has been made available for such purposes, and the principal of and the interest on the investment thereof, shall be sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, and the expenses incident to the issuance of such Future Parity Bonds.

In rendering any certificate summarized above, the Engineer may rely upon, and such certificate shall have attached thereto, financial statements of the Electric System, certified by an appropriate financial officer of the City, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, or similar certified statements by a Certified Public Accountant. Furthermore,

A. In estimating Net Revenues for each of the Fiscal Years covered by any certificate required to be delivered by it as described above, the Engineer may base its estimate upon such factors as it shall consider reasonable.

B. In estimating the Annual Debt Service for each of the Fiscal Years covered by any certificate required to be delivered by it as described above, the Engineer shall include the Annual Debt Service on all Parity Bonds estimated to be outstanding during each such Fiscal Year. With respect to (a) any Parity Bonds which are not outstanding on the date such certificate is delivered but which are projected to be issued during the period covered by such certificate to complete construction of the facilities being financed by the Future Parity Bonds then being issued, and (b) any Variable Interest Rate Bonds outstanding on the date such certificate is delivered, the Engineer shall estimate the debt service on such bonds upon such assumptions as the Engineer shall consider reasonable and set forth in such certificate, including assumptions with respect to the interest rate or rates to be borne by such bonds and the amounts and due dates of the principal installments for such bonds; provided, however, that the interest rate or rates assumed to be borne by any Variable Interest Rate Bonds shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time that the Engineer delivers such certificate.

Under the provisions of the Bond Ordinance, the above-referenced certificate of an Engineer may be given by a Certified Public Accountant.

Subordinate Obligations

The Bond Ordinance permits the Electric System to incur debt obligations which are payable from Revenues, after the payment of Operating Expenses, on a basis junior and subordinate to the Parity Bonds. The City passed a subordinate master bond ordinance in 2015 (the “Master Subordinate Ordinance”) authorizing and setting forth the terms and provisions of Subordinate Revenue Bonds of the Electric System (“Subordinate Obligations”). See “DEBT INFORMATION—Subordinate Lien Obligations.”

Additional Covenants

The City has covenanted in the Bond Ordinance to, among other things, maintain the properties of the Electric System in good repair, working order, and condition; to sell or otherwise dispose of the Electric System in its entirety only if provision is made for the payment, redemption or retirement of all Parity Bonds then outstanding, and in part only upon satisfaction of certain conditions; to insure (or self-insure) the properties of the Electric System; to keep proper books of account of the Electric System; to comply with permits or licenses of the Electric System; and to satisfy certain other covenants for the benefit of the owners of the Parity Bonds. See Appendix A—“SUMMARY OF THE BOND ORDINANCE” for a summary of these and other covenants agreed to by the City for the benefit of the owners of the Parity Bonds.

Permitted Investments

Money held in the Revenue Fund, the Rate Stabilization Fund, the Construction Fund and the Bond Fund (and the accounts therein) may be invested in Permitted Investments, as defined in Appendix A. For a description of the funds and accounts created by the Bond Ordinance, see Appendix A.

Derivative Products

The City may enter into Derivative Products on a parity with the Parity Bonds upon complying with certain conditions. See Appendix A—"SUMMARY OF THE BOND ORDINANCE." At this time, the City has no Derivative Products.

Reimbursement Obligations

In the event that the City elects to meet the Reserve Account Requirement as to any issue of Parity Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity has a lien on Net Revenues equal to that of the Parity Bonds.

In the event that the City elects additionally to secure any issue of Option Bonds through the use of a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance, or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds; provided that the payments due under such reimbursement agreement are such that if such reimbursement obligation were a series of Future Parity Bonds, such bonds could be issued in compliance with the applicable provisions of the Bond Ordinance. See "Future Parity Bonds" above.

Contingent Payment Obligations

The City has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation by the City to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events beyond the direct control of the City. These agreements may include interest rate swaps and other similar agreements, agreements with respect to the delivery of electric energy or other energy, letter of credit agreements, and other financial and energy hedging transactions. Such contingent payments or posting of collateral may be conditioned upon the future credit ratings of the City and/or other parties, maintenance by the City of specified financial ratios, future changes in energy prices, and other factors. The amount of any such payments or posting of collateral could be substantial. Some such payments may be characterized as Operating Expenses, and thus may be payable from Revenues prior to the payment of debt service on the Parity Bonds. Other such payments may be payable on a parity with debt service on the Parity Bonds, including any "scheduled and specified payments" with respect to Derivative Products. The City has entered into an agreement with the Bonneville Power Administration ("BPA") that includes such contingent payment obligations. The agreement includes obligations on the part of the City to post collateral or a letter of credit contingent upon the occurrence or nonoccurrence of certain future events, such as credit rating downgrades. The City may enter into future agreements with such requirements. See Appendix A—"SUMMARY OF THE BOND ORDINANCE" and "POWER SUPPLY RESOURCES AND COST OF POWER—Long-Term Purchases of Power Supply and Related Transmission Services—*BPA Purchases*."

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DEBT INFORMATION

Description of the Outstanding Parity Bonds

The 2025 Bonds will be issued as parity obligations with the Outstanding Parity Bonds and any Future Parity Bonds that may be issued in the future. The following is a summary of the Outstanding Parity Bonds as of May 1, 2025. The following table includes the Refunded Bonds and 2010C Bonds, and excludes the 2025 Bonds and subordinate lien obligations.

TABLE 3
OUTSTANDING PARITY BONDS
(as of May 1, 2025)

Outstanding Parity Bonds	Authorizing Ordinance(s)	Bonds Dated	Principal Amount Issued	Principal Amount Outstanding	Final Maturity
2010B Bonds(1)	27889	07/27/2010	$ 147,070,000	$ 147,070,000	01/01/2035
2010C Bonds(2)	27889	07/27/2010	24,185,000	24,185,000	01/01/2027
2013A Bonds	28146	06/13/2013	181,610,000	54,015,000	01/01/2042
2017 Bonds	28146 and 28444	09/01/2017	70,575,000	61,310,000	01/01/2047
2021 Bonds	28146 and 28773	09/14/2021	121,855,000	121,855,000	01/01/2051
2024 Bonds	28932	02/15/2024	142,660,000	138,945,000	01/01/2054
			$ 687,955,000	$ 547,380,000	

(1) Refunded Bonds to be refunded with proceeds of the 2025B Bonds and available funds of the Electric System.
(2) The City will redeem, with available funds of the Electric System, the outstanding 2010C Bonds on the date of issuance of the 2025 Bonds.

Source: City of Tacoma

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Debt Service Requirements

The following table provides the debt service requirements for the Outstanding Parity Bonds (excluding the Refunded Bonds and the 2010C Bonds) and the 2025 Bonds. The following table does not include debt service on subordinate lien obligations.

TABLE 4
TACOMA POWER ELECTRIC SYSTEM REVENUE BONDS
PARITY BOND DEBT SERVICE REQUIREMENTS(1)

	Outstanding Parity Bonds(2)		2025A Bonds		2025B Bonds		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total(3)
2025(2)	$6,205,000	$16,914,950	-	$3,381,518	-	$2,258,993	$28,760,461
2026	6,220,000	16,603,950	-	6,839,025	-	4,568,750	34,231,725
2027	-	16,603,950	-	6,839,025	$500,000	4,543,750	28,486,725
2028	6,540,000	16,276,950	-	6,839,025	-	4,543,750	34,199,725
2029	6,860,000	15,933,950	-	6,839,025	-	4,543,750	34,176,725
2030	7,205,000	15,573,700	-	6,839,025	-	4,543,750	34,161,475
2031	-	15,573,700	-	6,839,025	16,520,000	3,717,750	42,650,475
2032	-	15,573,700	-	6,839,025	17,325,000	2,851,500	42,589,225
2033	-	15,573,700	-	6,839,025	18,125,000	1,945,250	42,482,975
2034	-	15,573,700	-	6,839,025	18,995,000	995,500	42,403,225
2035	-	15,573,700	-	6,839,025	19,910,000	-	42,322,725
2036	21,245,000	14,511,450	-	6,839,025	-	-	42,595,475
2037	22,305,000	13,396,200	-	6,839,025	-	-	42,540,225
2038	21,270,000	12,332,700	-	6,839,025	-	-	40,441,725
2039	26,225,000	11,148,650	-	6,839,025	-	-	44,212,675
2040	27,355,000	10,042,600	-	6,839,025	-	-	44,236,625
2041	28,465,000	8,890,300	-	6,839,025	-	-	44,194,325
2042	29,685,000	7,549,150	-	6,839,025	-	-	44,073,175
2043	16,160,000	6,785,850	$7,345,000	6,471,775	-	-	36,762,625
2044	16,930,000	5,985,800	7,715,000	6,086,025	-	-	36,716,825
2045	17,735,000	5,147,350	8,100,000	5,681,025	-	-	36,663,375
2046	18,590,000	4,268,100	8,505,000	5,234,513	-	-	36,597,613
2047	19,395,000	3,508,100	8,950,000	4,764,638	-	-	36,617,738
2048	14,725,000	2,934,975	9,420,000	4,270,088	-	-	31,350,063
2049	15,305,000	2,338,850	9,915,000	3,749,550	-	-	31,308,400
2050	15,905,000	1,718,775	10,435,000	3,201,713	-	-	31,260,488
2051	16,530,000	1,073,750	10,980,000	2,625,263	-	-	31,209,013
2052	6,810,000	733,250	11,560,000	2,018,363	-	-	21,121,613
2053	7,155,000	375,500	12,165,000	1,379,700	-	-	21,075,200
2054	7,510,000	-	12,805,000	707,438	-	-	21,022,438
2055	-	-	13,475,000	-	-	-	13,475,000
Total(3)	$382,330,000	$288,517,300	$131,370,000	$165,835,030	$91,375,000	$34,512,743	$1,093,940,073

(1) Based on fiscal years ending December 31. Each fiscal year's debt service requirement includes interest that accrues in that year and principal due in that year. Table 4 excludes subordinate lien obligations.
(2) 2025 debt service figures include the January 1 and July 1 debt service payment made on the Refunded Bonds and other Outstanding Parity Bonds.
(3) Column totals may not add due to rounding.
Source: City of Tacoma

Subordinate Lien Obligations

The City retains the right to issue revenue obligations with a subordinate lien on Net Revenues. The City passed a Master Subordinate Ordinance authorizing and setting forth the terms and provisions of Subordinate Revenue Bonds of the Electric System. See "SECURITY FOR THE 2025 BONDS—Subordinate Obligations." The City does not currently have any Subordinate Revenue Bonds of the Electric System outstanding.

Future Financing

The City does not expect to issue any other Future Parity Bonds secured by Net Revenues within the next 12 months. The City periodically reviews its outstanding debt for refunding opportunities, and may refinance debt secured by Net Revenues as market conditions warrant.

Debt Payment Record

The City has promptly met all debt service payments on outstanding obligations. No refunding bonds have been issued to avoid an impending default.

THE CITY

General

The City was incorporated in 1884 and operates under the council-manager form of government, which is administered by a City Council under the Constitution and laws of the State and the City Charter. The City Council is composed of nine members: a Mayor and eight Council Members, five of whom are elected from districts which have been apportioned according to population. The three remaining positions are "at large" positions, nominated and elected City-wide. The Council Member positions are four-year terms with overlapping terms to allow for the election of four Council Members every two years. The Mayor is elected City-wide for a four-year term and is the presiding officer of the City Council. The Deputy Mayor, who exercises the powers and duties of the Mayor in the absence or disability of the Mayor, is elected by the Council Members for a one-year term. Council Members, including the Mayor, can serve no more than 10 consecutive years as a member of the City Council, Mayor or combination thereof.

In addition to the Department, various departments within the City provide a full range of services to the citizens of the City including police and fire protection, water production and distribution, wastewater and surface water services, solid waste services, public works (which includes street operations, engineering, facility management and fleet operations), planning and development services, community and economic development, neighborhood and community services, and many others.

City Administration

The City Council appoints a City Manager who is the chief executive officer of the City. The City Manager is responsible to the City Council for the administration of all departments of the City with the exception of the Department. Pursuant to an amendment to the City Charter approved by the voters in 2014, the City Manager's appointments of department heads require confirmation by the City Council.

The City Manager appoints a Finance Director who supervises the financial and purchasing functions of the City, including the City's accounting system. The Finance Director is responsible for preparing the Annual Comprehensive Financial Report in accordance with generally accepted accounting principles and the instructions of the State Auditor's Office. The Finance Director oversees and monitors the payment of principal and interest on all bonds issued by the City, including the 2025 Bonds. Under the Finance Director, a Budget Officer of the Office of Management and Budget is responsible for the preparation and monitoring of the biennial budget, which provides for the servicing of debt and provides for anticipated revenues to meet the estimated costs of expenditures. The budget is presented to the City Council for its review and approval and final adoption.

The City Manager appoints the City Treasurer, who is responsible for the receipt, custody and disbursement of City funds. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by the Finance Director. The Government Performance and Finance Committee, composed of four council members, is responsible for the financial management and policies of the City.

Elizabeth Pauli, City Manager. Ms. Pauli was appointed City Manager in May 2017. Prior to her appointment, she served as Interim City Manager. She joined the City in May 1998 as Chief Assistant City Attorney and was appointed City Attorney in 2004. Prior to her work with the City, she was a partner at McGavick Graves. Ms. Pauli is a graduate of the University of Wisconsin-Madison Law School. She also holds a Bachelor of Science degree in education and social work from University of Wisconsin-Madison. Ms. Pauli is a member of the Washington State Bar Association and the Washington State Association of Municipal Attorneys. Ms. Pauli has announced her retirement effective July 1, 2025. The City is in the process of selecting a successor.

Andrew ("Andy") Cherullo, Finance Director. Mr. Cherullo joined the City in February 2013. Prior to joining the City, he most recently served as the Chief Financial Officer for the Washington State Health Care Authority. Prior to that, Mr. Cherullo served as the Chief Financial Officer for the Massachusetts School Building Authority. He started his career in public finance at the Massachusetts House Ways and Means Committee, where within four years he became the Budget Director. As Finance Director for the City, Mr. Cherullo serves as the Chief Financial Officer for the City Manager and the City Council. He is responsible for overseeing the City's financial affairs, including accounting, debt and investment management, procurement and purchasing, and financial reporting. Mr. Cherullo has Bachelor's degrees in Economics and Political Science from the University of Montana and a Master's degree in Economics from Tufts University.

Michael San Soucie, City Treasurer. Mr. San Soucie joined the City in April 2013. He served in the role of Treasury Manager until his appointment to City Treasurer in March 2023. He has over 30 years of governmental experience at both the state and local levels. Mr. San Soucie has a Bachelor of Science degree in Accounting from Central Washington University and maintains a current CPA license.

Chris Bacha, City Attorney. Mr. Bacha has been a municipal practitioner since 1987 with an emphasis on the following practice areas: transactional law; common carrier regulations – telecommunications, cable and rail; municipal finance and taxation; municipal legislation; land use and planning; municipal utilities; labor and employment law; public works contracting and construction law; criminal justice; constitutional law, administrative law; real property; environmental law; elections; and public administration. He was named Interim City Attorney on October 2, 2023 and City Attorney on December 19, 2023. Previously, he served as Deputy City Attorney and Chief Deputy City Attorney for the City (2015 to 2023), as outside city attorney for various cities in Washington (2006 to 2015), as an Assistant City Attorney for the City (1988 to 2006), and as a Lewis County Deputy Prosecuting Attorney (1987 to 1988).

Nicole Emery, City Clerk. Ms. Emery was appointed as City Clerk effective August 14, 2023. For nearly four years, Ms. Emery previously served as an office administrator in the City Manager's Office providing direct support to the Office of the Mayor with duties related to public records and public meeting administration and support. Prior to that position, she spent six years in the City Clerk's Office where she acquired first-hand experience supporting the City's Charter Review process, onboarding new staff, and finalizing the City Council's agenda and meeting.

THE DEPARTMENT OF PUBLIC UTILITIES — TACOMA POWER

Overview

The City Charter provides for the Department, which is governed by a five-member Board. The Board is responsible for general utility policy, and its members are appointed by the Mayor and confirmed by the City Council. The Department's budget is presented to the Board for review and approval and then forwarded to the City Council for approval and inclusion in the City's budget. The Board generally meets twice monthly.

The Director of Utilities, who is chief executive officer of the Department, is appointed by the Board and confirmed by the City Council. The Board must evaluate the performance of the Director annually and reappoint the Director every two years subject to confirmation by the City Council. The current Director, Jackie Flowers, was appointed Director in 2018 and reappointed in 2020, 2022, and 2024. The Director, with the concurrence of the Board, has the power to appoint division superintendents.

Tacoma Power was formed in 1893 when the City purchased the water and electric utility properties of the former Tacoma Water and Light Company. Tacoma Power is the fourth largest public power utility in the State, serving an average of approximately 195,000 retail customer accounts in 2024, with approximately 893 employees and operating revenues of approximately $512 million.

In 1912, the City constructed its first hydroelectric generation facility on the Nisqually River. Since then it has acquired generating capacity to meet the growing needs of its customers through a variety of arrangements. In 2024, the four hydroelectric generating projects owned by Tacoma Power (including the Nisqually River Project (consisting of the Alder and LaGrande plants), the Cushman Hydroelectric Project (consisting of Cushman No. 1 and Cushman No. 2), the Cowlitz River Project (consisting of the Mayfield and Mossyrock plants) and Wynoochee produced approximately 38% of Tacoma Power's resource portfolio. See Table 12. Tacoma Power transferred the generating assets at the Hood Street facility to Tacoma Water. Tacoma Power has a power purchase agreement with Tacoma Water for the energy produced at this facility. Tacoma Power's remaining power supply is purchased pursuant to power purchase contracts and market purchases. See "POWER SUPPLY RESOURCES AND COST OF POWER." Tacoma Power owns and operates 66 substations serving retail load, eight generation switchyards, 23 load-service points to other utilities, 352 miles of transmission facilities, and approximately 2,034 miles of distribution lines. See "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE."

Utility rates and charges are initiated by the Board and adopted by the City Council, and are not subject to review or approval by any other governmental agency. See "ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES—Electric Rates."

The City Charter provides that, except for a reasonable gross earnings tax imposed by the City Council for the benefit of the City's general fund not to exceed 8.0%, the revenues of utilities owned and operated by the City may not be used for any purposes other than the ongoing operations of the utilities and payment of debt service on utility debt. The funds of any utility may not be used to make loans to or purchase the bonds of any other utility, department, or agency of the City. See "Taxes Imposed on Tacoma Power" below.

Tacoma Power - General

Tacoma Power is organized into the following business units:

- *Generation* operates and maintains Tacoma Power's four hydroelectric generating projects (Cowlitz, Cushman, Nisqually and Wynoochee) and the associated recreational facilities, fisheries facilities and other project lands. Generation also manages Tacoma Power's Federal Energy Regulatory Commission ("FERC") Hydroelectric Project License compliance program.

- *Power Management* plans for future power resources through integrated resource planning processes; acquires power resources as needed through contracts, construction decisions, and customer energy programs; determines operating levels of the hydropower generation fleet and engages in power marketing activities; conducts research and development to support electrification of transportation and to learn about new energy resources; engages in state, federal, and regional energy policy and regulatory matters; and is responsible for compliance with various local, state, and federal mandates.

- *Power Shared Services* brings together the work of several different workgroups, serving both the Department and Tacoma Power specifically. These workgroups include areas such as North American Electric Reliability Corporation ("NERC") Reliability and Compliance, Strategic Planning, People Programs, Training and Apprenticeships, Performance Management, Facilities and Grounds Maintenance, Construction Project Management, and Emergency Management. Power Shared Services is responsible for advising senior and executive leaders in each of these areas, preparing plans to mitigate adverse impacts on the utilities, and implementing programs that address future strategies.

- *Power Administration* is responsible for all utility operations including Environmental Health and Safety ("EH&S"). EH&S is responsible for compliance with local, state, and federal regulations, as well as Tacoma Safety and Enviromental Services requirements through strategic planning, development, and deployment of policies, procedures and programs, to protect employee health and safety and minimize the environmental impact of utility operations on the environment and community.

- *Transmission and Distribution* plans, constructs, operates, and maintains the transmission and distribution systems including substations, the underground network system, revenue metering facilities and all overhead and underground transmission and distribution systems.

- *Rates, Planning and Analysis* plans for and manages the retail rate process, rate design and development, financial planning activities, operations and capital budget development and monitoring, retail consumption forecasting and research, and energy risk management analysis and modeling.

- *Utility Technology Services* ("UTS") maintains owned and leased communication networks, on-premises and cloud-based operational and informational technology systems, and related equipment and infrastructure to optimize utility operations and improve reliability, security and service quality. UTS develops operational technology strategic plans and delivers technology solutions supporting key utility modernization projects. UTS also manages Tacoma Power's NERC Critical Infrastructure Protection ("NERC CIP") compliance program.

Tacoma Power previously operated Click! Commercial Network ("Click!"), which provided retail cable TV and wholesale high-speed Internet services to residential and business customers, and data transport services to retail customers. In early 2020, operational control of Click! was transferred from Tacoma Power to Rainier Connect North, LLC ("Rainier Connect"), a private operator. Under the terms of the Indefeasible Right of Use Agreement between the City and Rainier Connect and related documents, the City transferred certain inventory, equipment and vehicles and operational control of Click! to Rainier Connect in exchange for an upfront purchase price and an ongoing annual fee. The annual fee ranges from $2.5 million in the first year to $3.0 million in the fifth year, and increasing thereafter to reflect the Consumer Price Index. The annual fee is included in lease revenue in Tacoma Power's financial statements. Since the operational control transition date, Rainier Connect assumed all operations and liabilities associated with Click!, except for certain liabilities accrued before the operational control transfer date, including for instance any liability associated with ongoing litigation. The City continues to own Click! under the various agreements to ensure that it meets certain security requirements and the needs of Tacoma Power, Tacoma Water and Tacoma Rail. The term of the Indefensible Right of Use Agreement is 20 years from its effective date, unless earlier terminated in accordance with its terms, subject to two additional 10 year extensions. In 2023, Rainier Connect was acquired by Palisade Infrastructure and rebranded as Lightcurve™.

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The following table summarizes selected operating and financial data regarding Tacoma Power as of December 31, 2024.

TABLE 5
TACOMA POWER
SELECTED OPERATING AND FINANCIAL DATA
CALENDAR YEAR 2024

Average Number of Customer Accounts (Retail)	195,113
Energy Sales in Megawatt-Hours (Retail)	4,380,851
Operating Revenues	$512,351,514
Gross Investment in Utility Plant	$1,175,596,826
Net Investment in Utility Plant	$1,228,278,843
Total Municipal Equity	$423,729,699
Net Current Assets(1)	$418,626,978
Ratio of Current Assets to Current Liabilities	5:1
Long-Term Debt to Total Capitalization(2)	50.52%
Parity Bond Debt Service Coverage	4.29

(1) Includes the balance of the Rate Stabilization Fund.
(2) Ratio of long-term debt to long-term debt plus equity (including the Rate Stabilization Fund).
Source: City of Tacoma

Service Territory and Map

Tacoma Power's retail service area consists of approximately 180 square miles, including the entire 43 square miles comprising the City. Tacoma Power provides electric service within its service area and services in other portions of Pierce County, and transmission service to nine other electric utilities. The City Charter prohibits the City Council from granting any franchise to sell or supply electricity within the City as long as the City is engaged in supplying electricity. A map showing Tacoma Power's service area follows on the next page.

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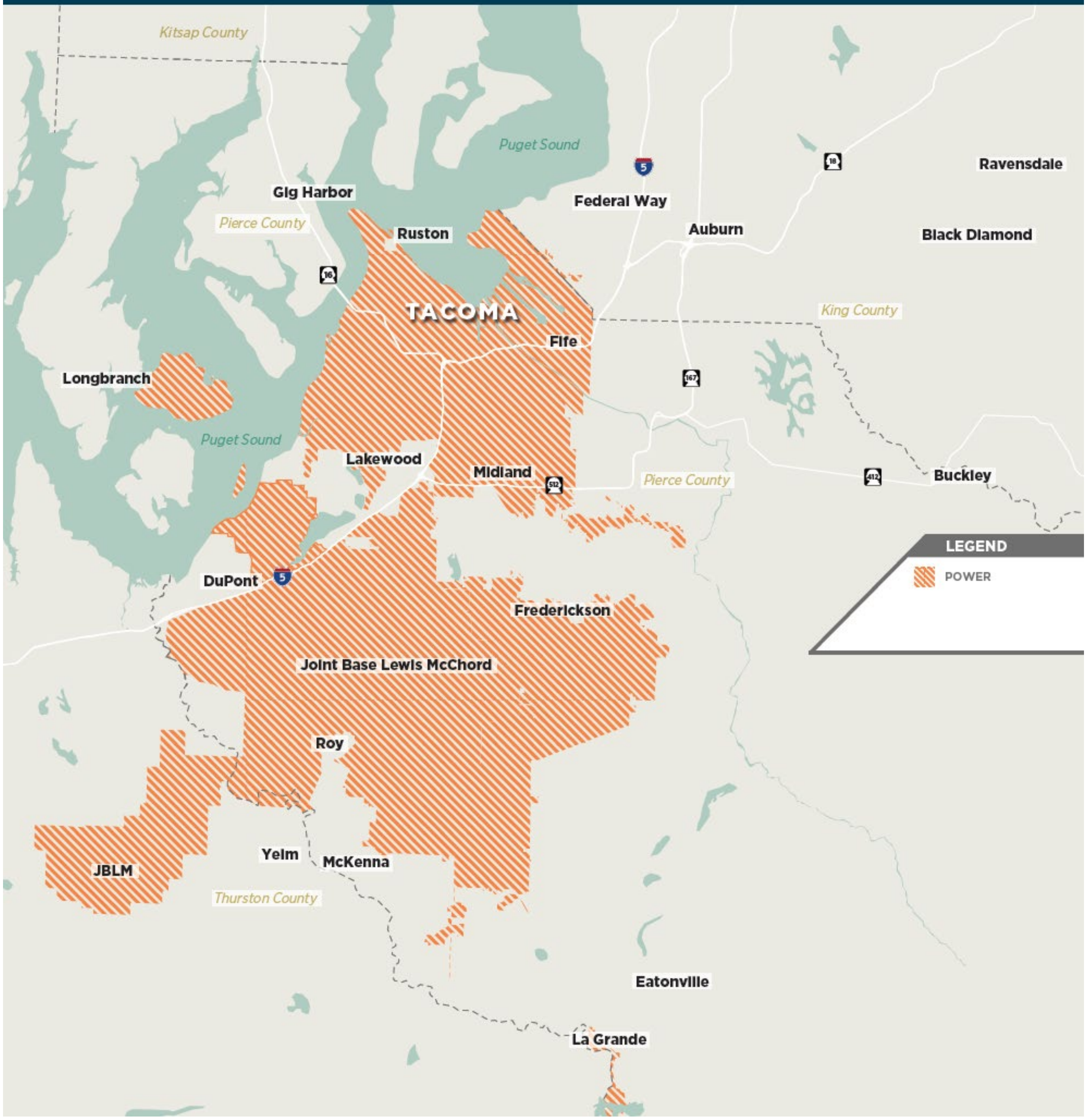
TACOMA POWER SERVICE AREA



Management

Brief descriptions of the backgrounds of key officials of the Department and Tacoma Power follow.

Jackie Flowers, P.E.**,** Director of Utilities, was appointed Department Director in 2018. Ms. Flowers has over 30 years professional experience, with 15 of those managing public utilities, including hydropower generation, power supply, power transmission and distribution, energy efficiency, engineering, operations technology, fiber optic networks, and traffic signalization. She serves on the Board of Directors for the Tacoma-Pierce County Chamber of Commerce, the Economic Development Board for Tacoma-Pierce County, the Large Public Power Council and GridForward. She is also a member of the American Public Power Association CEO Climate Change Taskforce.

Alex Yoon, Deputy Director of Utilities and Chief Administrative Officer, was appointed to this position in 2023 to oversee the financial and operational administration of the Department, including coordinating support of its utilities. Ms. Yoon has over 25 years of experience in financial and administrative services including Director of the Administrative Services division of the Seattle Public Library and the Chief Financial Officer of Public Health – Seattle and King County. Ms. Yoon obtained a B.S. in accounting from the University of Washington and is a Washington State CPA.

Chris Robinson**,** Power General Manager and Superintendent, assumed his position in May 2015. He joined Tacoma Power in 2001 and became Power Manager in April 2010, after having previously served as Assistant Power Section Manager of Energy Resource Planning. Prior to his tenure with Tacoma Power, Mr. Robinson worked with various electrical utility clients as a private-sector consultant. He received his M.S. in Resource Economics from the University of Maine, and his B.A. in Economics and B.A. in Political Science from Rutgers University.

Rachel Allen**,** Deputy General Manager - Power Shared Services, has served in this position since 2018. Ms. Allen joined Tacoma Power in 2002 as a Senior Systems Planning Engineer in Transmission and Distribution. Following her time in Systems Planning, Ms. Allen then supervised the Asset Management and Meter Relay work groups, before managing Transmission and Distribution's Electrical Services section. Prior to working for Tacoma Power, Ms. Allen served for 10 years in several engineering positions at Avista Utilities in Spokane, Washington. Ms. Allen obtained her B.S. in Electrical Engineering from Gonzaga University and is an Executive Sponsor of Western Energy Institute's Women in Leadership Program.

Ying Hall**,** Deputy General Manager - Rates, Planning and Analysis, has served in this position since 2022. She has served at Tacoma Power since 2009 in multiple roles, most recently as the manager of the Rates, Budget, Financial Planning, and Energy Risk Management teams. Ms. Hall received her B.A. in Economics from University of California, Berkeley.

Charles ("Ray") Johnson, Deputy General Manager - Power Management, has served in this position since 2023. Mr. Johnson is responsible for wholesale trading and operations, long term power supply planning, and customer energy programs. Prior to his current role, he held multiple roles in the organization, including the retail pricing and energy risk functions. Prior to joining Tacoma Power, Mr. Johnson managed The Energy Authority's west coast analytics group. He has earned Energy Risk Professional and Sustainability and Climate Risk certifications. He holds bachelor's degrees in Economics and International Studies from Oregon State University and a Masters of Business Administration from Seattle University.

Kalyan Kakani**,** Deputy General Manager - Utility Technology Services and Chief Information Officer, joined Tacoma Power in January 2024. Mr. Kakani was previously at Seattle City Light where he served as its Utility Technology Director and has over twenty-five years of Informational and Operational Technology experience within the utility industry (including water, gas, and electric) in private and government sectors. His areas of leadership include information technology architecture, operations technology applications and infrastructure, information and operations technology convergence, data management, project delivery and management, and cybersecurity. Mr. Kakani has a Bachelor of Technology in Engineering from Andhra University and a Master of Science in Engineering from University of Louisiana. He is a Certified Public Manager with the State of Nevada. He recently graduated from Wharton's Chief Technology Officer Program.

Chris Mattson, P.E.**,** Deputy General Manager - Generation, assumed this position in 2017. Mr. Mattson joined Tacoma Power in 1995 and served in various engineering positions before becoming Production Engineering Manager in 2012. He received his B.S. and M.S. in Electrical Engineering from the University of Washington and is a registered Professional Engineer. Mr. Mattson currently serves on the Board of Directors for the National Hydropower Association.

Valerie Sherman**,** Deputy General Manager - Environmental, Health and Safety, has served in this position since November 2020. She brings over 25 years of experience to her role. Before joining Tacoma Power, Ms. Sherman worked at The Boeing Company for almost 20 years where she held leadership roles in Safety and Human Resources for a number of airplane programs. Prior to The Boeing Company, she worked at the Department of Labor and Industries for almost 10 years and managed both State Fund and Self-Insured Workers' Compensation claims. Ms. Sherman obtained her B.A. in Spanish from the University of Puget Sound and her M.B.A. from the University of Phoenix.

Joseph Wilson, P.E.**,** Deputy General Manager - Transmission and Distribution, has served in this position since 2017 and has 34 years of electric utility experience. Before joining Tacoma Power in 2010, Mr. Wilson worked at Seattle City Light and Eugene Water & Electric Board in engineering roles. His roles at Peninsula Light Company and Tacoma Power have been engineering management roles. At Tacoma Power, Mr. Wilson has led the System Operations, System Planning and Construction & Maintenance teams. He currently serves as a Northwest Public Power Association Board member. Mr. Wilson obtained his B.S. in Electrical Engineering from the University of Washington and maintains his Professional Engineer license.

Budgetary Policies

The Tacoma Power biennial budget is proposed by the Board and adopted by the City Council with legal budgetary control at the fund level; expenditures may not exceed budgeted appropriations at the fund level. The City Manager or the Director, as appropriate, may authorize transfers within funds; however, the City Council must approve, by ordinance, any amendments that increase fund expenditures beyond the amounts specified in the budget.

Auditing

Accounting systems and budgetary controls are prescribed by the Office of the State Auditor in accordance with RCW 43.09.200 and RCW 43.09.230. State statutes require audits for cities to be conducted by the Office of the State Auditor. The City complies with the systems and controls prescribed by the Office of the State Auditor and establishes procedures and records which reasonably provide for safeguarding of assets and the reliability of financial reporting.

The State Auditor is required to examine the affairs of cities at least once every two years. The City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the Office of the State Auditor and in the finance department of the City.

Tacoma Power's financial statements are audited by an independent accounting firm. The financial statements of Tacoma Power for fiscal years 2023 and 2024 were prepared by the City Finance Office and audited by Moss Adams LLP, Tacoma Power's independent auditor. Tacoma Power's audited financial statements for such years, including the audit letter, have been included in Tacoma Power's 2024 Annual Financial Report, a copy of which is attached in Appendix D.

The audited financial statements of Tacoma Power are public documents. Tacoma Power has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report.

Labor Relations

As of December 31, 2024, Tacoma Power had approximately 893 employees, inclusive of certain employees who provide shared services, of which approximately 496 were represented by unions. Approximately 398 other City employees provide administrative and other support to the Department, including Tacoma Power. The majority of Tacoma Power's represented employees are represented by the International Brotherhood of Electrical Workers ("IBEW") Local 483, one of 12 labor organizations that represent City employees. The current four-year agreement for the Tacoma Power collective bargaining unit expired on March 31, 2024. A successor agreement is under negotiation with the IBEW Local 483, and will be subject to approval by the Board and the City Council. Tacoma Power management promotes responsive and respectful labor relations that are beneficial both to its business operations and to its employees.

Retirement benefits through the Tacoma City Employees' Retirement System historically have been recommended by the Tacoma Retirement Board, which includes representatives of City employees and retirees, as well as City management, and approved by the City Council. See "Retirement System" below.

Guiding Principles

In 2019, the Department launched policy development of Board Rules of Procedure (formerly Government Process), Board-Director Linkage, and Guiding Principles (formerly Strategic Directives). The Board Rules of Procedure are processes for how the Board governs itself. The Board-Director Linkage policies clarify how the Board expects the Director to carry out the work of the Department. The Guiding Principles establish the performance standards for which the Board will hold the Department accountable on behalf of its ratepayers. Guiding Principles adopted by the Board include equity and inclusion, financial sustainability, rates, stakeholder engagement, environmental sustainability, innovation, reliability and resiliency, telecom, economic development, government relations, employee relations, customer service, and resource planning.

Strategic Plan

The Department has a comprehensive strategic plan, providing a shared mission, vision, and values for all the divisions—Tacoma Power, Tacoma Water, and Tacoma Rail. The Department's mission is to "deliver clean, reliable services essential to quality of life." The shared vision is to "be a trusted community partner, where employees are proud to deliver equitable, affordable utility services." The shared values are safety, belonging, customer focus, integrity, and respect.

- Tacoma Power's divisional strategic plan and goals were refreshed in 2024 and the revised 2025-2027 plan focuses on four key areas to support the Department's vision, including Financial Stability, Operational Excellence, Technology and Data Modernization, and Climate Change Adaptation. Financial Stability is focused on sustaining community support for Tacoma Power's long-term financial plan and future rate trajectory.

- Operational Excellence is focused on responding to Tacoma Power's 2024 Strength, Weaknesses, Opportunities and Threats analysis, supervisor interview feedback, and 2024 Employee Satisfaction Survey results.

- Technology and Data Modernization is focused on reducing siloed and duplicative technology implementations to improve cost-effectiveness and ensure operational efficiency and reliability of technology.
- Climate Change Adaptation is focused on being reliable and affordable in an evolving industry impacted by climate change.

Key accomplishments from the 2023-2024 Tacoma Power strategy efforts include:

- Modernizing generator outage schedules which Tacoma Power optimized baseline maintenance outage durations, frequency, and timing. This enhanced operational flexibility and capacity as well as providing additional opportunities for wholesale market transactions.

- Collecting resource information on critical Transmission and Distribution projects and Power Shared Services projects to create visibility of resource needs for staff across Tacoma Power through enhancing a resource capacity planning dashboard.

- Giving supervisors and managers guidance and tools to assist with workload conversations and support while assisting employees with prioritizing and balancing workload. These efforts were aimed at increasing productivity, lessening employee burn-out, and improving morale.

- Completing a system gap analysis to address Tacoma Power's business needs in transitioning to a cloud-based enterprise software system for managing business operations and customer relations.

- Creating a grid modernization plan and roadmap that provides clarity on how Tacoma Power will respond to the opportunities and disruptions of the future. For Tacoma Power, grid modernization means making investments in advanced technologies and concepts to meet the current and future needs of the utility, its customers, and stakeholders.

- Forecasting how electrification might impact customer demand over the next 20 years to inform future utility planning. Identifying and quantifying customer demand in such forecasts is expected to help Tacoma Power better understand future energy and capacity needs that may impact the Electric System.

- Developing a program to systematically accomplish projects that will enable generation to safely restore Riffe Lake's elevation as quickly as possible, which is expected to lead to increased wholesale revenue.

Emergency Management Plans

Tacoma Power maintains several emergency management plans, per federal guidance and regulatory standards including those from Federal Emergency Management Agency, NERC, and FERC, among others, and Emergency Action, Response, and Operations plans in partnership and coordination with city, county, state, federal and tribal partners. Each business line within Tacoma Power has developed specific plans to adhere to the guidance, standards and regulations such as: Generation's Emergency Action Plans which provides notification and operations following incidents at hydroelectric facilities; Transmission and Distribution's Emergency Response Plan, which provides recovery of power transmission and distribution; and Power Management's Water Release Notification Plan, which is used for notification prior to excessive releases of water from the hydroelectric facilities. Tacoma Power's Emergency Management team has also developed and maintains a Continuity of Operations Plan which ties all section level emergency response plans together as well as identifies Mission Essential Functions and Supporting Essential Functions to provide continuity in operation of the utility following incidents. Tacoma Power also performs annual trainings, drills, and other exercises to test the functionality of these emergency response plans. Tacoma Power's Utility Technology Services section also maintains a Cybersecurity Incident Response plan for cyber intrusion. In addition to these primary overarching plans, Tacoma Power's Emergency Management team developed and maintains supporting response and operations plans such as Transmission and Distribution's Wildfire Mitigation Plan, Generation's Hydro Operations During Wildfire Response Plan, and supporting Standard Operating Procedures for all levels of emergency planning.

Retirement System

Substantially all City employees, including employees of the Department, are covered by a contributory retirement plan administered by the City's Employee Retirement System ("TERS"), an actuarially funded system administered by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System ("LEOFF"), which is operated by the State for law enforcement officers and firefighters throughout the State. Additionally, the City administers two single-employer pension funds as required by State statute: a Police Relief and Pension Fund and a Firemen's Relief and Pension Fund.

Tacoma Employees' Retirement System. The following information regarding TERS is provided on a City-wide basis. The most recent actuarial valuation of TERS was completed as of January 1, 2024 by Milliman (the "Milliman Report") and reported a funding ratio of 97.2%. Additional information, including the Milliman Report, is available on the TERS website (which website is not incorporated herein by this reference) at: www.cityoftacoma.org/retirement.

TERS is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City, with the exception of police officers, firefighters, Tacoma Rail and employees who are covered by other retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of Pierce Transit and South Sound 911 (formerly known as the Law Enforcement Support Agency) who established membership in TERS when these agencies were still City departments, are also members. As of January 1, 2024, there were 2,836 retirees and beneficiaries currently receiving benefits, 675 vested terminated members entitled to future benefits and 3,325 active members in TERS.

The Board of Administration of TERS (the "TERS Board") administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma Municipal Code. The TERS Board consists of nine members, including the City Mayor, who serves as chair, Finance Director, City Manager (or designee), Public Utilities Director (or designee), three employees, one retiree and one City resident (not employed by the City) elected by the other eight members. The TERS Board is required by the City's municipal code to make annual reports to the City Council on the financial condition of TERS. The TERS Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of TERS.

Contributions City-wide totaled $63.1 million in 2023 ($34.1 million in employer contributions and $29.0 million in employee contributions) and $58.0 million in 2022 ($31.3 million in employer contributions and $26.7 million in employee contributions). The contribution rate for the City's covered payroll is currently set at 21% of pensionable wages for 2023, with 11.34% paid by the City and 9.66% paid by employees.

The City, including Tacoma Power, is current in all payments to TERS. Further details about the plan are included in Note 12 in Appendix D.

In addition to TERS, City employees participate in the federal Social Security program. The City withholds the employee contribution from City employee's wages.

Law Enforcement Officer and Firefighter Retirement System. LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers and fire fighters. The LEOFF system includes two plans. Participants who joined the system by September 30, 1977, are LEOFF Plan 1 members. Those joining thereafter are enrolled in LEOFF Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

For the years ending December 31, 2022 and December 31, 2023, the City contributed approximately $5.8 million and $6.2 million, respectively, to LEOFF Plan 2.

Information regarding LEOFF is presented in annual financial report of the State Department of Retirement Systems ("DRS"), which may be obtained from www.drs.wa.gov (which website is not incorporated herein by reference).

While the City's contributions in 2023 represented its full statutorily required contribution to LEOFF, any unfunded pension benefit obligations within the systems could be reflected in future years as higher contribution rates. The website of the Office of the State Actuary (which is not incorporated into this Official Statement by reference) includes information regarding the values and funding levels of LEOFF and other State-administered pension plans. The DRS Comprehensive Annual Financial Report for the year ended June 30, 2023, reported that LEOFF Plan 1 and Plan 2 each has a funded ratio in excess of 100% and a net pension asset.

Police Relief and Fire Relief and Pension Fund. The Police Relief and Pension Fund and the Fire Relief and Pension Fund are single-employer, defined benefit pension funds established and administered by the City in accordance with the requirements of State law. Membership is limited to firefighters employed prior to March 1, 1970. Since the effective date of the LEOFF on March 1, 1970, no payroll deductions for active employees have been taken under these pension plans.

GASB 67/68 Reporting Rules. GASB Statement 68, Accounting and Financial Reporting for Pensions ("GASB 68") became effective for the City for the year ended December 31, 2015. Among the changes imposed by GASB 68 are that lower discount rates are required to be used for underfunded plans in certain cases and the difference between expected and actual investment returns each year will be recognized over a closed five-year smoothing period. GASB 68 also requires employers that participate in the State sponsored plans to report their proportionate share of Net Pension Liability, Deferred Inflows of Resources, Deferred Outflows of Resources, and Pension Expense for the State plans. DRS determines each participating employer's proportionate share of overall plan liability and the State Actuary determines each plan's accounting valuation. GASB 68 affects the accounting for pensions, but does not change the funding status of the plans calculated by State Actuary or pension contribution rates that are set based on statutory assumptions.

In 2023, the City reported a pension liability of $138,155,523 and Tacoma Power's proportionate share was 38.76% of that asset, or $53,548,006, which was based on total actual contributions for the year.

Other Post-Employment Benefits

In addition to pensions, many state and local governmental employers provide other post-employment benefits ("OPEB") as part of total compensation to attract and retain the services of qualified employees. OPEB includes post-employment health care as well as other forms of post-employment benefits that are provided separately from pension plan benefits. The City allows retirees to participate in medical, dental and vision programs from the time retirement begins until they qualify for Federal funded programs. The City uses pay as you go funding, and upon retirement the retiree is responsible for paying a blended premium, which prior to retirement was paid by the City. The benefit is an implicit subsidy to the retiree. At December 31, 2024, Tacoma Power reported a total liability of $10,195,004 for its proportionate share of the collective total City OPEB liability of $181.7 million compared to $11,507,155 at December 31, 2023. At December 31, 2024, Tacoma Power reported a current liability of $245,486 compared to $321,032 at December 31, 2023. Further details about OPEB are provided in Note 13 in Appendix D.

Deferred Compensation

The City offers its employees a deferred compensation plan through a third party created in accordance with Internal Revenue Code Section 457. The plan, available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable emergency, but the plan offers a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions.

Taxes Imposed on Tacoma Power

State law allows the City to impose a gross earnings tax not exceeding 6% upon the revenues of Tacoma Power, unless approved by a vote of the citizens, and the City Charter limits the tax to a rate not exceeding 8%. Pursuant to RCW 35.21.870, City voters approved an additional 1.5% increase to the 6% earnings tax applicable to investor and City utilities related to telephone, electric, and natural gas services for a period of 10 years beginning in 2016 to fund various street improvements. As a result, until February 2026, the gross earnings tax applicable to Tacoma Power revenue is 7.5%. At the April 22, 2025 election, City voters rejected a ballot proposition to increase the gross earnings tax to 8% beginning in February 2026. Therefore, beginning in February 2026, the gross earnings tax applicable to Tacoma Power revenue will decrease to 6% if and until such time as City voters approve a future increase to such tax.

Payment of the gross earnings tax to the City is subordinate to the payments required to be made by Tacoma Power into any fund or funds previously or subsequently created for the payment of the principal of, and interest on, Tacoma Power's electric revenue bonds. The City Charter provides that the tax on City-operated utilities shall not be disproportionate to the taxes the utility would pay if it were privately owned.

Tacoma Power also pays an excise tax imposed by the State, generally at the rate of 3.8734% of gross revenues, with certain exceptions. Tacoma Power further makes certain payments-in-lieu-of-taxes on property owned by Tacoma Power that is outside the City limits, and pays miscellaneous fees, licenses, and sales and use taxes to the State and other municipalities. Most of these taxes and payments (other than to the City) are Operating Expenses of the Electric System.

Fleet Services

The Department has established a Fleet Services Fund to perform scheduled maintenance, repair and replacement of Department vehicles and related equipment. Tacoma Power pays into the Fleet Services Fund to cover fleet operating expenses. Per Ordinance No. 28688, passed in 2020, the Fleet Services Fund transferred operating division fleet assets to Tacoma Power, Tacoma Rail, and Tacoma Water for funding flexibility. The Fleet Services Fund maintains the purchasing and maintenance responsibilities. Starting January 1, 2021, Tacoma Power no longer pays capital replacement fees to the Fleet Services Fund, but still pays capital replacement fees for fleet equipment necessary for utility operations. Tacoma Power also pays the Fleet Services Fund for maintenance, administrative overhead, fuel and fuel loading, and pool car rentals. Payments made by Tacoma Power in 2024 and 2023 were $6,534,776 and $5,676,113, respectively.

Program of Insurance

The Department maintains a self-insurance program and insurance policies. The Department has established a Self-Insurance Fund (the "Self-Insurance Fund") to insure Tacoma Power and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Power are flooding, wind damage, chemical spills, wildfires, and earthquakes. Mitigating controls as well as emergency and business continuity plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

Tacoma Power is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Power and administrative expenses of the Self-Insurance Fund. Tacoma Power made premium payments of $500,000 in 2023 and 2024, respectively. As of December 31, 2024, assets in the Self-Insurance Fund total $12.2 million, and Tacoma Power's portion is $5.2 million, which exceeds accrued and incurred but not reported liabilities of $4.2 million. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB 10. Management believes Tacoma Power's investment in the Self-Insurance Fund is more than adequate to settle all its known or estimated claims.

The City purchased a Fiduciary Liability policy with a limit of $15.0 million and a $100,000 deductible. A separate deductible of $1.0 million applies to Excessive Fees Claims. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a $5.0 million limit and $200,000 deductible for employee dishonesty and for fraudulent or dishonest act by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of $1.25 million per occurrence. Coverage also includes a Cybersecurity policy and an Excess Cyber policy that is shared City-wide. These cyber policies cover areas such as business interruption loss, dependent business loss, cyber extortion, phishing attacks, data recovery lost, data and network reliability, and more (regulatory defense, media liability).

Separate from General Government, the Department maintains Property insurance, Wrongful Acts Liability coverage, and Excess General Liability insurance policies. The Property insurance policy has a deductible of $250,000 per occurrence that applies to the buildings and contents. Coverage also provides a Wrongful Acts liability policy with a limit of $2.35 million for each wrongful act and a $2.35 million aggregate, with a $150,000 retention. Excess liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage. These policies have a limit of $55 million each occurrence with a $55 million aggregate in excess of a $2.5 million retention. For additional information regarding insurance, see Note 10 in Appendix D.

Tacoma Power hydroelectric generation, transmission and distribution and other similar systems and infrastructure are not covered by property insurance policies. Tacoma Power purchases specific flood insurance for two powerhouses.

Response to COVID-19

At the outset of the 2019 novel coronavirus ("COVID-19") pandemic, the State issued a moratorium on disconnecting electric, water, and other utility services due to nonpayment, and charging fees for late payment or reconnection for certain utilities, including Tacoma Power. All customers were included: residential, commercial, and industrial. The State-wide moratorium on disconnections for nonpayment ended September 30, 2021, and prohibition on late fees ended October 27, 2021.

The Electric System, similar to other City utilities, experienced an increase in delinquencies and outstanding accounts because of the COVID-19 pandemic and the utility shut-off moratorium. Subsequent to the moratorium end date of March 31, 2022, accounts with outstanding balances were automatically put on an interest free, 24-month installment plan. At its peak, the Department had over $33 million in past due customer fees, of which Tacoma Power comprised approximately $21 million, including all services for commercial, industrial, and residential accounts. Throughout the pandemic, Department staff worked with customers to connect them with available funding through internal programs as well as federal and other funding available by way of community partners. In addition, the Department received over $17 million from the Energy Division of the Washington State Department of Commerce as part of the Coronavirus State and Local Fiscal Recovery Funds program authorized by the American Rescue Plan Act. Of this amount, approximately $11.6 million was used by Tacoma Power to assist overdue utility accounts.

The City continues to encourage customers to take advantage of any available relief assistance funding and is developing long-term payment programs, including through its payment assistance programs. See "ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES—Electric Rates" for a summary of certain of these programs. The City anticipates that it will be able to continue addressing delinquencies using these tools and does not expect that accounts receivable will be a material cause for future rate increases.

ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES

Tacoma Power Customers

Tacoma Power has eight classes of retail electricity customers: Residential; Small General; General, including other industrial and large commercial customers; High Voltage General; Contract Industrial; New Large Load, Very Large Load, and Other. Tacoma Power's relatively low-cost resource base and its access to preference power from BPA permit the rates it charges to be lower than almost all Western Washington investor-owned and municipally-owned utilities. See Table 11.

In 2020, Tacoma Power began upgrading and replacing its electric meters with Advanced Metering Infrastructure ("AMI"). The project was substantially complete in March 2025. The AMI project allows Tacoma Power to capture more data remotely, improve billing accuracy and provide additional services to its customers, such as outage management and detailed energy consumption data. Certain customers who do not want to participate in the AMI project have the option to receive an advanced electric meter with the radio frequency transmitter disabled, for potentially an additional fee for manual billing. The Department, however, is not planning to offer an AMI opt-out option for commercial accounts. The cost of the AMI project is included in current rates. The Department has incorporated the City's Equity Index into its deployment of the AMI project in an effort to bring awareness to underserved communities within Tacoma Power's retail service area.

The following is a summary of the classes of retail customers served by Tacoma Power, including certain operational data. The information provided below may differ from information presented in Tacoma Power's audited financial statements due to different categorizations of classes and types of customers.

Residential Customers. In 2024, Tacoma Power supplied electric energy to 173,466 residential customer accounts with a total usage of 1,961,819 megawatt-hours ("MWh") (45% of total retail sales). Tacoma Power received approximately $213 million in revenue (52% of total retail revenues) from this class in 2024.

The following table provides billing history for the residential class.

TABLE 6
TACOMA POWER
SUMMARY OF RESIDENTIAL USAGE(1)

Year	Number of Customer Accounts	MWh Billed (1000 kWh)	Revenue	Average Annual Cost (cents per kWh)
2024	173,466	1,961,819	$ 212,755,558	10.84
2023	171,114	1,966,881	204,813,074	10.41
2022	166,770	2,024,151	202,426,756	10.00
2021	163,869	1,933,657	190,098,282	9.83
2020	162,367	1,909,650	185,112,028	9.69

(1) Includes only class A Residential customers, usage and revenues. This table may differ from information presented in Tacoma Power's financial statements attached as Appendix D, which combine other customers with residential customers.

Source: Tacoma Power

Small General Customers. This class includes small non-residential customers, including retail, restaurant and other small businesses, and consumed 315,756 MWh (7.2% of total retail sales) in 2024 and accounted for $31.9 million in revenues (7.9% of total retail revenues). There were 18,030 Small General customer accounts in 2024.

General Customers. This class includes medium and large commercial and industrial users. Tacoma Power had 2,605 General customer accounts in 2024. Total retail sales for the group were approximately 1,412,931 MWh (32.3% of total retail sales) in 2024 and accounted for approximately $121.8 million in revenues (30.0% of total retail revenues).

High Voltage General Customers. Tacoma Power serves two military bases and six other commercial and industrial companies as the High Voltage General customer class. This class includes the Fort Lewis Army Post and the McChord Air Force Base, now known as Joint Base Lewis-McChord. All customers in this class are served at transmission level voltage. In 2024, Fort Lewis Army Post used 265,842 MWh and McChord Air Force Base used 73,988 MWh of electrical energy, ranking them among Tacoma Power's 10 largest retail customers. See Table 7. Total sales in 2024 for the High Voltage General class were approximately 483,788 MWh (11.1% of total retail sales) and $27.2 million (6.7% of total retail revenues), of which the two military bases accounted for 339,829 MWh (7.8% of total retail sales) and $18.7 million (4.6% of total retail revenues).

Contract Industrial Customer. Tacoma Power currently serves one Contract Industrial customer (Linde Inc.) that accounted for 2.9% of retail energy sales and 1.6% of retail revenue in 2024. Linde Inc, manufactures industrial gases and is served under a contract that specifies contract demand quantities and includes notice provisions for changes in these quantities.

WestRock CP, LLC was previously a Contract Industrial customer but reduced operations at the Tacoma mill, transitioning from Schedule Contract Industrial to Schedule General effective October 1, 2023 with a multi-year ramp down period to its final closure. There has not been a material impact on Tacoma Power, its operations or finances from the closure of this customer. Tacoma Power does not anticipate that Westrock's closure will affect rates for Electric System customers, and it will continue to analyze the estimated rate impact for electric customers, if any, as a result of Westrock's closure.

New Large Load Customers. Tacoma Power currently serves only one New Large Load customer who manufactures liquid natural gas and began service in early 2021. New Large Load customers are served under contracts that must meet specific contract demand quantities. It accounted for 1.2% of retail energy sales and 0.9% of retail revenue in 2024.

Very Large Load Customers. Tacoma Power created a new Very Large Load Customer class as of January 1, 2024. This customer class is applicable to new industrial customers and existing customers (under certain circumstances) requiring power service of 10 average megawatts or more during any consecutive 12-month period. There are currently no customers in this customer class.

Other Customers. Tacoma Power's other electricity customers primarily consist of street lighting, private off-street lighting, traffic signals, and shore power customers. In 2024, the lighting and shore power classes had a consumption of 19,677 MWh and $2.3 million in revenues.

Largest Customers. The following table lists Tacoma Power's 10 largest electric system customers based on revenue in descending order of percentage of revenues. In 2024, these 10 customers accounted for approximately 11.7% of retail revenues and 17.3% of retail energy sales. No single customer represents more than 3.6% of Tacoma Power's load. See "*High Voltage General Customers*" and "*Contract Industrial Customers*" above.

TABLE 7
TACOMA POWER'S 10 LARGEST ELECTRIC SYSTEM CUSTOMERS—2024

Customer	Business Description	Percent of Retail Revenue
Fort Lewis Army Post	Military Base	3.58%
Linde Inc.(1)	Industrial Gases	1.79
McChord Air Force Base	Military Base	1.01
Tacoma School District	Education	1.01
MultiCare Health System	Healthcare	0.93
PSE Tacoma LNG	LNG Production	0.88
U.S. Oil & Refining	Oil Refining	0.73
James Hardie Building Products Inc.	Manufacturing	0.67
Niagara Bottling LLC	Manufacturing	0.57
WestRock CP, LLC(2)	Pulp and Paper	0.56
Total		11.73%

(1) Contract Industrial customer.
(2) WestRock CP, LLC was previously a Contract Industrial customer but reduced operations at the Tacoma mill, transitioning from Schedule Contract Industrial to Schedule General effective October 1, 2023 with a multi-year ramp down period to its final closure. See "*Contract Industrial Customer*" above.
Source: Tacoma Power

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Energy Sales and Revenues

The following table shows Electric System customers, energy sales and revenues for the period 2020 through 2024. Historical annual total energy sales, excluding contractual sales for resale for the period 2020 through 2024 averaged 4.6 million MWh.

TABLE 8
TACOMA POWER CUSTOMERS, ENERGY SALES AND REVENUES FROM ELECTRIC SALES[(1)(2)]

	2020	2021	2022	2023	2024
Average Number of Customer Accounts					
Residential[(3)]	162,367	163,869	166,770	171,144	173,466
Small General[(4)]	16,666	17,120	17,595	18,057	18,030
General[(5)]	2,542	2,499	2,599	2,587	2,605
High Voltage General[(6)]	8	8	8	8	8
Contract Industrial[(7)]	2	2	2	2	1
New Large Load[(8)]	-	1	1	1	1
Other[(9)]	941	908	978	999	1,002
Total Customers	182,526	184,407	187,953	192,798	195,113
Energy Sales (MWh)					
Residential[(3)]	1,909,650	1,933,657	2,024,151	1,966,881	1,961,819
Small General[(4)]	306,418	307,838	324,223	325,380	315,756
General[(5)]	1,404,599	1,400,158	1,443,133	1,458,031	1,412,931
High Voltage General[(6)]	474,743	489,101	495,115	475,855	483,788
Contract Industrial[(7)]	499,003	498,067	480,522	388,609	125,646
New Large Load[(8)]	-	4,343	9,475	43,866	51,764
Other[(9)]	15,806	13,737	10,081	25,743	19,677
Subtotal	4,610,220	4,646,900	4,786,699	4,684,365	4,371,380
Sales for Resale	2,326,504	1,854,691	2,105,467	1,047,160	1,281,803
Total Energy Sales	6,936,723	6,501,591	6,892,166	5,731,525	5,653,183
Revenue From Energy Sales					
Retail Sales:					
Residential[(3)]	$185,112,028	$190,098,282	$202,426,756	$204,183,074	$212,755,558
Small General[(4)]	28,587,971	29,993,197	31,533,517	32,271,456	31,887,901
General[(5)]	105,583,488	107,346,523	112,558,787	118,933,924	121,773,524
High Voltage General[(6)]	25,416,533	26,702,063	25,725,286	26,857,988	27,238,598
Contract Industrial[(7)]	23,962,855	23,967,448	23,680,737	19,823,085	6,423,807
New Large Load[(8)]	-	1,446,341	2,434,984	3,412,658	3,641,100
Other[(9)]	2,788,230	2,725,153	2,811,545	2,985,655	2,283,522
Subtotal Retail Sales[(10)(11)]	371,451,106	382,279,008	401,171,613	408,467,840	406,004,010
Change in Unbilled[(12)]	($527,906)	$5,249,462	($5,172,096)	($2,821,132)	($559,693)
Sales for Resale: [(10)]	$59,615,216	$60,713,138	$58,760,668	$82,568,607	$81,450,036
Total Revenue From Energy Sales	$430,538,416	$448,241,608	$454,760,185	$488,845,315	$486,894,353

Footnotes on the following page.

Footnotes to Table 8

(1) Years ending December 31. Totals may not add due to rounding.
(2) Customers, sales and revenues in this table may differ from Tacoma Power's financial statements attached as Appendix D which combine customers separated out in this table.
(3) Residential customers, (class A). Differs from data reported in audited Financial Statements, which may include Private Off-Street Lighting (class H-2) sales as part of this customer class.
(4) Small commercial, (class B).
(5) Medium and large commercial and industrial, (class G). Differs from data reported in audited Financial Statements, which may include High Voltage General (class HVG) sales as part of the General customer class.
(6) Industrial customers and military bases served at transmission level voltage, (class HVG).
(7) Contract industrial customers served at transmission level voltage, (class CP). WestRock CP, LLC has reduced operations at the Tacoma mill, transitioning from Schedule Contract Industrial to Schedule General effective October 1, 2023 with a multi-year ramp down period to its final closure.
(8) The New Large Load customer started service in 2021 and increased its usage in 2023 closer to the expected consumption levels.
(9) Shore Power, Street Lighting and Traffic Signals and Private Off-Street Lighting, (class SP, H-1, H-2 and H-3). Street Lighting Service class H-3 is included in 2021 through 2024. Increase in Other energy sales in 2023 due to a large bill collection for lighting which was previously under-reported. Shore Power class SP is included beginning in 2024. For average number of customer accounts, H-2 customer counts are not included because they are residential customers.
(10) Sales for Resale include sales to other utilities and Wholesale Energy Market Sales. See "POWER SUPPLY RESOURCES AND COST OF POWER—Wholesale Energy Market Purchases and Sales." Amounts shown in Sales for Resale row may differ from data reported in financial statements due to categorizing certain Retail Sales under Sales for Resale above.
(11) Revenues shown in Sales for Resale are increased or decreased due to a transfer from, or to, the Rate Stabilization Fund in 2021 and 2022. See "SECURITY FOR THE 2025 BONDS—Rate Stabilization Fund."
(12) Change from year-to-year in the amount of electric service consumed but not yet billed as of year-end. The unbilled revenue is an estimate based on the number of bills sent out in November and December. The number of bills sent out fluctuates due to inclement weather conditions, meter reading assignments, and information technology related items.

Source: Tacoma Power

Electric Rates

Tacoma Power is a municipal utility that establishes rates only to recover costs. Tacoma Power establishes rates with the goal of minimizing rate impacts to customers while maintaining the safety and reliability of the power system. Tacoma Power has been able to maintain low rates in comparison to State and national averages, while at the same time providing electric service revenues covering all operating and maintenance expenses, debt service and a portion of capital additions and improvements made to the Electric System. Rates are established by the Board and are subject to approval by the City Council.

Tacoma Power's rates and charges are free from the jurisdiction and control of the Washington Utilities and Transportation Commission and Federal Energy Regulatory Commission ("FERC"). Tacoma Power has formally adopted certain minimum thresholds as a guide to financial management and rate setting. These thresholds are included in the Tacoma Power Electric Rate and Financial Policy and are periodically reviewed and approved by the Board and City Council after any modification. See "FINANCIAL INFORMATION—Financial Policies." Rates generally are set to meet certain policy-driven thresholds and to provide revenues sufficient to pay a 3.8734% tax levied on Tacoma Power's gross revenues by the State and a tax (currently at a 7.5% rate reducing to 6% in February 2026) levied on Tacoma Power's gross revenues by the City, the latter of which is payable on a basis subordinate to debt service on Parity Bonds. See "SECURITY FOR THE 2025 BONDS—Flow of Funds."

Tacoma Power's services, including rates for those services, are designed to meet customer needs and provide the flexibility needed to respond to changing conditions in the electric utility industry. The rate setting policy provides that rates for new non-traditional energy-related services may be set at times other than the general rate-setting process. In 2000, Tacoma Power launched Evergreen Options, a green power program that offers customers the opportunity to support renewable power. In 2002, the State began requiring all but very small utilities in the State to offer green pricing programs for retail customers. Tacoma Power's Evergreen Options program complies with this law. Revenue from the Evergreen Options program is used to fund an annual grant to help local schools, nonprofits and government agencies with the purchase and installation of on-site renewable energy projects located in Tacoma Power's service territory, and to purchase renewable energy certificates from energy projects in the Pacific Northwest that have approved tracking attestations on file with the Center for Resource Solutions. Since 2017, a portion of revenue from the Evergreen Options voluntary program is used to fund financial grants to nonprofit entities to construct local renewable energy projects in Tacoma Power's service territory.

Costs that Tacoma Power incurs to provide services are recovered primarily through the rates it charges to its customers. Services or rates designed to meet the needs of one group of customers are required to be accomplished without negative impacts to other Tacoma Power customers.

Since 2015, Tacoma Power has had the rate and surcharge increases listed in the following table. Rate schedules are available from Tacoma Power on its website at www.mytpu.org (which website is not incorporated herein by this reference). The Department and the City's Department of Environmental Services offer a Bill Credit Assistance Plan and a Discount Rate Program to qualifying customers. Beginning in 2023, qualifying customers enrolled in the Department's Bill Credit Assistance Plan receive an automatic monthly bill credit for all services, regardless of payment. Additional credits may be achieved with full and on time payments, among other requirements. The amount of the monthly bill credits depends on the services received. The automatic monthly bill credit for electric service is currently $28.30, plus an additional credit of $21.00 for qualifying customers. Tacoma Power estimates approximately 40,000 residential customers are eligible for automatic credits, which may help to mitigate 2025-2026 rate impacts for qualifying customers while addressing equity needs within its service area. This enhancement to customer assistance programs for electric customers more than doubled the previous total available monthly bill credit for eligible customers. The Discount Rate Program provides a 35% discount to customers who are over 62 years old or who qualify for or receive state/federal disability income.

In September, 2024, Tacoma Power customers received a one-time credit on their power account in the amount of $200 as part of the Washington Families Clean Energy Grant. The grant, in the amount of $7.4 million, was received under the Climate Commitment Act ("CCA"), which supports Washington's climate action efforts by putting cap-and-invest dollars to work reducing climate pollution, creating jobs, and improving public health. The credit was automatically applied to the accounts of households enrolled in the Bill Credit Assistance Plan and Discount Rate Program. Customers not enrolled in these programs were given the opportunity to complete a self-attestation form to qualify for the credit. More than 37,000 households benefitted from these grant funds.

TABLE 9
RATE ADJUSTMENTS AND SURCHARGES

Effective Date	Average Rate Adjustment
April 1, 2015	3.0%
April 1, 2016	0.0
April 1, 2017	5.9
April 1, 2018	5.9
April 1, 2019	2.0
April 1, 2020	2.0
April 1, 2021	1.5
April 1, 2022	2.0
April 1, 2023	3.5
April 1, 2024	3.5
April 1, 2025	5.3
April 1, 2026	5.3[1]

(1) This system average rate adjustment of 5.3% has been approved by the City Council and will become effective April 1, 2026.

Source: Tacoma Power

The average revenue per kWh sold and average monthly bills at selected consumption levels for typical residential, commercial and industrial customers of Tacoma Power, based on rates presently in effect, are shown below. In addition, both revenue and bill information representing a typical load factor for a Contract Industrial customer is presented. Information for Tacoma Power's one New Large Load customer is not included in the following table. See "Tacoma Power Customers" above.

TABLE 10
TACOMA POWER
TYPICAL REVENUE AND MONTHLY BILLS AT SELECTED USAGE LEVELS
(FOR RATES EFFECTIVE DECEMBER 31, 2024)

Rate Class	**Average Revenue (cents per kWh)[1]**	**Average Monthly Bill[2]**
Residential	10.8448¢	$ 102
Small General	10.0989¢	147
General	8.6185¢	3,896
High Voltage General	5.6303¢	283,735
Contract Industrial	5.1126¢	535,317

(1) The average rate is calculated using the total revenue collected for each rate class divided by the total kWh consumed by each rate class in fiscal year 2024.
(2) The average monthly bill is calculated using total revenue collected for each rate class divided by the total number of billed customers for that rate class in fiscal year 2024.
Source: Tacoma Power

A table comparing monthly electric rates for residential customer classifications and total power systems of major public and private utilities to those of Tacoma Power is shown below. The amounts shown are based on revenues and power usage (kWh) for each utility.

TABLE 11
2023 COMPARATIVE MONTHLY ELECTRIC BILLS[1]

	State	**Residential Average Rates** (cents/kWh)	**Monthly Bill**	**Monthly Consumption** (kWh)	**System Average Rates** (cents/kWh)
Tacoma Power	**WA**	**10.37¢**	**$97.86**	**944**	**9.03¢**
Other Northwest Municipalities:					
Seattle City Light	WA	12.78¢	$79.25	620	11.36¢
Cooperatives:					
Peninsula Light Co.	WA	10.11¢	$127.51	1,261	9.77¢
Public Utility Districts:					
Clallam County PUD	WA	11.51¢	$148.09	1,286	10.84¢
Clark Public Utilities	WA	9.25¢	$95.61	1,034	8.19¢
Mason County PUD	WA	12.70¢	$148.81	1,172	11.64¢
Snohomish County	WA	10.70¢	$102.26	956	9.84¢
Private Companies:					
Puget Sound Energy	WA	13.30¢	$117.11	881	12.90¢

(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 10, 2024. Latest available.

POWER SUPPLY RESOURCES AND COST OF POWER

Power Supply Overview

Tacoma Power's power supply portfolio is made up of hydropower generating facilities owned by Tacoma Power and power supply contracts with BPA, Columbia Basin Hydropower ("CBHP") and Grant County Public Utility District No. 2 ("Grant PUD"). Certain of these contracts are scheduled to expire in the next few years and will be fully expired in 2028 (contracts for individual projects are staggered). See "Long-Term Purchases of Power Supply and Related Transmission Services" below. Tacoma Power generating facilities do not include natural gas or coal fired facilities. Tacoma Power's power supply portfolio is more than 90% "carbon-free" and composed of hydroelectric, nuclear, solar, wind, and about 6% unspecified power supply in 2023. Tacoma Power does not expect substantial changes to its power supply portfolio resource mix results for 2024. Tacoma Power's owned resources are exclusively hydro-generation facilities. Similarly, hydro-generation facilities produce nearly all the electricity Tacoma Power receives through BPA, CBHP, and Grant PUD contracts, along with a small amount of nuclear power from BPA.

Tacoma Power's owned hydroelectric resources provided approximately 38% of the utility's total energy supply in 2024. These resources provide a stable, low-cost base for Tacoma Power's portfolio. The reservoirs at the hydroelectric projects have significant storage capacity, which enables Tacoma Power to manage flow releases to maximize the value of hydroelectric generation. Tacoma Power participates in the wholesale market to match resources to its customer loads. See the "2024 Tacoma Power Resources" table below.

Tacoma Power's largest long-term contract is with BPA, which provided approximately 3,100 GWh in 2024 (approximately 54% of the total portfolio). In December 2008, Tacoma Power signed a long-term contract with BPA beginning October 2011 and running through September 2028. See "Long-Term Purchases of Power Supply and Related Transmission Services" below. Other long-term contracts and short-term purchases provided the rest of Tacoma Power's supply resources in 2024.

The following map shows the locations of Tacoma Power's hydroelectric projects.

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Hydroelectric Project Location Map

Project Location Map

TACOMA POWER
TACOMA PUBLIC UTILITIES

Integrated Resource Plan

Every two years Tacoma Power prepares an Integrated Resource Plan ("IRP"). The IRP assesses Tacoma Power's current and projected balance of loads and resources based on a detailed assessment of demand forecasts; existing supply and transmission resources; market price forecasts; conservation and load management opportunities; and environmental considerations. In its analyses, the IRP considers a variety of risks and uncertainties, including weather variability, policy uncertainty, and plausible trajectories for customer demand growth. The IRP identifies the portfolio of supply and demand-side resources that is designed to balance and minimize utility costs and risks and meet regulatory requirements. Regular IRP updates allow Tacoma Power to account for changes in the electric power industry, shifting market conditions, the emergence of new technologies, new regulatory mandates and other factors that are likely to affect Tacoma Power's resource strategy.

Tacoma Power's current IRP was adopted by the Board in 2024 (the "2024 IRP"). The 2024 IRP determined that Tacoma Power has sufficient resources to serve retail load under all but the most extreme conditions and does not identify a near-term need for a new supply-side resource so long as the utility continues to invest in conservation but does recommend exploring smaller, incremental investment opportunities on both the supply side and the demand side to bolster its energy and capacity position. On the supply side, this means exploring potential opportunities to enhance the capabilities of existing hydropower projects when cost-effective to do so (for example, adding small amounts of capacity to generators as they are rebuilt and modernized). On the demand side, this means continuing to meet Tacoma Power's mandatory conservation targets and scaling up investments in demand response. Tacoma Power is continuing its work to pilot promising demand response opportunities with various customer classes in order to develop attractive and cost-effective demand response offerings. Tacoma Power expects to complete its next IRP in 2026.

Tacoma Power's IRP considers the potential impacts of climate change quantitatively using different approaches, including adjusting historical inflows and temperatures to account for long-term climate trends and using simulated global climate model temperatures and river inflows from the 2018 Columbia River Climate Change study. See also "CERTAIN FEDERAL AND STATE LAWS AND REGULATIONS AFFECTING TACOMA POWER—Climate Change Legislation," and "CERTAIN INVESTMENT CONSIDERATIONS—Climate Change and Local Climate Change Initiatives."

Wholesale Energy Market Purchases and Sales

Tacoma Power sells power in the wholesale energy market when owned and contracted resources exceed retail load requirements (retail consumption). Tacoma Power makes purchases from the wholesale energy market when required to meet retail load obligations or to optimize the flexibility of its resources. Due to its conservative planning assumptions, under most hydrologic conditions Tacoma Power expects to be a net seller into the wholesale electricity market. Calendar year 2024 had below average stream flows into the watersheds where Tacoma Power's owned resources are located. In 2024, Tacoma Power sold over 1.2 million MWh of surplus power. This compares to wholesale purchases in that same year of over approximately 250,000 MWh.

Tacoma Power's wholesale market activities are limited to purchasing power to meet retail loads, optimizing the value of Tacoma Power's power supply portfolio, and selling energy during times of surplus, consistent with the utility's forecast of reservoir water levels. Tacoma Power does not speculate in the wholesale power market. Actual revenues for any given year are a function of market prices, loads and water availability for generation, which are, in turn, dependent upon the weather.

Tacoma Power joined the Western Energy Imbalance Market (the "Western EIM") alongside BPA and Avista in 2022. The Western EIM is a real-time sub-hourly energy market that enables regional coordination in generating and delivering energy using advanced technologies to automatically find and deliver the lowest cost energy to consumers across western states. By optimizing resources from a larger and more diverse pool, the Western EIM facilitates the integration of renewable energy that may otherwise be curtailed at certain times of the day, providing an added environmental benefit.

In early 2025, Tacoma Power entered into a financial commitment through a funding agreement for Markets+, an organized day-ahead market under development by the Southwest Power Pool ("SPP"). The structure and market design for Markets+ has been approved by the Federal Energy Regulatory Commission, and will be funded by Tacoma

Power and other utilities serving customers across the Western United States. In connection with the execution of the funding agreement, Tacoma Power was responsible for providing approximately $2,300,000 in collateral, which it satisfied with available funds of the Electric System. Markets+ is expected to become operational in 2027 or 2028, at which point Tacoma Power plans to participate in both the Markets+ day-head and sub-hourly markets. To prepare, Tacoma Power has launched a multi-year effort to implement the operational changes necessary for participation in this new market, which is expected to bring significant benefits to Tacoma Power and the broader region. After Market+ is operational, Tacoma Power expects to phase out its participation in the Western EIM.

Energy Risk Management

Tacoma Power continues to enhance its Energy Risk Management processes and tools in order to achieve its strategic objectives in a changing wholesale energy market. Tacoma Power reviews and updates its energy risk policy and procedures on a regular basis to align with industry standards and streamline processes. Energy Risk Management procedures were most recently updated in 2024 to respond to evolving wholesale market conditions. In 2022, staff implemented a new Energy Trading Risk Management System to enable Tacoma Power's entry into the Western EIM. The functionality in this system provides enhanced trading and risk controls and automated credit tools, replacing manual legacy systems and processes. Additionally, staff have implemented and maintain a portfolio risk model that quantifies Tacoma Power's wholesale revenue risks using stochastic simulations that integrate load, generation, and regional power and natural gas prices. The risk model combines the stochastic simulations with a hydro simulation model and optimization engine to evaluate risk-reducing hedging strategies.

The on-going focus of the Energy Risk Management function is to manage variability in the value of the wholesale power portfolio, oversee risk control processes, manage Tacoma Power's hedging program, and improve portfolio risk analytics. The Energy Risk Management Policy and Procedures Manual authorizes the use of instruments for hedging, requires that Tacoma Power actively manage and review counterparty credit risk, specifies trading authority guidelines and restrictions, and contains other controls and tools to manage risk. Tacoma Power uses hedging to manage loads and resources and does not engage in market speculation.

Tacoma Power seeks to mitigate credit risk by entering into bilateral contracts with specified credit terms and protections against default along with pursuing performance assurance by utilizing collateral requirements such as letters of credit, parent company guarantees, and/or prepayment. Credit limits and duration criteria are applied to existing and prospective counterparties in company with active monitoring of credit exposures.

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Power Supply Portfolio

Tacoma Power primarily acquires its power supply from hydroelectric resources. The resource mix varies slightly from year to year depending upon available water resources and hydroelectric equipment maintenance schedules. During 2024, energy was obtained from the sources identified in the following table. For cost information, see Table 18.

TABLE 12
2024 TACOMA POWER RESOURCES

	Available Energy (MWh)	Portion of Total
City-Owned Generation		
Hydroelectric Projects[(1)]		
Alder	183,176	3.2%
LaGrande	297,706	5.1
Cushman No 1	120,389	2.1
Cushman No. 2	181,878	3.1
Mayfield	577,132	10.0
Mossyrock	812,830	14.1
Wynoochee	30,839	0.5
Hood Street	41	--
Subtotal – City-Owned Hydro	2,203,991	38.1%
Portfolio Energy Purchases		
BPA	3,104,224	53.6%
Grant PUD (Priest Rapids)	19,923	0.3
CBHP[(2)]	251,854	4.4
Portfolio Market Purchases	253,401	4.4
Subtotal Portfolio Purchases	3,629,402	62.7
Plus Interchange In (Out)	(44,890)	(0.8)
Net Energy Resources[(3)]	5,788,503	100.0%

(1) The Nisqually River Project consists of the Alder and LaGrande plants, the Cushman Hydroelectric Project consists of Cushman No. 1 and Cushman No. 2 and the Cowlitz River Project consists of the Mayfield and Mossyrock plants.
(2) Columbia Basin Hydropower.
(3) For cost information, see Table 18.
Source: Tacoma Power

2023 and 2024 Power Resources

In 2023 and 2024, Tacoma Power's resource portfolio included the same power resources as in prior years.

In 2023, Tacoma Power's resources produced 2,020,874 MWh as a result of stream flows that were 82% of average. In 2024, Tacoma Power's resources produced 2,203,991 MWh as a result of stream flows that were 84% of average. The Slice component of the Power Sales Agreement with BPA provided Tacoma Power 1,816,742 MWh in 2023 and 1,873,055 MWh in 2024, as a result of BPA Federal Columbia River Power System ("Federal System") stream flows that were 78% of average for both years. See "Long-Term Purchases of Power Supply and Related Transmission Services–BPA Power Sales Contract" below.

Power Resources

The table below shows Tacoma Power's resources to meet its power requirements from 2020 through 2024.

TABLE 13
PEAK DEMAND, ENERGY REQUIREMENTS AND RESOURCES
(MWH UNLESS OTHERWISE INDICATED)

	2020	2021	2022	2023	2024
Energy Requirements					
Energy Sales[(1)]	6,952,262	6,509,847	7,025,180	5,716,330	5,551,813
System Losses[(2)]	200,544	212,356	110,034	276,238	236,690
Total Energy Requirements	7,152,806	6,722,203	7,135,214	5,992,568	5,788,503
Peak Demand (kW) [(3)]	864,784	980,287	963,221	915,511	992,930
Energy Resources:					
Owned:					
Alder	212,078	208,564	208,564	169,761	183,176
LaGrande	350,596	337,107	337,107	277,662	297,706
Cushman No. 1	105,245	136,927	136,927	115,845	120,389
Cushman No. 2	153,856	210,566	210,566	170,258	181,878
Mayfield	726,603	725,810	725,810	545,829	577,132
Mossyrock	1,111,716	1,050,046	1,050,046	714,954	812,830
Wynoochee	29,756	35,008	35,008	26,389	30,839
Hood Street	3,617	1,775	1,775	176	41
Subtotal Owned Resources	2,693,467	2,705,803	2,762,051	2,020,874	2,203,991
Energy Purchases:					
Grant PUD (Priest Rapids)	26,687	24,753	26,982	20,206	19,923
BPA	3,697,665	3,516,841	3,921,466	3,318,505	3,104,224
CBHP	258,513	265,851	267,438	256,750	251,854
Subtotal Energy Purchases	3,982,865	3,807,445	4,215,886	3,595,461	3,376,001
Total Energy Resources	6,676,332	6,513,248	6,977,937	5,616,335	5,579,992
Portfolio Market Purchases	466,274	256,344	334,384	354,370	253,401
Plus Interchange In (Out)	10,200	(47,389)	(177,107)	21,863	(44,890)
Net Energy Resources[(4)]	7,152,806	6,722,203	7,135,214	5,992,568	5,788,503

(1) Includes sales of secondary energy, which varies from year-to-year based on availability of stream flows and market conditions.
(2) Excludes Tacoma Power's usage.
(3) Reflects sales to customers, Tacoma Power use and system losses. This table may differ from information presented in Tacoma Power's audited financial statements attached as Appendix D hereto, which illustrate the Tacoma Balancing Authority Area peak demand.
(4) Firm energy required to meet the load requirements of Tacoma Power.

Source: Tacoma Power

The table below shows a summary of the electric generating resources currently available to Tacoma Power during years with average and extremely low (critical) stream flows, including resources from electric generating facilities owned by Tacoma Power and resources available to Tacoma Power through long-term contractual arrangements.

TABLE 14
TACOMA POWER RESOURCE CAPABILITY

Hydroelectric		Nameplate Capacity	Average Annual Energy Production	Critical Period Average Annual Energy Capability
Project	**River**	**(kW)**	**(MWh)[1]**	**(MWh)[2]**
Alder	Nisqually	50,000	227,585	161,102
LaGrande	Nisqually	64,000	401,162	234,230
Cushman No. 1	Skokomish	43,200	131,838	70,209
Cushman No. 2	Skokomish	81,000	226,553	92,281
Mayfield	Cowlitz	162,000	830,353	387,962
Mossyrock	Cowlitz	300,000	1,105,435	545,505
Wynoochee	Wynoochee	12,800	31,721	31,505
	Subtotal	713,000	2,954,617	1,522,794
Contractual Arrangements				
Grant PUD (Priest Rapids)[3]		5,400	21,450	21,526
CBHP[4]		--	237,313	237,313
BPA[5]		356,000	3,659,504	3,213,613
	Subtotal	361,400	3,918,267	3,472,452
Total		1,074,400	6,872,884	4,995,246

(1) Project generation based on average annual generation for the period of 1982-2024.
(2) Critical inflows are the lowest recorded annual inflows for Tacoma Power's system (Cowlitz, Nisqually, and Cushman) and Slice component of the City's Power Sales Agreement with BPA and are based on water year October 2000 through September 2001.
(3) Tacoma Power's expected share of output based on the 76-year study period from January 1929 through December 2004. See "Long-Term Purchases of Power Supply and Related Transmission Services—*Priest Rapids Hydroelectric Project*."
(4) Columbia Basin Hydropower. Output of five low-head hydroelectric plants located on irrigation canals in eastern Washington. These plants are available for operation during the March-through-October irrigation season each year.
(5) Tacoma Power's Power Sales Agreement with BPA is comprised of approximately 50% Block and 50% Slice. The Block portion remains relatively static each year, barring any major commercial shifts. The Block contract energy in 2023 was 1,501,763 MWh and in 2024 was 1,231,169 MWh. The Slice portion represents a percentage share of BPA's Federal System output and varies with the hydro conditions. Slice capacity is 356 megawatts ("MW") (assuming 2.97% of the Federal System capacity of 12,000 MW) and winter Block is 177 MWs.

Source: Tacoma Power

Tacoma Power-Owned Generating Resources

Tacoma Power-owned generating resources include four hydroelectric projects: Nisqually, Cowlitz, Cushman and Wynoochee.

Cowlitz River Project. The largest of Tacoma Power's hydroelectric projects, the Cowlitz River Project, consists of two coordinated hydroelectric developments, Mayfield and Mossyrock. Both are located on the Cowlitz River in Lewis County on the western slope of the Cascade Mountains, approximately 48 miles south of the City.

Mossyrock dam consists of a double curvature concrete arch dam structure, 365 feet above riverbed and 1,648 feet in length, with a spillway section controlled by four tainter gates. The dam creates Riffe Lake, a reservoir with a nominal capacity of 1,685,100 acre-feet having 52 miles of shoreline. Water flows are conveyed to the Mossyrock powerhouse via three 20.5-foot diameter steel penstocks approximately 285 feet in length. The Mossyrock powerhouse contains two Francis turbine/generators with a FERC installed generating capacity of 304 MW. The turbine/generator units were rebuilt between 2008 and 2010. As designed, provision was made at Mossyrock for the future addition of a third turbine/generator unit. No current plans exist for the installation of this unit.

The Mayfield development, located approximately 13.5 miles downstream of the Mossyrock dam, was initially placed into operation with three generating units in 1963. A fourth unit was added in 1983. The dam includes a concrete arch and gravity dam, 200 feet above riverbed and 850 feet long, with a controlled spillway having five tainter gates. The dam creates a reservoir with a nominal capacity of 133,700 acre-feet having 33.5 miles of shoreline. Project water is conveyed to the Mayfield powerhouse via a 37-foot diameter power tunnel, 854 feet long, and four 18-foot diameter power penstocks. The Mayfield powerhouse contains four Francis turbine/generator units with a FERC installed generating capacity of 162 MW.

The output of both plants is transmitted to Tacoma Power via 230 kV transmission lines portions of which are owned and operated by Tacoma Power and larger portions owned and operated by BPA under the terms of a fixed price transmission contract with BPA that expires on December 31, 2051. See "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE—Wholesale Transmission Service—*Cowlitz Exchange*."

<u>FERC License</u>. The original license for the Cowlitz River Project was issued by FERC in 1951. In 2003, a 35-year license was issued by FERC. Tacoma Power filed an application for a new license in 1999 and filed a comprehensive agreement among Tacoma Power, federal and state agencies, tribes and conservation groups in 2000. The new license is based on that agreement, which was the result of more than five years of study and negotiation, and describes fisheries, recreation, cultural resources, wildlife and water quality programs that Tacoma Power will provide. Numerous implementation plans required in the license have been developed, reviewed by agencies and approved by FERC and implemented.

<u>Fisheries Issues</u>. The Cowlitz River Project, located on a tributary of the Columbia River, is affected by the 2005 listing of Lower Columbia River Chinook, 2005 listing of Lower Columbia River Coho, 2005 listing of Columbia River Chum, 2006 listing of Lower Columbia River steelhead, and potentially by the 2010 listing of Eulachon under the Endangered Species Act ("ESA"). A program to reintroduce Chinook, Coho and steelhead is occurring in the Upper Cowlitz Basin above Lewis County Public Utility District's Cowlitz Falls dam. This is a trap and haul program that transports fish around the Cowlitz dams.

Key issues in the Cowlitz River Project license implementation include collection of downstream migrating juvenile salmon, remodeling of the Cowlitz Trout hatchery and implementation of a Fisheries and Habitat Management Plan ("FHMP"). The downstream juvenile fish collector was constructed and first operational for fish migration in 2017. A performance goal of 95% downstream collection efficiency or 75% with best available technology is included in the license. Fish passage survival also has a goal of 95% including associated improvements for downstream migrants at Mayfield Dam. Improvements are currently in the design phase and construction is anticipated to begin in 2028. The Cowlitz Trout Hatchery is a major fish production facility in the Cowlitz Basin with infrastructure that is currently past its useful life. Beginning in 2024 design efforts began and capital construction will continue with this remodel for approximately seven years. The implementation of the FHMP is being coordinated with resource agencies including strategies for restoring wild stocks, retaining a sport fishery and evaluating upstream passage triggers. Tacoma Power completed an ecological analysis of fish habitat in the basin in collaboration with regulatory agencies and relicensing stakeholders. As a part of relicensing, federal consultation has occurred under the ESA and a favorable biological opinion was issued for the project in 2004 and amended into the license in 2004. In accordance with the license and the updates with the FHMP and in collaboration with WDFW Biological Opinions have been submitted to NOAA and are pending consultation.

Cushman Hydroelectric Project. The Cushman Hydroelectric Project consists of two separate concrete arch dams. Both dams are located on the North Fork of the Skokomish River in Mason County, Washington, approximately 36 miles northwest of the City. The Cushman No. 1 development, whose construction created the Lake Cushman Reservoir, was completed in 1926 with a FERC installed generating capacity of 36 MW. The dam is 1,111 feet long and 235 feet high. Cushman No. 1 was upgraded in 1987 and 1988, increasing the total FERC installed generating capacity to 50 MW.

The Cushman No. 2 development was constructed in 1930 with two identical Francis turbine/generating units. In 1952, a third Francis turbine/generator unit was added, resulting in a total FERC installed generating capacity of 81 MW. The concrete arch dam is 460 feet long and 175 feet above riverbed. The powerhouse is connected to the dam via a power tunnel 17 feet in diameter and 2.5 miles long and three penstocks that are 1,350 feet long and 10.5 feet in diameter.

The North Fork powerhouse at the base of Cushman No. 2 dam was completed in 2013 with two Francis generating units with a total FERC installed generating capacity of 1.8 MW. This powerhouse is used to pass the required minimum flows into the North Fork Skokomish River and includes an integrated upstream adult fish collector and a fish handling system and tram to provide for both upstream and downstream transportation of fish.

FERC has indicated that certain seismic improvements may be necessary at the Cushman Project. The timing, magnitude and cost of the improvements is currently unknown. If such improvements are determined to be necessary, Tacoma Power expects to work with FERC in the regular course to develop an improvement plan and schedule.

FERC License. Cushman Nos. 1 and 2 are operated under a single FERC license. The Cushman Project's initial FERC license, issued in 1924, expired in 1974. In 1974, the City applied for a new long-term project license. The project operated under the terms of an automatically-renewed annual license granted by FERC until a 40-year license was issued by FERC in 1998. Certain terms of this license were challenged by the Skokomish Tribe and certain environmental agencies. A multi-party Settlement Agreement was ultimately negotiated and submitted to FERC in 2009. In 2010, FERC issued an amended 50-year license for the Cushman Project, which will expire in 2048, and that includes terms of the Settlement Agreement. In accordance with the license and in collaboration with the Washington Department of Fish and Wildlife and the Skokomish Tribe, Biological Opinions have been submitted to NOAA and are pending consultation.

Fisheries Issues. Four fish species listed as threatened under the ESA, Hood Canal Summer Chum salmon, Bull trout, Puget Sound Chinook salmon and Puget Sound steelhead, occur in waters influenced by the Cushman Project. In the project Settlement Agreement, Tacoma Power agreed to build both up and downstream fish passage and two fish hatcheries. The fish facilities are constructed and operational as of 2016.

Nisqually River Project. The Nisqually River Project consists of two separate hydroelectric developments, Alder and LaGrande, located on the Nisqually River on the western slope of the Cascade Mountains, approximately 30 miles southeast of Tacoma. The Alder development, constructed in 1945, includes a continuous concrete arch dam that is 285 feet above riverbed and 1,600 feet long, including a spillway section controlled by four tainter gates and a powerhouse containing two identical Francis turbine/generator units having a total installed nameplate rating of 50 MW. Alder dam creates a reservoir with a nominal capacity of 214,500 acre-feet having 28 miles of shoreline.

The LaGrande development consists of a concrete gravity dam 192 feet above riverbed and 710 feet in length, which creates a reservoir of 2,700 acre-feet and includes a gated spillway and powerhouse. The original plant included four identical Francis turbine/generator units with a total installed generating capacity of 24 MW. The plant was upgraded in 1944 with the construction of a new dam and the addition of a Francis turbine/generator unit increasing the FERC installed generating capacity to 65 MW.

In 2003, the Nisqually River Project received the first of three consecutive annual awards for Outstanding Stewardship of America's Rivers from the National Hydropower Association for environmental activities associated with the project. The project has been certified since 2003 by the Low Impact Hydropower Institute as a low impact hydroelectric project.

FERC License. Having been in operation since 1912, the LaGrande development was not originally licensed as it was constructed prior to the adoption of the Federal Water Power Act in 1920. The original license for the Nisqually River Project was issued by FERC in 1944. In 1997, Tacoma Power received a 40-year license from FERC. The plans for all license requirements have been approved by FERC and the majority have been implemented.

Fisheries Issues. Hydroelectric developments on the Nisqually River were built at a recognized historic natural barrier to fish migration. Puget Sound Chinook salmon and steelhead trout use the river below the dams, but upstream passage was not an issue for the relicensing of the Nisqually River Project. Tacoma Power also manages 3,500 acres of forestland, including a 7.5 mile-long corridor of protected habitat along the Nisqually River below the dams.

Wynoochee River Project. The Wynoochee River Project consists of a concrete gravity dam, with earthen embankments, 175 feet above riverbed and 672 feet in length, which creates a reservoir of 70,000 acre-feet and includes two gated sluiceways, two gated spillways, and a powerhouse. The Wynoochee River Project supports a variety of purposes in addition to generation, including water supply, flood control, recreation, enhancement of fisheries and irrigation.

The powerhouse was constructed in 1993 and contains a single Kaplan turbine, which, with its associated generator, has a FERC installed generating capacity of 12.8 MW. The project's generation is transmitted to BPA's grid over Grays Harbor County Public Utility District's transmission system under a contractual arrangement that expires in September 2037, and the power then continues over BPA's grid to Tacoma Power.

Tacoma Power entered into a billing credit agreement concerning the Wynoochee Project with BPA that extends until July 31, 2037. In 1993, all BPA wholesale customers who had firm power sales contracts were eligible to apply for billing credit for a qualified resource. With billing credits, BPA's customers may obtain credits against the customer's power bills, or cash, for developing and operating resources where the output of the resource will serve the customer's load, thus reducing the customer's purchase of BPA power. BPA benefits because its need to acquire new resources to meet load growth is reduced. The billing credit agreement facilitated Tacoma Power's development of the Wynoochee Project and, therefore, reduced Tacoma Power's BPA power purchases.

FERC License. The City of Aberdeen, Washington, and the City filed a license application under Part I of the Federal Power Act ("Act") to construct, operate, and maintain the Wynoochee Dam Project, located in Grays Harbor County, Washington, on the Wynoochee River. The project occupies lands of the United States within the Olympic National Forest and uses surplus water or waterpower from an existing U.S. Army Corps of Engineers ("USACE") dam. The Wynoochee Project was issued a 50-year license in 1987. USACE transferred ownership of the dam to the City of Aberdeen on September 20, 1993.

Fisheries Issues. The project operations include a trap and haul operation to meet license requirements to trap and transport migratory fish to spawning areas upstream of the reservoir. The project's hydroelectric turbine is not permitted to operate from April 15 through June 30, to provide downstream juvenile migratory salmonid passage through the existing outlet gates. In 1991, the licensees entered a $1.2 million interest-accruing mitigation agreement with local tribes and natural resource agencies to develop additional mitigation measures at the project and this fund is not yet expended. Currently, there are no ESA-listed fish in the project area. However, a petition for Washington Coast Spring-run Chinook Salmon protection under the ESA was filed in May of 2023.

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Dam Safety

Tacoma Power's dam safety program requires an extensive inspection program with the inspections being performed by various groups. All of Tacoma Power's dams are inspected by project personnel daily with more in-depth inspections occurring on a weekly and monthly basis. Additionally, each dam is inspected by engineers from FERC annually and every five years by an independent engineering consultant who follows the requirements of the Code of Federal Regulations 18, Part 12, Subpart D ("Part 12D"). These independent consultants have specific engineering expertise related to dams and are preapproved by the FERC. The following table lists when the last annual FERC and Part 12D inspections were performed along with a column showing when the next Part 12D inspection report is scheduled for submittal:

TABLE 15
DAM INSPECTION SCHEDULE

FERC Project #	Project Name	Last Annual FERC Inspection	Last Part 12D Inspection Report	Next Part 12D Inspection Report
460	Cushman Hydroelectric Project	July 31, 2024	Sept 29, 2022	December 1, 2027
1862	Nisqually Hydroelectric Project	July 9, 2024	July 27, 2023	December 1, 2029
2016	Cowlitz River Project	Aug 13-14, 2024	December 1, 2023	December 1, 2028
6842	Wynoochee Hydroelectric Project	July 18, 2024	December 1, 2022	December 1, 2026

Source: Tacoma Power

The FERC also requires that Tacoma Power maintains fully developed Emergency Action Plans ("EAPs") for each of Tacoma Power's hydroelectric projects. These EAPs include the emergency contact information for the emergency management agencies ("EMAs") of the cities, counties, state and federal government located downstream of the projects that would be impacted by an uncontrolled release of the reservoir. The EAPs also contain inundation maps highlighting the impacts of a complete, nearly instantaneous failure of the dams for use by the EMAs in developing their evacuation plans. These EAPs are updated annually and are completely reissued every five years to more than 45 external agencies.

In 2017, Tacoma Power took actions at Mossyrock to reduce the seismic risk of an uncontrolled release of the reservoir by proposing to keep Riffe Lake approximately 30 feet lower than the historic normal. This adjustment was necessary because of recent advancements in the region's understanding of seismic hazards and how a large seismic event may adversely impact the spillway structure. By keeping the reservoir at a lower level, the risk of an uncontrolled release through the spillway structure is greatly reduced. Tacoma Power is currently evaluating the latest seismicity ratings with FERC and developing plans to further mitigate this risk. It is anticipated that Riffe Lake will be kept at the lower operating level for several more years while seismic analysis and mitigation options are developed.

Long-Term Purchases of Power Supply and Related Transmission Services

BPA Purchases. BPA was created by the Bonneville Project Act of 1937, and is a revenue-financed federal agency under the United States Department of Energy (the "DOE"). BPA's central mission is to operate and maintain a reliable regional transmission grid and to market electricity at cost from federally owned and contracted facilities to Northwest utilities. BPA markets power from the Federal System composed of 31 federal hydroelectric projects, one non-federal nuclear project, and several non-federally-owned hydroelectric and wind projects in the Pacific Northwest, and from various contractual rights. Not taking into account estimated power lost through the transmission of electricity from generation sites to load sites, BPA estimates that the foregoing projects and contracts have an expected aggregate energy output in operating year 2024 (October 1, 2023 through September 30, 2024) of approximately 9,741 annual average megawatts ("aMW") under median water conditions and approximately 8,039 annual aMW under low water conditions. The federal projects are built and operated by the United States Bureau of Reclamation and the US Army Corps of Engineers and are located primarily in the Columbia and Snake River Basins. The Federal System currently produces approximately 28% of the region's energy requirements. BPA's transmission system includes over 15,000 circuit miles of transmission lines, provides about 75% of the Pacific Northwest's high-voltage bulk transmission capacity and serves as the main power grid for the Pacific Northwest.

BPA is required by law to meet certain energy requirements in the region and is authorized to acquire power resources and take other actions to enable it to carry out these purposes. This includes the requirement for Bonneville to provide power to preference customers, like Tacoma Power, so the utility can meet its net load and load growth, after applying its owned or purchased resources from non-federal generators. In doing so, BPA must give preference and priority to public body and cooperative utilities before offering to serve non-preference entities. Since 1937, BPA has always met its power marketing obligations to supply federal power to serve the firm power needs of its regional power customers. This currently includes approximately 130 publicly-owned and cooperatively-owned utilities (or "preference customers") for resale to consumers in the Pacific Northwest. BPA also sells electric power to a small number of Federal agencies and has the authority, but not the obligation, to sell to Direct Service Industry customers. Its service area covers over 300,000 square miles.

BPA Power Sales Contract. Tacoma Power and other municipally-owned utilities and cooperatives are "public preference" customers of BPA pursuant to federal legislation, which requires BPA to give preference and priority to public agencies and cooperatives in the distribution and marketing of federal power. In 2008, Tacoma Power executed a Power Sales Agreement with BPA, effective October 1, 2011, through September 30, 2028 (the "BPA Agreement").

The current BPA Agreement is a "Slice-Block" product, which serves approximately 65% of Tacoma Power's annual firm load requirements. The Block component provides a set amount of energy delivered in flat monthly "blocks" based on Tacoma Power's monthly net load requirements. The Slice component represents a percentage "slice" of the output of the Federal System that is managed in concert with Tacoma Power's owned hydroelectric projects. The current monthly Block energy ranges from 114 aMW in August to 180 aMW in December 2024. As a purchaser of the Slice product, Tacoma Power pays its percentage share of BPA's actual operating costs. Tacoma Power's Slice percentage is 2.96%, which is equivalent to approximately 208 aMW under critical water conditions (approximately 270 aMWs under average water). After the end of each fiscal year, BPA "trues up" the difference between its actual costs and the forecast for the year through an adjustment charge or credit. The total amount of energy provided under the BPA Agreement varies with river flows. Based upon 80 years of historical river flows, Tacoma Power's annual energy from BPA (Block plus Slice) can range from a minimum of 350 aMW to a maximum of 500 aMW.

The cost of power under the BPA Agreement is established through the BPA long-term rate methodology (the "Tiered Rates Methodology") for determining power rates bi-annually during the term of the contracts. The base amount of firm power that Tacoma Power and other preference customers may purchase under BPA's lowest cost rate ("Tier 1" rate) is limited to a pro-rata share of the estimated output of the Federal System in a critical water year. Retail utility requirements in excess of the base amount is the retail utility's responsibility and can be satisfied under separate market-based contracts with BPA or other non-federal providers. Any purchases by preference customers from BPA above the base amount of power would be sold at a higher rate ("Tier 2" rate) reflecting the market cost to BPA of obtaining additional power to meet such incremental loads. Tier 1 power is limited to the output and capacity of the existing Federal System. BPA established for each preference customer a contractually defined level of access to power available at the Tier 1 rate.

Tacoma Power is currently engaged in BPA's post-2028 "Provider of Choice" ("POC") process to establish post-2028 product design, contracts, and pricing. Tacoma Power has been actively involved in developing new products, options and pricing to better meet Tacoma Power's needs given load changes and developing resource adequacy requirements. Tacoma Power's latest IRP has confirmed that the Slice/Block product continues to be the best option for Tacoma Power post-2028. BPA initiated a series of regional meetings and workshops in the spring of 2022 to begin discussing the POC methodology for allocation of the low-cost Tier 1 power, product design, and product pricing. The Provider of Choice Concept Paper, published on July 14, 2022, set forth BPA's initial positions and considerations for Provider of Choice contract policies, products and services. The concept paper release was followed by a series of policy development workshops that provided grounding in the policy topics, discussed the intent and design of policy elements, and invited deliberation and policy proposals. These discussions culminated in BPA's release of a draft policy paper in July 2023, with a final policy Record of Decision issued in March 2024. Post-2028 contract templates and the new "public rate design methodology" have been completed with a final contract record of decision in May 2025. Post-2028 contract execution is expected in December 2025.

Under Tacoma Power's BPA Power Sales Agreements, Tacoma Power will receive a minimum of approximately 400 aMW at Tier 1 rates, which corresponds to the sum of Tacoma Power's Block component plus its Slice Component in a critical water year. Tacoma Power has a right to purchase energy from BPA at Tier 2 rates under a future power sales contract. The quantity of Tier 2 energy Tacoma Power could purchase would increase as electric system load grows. At this time Tacoma Power does not expect to purchase Tier 2 power from BPA to serve any future load growth at least through 2028.

Under the BPA Agreement, BPA has the right to require that Tacoma Power post collateral if BPA determines it is necessary to secure Tacoma Power's payments under that Agreement. Conditions that would require Tacoma Power to post collateral under the BPA Agreement include a downgrade of Tacoma Power's unenhanced senior debt to below investment grade, or any material changes to Tacoma Power's financial condition that may adversely impact its ability to make payments under the BPA Agreement. The collateral required is an amount equal to 12 times the greatest monthly amount billed or forecasted to be billed to Tacoma Power by BPA under the BPA Agreement. BPA has not required Tacoma Power to post collateral and Tacoma Power does not expect to be required to post collateral in the future.

For a discussion of Tacoma Power's transmission contracts with BPA, see "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE."

BPA Rates. BPA is required by federal law to recover all of its costs through the rates it charges its customers. The U.S. Treasury provides a portion of BPA's capital funding, and BPA is required to make annual payments to the U.S. Treasury to repay such borrowings. BPA is committed to a rate design that builds and maintains financial reserves sufficient for the agency to achieve a 95% probability of making its U.S. Treasury payments in full and on time. The power sales contracts with preference customers contain Cost Recovery Adjustment Clauses ("CRAC)" that permit rates to be adjusted if BPA's net reserves fall below a certain threshold and a Reserves Distribution Clause ("RDC") if reserves are above a certain threshold. Under its current power contracts, BPA conducts a rate case every two years. The first rate case under the "Tiered Rates Methodology" was conducted in 2010 with rates effective October 1, 2011. In 2025, Tacoma Power's average unit cost for BPA power was $32.11/MWh. The current Block rate is $33.42/MWh and the Slice cost is $31.0/MWh based upon "average water" Slice energy received. New BPA rates go into effect every October in odd years. In March 2025 BPA accepted a power rate settlement that will result in a 4.3% power rate increase for Tacoma Power. In April 2025, BPA accepted a regional transmission rate settlement of approximately 20% for network service. Both of these rate increases will be effective October 1, 2025 for BPA fiscal year 2026 through fiscal year 2028. BPA has also initiated a tariff proceeding for a proposed tariff that would be effective starting in fiscal year 2026.

There are any number of factors that have impacted and could impact BPA's cost-of-service and rates, including federal legislation, BPA's obligations regarding its outstanding federal debt, BPA's other capital-related funding obligations, the number of customers, water conditions, fish and other environmental regulations, capital needs of the Federal System, and regional transmission issues.

Bonneville Residential Exchange Program. The Northwest Power Act of 1981 (the "Northwest Power Act") provides that a municipal or investor-owned utility may offer power to BPA, and BPA must purchase power from the utility, at the utility's average system cost. In exchange, BPA sells an equivalent amount of power to the utility for purchase by its residential and small farm customers at Bonneville's established Priority Firm ("PF") Exchange Rate. This is referred to as the "Residential Exchange Program." The PF Exchange Rate is established periodically by BPA as part of its rate case. Benefits are settled financially with no energy exchanged.

Over the years there have been numerous legal challenges to the Residential Exchange Program. In 2011, the parties reached a settlement agreement (the "2011 Settlement Agreement"), which provides an agreed basis and certainty for how the Residential Exchange Program is treated in BPA's rates through 2028.

Bonneville and Columbia River Treaty. The Columbia River Treaty (the "CRT") is an international treaty between Canada and the United States of America. Put into effect in 1964, the CRT named two "entities" to implement the CRT — a "U.S. Entity" and a "Canadian Entity." The U.S. Entity, created by the President, consists of the Administrator of BPA (chair) and the Northwestern Division Engineer (member) of the U.S. Army Corps of Engineers. The Canadian Entity, appointed by the Canadian Federal Cabinet, is the British Columbia Hydro and Power Authority (B.C. Hydro). Canada and the United States each have the option to terminate the commercial power provisions of the treaty at any time on or after September 16, 2024 by providing a 10-year advance written notice.

The CRT called for the construction and operation of three large dams in the upper Columbia River basin in British Columbia, Canada, and gave the U.S. an option to build a fourth dam in Montana with a reservoir that extends into Canada. The operation of CRT dams was designed to provide flood control and hydropower benefits to both countries, which made other benefits possible. The CRT flood control operations expired in September 2024. In July 2024 an "Agreement-in-Principle" ("AIP") was reached between the Biden Administration and the Canadian government for hydro operations on the Columbia River. The AIP will serve in transition to a more formal agreement that will eventually replace the previous Treaty that expired in September 2024. The AIP is seen as significant progress toward modernizing and more equitably sharing flood control responsibilities on the Columbia River. This interim agreement expires July 31, 2027.

The Canadian and U.S. entities had remained engaged in negotiations for a "modernized" CRT. Originally conceived for flood risk mitigation, the new agreement was anticipated to need to meet demands of an evolving energy landscape, which calls for further integration of renewable energy resources, electrification of loads, increased environmental concerns, and fish protection. Negotiations for a new agreement were paused in early 2025, however, at the direction of the new presidential administration. It is unknown when negotiations will resume, and what impact the current relationship between the U.S. and Canada may have on such negotiations.

Priest Rapids Hydroelectric Project. Tacoma Power purchases power from the Priest Rapids Hydroelectric Project under several long-term agreements with Grant PUD. The Priest Rapids Hydroelectric Project is composed of two dams, Priest Rapids and Wanapum, located on the Columbia River with an installed capacity of 950 MW and 1,222 MW, respectively. The terms of the current agreements are for the remaining term of the project's 44-year FERC license, from April 1, 2008, to March 31, 2052. The agreements provide that each power purchaser has the right to purchase its proportionate share of Priest Rapids generation in excess of the actual and prospective needs of Grant PUD for the same proportionate share of project costs. Tacoma Power's future purchase quantity and costs will be affected by Grant PUD loads, water conditions, and FERC license operating requirements. Tacoma Power is obligated to pay its share of the costs of the facility whether or not it receives any power. Forecasted annual average generation available to Tacoma Power during the remaining term of the agreements is estimated to be approximately 2.5 aMW.

Columbia Basin Hydropower. The City and the City of Seattle have entered into power purchase agreements with three Columbia Basin Irrigation Districts (South, East and Quincy) for the acquisition of the output of five low-head hydroelectric projects that were constructed along irrigation canals in eastern Washington. Tacoma Power entered into five separate power purchase agreements for the output of these projects, each one lasting 40 years. The contracts were structured to assure that underlying debt service payments and operation and maintenance would be paid by purchasers plus additional incentive payments made only for delivered power. Power deliveries under the contracts began between 1982 and 1986 when the respective projects were placed in service. Power deliveries on three of the projects ended as scheduled between 2022 and 2024. Power deliveries for the two remaining projects will end between 2025 and 2026. These projects are operated by CBHP and utilize water released during the irrigation season and thus have no winter peak capability. The total installed capacity of all five projects is approximately 130 MW, with a total average annual energy production of approximately 480,000 MWh. Tacoma Power receives 50% of the actual output of the projects. Four of the five plants have terminated to date with only Summer Falls, the largest project still under contract through 2026.

Third AC Intertie Capacity. In 1994, Tacoma Power entered into a long-term capacity ownership agreement with BPA to annually purchase 41 MWs of transmission on BPA's Third AC Intertie. The Third AC Intertie is an expansion of the existing California-Oregon Intertie, and links the Northwest power grid with the Southwest power grid. Tacoma Power will maintain capacity ownership for the life of the facilities.

Point-to-Point Transmission Contract. Tacoma Power has a Service Agreement for Point-to-Point Transmission with BPA. It includes long-term service reservations to transmit the transfer of 851 MWs of power from BPA and Tacoma Power resources to Tacoma Power as well as transfer from Tacoma Power resources across the BPA transmission system. When the contracted transmission is not fully utilized, the contract reservations can be redirected as permitted by the BPA Open Access Transmission Tariff and Transmission Business Practices to move power to and from other points of integration receipt and delivery on the BPA transmission system. Tacoma Power maintains a right of renewal for this long-term Point-to-Point Transmission service when individual transmission service reservations reach their scheduled end date.

Cowlitz Exchange. In 1966, Tacoma Power entered into a long-term transmission exchange agreement with BPA. The contract specifies that BPA must make available at the City's point of delivery, currently Cowlitz Substation in Tacoma, an equivalent amount of power generated by the Cowlitz Project. In 2001 and 2021, Tacoma Power exercised its contractual right to extend this agreement to December 31, 2051. Tacoma Power will need to roll over the exchange agreement to open access transmission service if it wishes to deliver energy from the Cowlitz Project starting in 2052.

Conservation

As in previous Tacoma Power's IRPs, the 2024 IRP indicates that energy conservation is Tacoma Power's only resource that has been acquired for many years and remains a priority resource in the 2024 IRP. Energy conservation helps limit load growth, which defers the need to acquire more costly generating resources, supports the local economy and is environmentally beneficial. Tacoma Power's customers also benefit because conservation helps customers reduce costs of services.

TABLE 16
TACOMA POWER CONSERVATION PROGRAM

	2020	2021	2022	2023	2024(1)
Energy Savings (MWh)(2)	42,765	31,323	33,004	18,422	39,880
Program Costs ($000)(3)	$9,277	$8,102	$6,080	$4,026	$4,615

(3) 2024 final energy savings and costs are preliminary, subject to change.
(2) The energy savings numbers represent first year energy savings resulting from conservation acquisitions. Energy conservation measures during the 2020-2024 period on average last 15 years and have an average levelized cost of $15/MWh. Decrease in 2023 primarily due to Tacoma Power's industrial sector which dropped in 2023 but rebounded in 2024.
(3) The numbers include capital incentives, operating costs, and marketing costs.
Source: Washington State Department of Commerce

The majority of conservation is acquired through:

- *Large Custom Commercial and Industrial Programs:* These programs target complex commercial and industrial customers. Projects from these programs rely on site specific information such as equipment technical specifications, site energy usage, equipment run times, production data, and so on, collected by field staff before and after conservation equipment installation. These projects follow a rigorous measurement and verification protocol to validate savings.

- *Residential Programs:* These programs target residential customers and employ deemed measures developed by the region for typical conservation measures. Field staff inspect and confirm that installed conservation measures meet site and technical specifications. Savings reflect anticipated performance for measures over a broad range of households.

- *Mass Market Programs*: Through participation in regional groups, these programs employ market transformation techniques to encourage broad adoption of energy efficient equipment such as appliances, water heaters, pumps, motors, and weatherization.

Net Metering and Distributed Generation

Washington state law (chapter 80.60 RCW) allows for "net metering" of customer owned power generation systems of up to 100 kW in size. This allowance ends by the earlier of either June 30, 2029 or the first date when the cumulative generating capacity of all net metering systems equals 4% of the utility's peak demand during 1996. The aggregated capacity of net metered systems in 2024 was 19.4 MW, which represents 1.9% of the 1996 peak demand or approximately 47% of the maximum required net metering capacity. The majority of State incentives have expired, with approximately 200 customers receiving a declining production incentive until 2027 through Washington State University Energy Programs' Renewable Energy System Incentive Program ("RESIP"). Despite no State or utility incentives, the South Puget Sound market for roof top solar systems remains active as cost of solar has become more affordable.

In addition, Tacoma Power had four 75kW community solar projects erected in 2016 at the utility campus under the State production incentive program. Under this program, these arrays generated monetary credits to customer subscribers of the community solar array through the end of the incentive program in 2020. These arrays continue to generate electricity and offset electricity consumption at the campus.

The following table shows the number of installed systems and the production of electricity for 2020 through 2024.

TABLE 17
SOLAR PRODUCTION OF TACOMA POWER'S RETAIL CUSTOMERS

	2020	**2021**	**2022**	**2023**	**2024**
Customer Roof-Top Solar Systems (cumulative quantity)	789	1,155	1,862	2,527	2,874
Customer Roof-Top Solar Capacity (kW)	5,429	8,163	13,123	17,174	19,422
Community Solar Systems (quantity)	4	4	4	4	4
Community Solar Production (kWh)(1)	337,372	345,099	340,403	324,280	333,026

Source: Tacoma Power

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Cost of Power

The following table shows the production cost from resources Tacoma Power has used to meet its energy requirements for 2020 through 2024.

TABLE 18
PRODUCTION COST TO SERVE TACOMA POWER'S RETAIL CUSTOMERS
($000 UNLESS OTHERWISE INDICATED)

	2020	2021	2022	2023	2024
Cost of Energy from:					
City-Owned Resources[1]					
Alder	$2,534	$2,548	$2,189	$2,912	$3,713
LaGrande	3,289	3,267	3,447	4,048	5,940
Cushman No. 1	2,948	2,797	2,970	6,090	6,317
Cushman No. 2	4,801	4,511	5,221	4,888	5,926
Mayfield	8,751	9,327	9,613	11,310	12,838
Mossyrock	11,889	12,222	12,649	14,962	14,654
Wynoochee[2]	(762)	(540)	(649)	1,208	(379)
Hood Street	55	57	23	16	--
Conservation (Net)[3]	18,631	17,262	17,389	17,883	17,551
Subtotal Division-Owned Resources	$52,136	$51,451	$52,852	$63,317	$66,560
Purchased Energy[4]					
Priest Rapids	$(449)	$(84)	$(1,786)	$(4,332)	$(4,055)
BPA[5]	112,219	119,686	119,857	104,370	104,515
CBHP Projects	7,882	8,008	8,214	6,249	7,288
Subtotal Purchased Energy	$119,652	$127,610	$126,285	$106,287	$107,748
Total Cost of Principal Resources	$171,788	$179,061	$179,137	$169,604	$174,308
Average Cost of Principal Resources (cents/kWh)[1]	2.57	2.75	2.57	3.02	3.12
Other Power Costs					
Portfolio Market Purchases	$8,429	$9,710	$17,251	$17,032	$5,215
Renewable Energy Certificates	4,034	3,115	3,457	3,036	3,311
Miscellaneous Power Costs[6]	7,640	6,845	8,133	8,425	8,814
Subtotal Other Power Costs	$20,103	$19,670	$28,841	$28,493	$17,340
Total Cost of Resources	$191,891	$198,731	$207,978	$198,097	$191,648
Average Cost of Resources (cents/kWh)[1]	2.68	2.96	2.91	3.31	3.31
Less Revenues from Sales for Resale and Sales of Surplus Energy[7]	$58,036	$83,542	$151,478	$80,851	$80,766
Net Cost of Resources to Tacoma Power's Retail System	$133,855	$115,189	$56,500	$117,246	$110,882
Average Net Cost of Resources to serve Tacoma Power's Retail System (cents/kWh)[1]	2.90	2.48	1.18	2.51	2.38

Footnotes to Table are on the next page.

(1) Represents operating costs, excludes depreciation, debt service, capital expenditures, and transmission costs and overhead.
(2) Historical costs of the Wynoochee Project were offset by the trust fund until the fund was exhausted, and by BPA's Billing Credit Program.
(3) Historical costs do not include the Fort Lewis program.
(4) Excludes transmission costs.
(5) Includes Residential Exchange Credits received from BPA.
(6) Miscellaneous costs associated with energy production and energy interchange.
(7) Revenues from Sales for Resale does not include transfers to, or from, the Rate Stabilization Fund in 2019, 2021 and 2022. See "SECURITY FOR THE 2025 BONDS—Rate Stabilization Fund."

Source: Tacoma Power

CERTAIN FEDERAL AND STATE LAWS AND REGULATIONS AFFECTING TACOMA POWER

Washington State's Renewable Portfolio and Conservation Standards

In the fall of 2006, voters in the State approved Initiative Measure 937, codified as the Energy Independence Act, chapter 19.285 RCW, requiring electric utilities with over 25,000 customers in the State to accomplish all cost-effective conservation and, by 2020, use certain eligible renewable resources to serve at least 15% of their retail loads. Specifically, Initiative 937 requires such utilities to: (i) estimate the cost-effectiveness of conservation programs using methodologies consistent with the approach of the Northwest Power and Conservation Council ("NWPCC"); (ii) every two years, calculate and document 10-year conservation potential; (iii) produce detailed analyses of how energy will be conserved through end-user programs, production and distribution efficiencies, co-generation and/or distributed generation; (iv) use eligible renewable resources to serve 3%, 9% and 15% of the utility's retail loads by 2012, 2016 and 2020, respectively; and (v) report annual compliance with the law's requirements.

Eligible renewable resource types include wind, solar energy, geothermal energy, landfill gas, wave, ocean or tidal power, gas from sewage treatment facilities, specific biodiesel fuels, biomass energy and incremental hydroelectric power (power produced because of efficiency improvements at existing hydroelectric facilities). Incremental hydropower is the only form of hydro-related energy designated as an approved renewable. The legislation imposes significant penalties for non-compliance—$50 for every MWh the utility falls short of its conservation or renewable resource targets.

To satisfy the renewables target for a given compliance year, a qualifying utility may elect to serve an increasing percentage of its load with certain eligible renewable generation or Renewable Energy Credits ("RECs") ("target method"). A utility may also "bank" or "carryover" the RECs generated by the renewable resources in its portfolio the year prior to, the year of, and the year after, the compliance target year.

Tacoma Power is required to obtain "eligible" renewable resources equal to at least 15%. The types of resources that qualify as eligible renewable include wind, solar, geothermal, RECs and Incremental Hydro; but all other hydroelectric resources are excluded.

Tacoma Power's Electric System is fully compliant through 2025. Between 2026 and 2030, Tacoma Power will need to purchase additional RECs. Beginning in 2030, compliance with Initiative 937 will be harmonized with the Clean Energy Transformation Act by using renewable properties of Tacoma Power's surplus hydro. See "Climate Change Legislation." Tacoma Power has never failed to exceed its mandatory renewable or conservation targets.

In accordance with Initiative 937 reporting requirements, Tacoma Power submits its annual filings with the Washington State Department of Commerce by June 1 each year. This report consists of: (i) total owned and acquired renewable resources as of January 1 of the target year; and (ii) the actual conservation achievements for the two-year period, compared to the adopted target.

Climate Change Legislation

Clean Energy Transformation Act. On May 7, 2019, the State Governor signed into law the Clean Energy Transformation Act ("CETA"). The law imposed new clean energy mandates on investor-owned and consumer-owned electric utilities in the State. The law requires utilities to phase out coal-fired electricity from their portfolios by the end of 2025. From 2030 to 2044 utility portfolios must be greenhouse gas emissions neutral, which means at least 80% of their portfolio must be from renewable or non-emitting resources, and up to 20% may be from alternative compliance (unbundled RECs, energy transformation projects or compliance payments). The law creates milestones, as well as planning and reporting requirements.

CETA required that, by January 1, 2022, each utility prepare and publish a clean energy implementation plan ("CEIP") with its own targets for energy efficiency renewable energy, and demand response. The CEIP must be updated every four years thereafter. Tacoma Power's first CEIP was adopted in December 2021 and is currently developing its next CEIP, which is due by January 1, 2026. Tacoma Power currently anticipates that regulatory compliance costs and risks associated with the Energy Independence Act ("EIA") will be reduced when those requirements transition to CETA-based requirements in 2030.

By 2045, utilities must supply customers in the State with electricity that is 100% renewable or non-emitting, with no provision for offsets. CETA includes safeguards to protect consumers from excessive rates or unreliable service. Assistance programs must be provided for low-income households. Waivers of the standards are available under some circumstances.

Stakeholders and State government officials from the Departments of Commerce, Ecology, and Health, and the Washington Utilities and Transportation Commission worked together to establish the rules to implement CETA. The rulemaking process was completed in June 2022. Tacoma Power is committed to achieving the requirements in CETA. Tacoma Power's most recent IRP found that its resource portfolio, which is mostly carbon-free (see "POWER SUPPLY RESOURCES AND COST OF POWER—Power Supply Overview") above, should be in compliance with CETA's clean energy requirements through the next 20 years.

Climate Commitment Act. In the 2021 legislative session, the State Legislature passed, and the State Governor signed, the Washington Climate Commitment Act (SB 5126). The Climate Commitment Act ("CCA") establishes a comprehensive, market-based program, including in the electric sector, to reduce carbon pollution and achieve greenhouse gas limits. The CCA requires the Department of Ecology ("Ecology") to adopt rules to implement a cap-and-invest program to achieve Washington's goal of net zero greenhouse gas emissions by 2050. The cap-and-invest program sets a cap (limit) on overall carbon emissions in the State and requires businesses, including electric utilities, to obtain allowances equal to their covered greenhouse gas emissions. These allowances can be obtained through quarterly auctions hosted by Ecology, or bought and sold on a secondary market. The cap will be reduced over time, and Ecology will issue fewer emissions allowances each year, reducing overall greenhouse gas emissions.

Rulemaking to implement the requirements of the CCA has begun, including rulemaking regarding reporting requirements which require businesses, including electric utilities, to report their greenhouse gas emissions if they emit more than 10,000 metric tons of carbon dioxide. On September 29, 2022, Ecology adopted the Climate Commitment Act Program Rule (chapter 173-466 WAC), and the program went into effect October 30, 2022. Previously, on February 9, 2022, Ecology updated rules regarding Reporting of Emissions of Greenhouse Gases (chapter 173-441 WAC) to reflect the passage of the CCA, adding natural gas suppliers, carbon dioxide suppliers and electric power entities to the existing greenhouse gas reporting program, among other rules to implement the CCA. While the CCA Program Rule has been adopted, an ancillary rulemaking is in progress scheduled to be completed by October 2026, which addresses allowances for the second compliance period (2027-2030), imported electricity from centralized electricity markets, no-cost allowances for electric utilities, and updates to align with any statutory changes. Ecology is also working with California and Quebec on linking their cap-and-trade markets with the State's market.

Tacoma Power has met the program requirements to date, including submitting its greenhouse gas emissions reports in 2023 and 2024 for emissions from calendar years 2022 and 2023. Tacoma Power received its no-cost allowance allocation schedule in 2023 and Ecology updated the no cost allowance allocation in 2024. The no-cost allowances are meant to mitigate the cost of compliance to electric utilities who are also subject to CETA. In November 2024 Tacoma Power submitted the required no-cost allowances equal to 30% of its 2023 greenhouse gas emissions to Ecology for program compliance.

The Clean Fuels Program

Also in the 2021 legislative session, the State Legislature passed, and the State Governor signed, legislation establishing a Clean Fuels Program ("CFP") (HB 1091) designed to limit the carbon intensity of the transportation fuels in the State. Ecology adopted the program rule to implement a clean fuel standard by 2023 and requires certain fuel producers to reduce the carbon intensity of their fuels 20% below 2017 levels by 2038, among other requirements. As a clean transportation fuel provider (see "POWER SUPPLY RESOURCES AND COST OF POWER—Power Supply Overview" above), Tacoma Power will receive credits that can be monetized, and revenue which must be invested in electrification of transportation projects in alignment with CFP requirements.

Tacoma Power registered with Ecology in 2023 and each subsequent year to participate in the CFP. Tacoma Power receives Base Credits for residential registered electric vehicles in its service area. In addition, Tacoma Power has voluntarily submitted quarterly reports as required by Ecology to receive Incremental Credits for owned charging infrastructure, in calendar years 2023 and 2024. These credits may be sold at any time and do not expire throughout the duration of the CFP.

Endangered Species Listings

Environmental stewardship is identified in Tacoma Power's Generation Section mission statement as an important element of its responsibilities. Tacoma Power implements intradepartmental programs to comply with existing regulations and is proactive in employing measures and protection to mitigate effects on the environment and associated species. Several species/populations/runs of fish and wildlife, with the potential for impact from Tacoma Power facilities or operations, have been designated as threatened under the Endangered Species Act ("ESA") per the National Marine Fisheries Service ("NMFS") and the US Fish and Wildlife Service. The ESA prohibits any harm to listed species, including actions that may harm the species or their essential habitat. Tacoma Power expects minimal operational changes due to these listings, but the full impacts are uncertain. Tacoma Power consults and continues to consult with Federal, State and local regulatory agencies to assure actions do not jeopardize the continued existence of a species, or adversely modify critical habitats. If it is determined that the actions may cause adverse impacts Tacoma Power provides mitigation for the associated actions.

TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE

Transmission Access

FERC Order 890. FERC Order 890, first issued in 2006 and revised in 2007, affects the way transmission is planned by the electric utility industry. Its goal is to prevent discrimination by owners of transmission facilities against utilities and power producers desiring transmission service. Order 890 strengthens the open access transmission tariff ("OATT") standards, reduces opportunities for the exercise of market power, makes it easier to detect abuses, facilitates enforcement efforts and increases transparency in the areas of planning and transmission system use.

FERC Order 1000. In 2011, FERC issued Order 1000, which amended the transmission planning and cost allocation requirements established in Order 890. FERC issued Order 1000A in 2012, to include clarifications in response to petitions for rehearing filed on the original Order 1000. FERC subsequently issued Order 1000B, affirming its basic determinations in Order 1000 and Order 1000A in response to petitions for rehearing filed on Order 1000A. Collectively, these Orders are referred to as "Order 1000." With respect to transmission planning, Order 1000 (i) requires that each jurisdictional utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (ii) requires that each jurisdictional utility transmission provider amend its OATT to describe procedures that provide for the consideration of transmission needs driven by public policy requirements in the local and regional transmission planning process; (iii) removes from FERC-approved tariffs and agreements a federal right of first refusal for certain new transmission facilities; and (iv) improves coordination between neighboring transmission planning regions for new interregional transmission facilities.

Order 1000 also requires each jurisdictional utility transmission provider to participate in a regional transmission planning process that has (i) a regional cost allocation method for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation; and (ii) an interregional cost allocation method for the cost of certain new transmission facilities that are located in two or more neighboring transmission planning regions and are jointly evaluated by the regions in the interregional transmission coordination procedures required by Order 1000. Each cost allocation method must satisfy six cost allocation principles specified by FERC.

Participation in regional transmission planning efforts is voluntary for non-jurisdictional utility transmission providers. Tacoma Power is not a jurisdictional utility but it is a "transmission provider" for purposes of Order 890 and Order 1000.

Regional Transmission

Regional Transmission Planning. BPA owns and operates a high voltage transmission system comprising approximately 75% of the bulk transmission capacity in the Pacific Northwest. Tacoma Power depends on BPA for the vast majority of its regional transmission needs. While Tacoma Power is not FERC jurisdictional, it is nonetheless interested in the development of a robust transmission network throughout the Pacific Northwest.

Tacoma Power is a member of NorthernGrid, a non-profit membership corporation formed in 2019 for the start of the 2020/2021 study cycle to improve the operational efficiency, reliability, and planned expansion of the regional transmission grid. NorthernGrid is made up of members from the now defunct ColumbiaGrid and Northern Tier Transmission Group. NorthernGrid itself does not own transmission, however, the high-voltage transmission systems owned by the NorthernGrid members make up a substantial transmission network. It is one of three regional planning organizations within the Western Electricity Coordinating Council ("WECC") Interconnection; the other two are WestConnect and the California ISO.

NorthernGrid provides grid expansion planning to its members based on a single-utility concept for the combined transmission grids of its planning parties. The goal of grid expansion planning is to determine reasonable solutions, or mitigations, of transmission grid issues pertaining to serving load and complying with reliability standards. The members look to NorthernGrid's grid expansion planning process to coordinate and support the development of multi-party transmission projects within the NorthernGrid's region.

NorthernGrid currently has 13 members: Avista Corporation, Berkshire Hathaway Energy Canada, BPA, Chelan County Public Utility District No. 1, Grant PUD, Idaho Power, NorthWestern Energy, Pacificorp, Portland General Electric, Puget Sound Energy, Seattle City Light, Snohomish County Public Utility District No. 1, and Tacoma Power.

Puget Sound Area Transmission Initiatives. Changing generation patterns and loads within the metropolitan Puget Sound area, regional transmission outages, and BPA's obligation to return energy to Canada under the Columbia River Treaty, have occasionally created transmission congestion which has impacted Tacoma Power. Coordinated actions to re-dispatch local generation and a memorandum of understanding citing investment and cost-sharing responsibilities was signed by BPA, Seattle City Light and Puget Sound Energy in December 2011. These actions have averted the need to drop customer load in the Puget Sound area. The City is not a party to this agreement.

Transmission Reliability

In March 2007, FERC issued Order 693 and in January 2008 issued Order 706 (later revised) which together address mandatory reliability standards for utilities. NERC was tasked with developing Reliability Standards for the electric industry and for ensuring those standards are met. All users, owners and operators of the bulk power system are required to identify functions they perform and register the information with the NERC or their regional reliability organization. In Tacoma Power's case, this is the WECC.

Tacoma Power's Internal Compliance Program ("ICP") was developed over the years and continues to evolve as the NERC's Reliability Standards continue to change. Tacoma Power actively monitors and participates in the balloting process for the NERC Reliability Standards. Tacoma Power is committed to a culture of compliance and strives for continuous improvement throughout its ICP. Tacoma Power's ICP outlines the roles and responsibilities of business units and oversight groups tasked with maintaining compliance. It includes documented processes, and describes the steps taken to ensure compliance and the reliable operation of the Bulk Electric Power System as required by federal laws and regulations, and applicable NERC Reliability Standards.

Tacoma Power's Reliability & Compliance Office consists of four functional areas to carry out its responsibility to facilitate compliance with NERC Reliability Standards: (1) Operations and Planning ("O&P"), (2) Critical Infrastructure Protection ("CIP"), (3) Internal Controls, and (4) Document and Records Management. A Governance Committee comprised of Tacoma Power senior managers, the Tacoma Power Superintendent, and a representative from the legal department provides oversight to Tacoma Power's Internal Compliance Program. This helps ensure a culture of compliance is reflective across the entire organization and there is engagement at all levels. The Power Shared Services Manager is responsible for managing the Reliability & Compliance Program. The Assistant Utilities Technology Director is designated as the CIP Senior Manager and has overall authority and responsibility for Tacoma Power's CIP Program.

Tacoma Power utilizes internal auditors for on-going assessments evaluating the reliability risk and effectiveness of internal controls including compliance documentation. The objective of the internal assessments is to evaluate evidence used to demonstrate compliance with the Reliability Standards and identify where any potential risks may exist within the compliance program.

Tacoma Power also utilizes outside consultants and industry professionals in preparation for audits conducted by the WECC. Tacoma Power audits its compliance with a large number of NERC Reliability Standards at least once every three years.

In 2022, WECC conducted an audit of Tacoma Power's compliance with NERC Reliability Standards. This included an assessment of Internal Controls used to mitigate risk to ensure compliance and reliable operations of the Bulk Electric System ("BES"). The results of the audit along with any findings identified during the WECC audit were used to establish Tacoma Power's Compliance Oversight Plan in September of 2023 which focused on compliance with NERC Reliability Standards based on Tacoma Power's specific risks.

Tacoma Power personnel vet new standards through the Standard Change Organizational Review and Evaluation ("SCORE") process to ensure compliance. The SCORE process takes each new or revised standard and evaluates the impact (low, medium, or high) based on the risk and the resources necessary for implementation. This evaluation also assists in building a work schedule for completing any necessary work and assessing compliance prior to the effective enforcement date(s).

Tacoma Power-Owned Transmission

Tacoma Power owns, operates, and maintains 352 circuit miles of transmission facilities including both 230 kV facilities and 115 kV facilities, which are used to integrate generation, serve retail loads, and provide wholesale transmission service. Key facilities include:

- Cowlitz Lines: approximately 19 miles of 230 kV transmission integrate Tacoma Power's Mayfield and Mossyrock hydroelectric generation at the Cowlitz River Project into BPA's transmission grid. Tacoma Power takes delivery of this power at its Cowlitz and Northeast, Southwest, and Canyon Substations.

- Potlatch Lines: approximately 85 circuit miles of 115 kV transmission facilities integrate Tacoma Power's hydroelectric generation at the Cushman Project into Tacoma Power's transmission system and provide wholesale transmission service to connected utilities.

- LaGrande Lines: approximately 56 circuit miles of 115 kV transmission facilities integrate Tacoma Power's Alder and LaGrande hydroelectric generation at the Nisqually River Project into Tacoma Power's transmission system and provide wholesale transmission service to connected utilities.

- Four major transmission substations, eight hydroelectric facility switchyards, five transmission switching substations and 23 load-service points to other utilities.

- Nine 230 kV transmission interconnections with BPA.

- Starwood Line: a 115 kV transmission interconnection of the Tacoma transmission system to Puget Sound Energy's transmission system.

- One 230 kV transmission interconnection with Lewis County Public Utility District.

Wholesale Transmission Service

In 2012, Tacoma Power updated the terms and conditions of its transmission tariff to be more in alignment with the FERC *pro forma* OATT. Under the OATT, Tacoma Power makes available transmission service through an Open Access Same-Time Information System ("OASIS") and periodically revises its rates with the approval of the Board and City Council. The most significant customer of Tacoma Power for transmission service is BPA for the purpose of delivering federal energy to several consumer-owned utilities within Pierce County and to a portion of the Lewis County Public Utility District.

Outside of Tacoma Power's OATT service framework, Lewis County Public Utility District receives transmission service for delivery of its Cowlitz Falls generation over Tacoma Power's facilities to BPA. The agreement was entered into in 1993 (before the wholesale transmission tariff was developed), and has a term concurrent with Lewis County Public Utility District's FERC hydro licenses. The transmission rate charged to Lewis County Public Utility District under the agreement was updated under the terms of the agreement in July 2021.

Retail Power Distribution

Tacoma Power owns, operates, and maintains approximately 1,172 miles of overhead and 862 miles of underground distribution facilities to serve its customers. This includes both 12.5 kV and 13.8 kV distribution circuits, which are fed from 66 substations providing retail load. These substations are served by Tacoma Power's transmission circuits, connect seven generation stations, and serve nine other electric utilities' substations under transfer service to BPA.

System Planning

Tacoma Power achieves its commitment to reliable energy delivery through nationally recognized system planning practices, data-driven asset management analysis and pragmatic grid modernization initiatives. Tacoma Power also meets its load service obligations to interconnect new customers to its transmission and distribution system, consistent with federal access standards.

Annually, Tacoma Power assesses the sufficiency of its transmission network over a range of generation and load scenarios to assure reliability and sufficiency of transmission service commitments over the forecasted 10-year horizon. Every two years Tacoma Power conducts a collaborative facility planning process. Tacoma Power implements technology enhancements, capacity additions, and renewal and replacement projects, following the strategic priorities established through these planning processes.

Asset Management

A formal Asset Management program was initiated in 2009 to evaluate and recommend the timely replacement of aging system components including substation power transformers, however, recent supply chain challenges have delayed Tacoma Power's asset management practices. An enhanced focus on asset management is currently underway with an increase in resources devoted to this effort. Tacoma Power has implemented several examples of reliability, renewal, or capacity projects. The Underground Cable Replacement program began in 2003 to proactively replace direct-buried cable systems with conduit and cables to reduce outage impact and frequency. Tacoma Power recently began a replacement program for medium voltage switchgear. Other ongoing equipment replacement programs include high voltage oil circuit breakers, protection and controls, substation grounding, poles, #6 copper, vaults, and battery systems.

Construction and Maintenance

Tacoma Power has several established preventive and predictive maintenance programs and continues to include more key assets in an asset management strategic plan. For example, the substation predictive maintenance program identifies substation equipment requiring corrective action through the utilization of infrared, Doble testing, oil sample testing, and dissolved gas analysis. Tacoma Power owns and maintains approximately 49,000 power poles. Tacoma Power's Pole Replacement program strategy is to test and treat 9% of the poles annually maintaining an 11-year cycle. Tacoma Power also performs tree trimming around its distribution and transmission lines, maintaining two- and four-year trimming cycles along with programs to replace dangerous trees with utility compatible trees. Tacoma Power's vegetation management program has been recognized annually by the Arbor Day Foundation (Tree Line USA award) and during normal performance audit cycles by NERC.

Wildfire Mitigation Plan

Recognizing the increasing threat of wildfires, in 2023 the Washington State Legislature passed House Bill 1032 requiring all Washington electric utilities to prepare a wildfire mitigation plan ("WMP") by October 31, 2024, and update that at least every three years. Tacoma Power completed a wildfire mitigation plan in 2024 that was consistent with a legislatively mandated template. The Board approved the plan and it has been included on Tacoma Power's website and filed with the Washington State Department of Natural Resources. The plan documents and builds on efforts already started to mitigate wildfire risk, including proactively engaging with peer utilities and emergency service providers, enhancing Tacoma Power's distribution system protection, developing crew practices and operating practices that minimize the risk of initiating a wildfire, and investing in capital.

Tacoma Power has a territory size of approximately 180 square miles, 32.3% of which is considered wildland urban intermix with an additional 7.6% categorized as wildland urban interface. Capital investments are included in current budget to further reduce risk such as installing covered conductors, deploying reduced energy reclosing technology, replacing Tacoma Power's smallest conductors and adding more fusing on tapped circuits.

Grid Modernization

Tacoma Power engaged consulting support and internal experts to establish a Grid Modernization Roadmap. The plan identifies events or triggers that assure a wide variety of modernization initiatives are launched timely to meet an operation need or benefit for efficient service delivery to its customers. These initiatives are intended to meet electrification and densification load growth, improve reliability, efficiently integrate customer generation resources and manage Tacoma Power's distribution assets more efficiently. An important foundational software suite of tools, referred to in the industry as an Advanced Distribution Management System, is planned for incremental deployment during the upcoming capital investment period.

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CAPITAL IMPROVEMENT PROGRAM

Tacoma Power has funded its past capital improvement programs from contributions in aid of construction, proceeds of Parity Bonds and subordinate lien revenue bonds, and Revenues of the Electric System. The actual amounts spent during the past five years, together with the sources of funds used, are displayed in the table below.

TABLE 19
HISTORICAL SOURCES OF CAPITAL IMPROVEMENT FUNDS
($000)

Source of Funds	2020	2021	2022	2023	2024
Parity and Subordinate Lien Bond Proceeds	$ 59,391	$ 32,861	$ 63,279	$ 31,816	$ 443
Contributions in Aid of Construction(1)	4,942	4,895	5,777	7,670	12,725
Revenues of the Electric System	3,865	41,081	13,247	35,681	93,769(2)
Total	$ 68,198	$ 78,837	$ 82,303	$ 75,167	$ 106,937

(1) Customer contributions to fund capital projects.
(2) Includes approximately $55 million of capital expenditures which will be reimbursed with proceeds of the 2025A Bonds.

Source: Tacoma Power

Tacoma Power has a long-term goal to finance an average of 50% of its planned capital requirements from net operating revenues, with the remainder from contributions in aid of construction and debt. However, due to varying water conditions, the amount of the capital improvement program, and overall debt management, the amount actually financed from net operating revenues varies from year to year. From 2020 to 2024, Tacoma Power financed an average of 46% annually of its capital improvements from borrowed funds. Tacoma Power's policy is to fund major projects with borrowed funds.

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Tacoma Power has prepared a capital improvement program designed to meet its needs through 2030. The table below shows Tacoma Power's estimates of project expenditures and sources of funds. Major capital projects include the AMI project (see "ELECTRIC SYSTEM CUSTOMERS, ENERGY SALES, REVENUES AND RATES—Tacoma Power Customers"), fish facility improvements, dam maintenance, fleet replacement, transformer replacements, grid modernization, and technology upgrades. Tacoma Power targets financing approximately 50% of capital projects with available Revenues.

TABLE 20
CAPITAL IMPROVEMENT PROGRAM
($000)

	2025	2026	2027	2028	2029	2030
Project Expenditures						
Power Supply	$20,607	$20,607	$28,066	$28,066	$37,920	$37,920
Transmission and Distribution	48,398	48,399	35,905	35,905	35,547	35,547
Utilities Technology	14,485	14,485	12,087	12,087	8,764	8,764
Conservation	4,500	4,500	5,500	5,500	5,450	5,450
General Plant	23,231	23,230	12,619	12,619	12,996	12,996
Total Project Expenditures	$111,221	$111,221	$94,177	$94,177	$100,677	$100,677
Sources of Funds						
Revenues	$42,327	$42,327	$47,017	$47,017	$44,272	$44,272
Parity Bonds[(1)] and Subordinate Lien Bond Proceeds	68,894	68,894	47,160	47,160	56,405	56,405
Total Sources of Funds	$111,221	$111,221	$94,177	$94,177	$100,677	$100,677

(1) Including proceeds of the 2025A Bonds for capital expenditures planned for 2025 and 2026.
Source: Tacoma Power

FINANCIAL INFORMATION

Management Discussion of Historical Operating Results

The table below, entitled "Operating Results and Debt Service Coverage," presents a summary of Tacoma Power's revenues, expenses and income available for debt service and general utility purposes for the calendar years 2020 through 2024.

Tacoma Power's overall customer growth during the past 10 years has been relatively steady averaging between less than 1% and 3% per year. The customer count for 2024 is 195,113 compared to 192,767 in 2023 and 187,950 in 2022. Energy sales billed to residential and other customers decreased $2.0 million, or 0.4% in 2024. Residential customers revenues increased by $7.9 million, or 3.9%, compared to 2023. Bulk Power sales billed in 2024 was 1,272,332 MWh compared to 1,036,598 MWh in 2023, an increase of 235,734 MWh or 22.7%. Operating revenues totaled $512.4 million in 2024 compared to $516.5 million in 2023.

In 2024, residential sales accounted for 43.6% of electric revenues, commercial, general, and industrial sales accounted for 39.2% of electric revenues, other for 0.6% and bulk power sales accounted for 16.6% of electric revenues. Other operating revenues decreased $1.9 million, or 7.5%. The decrease was primarily due to the decrease in reimbursement of qualified conservation expenses. Tacoma Power entered into an Energy Conservation Agreement ("ECA") with BPA in 2009. Under this agreement, funds are collected in wholesale power rates to support regional energy efficiency programs. As utilities implement conservation programs and activities, BPA reimburses these funds per program specifications. Conservation programs and activities decreased in 2024 compared to 2023 which is consistent with the industry wide trend and led to the decrease in BPA reimbursements in 2024.

Tacoma Power had the following number of days' cash on hand: 157 in 2019, 231 in 2020, 238 in 2021, 336 in 2022, 412 in 2023, and 392 in 2024.

The table on the following page presents a summary of Tacoma Power's revenues, expenses, and income available for debt service and general utility purposes for the calendar years 2020 through 2024. Information for 2021, 2022, and 2023 have been restated due to the implementation of GASB No. 87, 96, and 101. Tacoma Power has been in compliance with its rate covenant for the period shown. See "SECURITY FOR THE 2025 BONDS—Rate Covenant and Debt Service Coverage Covenant."

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TABLE 21
TACOMA POWER OPERATING RESULTS AND DEBT SERVICE COVERAGE

	2020	2021[11] (Restated)	2022[11] (Restated)	2023 (Restated)	2024
Operating Revenues					
Sales of Electric Energy[1]	$430,538,416	$448,241,608	$454,760,186	$488,845,315	$486,894,353
Other Operating Revenue[2]	24,211,850	19,094,851	23,151,034	25,193,920	23,303,801
Click! Revenue[3]	6,202,935	--	--	-	-
Property Lease Revenues[4]	--	2,617,125	2,617,126	2,507,510	2,153,360
Total Operating Revenue	**460,953,201**	**469,953,584**	**480,528,346**	**516,546,745**	**512,351,514**
Operating Expenses					
Purchased/Interchanged Power[5]	137,081,542	142,643,478	147,630,034	128,335,810	120,891,221
Generation	21,720,288	22,391,283	21,536,609	28,887,498	31,547,908
Transmission	35,020,729	35,981,586	42,361,520	35,940,083	37,545,594
Distribution	21,446,075	26,346,064	21,500,215	31,270,234	30,166,482
Other	26,271,964	24,113,981	25,522,724	26,337,877	26,365,736
Maintenance	31,339,603	33,935,186	35,973,761	44,218,202	46,436,836
Telecommunications[3]	5,134,281	937,449	858,512	1,009,322	999,877
Operating Taxes[6] [8]	58,340,024	57,736,396	65,849,556	63,786,043	66,267,241
Administrative & General[7]	60,067,993	68,661,113	51,221,675	70,708,842	75,515,194
Operating Expenses	**396,422,499**	**412,746,536**	**412,454,606**	**430,493,911**	**435,736,089**
Depreciation and amortization[8]	48,123,728	50,646,094	54,144,320	53,576,433	53,562,084
Non-operating Revenues(expenses)					
Investment Income (Loss)	3,582,165	2,509,467	4,559,838	12,933,375	19,001,929
Unrealized Gain (Loss) on Fair Value Investment	2,482,360	(3,605,715)	(11,122,036)	6,910,454	2,164,432
Interest Income on Lease Activity	--	1,145,621	1,205,627	1,244,607	2,062,801
CARES grant	463,718	--	--	--	--
Contribution to Family Need	(500,000)	(1,000,000)	(1,000,000)	(3,500,000)	(3,500,000)
Other	775,093	(429,211)	(7,444,141)	(332,797)	(5,953,214)
Interest on Long-term Debt	(20,239,404)	(21,160,541)	(24,381,573)	(26,366,314)	(27,779,055)
Amort. of Debt Premium	1,482,160	1,749,912	2,450,989	2,390,051	3,395,372
Loss on Lease Modifications and Termination[9]	--	--	--	(1,756,141)	--
Gain on Sale/Disposal assets	5,841,184	605,687	530,217	429,179	68,027
Total Non-operating expense	**(6,112,724)**	**(20,184,780)**	**(35,201,079)**	**(8,047,586)**	**(10,539,708)**
Net Income before Capital Contributions and Transfers	**10,294,250**	**(13,623,826)**	**(21,271,659)**	**24,428,815**	**12,513,633**
Capital Contribution					
Cash	4,796,109	5,677,248	7,966,031	8,979,522	12,897,614
Donated Fixed Assets	219,271	1,082,599	294,538	619,432	1,538,525
Interest subsidies	3,725,269	3,729,224	3,729,224	3,729,224	3,729,224
Transfers- City Gross Earnings Tax [6]	--	--	--	--	--
Transfers to/from Other funds	25,937,720	2,925,802	8,879,606	2,728,458	6,717,406
Change in Net Position	**$44,972,619**	**$(208,953)**	**$(402,260)**	**$40,485,451**	**$37,396,402**
Current Fund Interest[10]	$5,996,486	$(1,079,510)	$(6,519,790)	$19,714,945	$21,042,146
Other Non-Operating Revenue (Expense)	9,841,546	3,991,308	4,887,679	3,054,064	1,421,855
Total Other Income	**$15,838,032**	**$2,911,798**	**$(1,632,111)**	**$22,769,009**	**$22,464,001**
Transfers (to)/from the Rate Stabilization Fund[11]	--	$(25,000,000)	$(95,000,000)	--	--
Net Revenue	**$117,178,019**	**$94,775,312**	**$107,996,703**	**$148,168,598**	**$140,055,897**
Net Debt Service[12]	26,690,110	26,277,831	29,777,910	29,780,910	32,614,488
Parity Bond Coverage	**4.39**	**3.61**	**3.63**	**4.98**	**4.29**
Income Available for General Utility Purposes	**$90,487,909**	**$68,497,481**	**$78,218,793**	**$118,387,688**	**$107,441,409**

Footnotes on the following page.

Footnotes to Table 21

(1) Includes unbilled revenues.
(2) Includes wheeling and service fees, and rental revenues.
(3) 2020 Click! revenue reflects the results of operations for a portion of the year. On April 1, 2020, operational control of Click! was transferred from Tacoma Power to a private operator. Thereafter, Click! began paying an annual fee to Tacoma Power which is reflected under "Property Lease Revenues." See "THE DEPARTMENT OF PUBLIC UTILITIES – TACOMA POWER—Tacoma Power – General."
(4) Includes the Click! annual fee, rentals and leases, and interest income on lease activity from electrical properties and equipment in accordance with GASB No. 87 - *Leases*.
(5) Includes electric power production costs as well as purchased power costs and interchange power costs. Excludes net conservation costs.
(6) Primarily City Gross Earnings Tax and Washington utility and business operations tax, but also includes some county in lieu of taxes as well as some school support and some fire protection district payments. Gross Earning Tax was reclassified from Capital Contributions and Transfers to Operating Expenses.
(7) Administrative and general (A&G) expenses decreased in 2022 mostly due to a decrease in bad debt expenses. A&G increased in 2023 primarily due to increases in salaries and wages, assessments, bad debt expenses, and self-insurance expenses.
(8) For purposes of the debt service coverage calculation, depreciation and amortization and City gross earnings taxes are excluded from Tacoma Power's operating expenses, although these costs appear as operating expenses on Tacoma Power's financial statements attached as Appendix D.
(9) Loss on lease modification and termination in 2023 because a renewal term of total 20 years was added to the original lease term and remeasurement of lease receivables and deferred inflows was performed.
(10) Includes interest earnings from current funds and customer and contractor deposits. Current fund interest includes GASB 31 gain/loss for year-end mark-to-market on Tacoma Power investments. Large increases in 2023 and 2024 is due to increased interest rates in such years.
(11) The City transferred $25 million and $95 million to its Rate Stabilization Fund in 2021 and 2022, respectively, lowering Net Revenue available for debt service for purposes of rate covenant calculations for such years. Without these transfers, debt service coverage for the years 2021 and 2022 would have been 4.56 and 6.82, respectively.
(12) January 1 payment included in the prior year. Net Debt Service based on accrued interest and principal payments in that year, consistent with City Annual Financial Statements.

Source: City of Tacoma

Debt Service Coverage

Tacoma Power is required by its Parity Bond covenants to maintain debt service coverage of 1.25 times actual Annual Debt Service. As shown above, debt service coverage over the past five years has exceeded the 1.25 times requirement. Over the period from 2020 to 2024, debt service coverage has ranged from a low of 3.61 times in 2021 to a high of 4.98 times in 2023. See "SECURITY FOR THE 2025 BONDS—Rate Covenant and Debt Service Coverage Covenant."

The Board has adopted a policy of minimum debt service coverage of 1.50 assuming water conditions that have historically been exceeded 75% of the time (adverse water). See "Financial Policies" below.

Liquidity

As of December 31, 2024, Tacoma Power's cash and equity in pooled investments totaled $423.7 million, the Rate Stabilization Fund totaled $158 million, and special funds totaled $51.6 million. Tacoma Power's cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool ("TIP") for the purpose of improving interest earnings through pooled investment activities. See "Investments" below. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP. The TIP operates like a demand deposit account in that all City departments, including Tacoma Power, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents. Special funds have been established in accordance with bond resolutions, agreements and laws. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds and customer deposits.

Cash and equity in pooled investments and special funds for each of the years 2020 through 2024 are summarized in the table below.

TABLE 22
ELECTRIC SYSTEM
CASH, TEMPORARY INVESTMENTS AND SPECIAL FUNDS

Year (as of December 31)	Cash and Equity in Pooled Investments	Special Funds
2024	$423,729,699	$51,581,611
2023	426,962,861	53,539,882
2022	360,160,676	58,854,040
2021	248,355,884	50,878,987
2020	232,705,864	59,773,857

Source: City of Tacoma

Investments

The City's Investment Committee is composed of the Mayor, the Finance Director, the Assistant Finance Director, and the City Treasurer. The City Treasurer invests City funds, including Tacoma Power's funds. Among the investments permitted by State law and the Investment Committee's policy are banker's acceptances of the top 50 world banks as published by American Banker, U.S. Treasury bills, certificates, notes and bonds, certain U.S. Government agency securities, commercial paper with the highest rating by at least two nationally recognized rating agencies, repurchase agreements with the market value of collateral exceeding the dollar amount of the repurchase agreement by 2% over the term of the agreement, reverse repurchase agreements, the State Local Government Investment Pool (the "LGIP") (described below), municipal securities, certificates of deposit, corporate notes and supranational agency bonds. Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the TIP in the LGIP.

As of December 31, 2024, the City's cash and investments on a fair value basis, totaled approximately $1.46 billion, not including City pension funds. As of December 31, 2022, the majority of the portfolio was invested in government agencies (31.5%) and U.S. Treasuries (56.64%).

State Local Investment Pool. The City voluntarily participates in the Local Government Investment Pool (the "LGIP"), an external investment pool operated by the State Treasurer. The LGIP is not rated or registered with the U.S. Securities and Exchange Commission (the "SEC"). Rather, the State Finance Committee oversees the LGIP, in accordance with chapter 43.250 RCW.

The State Treasurer manages the LGIP portfolio in a manner generally consistent with SEC-regulated Rule 2a-7 money market funds. The maximum final maturity of any security will not exceed 397 days (with exceptions for variable rate and floating securities and securities used in repurchase agreements); the weighted average maturity of the portfolio will not exceed 60 days; and the weighted average life of the portfolio will not exceed 120 days. Eligible investments include: (1) certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies; (2) state, county, municipal, or school district bonds of the State; (3) bankers' acceptances purchased on the secondary market; and (4) commercial paper or corporate notes purchased on the secondary market, provided such investments adhere to State Investment Board policies and procedures.

For the fiscal year ending June 30, 2024, the average balance in the LGIP portfolio was $23.7 billion, invested on behalf of 479 participants. Participants may contribute and withdraw LGIP funds on a daily basis.

The State Treasurer prepares a financial report for the LGIP, available online at www.tre.wa.gov. Prospective investors should refer to this report, which this Official Statement does not incorporate by reference, for a full and complete account of the information therein.

Financial Policies

Tacoma Power has formally adopted certain minimum thresholds as a guide to financial management and rate setting. These thresholds are included in the Tacoma Power Electric Rate and Financial Policy and are periodically reviewed and approved by the Board and City Council after any modification. These thresholds include setting rates at levels to provide projected cash balances equivalent to at least 90 days of current budgeted expenditures inclusive of current revenue-funded capital expenditures and the gross earnings tax, assuming water conditions that have historically been exceeded 75% of the time (adverse water). In addition, Tacoma Power has a policy of setting retail rates to maintain a debt service coverage ratio of at least 1.50 times based on Net Revenues (after transfer of gross earnings tax), including surplus power sales, under adverse water conditions and 1.80 times based on Net Revenues under average water conditions.

The Board and City Council approved an amended Tacoma Power Electric Rate and Financial Policy ("ERFP") in 2015 to provide guidance in the use of long- and short-term debt to finance capital projects; provide clarification pertaining to the use of financial metrics; and provide additional requirements pertaining to the funding of the Rate Stabilization Fund. The ERFP was also amended in 2017 to modify a New Large Load policy, in 2019 to modify the description of low-income customers, add a rate-setting objective to maintain rate stability, and add a description of a phased-in approach for rate adjustments. In 2022, changes were made to add language for operationalizing equity, climate change, affordability, customer programs, and long-term financial planning. The 2023 changes added the very large loads to the exceptions from embedded cost-of-service study along with minor administrative changes. In 2024, language was added to include resource adequacy, load forecasting electrification assumptions, and a core balance target in the Rate Stabilization Fund. The 2024 changes also modified financial ratios to align with business practices.

The current Tacoma Power Electric Rate and Financial Policy also specifies that rates will be based on cost-of-service within a customer class, restrictions on the term of debt, financing of approximately 50% of non-major capital projects with current revenue and financing of long-term major projects primarily through debt. See "CAPITAL IMPROVEMENT PROGRAM."

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the 2025 Bonds should consider the matters set forth below as well as other information contained in this Official Statement in evaluating an investment in the 2025 Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the 2025 Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.

Initiative and Referendum

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Under the City Charter, voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law. Some ordinances become effective immediately, including ordinances passed as emergency measures, or relating to local improvements and assessments and authorization of bonds therefor, or adopting annual budgets, or levying taxes, or making appropriations. Ordinances granting a franchise, right, or privilege, or authorizing the issuance of revenue bonds in an amount exceeding $5 million take effect as the City Council determines. All other ordinances take effect only after the expiration of 10 days from publication and are subject to the provisions of the City Charter concerning referendum. The Supplemental Ordinance became effective on May 17, 2025.

Limitations on Remedies

Any remedies available to the owners of the 2025 Bonds upon the occurrence of an Event of Default under the Bond Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the 2025 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the 2025 Bonds.

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and obligations under the 2025 Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the 2025 Bonds, will be subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors' rights. The various other legal opinions to be delivered concurrently with the issuance of the 2025 Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

No Acceleration Upon an Event of Default

Upon the occurrence of an Event of Default under the Bond Ordinance, neither any Owner of a Bond nor any Bondowners' Trustee will have the right under the Bond Ordinance to accelerate the payment of debt service on the 2025 Bonds. The City thus is liable for principal and interest payments only as they become due. The inability to accelerate the Parity Bonds limits the remedies available to the Bondowners' Trustee and the Owners upon an Event of Default, and could give rise to conflicting interests among Owners of earlier-maturing and later-maturing 2025 Bonds. The nature and extent of any such conflicts would depend in part upon the nature and duration of any default. In the event of successive defaults in payment of the principal of or interest on the 2025 Bonds, the Bondowners' Trustee or the Owners may be required to file a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law. For a description of the Events of Default and remedies set forth in the Bond Ordinance, see Appendix A.

The Bond Ordinance does *not* prohibit the issuance of debt, including Future Parity Bonds, subject to mandatory redemption or mandatory purchase or tender for purchase upon the occurrence and continuance of an Event of Default or other default. A mandatory redemption or purchase or tender for purchase would be substantively similar to the remedy of acceleration.

Municipal Bankruptcies

Under current Washington law, local governments, such as the City, may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code. Taxing districts, including the City, in the State are expressly authorized to carry out a plan of readjustment if approved by the appropriate court. Should the City become a debtor in a federal bankruptcy proceeding, the owners of the Parity Bonds would continue to have a statutory lien on Revenues after the commencement of the bankruptcy case so long as the Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents, such as the Bond Ordinance. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the Bond Ordinance may not be applicable.

Furthermore, in the event of a bankruptcy, the other parties (including the Registrar, the holders of the 2025 Bonds and any Bondowners' Trustee) may be prohibited from taking any action to collect any amount from the City, to enforce any obligations of the City, or to exercise any remedies unless the permission of the bankruptcy court is obtained. The rate covenant may not be enforceable in bankruptcy by the holders of the 2025 Bonds. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and reductions in payments could result.

The legal opinion of Bond Counsel regarding the validity of the 2025 Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity. See Appendix C.

Federal and Local Regulations

A number of factors affect operations of the Electric System. Federal, state and local standards and procedures that regulate the operations and environmental impacts of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that such systems will remain subject to the regulations currently in effect, will be in compliance with current or future regulations or will always be able to obtain all required operating permits. Compliance with applicable environmental standards could result in additional capital and operating expenditures and reduced operating and efficiency levels, as well as possible fines, penalties or liabilities for noncompliance.

City officials charged with management of the Electric System report that the City now holds all licenses, permits and approvals necessary for the operation of the Electric System and that the City is in compliance in all material respects with such licenses, permits and approvals.

Environmental Regulation

Tacoma Power and other electric utilities are subject to extensive and continuing federal, State and local environmental regulations and requirements affecting, among other things, construction and operation of new facilities, upgrades to existing facilities and retirement or restrictions on operations, as well as air pollutant emissions, wastewater discharges and the management of hazardous and solid wastes. Tacoma Power endeavors to ensure its facilities comply with applicable environmental regulations and standards; however, no assurance can be given that normal operations will not encounter occasional technical difficulties or that necessary permits and authorizations will be received. Federal and State standards and procedures that govern control of the environment, systems operations, and new facilities construction can change. These changes may arise from legislation, regulatory action, and judicial interpretations regarding the standards, procedures and requirements for compliance and issuance of permits. In addition, changes in presidential administrations can impact legal and regulatory interpretations as well as enforcement priorities. Therefore, there is no assurance that units in operation, under construction, or contemplated will remain subject to the regulations that are currently in effect. Furthermore, changes in environmental laws and standards may substantially increase capital and operating costs.

Federal Funding and Resources

Federal policies on the federal debt ceiling, foreign trade, and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding.

As described herein, the City receives federal money for a variety of programs and is affected by federal energy policy, strategy, regulation, tariffs, and legislative action. Federal funding is subject to federal legislative action, including through the federal budget process and sequestration. Executive actions, including actions seeking to freeze, reduce, eliminate or reallocate federal grant, loan, and other financial assistance, could also affect the availability of federal funds.

Proposed and potential federal legislative and executive actions and initiatives could adversely impact the City. Such potential actions include, but are not limited to, regulatory changes to programs administered by federal agencies including the Department of Energy, Environmental Protection Agency ("EPA"), Fish and Wildlife Service, and other federal agencies, cuts to federal spending on energy programs and federal agencies that impact energy programs, curtailment of tax exempt bond financing, and regulation and policy that directly and indirectly impact Bonneville and its operations, including operations of the Federal System. The City is unable to predict what impact these and other potential factors will have on its business operations and financial condition.

Furthermore, federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the City's receipt of revenues from federal sources that could have direct impacts due to a shutdown's effect on general economic conditions. Tacoma Power has not experienced material adverse impacts from the government shutdowns that have occurred in the past. Tacoma Power cannot make any assurances that such shutdowns would not be materially adversely affected by any future risks in the event that the government approaches its statutory debt limit and Congress fails to raise that limit or otherwise address it. Tacoma Power cannot predict whether and to what extent any specific federally funded program could be affected in such an event.

Seismic, Volcanic, Wildfire, Flooding, and Other Risks

The City's Comprehensive Emergency Management Plan identifies the following natural hazards: severe storms, earthquakes, floods, fire hazards, landslides, drought, tsunami, epidemic/pandemic and volcanic hazards. In 2001, a 6.8 magnitude earthquake occurred near Olympia, Washington, within 50 miles of the City. According to the U.S. Geological Survey, over the past 10,000 years, Mount Rainier (located within 60 miles of the City) has been the source of numerous lahars (volcanic debris flows). The most recent large lahar occurred about 500 years ago. Such lahars could cause catastrophic damage to the City. The Emergency Management Plan addresses disaster planning, but may not anticipate all potential hazards and their effects.

The Western United States, including Washington, has also recently experienced a series of major wildfires causing extensive damage in certain areas and diminishing air quality. The City has developed and regularly updates a wildfire protection plan (see "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE—Wildlife Mitigation Plan"). Other natural disasters, such as volcanic eruptions, flooding, mudslides, and windstorms, are also possible. The City can give no assurance regarding the effect of an earthquake, a volcanic eruption, mudslide or other natural disaster, or other risks such as climate change, epidemics and pandemics including without limitation the COVID-19 pandemic, wildfires, or acts of terrorism. The City can give no assurance that the City's insurance reserves or proceeds of insurance carried by the City would be sufficient, if available, to rebuild and reopen City and/or Electric System facilities or that City and/or Electric System facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major disaster. See "THE DEPARTMENT OF PUBLIC UTILITIES—TACOMA POWER—Program of Insurance."

Climate change could intensify and increase the frequency of extreme weather events, such as drought, wildfires, floods and heatwaves. The loss of life and property damage that could result from wildfires and other major natural disasters could have a material and adverse impact on the City and the local community and economy. Under Washington law, any person, firm or corporation may be liable if it creates or allows extreme fire hazards to exist that contribute to the spread of the fires.

Economic and Geopolitical Uncertainty

The local economy where Tacoma Power is located is strongly export-dependent. While national and international events may not directly impact Tacoma Power revenues, these events may generally have a negative effect on the State's and/or local economy and financial condition.

Geopolitical uncertainty, including multiple armed conflicts in several parts of the world, economic disruptions caused by those conflicts, inflation, oil price fluctuations, tariffs, and supply chain disruptions may affect the City-wide and Tacoma Power economy and Tacoma Power's financial condition.

Climate Change and Local Climate Change Initiatives

There are potential risks to the City, including Tacoma Power, associated with long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events. Expected impacts include sea level rise, more intense heavy rain events, more intense summer heat events, lower and warmer summer streamflows, ocean acidification, and an increased risk of flooding, drought, landslides, and wildfires. See also "CERTAIN FEDERAL AND STATE LAWS AND REGULATIONS AFFECTING TACOMA POWER."

The City has set carbon pollution reduction targets and is tracking progress on priority environmental actions associated with climate change for use in its decision-making. In 2008, the City developed its first Tacoma Climate

Action Plan ("CAP"), which was adopted to establish carbon reduction goals and strategies for the City and community. The highest priority recommendations identified by the associated task force included creating an Office of Sustainability and the Sustainable Tacoma Commission. Both were enacted in the spring of 2009. The 2016 Environmental Action Plan ("2016 EAP") was developed by the City in partnership with the Department. The 2016 EAP provides a plan for taking action at both the City and community level to reduce greenhouse gas emissions to meet the environmental goals outlined in the Tacoma 2025 Strategic Plan.

The City and the Department have continued to expand and refine the City's climate goals and policies. In December 2019 (City Council Resolution No. 40509), the City declared a climate emergency in Tacoma and called for a transformative climate action plan to reduce community greenhouse gas emissions and adapt to climate impacts. In 2021, the City Council adopted the 2030 Climate Action Plan ("2030 CAP"), which outlines strategies to address the climate emergency by 2030, and a path for carbon-neutrality by 2050. With the 2030 CAP, the City will take action for affordable housing; clean, reliable transportation; protections for public health; and green, good-paying jobs. It is designed to direct City funding, investments, and work over the next nine years to improve communities in the City and the environment. A progress report was delivered in 2022. Other City action includes legislation designed to reduce the City's carbon footprint by restricting use of natural gas and new fossil fuel (City Council Resolution No. 40776, Board Resolution No. U-11193), the 2020 Anti-Racist Systems Transformation Resolution (City Council Resolution No. 40622), and others.

While the City cannot predict precisely how, when, and where specific climate impacts will occur, there have been and will be climate impacts on the City including Tacoma Power, and the surrounding region, which may have a material impact on the City including Tacoma Power, and its operations and finances.

Public Health Emergencies

COVID-19 and variants of such may continue to affect commerce, financial markets, and the Puget Sound region, including as a result of new variants. The dynamic nature of COVID-19 and other public health emergencies leads to uncertainties, including (i) the geographic spread of viruses and variants and the emergence of new variants; (ii) the severity of disease; (iii) the duration of any outbreak or pandemic; (iv) actions that governmental authorities may take to contain or mitigate the outbreak or pandemic; (v) the development, efficacy, and distribution of medical therapeutics and vaccines, vaccination rates, and the efficacy of therapeutics and vaccines to emerged and new variants; (vi) the impact of outbreaks, including pandemics, on the local or global economy; (vii) the introduction and extent of public health measures; and (viii) the impact of the outbreak or pandemic and actions taken in response on County revenues, expenses, and financial condition. Other public health emergencies may occur and may occur with greater frequency and intensity given trends in globalization.

Cybersecurity

In addition to cybersecurity standards as mandated by NERC Critical Infrastructure Protection standards (see "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE—Transmission Reliability"), Tacoma Power seeks to utilize best practices for securing utility operational networks and systems. These practices include strong network segmentation of operation and control systems; network and endpoint monitoring; regular cybersecurity event response exercises, and implementation of physical access controls. Tacoma Power has defined processes, policies, and controls to help ensure the reliability of its systems and protect it from cyber threats.

The City relies on a complex technology environment to conduct its operations across all departments. A cybersecurity event may degrade City-managed systems, disclosure of sensitive data, and cause material disruption to operations and services. Tacoma Power operational and control systems are not integrated into City networks or services, however some Tacoma Power data is hosted and managed by the City. The City currently maintains cybersecurity insurance coverage. The cost to remedy such damage or protect against future attacks could be substantial, though may be offset by the City's cybersecurity insurance policy. Security events could expose the City to litigation and other legal risks, which could cause the City, including Tacoma Power, to incur costs related to legal or regulatory claims.

The City occasionally encounters cybersecurity events, such as device theft, malware infection, and credential compromise. As a result, small scale interruptions have occurred, though most affect only individuals. Cybersecurity events may have operational impact, though the scope of impact varies greatly with each instance. Cybersecurity events that impact City systems will not always impact Tacoma Power systems or operational capabilities.

To help mitigate the risk of a cybersecurity event, the City has adopted an enterprise information security program. Within it, the City has established a comprehensive set of policies and procedures. Examples include roles and responsibilities, acceptable use, configuration standards, change management, event response, architecture review, and vulnerability management. The program includes required annual awareness training for its employees and periodic phishing simulation exercises. The Chief Information Security Officer regularly works with a Technology Risk Advisory Board of key department leaders to review, evaluate, and recommend controls to manage cybersecurity risk. Additionally, cybersecurity staff participate regularly with third party sources to stay up to date and informed on the latest threats, vulnerabilities, research, and technology.

Physical Security

Tacoma Power follows federal reliability standards, including assessing physical risks to its infrastructure and applying recommended mitigation measures. On December 25, 2022, two substations owned and operated by Tacoma Power were vandalized by individuals targeting energy facilities in the State, particularly in the County, resulting in physical damage to the substations. The individuals were criminally charged for their actions. Both substations are in the process of being repaired. One substation transformer was energized in May 2025, and the other is expected to be energized in the latter half of 2025. Tacoma Power has invested in significant resources to both cyber and physical security over the past several years to increase protection of its assets. These security measures aided federal investigators in the arrest of the suspects.

Various Factors Affecting the Electric Utility Industry

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others: (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements; (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy; (iii) changes that might result from national energy policies; (iv) effects of competition from other electric utilities and new methods of, and new facilities for, producing low-cost electricity; (v) federal laws and regulations, tariffs and congressional inaction; (vi) increased competition; (vii) issues integrating wind generation; (viii) cybersecurity and other security events; (ix) "self-generation" or "distributed generation" by industrial, commercial, and residential customers; (x) issues relating to the ability to issue tax-exempt obligations, including proposals to eliminate tax-exempt financing and severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations; (xi) effects of inflation on operating and maintenance costs; (xii) changes from projected future load requirements; (xiii) increases in costs and uncertain availability of capital; (xiv) shifts in the availability and relative costs of different fuels; (xv) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand; (xvi) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity; (xvii) other legislative changes, voter initiatives, referenda and statewide propositions; (xviii) effects of the changes in the economy; (xix) epidemics or pandemics; (xx) issues related to the management and disposal of hazardous waste; and (xxi) climate change, wildfire, disasters, or other physical calamities. See "POWER SUPPLY RESOURCES AND COST OF POWER—Long-Term Purchases of Power Supply and Related Transmission Services—*BPA Purchases*", "CERTAIN FEDERAL AND STATE LAWS AND REGULATIONS AFFECTING TACOMA POWER—Climate Change Legislation," and "TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE".

While Tacoma Power makes every effort to anticipate and predict what effect the above factors and the other factors described in this Official Statement may have on its business operations and financial condition, any of these factors as well as other unforeseen economic, market and regulatory changes can occur. In addition, Tacoma Power recognizes the uncertainty that a change in policies that a new presidential administration can produce and is unable to predict the likelihood of any regulatory changes, any legal challenges to such changes or the effects any such changes may have on Tacoma Power's business operations or financial condition, but the effects could be significant.

Significant, ongoing uncertainty relating to the above factors, particularly those involving political, regulatory, and technological issues, creates continuing difficulty for the industry with respect to long-term planning and decision making. Tacoma Power is unable to predict what impacts such factors will have on its business operations and financial condition, but such impact may be significant. This Official Statement includes a brief discussion of certain of these factors. Those discussions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain.

Lack of Secondary Market

The Underwriters have advised the City that they intend initially to make markets in the 2025 Bonds; however, the Underwriters are not obligated to make such markets, such markets may be discontinued at any time without notice, and no assurance can be given that secondary markets therefor will develop.

LITIGATION

No Litigation Concerning the 2025 Bonds

There is no litigation pending or threatened in any court (local, state, or federal) to restrain or enjoin the issuance or delivery of the 2025 Bonds, or questioning the creation, organization, existence, or title to office of the officers of the Department, Tacoma Power or the City, the pledge of Revenues, the validity or enforceability of the Bond Ordinance, or the proceedings for the authorization, execution, sale, and delivery of the 2025 Bonds.

Other Litigation

Because of the nature of their activities, the City and Tacoma Power are subject to various pending and threatened legal actions which arise in the ordinary course of business. The City and Tacoma Power believe, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the City or the Electric System, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim. Below is a summary of certain legal matters involving Tacoma Power.

Vaughn and Suzanne Cork v. Tacoma, et al. On May 9, 2022, plaintiffs filed suit in Mason County Superior Court seeking an easement via necessity to access their landlocked property against Tacoma Power, Lake Cushman Maintenance Company, and Lake Cushman Company ("LCC"). Plaintiffs' Motion for Summary Judgment is pending, as well as LCC's Motion to Dismiss for failure to join necessary parties. Tacoma Power's ultimate liability is unknown.

Eric Hood v Tacoma. On September 23, 2022, plaintiff filed a public records act lawsuit alleging Tacoma Power withheld documents in response to his request for documents related to Tacoma Power's 2019 Renewable Energy Audit. On September 27, 2024, plaintiff's Motion for Partial Summary Judgment was denied. The trial date is scheduled for July 14, 2025. Tacoma Power's ultimate liability is unknown.

Estate of Lindemeier & Olvia Ross, et. al. On June 22, 2023, the City received four claims for damages totaling $120 million relating to a December 20, 2020, motor vehicle accident involving the fatality of 15-year-old Hanna Lindemeier. The 18-year-old driver of the vehicle was travelling at a high rate of speed in the City when he lost control of his vehicle, crossed the centerline of the roadway, and crashed into a utility pole. Two other teenage passengers sustained serious injuries. In December 2023, an additional three claims were filed totaling $20 million. The telephone pole at issue is jointly owned by Tacoma Power with Lumen Technologies pursuant to a joint ownership agreement. On January 24, 2024, the two cases were consolidated. On January 10, 2025, the City was granted summary judgment dismissal. Plaintiffs' unsuccessfully moved for reconsideration and the City currently has a motion for final judgment pending. Given the possibility of appeal, Tacoma Power's ultimate liability remains unknown.

Nationwide General Insurance Company/Mastroserio. This case arises out of a December 13, 2021, claim, wherein Mastroserio's water pipe burst after Tacoma Water changed the water meter outside of the home. On April 11, 2022, Tacoma Power sent a letter denying the claim. On October 3, 2024, Nationwide Insurance filed a Summons and Complaint on behalf of their insured, Mastroserio. Nationwide claims that it paid property damages and lodging, in the amount of $143,235.56. Discovery is ongoing. The trial date is set for October 2, 2025. Tacoma Power's ultimate liability is unknown.

John Malone. On September 4, 2024, a motor vehicle accident occurred between claimant, Mr. Malone, and a Tacoma Power vehicle in Lakewood, Washington. Both vehicles were in the process of changing lanes and collided in the center. Mr. Malone is claiming $10 million for a broken thumb injury suffered in the collision. Tacoma Power's ultimate liability is unknown.

Cowlitz Indian Tribe and The Conservation Angler. In May 2025, Tacoma Power received notice of alleged violations of the Endangered Species Act arising out of Tacoma Power's operation of the Cowlitz River Hydroelectric Project. Tacoma Power's ultimate liability, if any, is unknown.

Miscellaneous. Tacoma Power has received other miscellaneous claims that either do not allege significant damage amounts or that the City Attorney's Office believes will not materially impact the finances of Tacoma Power.

Environmental Issues

A substantial number of federal, state and local laws and regulations regarding various types of waste management have been enacted. These laws and regulations are set forth in acts such as the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, and the Washington State Model Toxics Control Act, which impose strict liability, regardless of time or location, on generators, transporters, storers and disposers of hazardous waste for cleanup costs or damages resulting from releases or contamination. Many normal activities in connection with the generation and transmission of electricity generate both non-hazardous and hazardous wastes. Tacoma Power has established a waste management plan to ensure compliance with environmental laws and regulations and is assessing its properties for potential liability from latent contamination resulting from disposal activities prior to implementation of the various regulations.

Tacoma Power has been a voluntary Potentially Responsible Party ("PRP") on several EPA clean-up sites.

On April 26, 2019, oily material was discovered seeping into the Riffe Lake reservoir, which is currently a part of the power generating system at Mossyrock dam operated by Tacoma Power at the Cowlitz River Project. The oily liquid was sampled and Hydrocarbon Identification analysis indicated the liquid contained bunker C-ranged petroleum hydrocarbons. Tacoma Power performed an emergency response by excavating soil around the seeps and placing a protective cap over the exposed seeps before the water levels in Riffe Lake inundated the site. As part of the emergency remedial action, approximately 11,000 tons of impacted soil was removed and disposed of off-site. The independent emergency remedial action was completed on February 7, 2020 at an approximate cost of $5,000,000. Tacoma Power and Ecology have entered into an Agreed Order for the final characterization and remediation of the site. The cost of the remediation is unknown at this time and the investigation at the site will progress in partnership with Ecology.

In October 2020, the Port of Tacoma and the City agreed to a Settlement and Cost Sharing Agreement concerning the potential costs of remediating "hazardous materials" at the Tacoma Steam Plant No. 2 site, which was sold by Tacoma Power to the Port on August 27, 2007. The settlement resolved issues regarding prior expenditures of the Port of Tacoma in the amount of $661,263. The parties also agreed to an allocation of future costs in which the City will be responsible for 84% of the costs and the Port will be responsible for 16%. This matter may lead to additional financial obligations which are unknown at this time.

In 2018, Tacoma Power completed an Environmental Site Assessment Phase I and Phase II at the Cushman Substation in preparation of surplus of the property. Results of the assessment identified Hydrocarbon, Polychlorinated biphenyls, Lead, Arsenic, asbestos, and lead based paint within isolated soils on the site. An initial characterization of the site has been completed and remediation of the site is pending. The cost estimate of the remediation is between $1,100,000 and $1,800,000.

Tacoma Power expects that lawsuits could be filed to address Clean Water Act applicability of hydroelectric projects. Tacoma Power is proactively evaluating National Pollution Discharge Elimination Systems permitting of all Tacoma Power-owned hydroelectric projects to resolve potential litigation.

TAX MATTERS

General. In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 2025 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. The proposed form of opinion of Bond Counsel with respect to the 2025 Bonds to be delivered on the date of issuance of the 2025 Bonds is set forth in Appendix C.

The Code contains a number of requirements that apply to the 2025 Bonds, and the City has made certain representations and has covenanted to comply with each such requirement. Bond Counsel's opinion assumes the accuracy of the representations made by the City and is subject to the condition that the City comply with the above-referenced covenants. If the City fails to comply with such covenants or if the City's representations are inaccurate or incomplete, interest on the 2025 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2025 Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2025 Bonds, or the amount, accrual or receipt of interest on, the 2025 Bonds. Owners of the 2025 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2025 Bonds.

Original Issue Premium and Discount. If the initial offering price to the public at which a 2025 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public at which a 2025 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes.

Under the Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2025 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2025 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2025 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2025 Bonds who purchase the 2025 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2025 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2025 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2025 Bonds under the federal alternative minimum tax.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2025 Bond (said term being the shorter of the 2025 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2025 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2025 Bond is amortized each year over the term to maturity of the 2025 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2025 Bond premium is not deductible for federal income tax purposes. Owners of premium 2025 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such 2025 Bonds.

Post Issuance Matters. The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2025 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the 2025 Bonds ends with the issuance of the 2025 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Owners regarding the tax-exempt status of the 2025 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2025 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2025 Bonds, and may cause the City or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2025 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2025 Bonds.

Prospective purchasers of the 2025 Bonds should consult their own tax advisors regarding the foregoing matters and any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Not Bank Qualified. The City has not designated the 2025 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

RATINGS

S&P and Fitch Ratings have assigned ratings of "AA (stable outlook)" and "AA- (stable outlook)" respectively, to the 2025 Bonds. Ratings were applied for by the City and certain information was supplied by the City to the rating agencies to be considered in evaluating the 2025 Bonds.

The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings would be likely to have an adverse effect on the market price of the 2025 Bonds. The City does not have any obligation to take any action, other than filing notice of a listed event, if the ratings on the 2025 Bonds are changed, suspended or withdrawn.

UNDERWRITING

Raymond James & Associates, Inc., BofA Securities, Inc., and Siebert Williams Shank & Co., LLC, as underwriters of the 2025 Bonds (the "Underwriters"), have agreed, subject to certain conditions, to purchase the 2025 Bonds from the City. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all 2025 Bonds, if any 2025 Bonds are purchased. The 2025 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

2025A Bonds. The 2025A Bonds will be purchased at an aggregate purchase price of $135,265,667.63 (representing the aggregate principal amount of the 2025A Bonds, plus original issue premium of $4,191,287.80 and less an Underwriters' discount of $295,620.17).

2025B Bonds. The 2025B Bonds will be purchased at an aggregate purchase price of $101,449,013.40 (representing the aggregate principal amount of the 2025B Bonds, plus original issue premium of $10,279,633.35 and less an Underwriters' discount of $205,619.95).

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc., an underwriter of the 2025 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2025 Bonds.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC, Walnut Creek, California, served as municipal advisor to Tacoma Power in connection with the issuance of the 2025 Bonds (the "Municipal Advisor"). The Municipal Advisor has not audited, authenticated, or otherwise verified the information set forth in this Official Statement or the other information available from Tacoma Power with respect to the appropriateness, accuracy, and completeness of the disclosure of such information, and the Municipal Advisor makes no guarantee, warranty, or other representation on any matter related to such information. Montague DeRose and Associates, LLC is an independent municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading of municipal securities or any other negotiable instruments.

APPROVAL OF CERTAIN LEGAL MATTERS

The validity of the 2025 Bonds and certain other legal matters are subject to the approving opinion of Pacifica Law Group LLP, Seattle, Washington. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Pacifica Law Group LLP is also serving as Disclosure Counsel to the City in connection with the issuance of the 2025 Bonds.

Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, counsel to the Underwriters. Any opinion of Underwriters' counsel will be rendered solely to the Underwriters, and any opinion of Underwriters' counsel or Disclosure Counsel will be limited in scope and cannot be relied upon by investors.

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Underwriters, Underwriters' Counsel, the Municipal Advisor, the Bond Registrar, Bond Counsel and Disclosure Counsel are contingent upon the issuance and sale of the 2025 Bonds. From time to time, Bond Counsel and Underwriters' counsel serve as counsel to other parties involved in the issuance of the 2025 Bonds on matters unrelated to the issuance of the 2025 Bonds. None of the members of the City Council, the Board or other officers of the City have any conflict of interest in the issuance of the 2025 Bonds that is prohibited by applicable law.

The City's code of ethics sets forth types of prohibited conduct for City officers and employees. Such prohibited conduct includes, but is not limited to, participating in the making of a contract in which they have a direct or indirect financial interest; influencing the City's selection of or conduct of business with a corporation, person or firm having or proposing to do business with the City, if the officer or employee has a financial interest in the corporation, person or firm; and appearing or giving an official opinion before the City Council while having a financial interest in any legislation coming before the City Council and participating in discussion with or giving an official opinion to the City Council (excluding, in each case, a remote interest that is disclosed in advance).

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to a certificate to be executed by the City on or prior to the date of issuance and delivery of the 2025 Bonds (a "Continuing Disclosure Certificate"), the City will covenant for the benefit of the owners and the "Beneficial Owners" (as defined in the Continuing Disclosure Certificate) of the 2025 Bonds pursuant to Securities and Exchange Commission Rule 15c2-12 to provide certain financial information and operating data not later than the end of nine months after the end of each of the City's fiscal years (presently, December 31), commencing in 2026 with the report for the fiscal year ended December 31, 2025, and to provide notices of the occurrence of certain enumerated events with respect to the 2025 Bonds. The information will be filed by or on behalf of the City with the MRSB through its EMMA system. See Appendix F for a form of the Continuing Disclosure Certificate.

Other Ongoing Disclosure Undertakings of the City. The City has previously entered into continuing disclosure undertakings in connection with various City financings and obligations under Rule 15c2-12 (the "Prior Undertakings"). With respect to its Prior Undertakings, the City (i) failed to timely file the incurrence of certain financial obligations (low-interest loans from State lending programs), and (ii) while the City had timely filed its audited financial statements and notices for fiscal years ended December 31, 2019 through 2022 for certain of its outstanding bonds, it did not link such filings to the State of Washington Certificates of Participation, Series 2020C (Taxable), under which the City is an obligated person for purposes of Rule 15c2-12. As of the date of this Official Statement, the foregoing information has been filed and/or linked on EMMA.

MISCELLANEOUS

At the time of delivery of the 2025 Bonds, one or more officials of the City will furnish a certificate stating that to the best of their knowledge, this Official Statement, as of its date and as of the date of delivery of the 2025 Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading (however, the City will make no representation regarding Bond Counsel's form of opinion or the information provided by or obtained from DTC).

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources the City considers reliable, are not guaranteed by the City. The statements relating to the Bond Ordinance are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers of the 2025 Bonds. The City has authorized the preparation and distribution of this Official Statement.

CITY OF TACOMA, WASHINGTON

By *<u>/s/ Chris Robinson</u>*
General Manager and Superintendent,
Department of Public Utilities, Light Division

By *<u>/s/ Andy Cherullo</u>*
Finance Director

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APPENDIX A

SUMMARY OF THE BOND ORDINANCE

The following is a summary of certain provisions of the Bond Ordinance not otherwise described in this Official Statement. Such summaries do not purport to be complete, and reference is made to the complete Bond Ordinance, a copy of which is on file and available for examination at the office of the City Clerk.

Certain Definitions

As used in the Bond Ordinance, the following words shall have the following meanings:

"Accreted Value" means, with respect to any Capital Appreciation Bonds, (A) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds; and (B) as of any date other than a Valuation Date, the sum of (1) the Accreted Value on the preceding Valuation Date and (2) the product of (a) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times (b) the difference between the Accreted Values for such Valuation Dates.

"Annual Debt Service" for any Fiscal Year means the amount equal to:

A. the interest accruing during such Fiscal Year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of sale of Parity Bonds and less any federal credit for a portion of interest on Parity Bonds if permitted to be deducted as provided in the Bond Ordinance; and

B. the principal of all outstanding Serial Bonds due in such Fiscal Year; and

C. the Sinking Fund Requirement, if any, for such Fiscal Year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds or Deferred Income Bonds. For the purpose of calculating the principal and interest on Option Bonds in any Fiscal Year, such Option Bonds shall be assumed to mature on the stated maturity date or mandatory redemption date thereof.

Upon receipt of consents, including the consent of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, and without the need for any further action by the City Council, the following shall be taken into account in the calculation of "Annual Debt Service":

For purposes of computing Annual Debt Service on any Parity Bonds which constitute Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the then-current rate applicable to such Balloon Indebtedness or, at the option of the City, on a fixed rate equal to the rate at which the City could borrow for such period, as certified by the Municipal Advisor, shall be amortized for a period specified by the City at the time of issuance of the Balloon Indebtedness (but no longer than thirty (30) years from the Issue Date of the Parity Bonds to which such Balloon Indebtedness relates) on a substantially level debt service basis or other amortization basis designated by the City.

By purchase of the 2025 Bonds, the owners of the 2025 Bonds shall be deemed to have consented to these springing amendments. Following the issuance of the 2025 Bonds, the refunding of the Refunded Bonds, and the cash

redemption of the 2010C Bonds (as described under "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS"), the bondholder consent requirement will be met and these springing amendments will become effective.

"Appreciated Value" means, with respect to any Deferred Income Bonds, (A)(1) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Deferred Income Bonds and (2) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (i) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times (ii) the difference between the Appreciated Values for such Valuation Dates, and (B) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

"Balloon Indebtedness" shall mean any series of Parity Bonds (a) more than 25% of the principal of which, in accordance with the terms of such Parity Bonds, is due and payable in any one Fiscal Year either by reason of the stated maturity date of such Parity Bonds or pursuant to a Sinking Fund Requirement, and (b) are designated by the City as "Balloon Indebtedness" at or prior to the Issue Date of such bonds; provided, that with respect to any Parity Bonds issued as Term Bonds, such Bonds shall only be treated as Balloon Indebtedness if more than 25% of the principal thereof is due in any one Fiscal Year pursuant to the applicable Sinking Fund Requirement or upon the stated maturity date thereof (assuming that the only principal due on the stated maturity date thereof will be the principal remaining outstanding after all redemptions have been made pursuant to the applicable Sinking Fund Requirement).

"Beneficial Owner" means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2025 Bonds (including persons holding 2025 Bonds through nominees, depositories or other intermediaries).

"Board" means the Public Utility Board of the City, as the same shall be duly and regularly constituted from time to time.

"Bond Counsel" means an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Fund" means "Electric System Revenue Bond Fund" created by Ordinance No. 23514.

"Bond Registrar" means, initially, the fiscal agent of the State, whose duties include registering and authenticating the 2025 Bonds, maintaining the Bond Register, effecting transfer of ownership of the 2025 Bonds and paying interest on and principal of the 2025 Bonds.

"Bondowners' Trustee" means a trustee appointed pursuant to the Bond Ordinance.

"Capital Appreciation Bonds" means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purposes of (i) receiving payment of the redemption price, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (ii) computing the principal amount of Parity Bonds held by the holder of a Capital Appreciation Bond in giving to the City or the paying agent any notice, consent, request, or demand pursuant to the related Parity Bond Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"Certified Public Accountant" means an independent certified public accountant (or firm of certified public accountants) selected by the City and having a favorable national reputation.

"City Payment" means any payment (designated as such by a Parity Bond Ordinance) required to be made by or on behalf of the City under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2025 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2025 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Construction Fund" means the "City of Tacoma Electric System Construction Fund" created by Ordinance No. 23663 of the City.

"Council" means the City Council of the City as the same shall be duly and regularly constituted from time to time.

"Deferred Income Bonds" means any Parity Bonds issued under any Parity Bond Ordinance as to which accruing interest is not paid prior to the Interest Commencement Date specified in such ordinance and the Appreciated Value for such Parity Bonds is compounded semiannually on the Valuation Date for such Deferred Income Bonds.

"Derivative Payment Date" means any date specified in the Derivative Product on which a City Payment is due and payable under the Derivative Product.

"Derivative Product" means a written contract or agreement between the City and a third party (the "Reciprocal Payor") that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (who, if the City's Parity Bonds are rated by Moody's Investors Service, must have a rating of at least "A"), which provides that the City's obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

A. under which the City is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the City Payments in exchange for the Reciprocal Payor's obligation to payor cause to be paid to the City, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

B. for which the City's obligations to make City Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Parity Bonds;

C. under which Reciprocal Payments are to be made directly into the Bond Fund;

D. for which the City Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product;

E. for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product; and

F. which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

"Electric System" means the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the City and used or useful in the generation, transmission, distribution and sale of electric energy and the business incidental thereto, and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the City as additions, betterments, improvements or extensions to said electric utility properties, rights and assets, but shall not include any generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the City and declared by the City Council to be a separate utility system not financed from the Revenues (except as a Contract Resource Obligation (i) included in Operating Expenses of the Electric System upon compliance with the Bond Ordinance or (ii) on a basis junior and inferior to the lien on Revenues pledged to secure Parity Bonds), the revenue of which separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. The Council may, by ordinance, elect to combine with and include as a part of the Electric System any other separate utility system of the City, provided that full provision for the payment of any outstanding indebtedness of such separate system shall first be made in the manner substantially similar to that set forth in the Bond Ordinance.

"Engineer" means an independent licensed professional engineer (or firm of licensed professional engineers) selected by the City and having a favorable national reputation for skill and experience with electric systems of comparable size and character to the Electric System in such of the following as are relevant to the purposes for which they are retained: (a) engineering and operations and (b) the design of rates.

"Event of Default" means those events described as Events of Default in the Bond Ordinance. See "Defaults and Remedies" below.

"Fair Market Value" means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Fiscal Year" means the Fiscal Year used by the City at any time. At the time of the adoption of the Bond Ordinance, the Fiscal Year is the 12-month period beginning January l of each year.

"Future Parity Bonds" means any electric revenue bonds of the City issued after the date of issuance of the 2025 Bonds that will have a lien upon the Net Revenues of the Electric System for the payment of the principal thereof and interest thereon equal to the lien upon the Net Revenues of the Electric System for the payment of the principal of and interest on the Outstanding Parity Bonds and the 2025 Bonds.

"Interest Commencement Date" means, with respect to any particular Deferred Income Bonds, the date specified in any Parity Bond Ordinance authorizing such Bonds (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable semiannually, with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

"Maximum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in any Parity Bond Ordinance authorizing such Bond that shall be the maximum rate of interest such Bond may at any time bear.

"Minimum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest which may include a zero interest rate and may (but need not) be set forth in any Parity Bond Ordinance authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

"Option Bonds" means Parity Bonds that the owner or holder thereof may at its option demand payment of the principal and accrued interest thereof or the purchase of such Parity Bonds by or on behalf of the City in advance of the otherwise scheduled dates for the payment of principal and interest thereon.

"Parity Bond Ordinance" means any ordinance authorizing the issuance of Parity Bonds.

"Paying Agent" for purposes of the 2025 Bonds means the Bond Registrar.

"Permitted Investments" means investments that are now or may hereafter be permitted to the City by the laws of the State.

"Qualified Insurance" means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), and if such Qualified Insurance is being used to fund the Reserve Account, which insurance company or companies as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by both Moody's and S&P or their comparably recognized business successors.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of the owners of the Parity Bonds, which institution maintains an office, agency or branch in the United States, and as of the time of issuance of such letter of credit, and if such Qualified Insurance is being used to fund the Reserve Account, is currently rated in one of the two highest rating categories by either Moody's or S&P or their comparably recognized business successors.

"Rate Stabilization Fund" means the "Cumulative Reserve Fund for Supplemental Purchase of Electric Energy," created by Ordinance No. 21862 of the City, as now or hereafter amended, and renamed the Rate Stabilization Fund.

"Reciprocal Payment" means any payment (designated as such by a Parity Bond Ordinance) to be made to, or for the benefit of, the City under a Derivative Product by the Reciprocal Payor.

"Reciprocal Payor" means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

"Registered Owner" means the person named as the registered owner of a 2025 Bond in the Bond Register. For so long as the 2025 Bonds are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

"Reserve Account Requirement" means with respect to the 2025 Bonds, 2024 Bonds, the 2021 Bonds and the 2017 Bonds, zero, and with respect to the other Outstanding Parity Bonds an amount equal to the lesser of maximum Annual Debt Service in any Fiscal Year following the date of computation or 125% of average Annual Debt Service and with respect to a series of Future Parity Bonds, an amount set forth in the Parity Bond Ordinance authorizing such bonds. A Parity Bond Ordinance authorizing Future Parity Bonds may establish a separate Reserve Account for such Future Parity Bonds or provide that such Future Parity Bonds be secured by a common Reserve Account. In calculating the Reserve Account Requirement, in the case of Variable Rate Interest Bonds the interest rate calculated thereon shall be calculated on the assumption that such Bonds will bear interest during such period at the Maximum Interest Rate for such bonds; provided that, if on such date of calculation the interest rate on such bonds shall then be fixed for a specified period, the interest rate used for such specified period for the purposes of the foregoing calculation shall be such actual interest rate.

"Revenue Fund" means the "City of Tacoma Electric System Revenue Fund," continued and redesignated by Ordinance No. 23514.

"Rule" means the Security and Exchange Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"Serial Bonds" means Bonds other than Term Bonds.

"Sinking Fund Requirement" means, for any Fiscal Year, the amount required on account of Term Bonds to be deposited into the Bond Retirement Account in such Fiscal Year as established by the ordinance or resolution of the City authorizing the issuance of such Term Bonds.

"Supplemental Ordinance" means any ordinance amending, modifying or supplementing the provisions of the Bond Ordinance or any Parity Bond Ordinance.

"Term Bonds" means Parity Bonds of any principal maturity which are subject to mandatory redemption or for which mandatory sinking fund payments are required.

"Uniform System of Accounts" means the Federal Energy Regulatory Commission (or its successor in function) Uniform System of Accounts prescribed for Class A and Class B Public Utilities and Licenses, as the same may be modified, amended, or supplemented from time to time.

"Valuation Date" means (i) with respect to any Capital Appreciation Bonds the date or dates set forth in any Parity Bond Ordinance authorizing such bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds the date or dates prior to the Interest Commencement Date set forth in any Parity Bond Ordinance authorizing such bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

"Variable Interest Rate" means a variable interest rate or rates to be borne by a series of Parity Bonds or any one or more maturities within a series of Parity Bonds. The method of computing such variable interest rate shall be specified in the Parity Bond Ordinance authorizing such series of Parity Bonds and shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that, such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate, and that there may be an initial rate specified in each case as provided in such Parity Bond Ordinance; or (ii) a stated interest rate that may be changed from time to time as provided in the Parity Bond Ordinance authorizing such bonds, provided that, such interest rate shall be subject to a Maximum Interest Rate. Such Parity Bond Ordinance shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Bonds" for any period of time, means Parity Bonds which during such period bear a Variable Interest Rate, provided that bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

Bond Fund

The "Electric System Revenue Bond Fund" shall be used solely for the purposes of paying the principal of, premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to maturity in the manner provided in the Bond Ordinance or in any Parity Bond Ordinance. Money set aside from time to time with the paying agent for such payment shall be held in trust for the owners of the Parity Bonds in respect of which the same shall have been so set aside. Until so set aside, all money in the Bond Fund shall be held in trust for the benefit of the owners of all Parity Bonds at the time outstanding equally and ratably. The Bond Fund shall contain four accounts: Interest Account, the Principal Account, the Bond Retirement Account and the Reserve Account. At the option of the City, separate accounts may be created in the Bond Fund for the purpose of paying or securing the payment of principal, premium, if any, and interest on any Parity Bonds.

Debt Service Accounts. The City has obligated and bound itself irrevocably to set aside and pay into the Bond Fund out of the Net Revenues certain fixed amounts, without regard to any fixed proportion of such Net Revenues, sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on all Parity Bonds from time to time outstanding as the same respectively become due and payable, either at their maturity or in accordance with any Sinking Fund Requirement established for the retirement of Term Bonds.

The fixed amounts to be paid into the Bond Fund, to the extent that such payments are not made from bond proceeds or from other money, that may legally be available therefor, shall be as follows and in the following order of priority: (A) no later than the date on which an installment of interest falls due on any Parity Bonds, the City shall pay into the Interest Account in the Bond Fund (together with such other money as is on hand and available in such account) an amount equal to the installment of interest then falling due on all outstanding Parity Bonds; (B) no later than the date upon which an installment of principal on Parity Bonds that are Serial Bonds falls due, the City shall pay into the Principal Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the installment of principal then falling due on all outstanding Parity Bonds that are Serial Bonds; and (C) no later than the date upon which a sinking fund installment on Term Bonds falls due, the City shall pay into the Bond Retirement Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the Sinking Fund Requirement for such date.

The City shall apply all the money paid into the Bond Retirement Account to the redemption of Term Bonds prior to or on the next ensuing Sinking Fund Requirement due date (or may so apply such money prior to such Sinking Fund Requirement due date) pursuant to the terms of the applicable Parity Bond Ordinance. The City may also apply the money paid into the Bond Retirement Account for the purpose of retiring Term Bonds by the purchase of such Bonds at a purchase price (including any brokerage charge) not in excess of the principal amount thereof, in which event the principal amount of such bonds so purchased shall be credited against any Sinking Fund Requirement chosen by the City. If as of any January 1 the principal amount of Term Bonds retired by purchase or redemption exceeds the cumulative amount required to have been redeemed by sinking fund installments on or before such January 1, then such excess may be credited against the Sinking Fund Requirement for Term Bonds for the following Fiscal Year.

Any such purchase of Term Bonds by the City may be made with or without tenders of bonds in such manner as the City shall, in its discretion, deem to be in its best interest.

Money in the Bond Fund shall be transmitted to the paying agent in amounts sufficient to meet the maturing installments of principal of, premium, if any, and interest on the Parity Bonds when due. All money remaining in the Bond Fund after provision for the payment in full of the principal of, premium, if any, and interest on all outstanding Parity Bonds shall be returned to the Revenue Fund.

In making the payments and credits to the Principal Account, Interest Account, Bond Retirement Account and Reserve Account required by the Bond Ordinance, to the extent that such payments are made from bond proceeds, from money in any capitalized interest account, or from other money that may legally be available, such payments are not required to be made from the Revenue Fund.

Notwithstanding any provision of the Bond Ordinance requiring the deposit of any earnings or other money in the Bond Fund, any such earnings that are subject to any rebate or other payment requirement pursuant to applicable provisions of the Code may be withdrawn from the Bond Fund for deposit into a separate fund or account created for that purpose. Any amounts required at any time to be withdrawn from the Reserve Account or other accounts in the Bond Fund in order to preserve the tax-exempt or tax-advantaged status of Parity Bonds shall be withdrawn and deposited in the General Account in the Revenue Fund.

Reserve Account. In the event of the issuance of any Future Parity Bonds, the ordinance authorizing the issuance of such Future Parity Bonds shall provide for further and additional approximately equal monthly payments into the Bond Fund for credit to the Reserve Account from the money in the Revenue Fund in such amounts and at such times, so that by no later than five years from the date of issuance of such Future Parity Bonds or by the final maturity for such series of Future Parity Bonds, whichever occurs first, there will be credited to the Reserve Account an amount equal to the Reserve Account Requirement; provided, however, that the proceedings authorizing the issuance of Future Parity Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from the proceeds of such Future Parity Bonds or from any other money lawfully available therefor, in which event, in providing for deposits and credits required by the foregoing provisions of this paragraph, allowance shall be made for any such amounts so paid into such Account.

For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account shall have been invested shall be valued at the market value thereof. The term "market value" shall mean, in the case of securities that are not then currently redeemable at the option of the holder, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the holder. For obligations that mature within six months, the market value shall be the par value thereof. The valuation of the amount in the Reserve Account shall be made by the City as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and may be made on each June 30 (or on the next preceding business day if June 30 does not fall on a business day).

If the valuation of the amount in the Reserve Account is less than the Reserve Account Requirement the City shall immediately transfer from the General Account an amount necessary to make the valuation of the amount in the Reserve Account equal to 100% of the Reserve Account Requirement. If the amounts available in the General Account for such transfer are insufficient to make the valuation of the amount in the Reserve Account equal to 100% of the Reserve Account Requirement, the City shall then transfer to the Reserve Account on or before the 25th day of each of the six succeeding calendar months no less than one-sixth of the amount necessary to make the valuation of the amount in the Reserve Account equal to 100% of the Reserve Account Requirement.

In making the payments and credits to the Reserve Account required by the Bond Ordinance, to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be paid out of the Reserve Account, such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by the Bond Ordinance to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on fewer than five years' notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the Bond Ordinance, as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

If there is a deficiency in the Interest Account, Principal Account or Bond Retirement Account, in the Bond Fund, the City shall promptly make up such deficiency from the Reserve Account by the withdrawal of cash and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date, the City shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility, in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. The City covenants and agrees that any deficiency created in the Reserve Account by reason of any withdrawal therefrom for payment into such Interest, Principal, and Bond Retirement Account shall be made up from money in the Revenue Fund first available after providing for the required payments into such Interest, Principal, and Bond Retirement Accounts and after providing for payments under a reimbursement agreement entered into by the City pursuant to the Bond Ordinance.

Investment of Funds

Money held for the credit of the Revenue Fund, Construction Fund, Rate Stabilization Fund and the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund shall, to the fullest extent practicable, be invested at the direction of the City solely in, and obligations deposited in such accounts shall consist of Permitted Investments which shall mature on or prior to the respective dates when the money held for the credit of such Accounts will be required for the purposes intended. Money in the Reserve Account in the Bond Fund not required for immediate disbursement for the purposes for which such Account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the City solely in, and obligations deposited in the Reserve Account shall consist of, Permitted Investments maturing or subject to redemption at the option of the owner within 10 years from the date of such investment (but maturing prior to the final maturity date of the Parity Bonds then outstanding). Except to the extent there are deficiencies in any account in the Bond Fund, all income received from the investment of money in any account in the Bond Fund, shall be from time to time deposited in the Revenue Fund, or credited against the monthly amount required to be deposited in such account. All such investments shall be acquired and disposed of at Fair Market Value

Bond Covenants

Rate Covenant. The City shall establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that shall be fair and adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Parity Bonds for which the payment has not otherwise been provided, for all payments which the City is obligated to make into the Bond Fund, and for the proper operation and maintenance of the Electric System, including payment of all Contract Resource Obligations included in the Electric System's Operating Expenses, and all necessary repairs, replacements and renewals thereof, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts that the City may now or hereafter become obligated to pay from the Revenues by law or contract.

Debt Service Coverage. The City shall also establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year.

Upon receipt of certain consents, including consent of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, and without the need for any further action by the City Council, the City's debt service coverage covenant shall read as follows:

> The City shall establish, fix and prescribe rates and charges which are reasonably expected to be at least sufficient to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 1.25 times the actual Annual Debt Service for such year. In connection with establishing, fixing and prescribing rates and charges for the upcoming Fiscal Year, the City shall take into account the collection experience in the then-current Fiscal Year.
>
> So long as the City has complied with its general rate covenant and debt service coverage covenant, after the effective date of this amendment, the failure to collect Net Revenues in an amount equal to at least 1.25 times Annual Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default under the Bond Ordinance so long as the City has complied with its debt service coverage covenant as of the commencement of such Fiscal Year.

By purchase of the 2025 Bonds, the owners of the 2025 Bonds shall be deemed to have consented to these springing amendments. Following the issuance of the 2025 Bonds, the refunding of the Refunded Bonds, and the cash redemption of the 2010C Bonds (as described under "PURPOSE AND APPLICATION OF 2025 BOND PROCEEDS"), the bondholder consent requirement will be met and these springing amendments will become effective.

Solely for purposes of this calculation, there is added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the General Account in the Revenue Fund and deposited in the Rate Stabilization Fund. See "Rate Stabilization Fund" below.

The calculation of the coverage requirement set forth above, and in connection with the issuance of Future Parity Bonds, and the City's compliance therewith, may be made solely with reference to the Bond Ordinance without regard to future changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then an event of default relating to the coverage requirement shall not be considered an Event of Default if the coverage requirement ratio would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of the Bond Ordinance.

See "SECURITY FOR THE 2025 BONDS—Rate Covenant and Debt Service Coverage Covenant."

Restrictions on Contracting of Obligations Secured by Revenues. Except as otherwise provided in the Bond Ordinance (regarding Contract Resource Obligations), the City will not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other revenue obligations, or issue any bonds, warrants or other obligations or create any additional indebtedness that will (a) rank prior to the lien on the Revenues or properties of the Electric System created in the Bond Ordinance to secure the payment of the principal and interest on the Parity Bonds or (b) rank on a parity with the lien on the Revenues or properties of the Electric System for the payments into the Bond Fund, except as provided under the Bond Ordinance in connection with the issuance of Future Parity Bonds or with respect to a reimbursement obligation made pursuant to the Bond Ordinance in connection with such Future Parity Bonds and ranking on a parity of lien with the Parity Bonds.

The City may issue bonds, notes, warrants, or other obligations payable from and secured by a lien on the Revenues of the Electric System that is subordinate to the lien on such Revenues securing the Parity Bonds and may create a special fund for payment of such subordinate obligations.

Maintenance and Operation. The City shall at all times maintain, preserve, and keep, or cause to be maintained, preserved, and kept, the properties of the Electric System and all additions and betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted. The City will at all times operate such properties and the business in connection therewith or cause such properties and business to be operated in an efficient manner and at a reasonable cost.

Disposal of Properties of Electric System. The City shall not sell, mortgage, lease or otherwise dispose of the properties of the Electric System except as may be provided by law and subject to such additional restrictions as are provided below.

The City will not sell or otherwise dispose of the Electric System, in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment, redemption or other retirement of all Parity Bonds then outstanding. The City will not sell or otherwise dispose of any part of the Electric System with a book value in excess of 5% of the value of the net utility plant of the Electric System unless provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts: (i) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such Bonds outstanding less the amount of cash and investments in the Principal Account and Bond Retirement Account in the Bond Fund) that the revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total revenues for such period; or (ii) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition. No sale of any part of the Electric System, valued in excess of 10% of the book value of the physical assets of the Electric System shall be made unless in the opinion of an Engineer, based on financial statements of the Electric System for the most recent Fiscal Year available, such sale would prevent the City from meeting the requirements of the rate covenants in the Bond Ordinance.

The City may sell or otherwise dispose of any part of the Electric System which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Electric System, or no longer necessary, material to or useful in such operation.

The proceeds of sale of any part of the Electric System shall be deposited in the Revenue Fund.

Insurance. The City will either self-insure in such manner and to such extent as the City shall determine to be necessary and appropriate or, as needed, and to the extent insurance coverage is available at reasonable cost with responsible insurers, keep or cause to be kept, the Electric System and the operation thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Electric System, or any part thereof, and against accidents, casualties or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by utilities operating like properties.

In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the Electric System, the proceeds of such insurance shall be paid into the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in said Reserve Account and the balance, if any, shall at the option of the City, be used either for repairs, renewals, replacements, or capital additions to the Electric System or for the purchase, payment, or redemption of Parity Bonds.

Condemnation. In the event of any loss or damage to the properties of the Electric System by reason of condemnation, the City will (i) with respect to each such loss, promptly replace, repair and reconstruct to the extent necessary to the proper conduct of the operations of the Electric System the condemned portion thereof and shall apply the proceeds of any condemnation award for that purpose to the extent required therefor, and (ii) if the City shall not use the entire proceeds of such condemnation award to repair, replace or reconstruct such lost or damaged property, such award not so used shall be paid into the Revenue Fund.

Books of Account. The City will keep proper books of account in accordance with the rules and regulations prescribed by the State Auditor's office of the State, or other State department or agency succeeding to such duties of the State Auditor's office, and if no such rules or regulations are prescribed, then in substantial accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission or other federal agency having jurisdiction over electric public utility companies owning and operating properties similar to the Electric System, whether or not the City is at the time required by law to use such system of accounts. The City shall cause its books of account to be audited annually by the State Auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit shall not be made for 12 months after the close of any Fiscal Year of the City, by Certified Public Accountants. In keeping said books of account, the City shall accrue depreciation monthly thereon on its depreciable properties in accordance with the accounting practice prescribed by the public departments or agencies above. The City will furnish to any owner of Parity Bonds upon a written request therefor copies of the balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and in any and all special funds created or continued pursuant to the provisions of the Bond Ordinance, and the amounts expended for maintenance, renewals, replacements, and gross capital additions to the Electric System.

No Free Service. The City shall not furnish or supply or permit the furnishing or supplying of any commodity, service or facility furnished by or in connection with the operation of the Electric System free of charge to any person, firm or corporation, public or private, and the City will maintain and enforce reasonable procedures for the payment of all accounts owing to the City and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

Additions and Improvements. The City shall not expend any money in the Revenue Fund or the proceeds of Parity Bonds or other obligations for any renewals, replacements, extensions, betterments and improvements to the Electric System that are not economically sound and that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner or that are not mandated by law or regulation. The foregoing shall not preclude the City from paying any legal or contractual obligations.

Punctual Payment of Bond Principal and Interest. The City shall duly and punctually pay or cause to be paid, but only from Revenues and other money pledged therefor, the principal of, premium, if any, and interest on every Parity Bond on the dates and at the places and in the manner provided in such Parity Bonds, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Parity Bonds and in the Bond Ordinance.

Payment of Taxes, Assessments and Other Claims. The City shall from time to time pay and discharge, or cause to be paid and discharged, when the same shall become due, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System or the Revenues, and all claims for labor and materials and supplies that, if not paid, might become a lien or charge upon the Electric System or upon the Revenues (prior to the lien thereon for the payment of the Parity Bonds), or that might in any way impair the security of the Parity Bonds, except taxes, assessments, charges or claims that the City shall in good faith contest by proper legal proceedings.

Compliance with Licenses. The City shall at all times comply with the terms and conditions of any permits or licenses for the Electric System, or any property or facilities constituting a part thereof, issued by any federal or state governmental agency or body having jurisdiction thereof and with the power to issue orders with respect thereto and enforce the same, and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Electric System. The City shall use its best efforts to obtain renewals of such permits or licenses or obtain new permits or licenses unless such renewals or new permits or licenses are not, in the judgment of the Board, in the best interests of the City.

Protection of Security. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and the rights of the owners of the Parity Bonds under the Bond Ordinance against all claims and demands of all persons whatsoever.

Tax Covenants. The City covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Parity Bonds the interest on which is tax-exempt under Section 103 of the Code.

Further Assurances. The City shall at any and all times, insofar as it may be authorized to do so by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, assignments, instruments and assurances as may be necessary or desirable for the better assuring, granting, pledging, assigning and confirming any and all of the rights, revenues, funds and other property granted, pledged or assigned by the Bond Ordinance to pay or secure the payment of the Parity Bonds, in the manner and to the extent provided in the Bond Ordinance.

Derivative Products

A City Payment under a Derivative Product may be on a parity with the Parity Bonds if the Derivative Product satisfies the requirements for additional Parity Bonds described in the Bond Ordinance, taking into consideration regularly scheduled City Payments and regularly scheduled Reciprocal Payments under the Derivative Product.

The following shall be conditions precedent to the use of any Derivative Product on a parity with any Parity Bonds under the Bond Ordinance:

A. Opinion of Bond Counsel. The City shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Bond Ordinance or the applicable provisions of any Parity Bond Ordinance and will not adversely affect the excludability for federal income tax purposes of the interest on any tax-exempt outstanding Parity Bonds.

B. Supplemental Ordinance to Govern Derivative Products. Prior to entering into a Derivative Product, the City must adopt a Supplemental Ordinance which shall:

   (i) set forth the manner in which the City Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates;

   (ii) establish general provisions for the rights of providers of Derivative Products; and

   (iii) set forth such other matters as the City deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Bond Ordinance.

If the City enters into a Derivative Product on a parity with the Parity Bonds, City Payments shall be made from the Interest Account and Annual Debt Service shall include any regularly scheduled City Payments adjusted by any regularly scheduled Reciprocal Payments during a Fiscal Year. Unscheduled payments, such as termination payments, may not be entered into on a parity with the Parity Bonds.

Nothing in the Bond Ordinance precludes the City from entering into Derivative Products with a claim on the Revenues junior to that of the Parity Bonds. Furthermore, nothing in the Bond Ordinance precludes the City from entering into obligations on a parity with the Parity Bonds in connection with the use of derivative products or similar instruments if the City obtains an opinion of Bond Counsel that the obligations or products the City is issuing or entering into are consistent with the provisions of the Bond Ordinance for the issuance of Future Parity Bonds.

Defaults and Remedies

The following shall constitute "Events of Default" under the Bond Ordinance:

1. If default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Parity Bonds, either at maturity or by proceedings for redemption or otherwise;

2. If default shall be made in the due and punctual payment of any installment of interest on any Parity Bond;

3. If the City shall fail to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the Sinking Fund Requirement for the applicable Fiscal Year; or

4. If the City shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the City contained in the Bond Ordinance or any covenants, conditions, or

agreements contained in any ordinance of the City authorizing Future Parity Bonds and such default or defaults shall have continued for a period of 90 days after the City shall have received from the Bondowners' Trustee or from the owners of not less than 20% in principal amount of the Parity Bonds outstanding a written notice specifying and demanding the cure of such default; provided if the default in the observance and performance of any of the covenants, conditions and agreements is one that cannot be completely remedied within 90 days after written notice, it shall not be an Event of Default as long as the City has taken active steps within the 90 days after written notice to remedy the default and is diligently pursuing such remedy.

Suits at Law or in Equity

The Bondowners' Trustee may upon the happening of an Event of Default, and during the continuance thereof, take such steps and institute such suits, actions, or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of bondowners to collect any amounts due and owing the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Bond Ordinance, or in any of the Parity Bonds.

Any action, suit, or other proceeding instituted by the Bondowners' Trustee under the Bond Ordinance shall be brought in its name as trustee for the bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of the Bond Ordinance may be enforced by the Bondowners' Trustee without the possession of any of the Parity Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective holders of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of the Parity Bonds, with authority to institute any such action, suit, or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Parity Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the bond owner himself might have done in person. Nothing contained in the Bond Ordinance shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any holder of the Parity Bonds, any plan or reorganization or adjustment affecting the Parity Bonds of the City or any right of any holder thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the holders thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization, or other proceeding to which the City shall be a party.

Suits by Individual Bondowners

No owner of any one or more of the Parity Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same, unless an Event of Default shall have happened and is continuing, and unless the Bondowners' Trustee shall have failed or refused to act. In the event the Bondowners' Trustee has failed or refused to act, or with the consent of the Bondowners' Trustee, any remedy authorized in the Bond Ordinance to be exercised by the Bondowners' Trustee may be exercised individually by any a bond owner in his own name and on his own behalf or for the benefit of all bondowners; provided, however, that nothing in the Bond Ordinance or in any Parity Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from Net Revenues the principal of and interest on the Parity Bonds to the respective holders thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such holders to enforce such payment.

Amendments to Bond Ordinance

Amendments without Consent of Bondowners. The City may adopt without the consent of the owners of any Parity Bonds an ordinance or ordinances or any Supplemental Ordinance for any one or more of the following purposes: (a) to provide for the issuance of Future Parity Bonds and to prescribe the terms and conditions pursuant to which such bonds may be issued, paid or redeemed; (b) to add additional covenants and agreements of the City for the purpose of further securing the payment of Parity Bonds provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the City contained in the Bond Ordinance or any Supplemental Ordinance; (c) to prescribe further limitations and restrictions upon the City's ability to issue bonds and incur indebtedness payable from the Revenues, provided that such further limitations and restrictions are not contrary to or inconsistent with those heretofore in effect; (d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Bond Ordinance; (e) to confirm as further assurance any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the provisions of the Bond Ordinance of the Revenues or of any other money, securities or funds; (f) to cure any ambiguity or defect or inconsistent provision of the Bond Ordinance or any Supplemental Ordinance or to insert such provisions clarifying matters or questions arising under the Bond Ordinance or any Supplemental Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Bond Ordinance or any Parity Bond Ordinance as theretofore in effect; and (g) to add such provisions as the City Council, with advice of Bond Counsel, deems necessary to preserve the tax-exempt status of the Parity Bonds.

Amendments with Consent of Bondowners. With the consent of the owners of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental to the Bond Ordinance or to any Future Parity Bond Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Ordinance or of any Future Parity Bond Ordinance, but no such Supplemental Ordinance shall: (a) extend the fixed maturity of any Parity Bonds or the time of payment of interest thereon from the established due date, or reduce the rate of interest thereon or the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or accelerate any redemption provision, without the written consent of the owner of each Parity Bond so affected; (b) reduce the aforesaid percentage of bondowners required to approve any such Supplemental Ordinance, without the written consent of the owners of all of the Parity Bonds then outstanding; (c) give to any Parity Bond any preference over any other Parity Bond; or (d) authorize the creation of any pledge prior to or, except as provided in the Bond Ordinance for the issuance of Future Parity Bonds, on a parity with the pledge afforded by the Bond Ordinance, without the consent of the owner of each such Parity Bond affected thereby. It shall not be necessary for bondowners to approve the particular form of any proposed Supplemental Ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

Consent of Bond Owners and Opinions. Each Supplemental Ordinance enacted pursuant to the provisions above shall take effect only when and as provided in this section. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Bondowners' Trustee), together with a request to Parity Bond owners for their consent thereto in form satisfactory to the Bondowners' Trustee, shall be sent by the Bondowners' Trustee to the Parity Bond owners, at the expense of the City, by first class mail, postage prepaid; provided, that a failure to mail such request shall not affect the validity of the Supplemental Ordinance when consented to as provided below. Such Supplemental Ordinance shall not be effective unless and until there shall have been filed with the Bondowners' Trustee the written consents of Parity Bond owners of the percentage of Bonds specified above. Any such consent shall be binding upon the Parity Bond owner giving such consent and upon any subsequent owner of such Parity Bonds and of any Parity Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Parity Bond owner has notice thereof), unless such consent is revoked in writing by the Parity Bond owner giving such consent or a subsequent owner of such Parity Bonds by filing such revocation with the Bondowners' Trustee prior to the date the Bondowners' Trustee receives the required percentage of consents.

Bondowners' Trustee

Duties and Responsibilities. Prior to the occurrence of an Event of Default of which it has or is deemed to have notice under the Bond Ordinance, and after the curing or waiver of any Event of Default that may have occurred: (i) the Bondowners' Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Bond Ordinance, and no implied covenants or obligations shall be read into the Bond Ordinance against the Bondowners' Trustee; and (ii) in the absence of bad faith on its part, the Bondowners' Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bondowners' Trustee that conform to the requirements of the Bond Ordinance; but the Bondowners' Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of the Bond Ordinance.

In case an Event of Default of which the Bondowners' Trustee has or is deemed to have notice has occurred and is continuing, the Bondowners' Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

No provision of the Bond Ordinance shall be construed to relieve the Bondowners' Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this subsection shall not be construed to limit the effect of the first paragraph of this section; (ii) the Bondowners' Trustee is not liable for any error of judgment made in good faith by an authorized officer of the Bondowners' Trustee, unless it is proven that the Bondowners' Trustee was negligent in ascertaining the pertinent facts; (iii) the Bondowners' Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Parity Bond owners under any provision of the Bond Ordinance relating to the time, method and place of conducting any proceeding for any remedy available to the Bondowners' Trustee, or exercising any trust or power conferred upon the Bondowners' Trustee under the Bond Ordinance; and (iv) no provision of the Bond Ordinance shall require the Bondowners' Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties under the Bond Ordinance, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Qualifications of the Bondowners' Trustee. There shall at all times be a Bondowners' Trustee under the Bond Ordinance which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least $100,000,000, or is an affiliate of a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed Bondowners' Trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Bondowners' Trustee shall cease to be eligible in accordance with the provisions of this section, it shall resign promptly in the manner and with the effect specified in the Bond Ordinance.

Resignation or Removal of the Bondowners' Trustee; Appointment of Successor Bondowners' Trustee. No resignation or removal of the Bondowners' Trustee and no appointment of a successor Bondowners' Trustee pursuant to the Bond Ordinance shall become effective until the acceptance of appointment by the successor Bondowners' Trustee under the Bond Ordinance.

The Bondowners' Trustee may resign at any time by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Bondowners' Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Bondowners' Trustee within 30 days after the giving of such notice of resignation, the resigning Bondowners' Trustee or any owner of a Parity Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Bondowners' Trustee.

Prior to the occurrence and continuance of an Event of Default, or after the curing or waiver of any such Event of Default, the City or the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In the event there shall have occurred and be continuing an Event of Default, the owners of a majority in aggregate principal amount of the Outstanding Parity Bonds may remove the Bondowners' Trustee and shall appoint a successor Bondowners' Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the City or such Parity Bond owners, as the case may be, and delivered to the Bondowners' Trustee, the City and owners of the Parity Bonds.

If at any time: (i) the Bondowners' Trustee shall cease to be eligible and qualified under the Bond Ordinance and shall fail or refuse to resign after written request to do so by the City or the owner of any Parity Bond, or (ii) the Bondowners' Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Bondowners' Trustee or its property shall be appointed, or any public officer shall take charge or control of the Bondowners' Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the City may remove the Bondowners' Trustee and appoint a successor Bondowners' Trustee in accordance with the provisions of the Bond Ordinance; or (B) any owner of a Parity Bond then Outstanding may, on behalf of the owners of all Outstanding Parity Bonds, petition a court of competent jurisdiction for removal of the Bondowners' Trustee and appointment of a successor Bondowners' Trustee.

The City shall give written notice of each resignation or removal of the Bondowners' Trustee and each appointment of a successor Bondowners' Trustee to each owner of Parity Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Bondowners' Trustee.

Acceptance of Appointment by Successor Bondowners' Trustee. Every successor Bondowners' Trustee appointed under the Bond Ordinance shall execute, acknowledge and deliver to the City and the predecessor Bondowners' Trustee an instrument accepting its appointment. The resignation or removal of the retiring Bondowners' Trustee shall thereupon become effective, and the successor Bondowners' Trustee shall, without further act, deed or conveyance, become vested with all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee. Upon the request of the City or the successor Bondowners' Trustee, the predecessor Bondowners' Trustee shall execute and deliver an instrument transferring to the successor Bondowners' Trustee all the estates, properties, rights, powers and duties of the predecessor Bondowners' Trustee under the Bond Ordinance, shall duly assign, transfer, deliver and pay over to the successor Bondowners' Trustee all money and other property then held under the Bond Ordinance, subject, however, to the lien provided for in the Bond Ordinance, and shall deliver to the successor Bondowners' Trustee, all records maintained by the predecessor Bondowners' Trustee with respect to the Funds and the Parity Bonds and such records shall be proper books of record and accounts containing complete and correct entries. The successor Bondowners' Trustee shall promptly give written notice of its appointment to the owners of all Parity Bonds Outstanding in the manner prescribed in the Bond Ordinance, unless such notice has previously been given.

No successor Bondowners' Trustee shall accept appointment as provided in this section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of the Bond Ordinance.

Merger, Succession or Consolidation of Bondowners' Trustee. Any corporation or association: (i) into which the Bondowners' Trustee is merged or with which it is consolidated; (ii) resulting from any merger or consolidation to which the Bondowners' Trustee is a party; or (iii) succeeding to all or substantially all of the corporate trust business of the Bondowners' Trustee, shall be the successor Bondowners' Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of the Bond Ordinance.

Notices to Bond Owners; Waiver. Where the Bond Ordinance provides for notice to Parity Bond owners of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Bond Ordinance) if in writing and mailed, first-class postage prepaid, to each Parity Bond owner affected by each event, at such Parity Bond owner's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Parity Bond owners is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Parity Bond owner shall affect the sufficiency of such notice with respect to other Parity Bond owners. Where the Bond Ordinance provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Parity Bond owners shall be filed with the Bondowners' Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

With respect to book-entry bonds, where the Bond Ordinance provides for notice to the Parity Bond owners of the existence of, or during the continuance of, any Event of Default, or at any time upon the written request of the City, the Bondowners' Trustee, at the expense of the City, shall: (i) establish a record date for determination of the persons entitled to receive such notice; (ii) request a securities position listing from the securities depository showing the participants holding positions in the book-entry bonds affected by such notice as of the record date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each participant identified in the securities position listing as holding a position in the book-entry bonds as of the record date for the notice, to each nationally recognized municipal securities information repository and state information depository for the State, if any, and to any person identified to the Bondowners' Trustee as a non-objecting Beneficial Owner pursuant to the immediately following clause; (iv) request that the participant retransmit the notice to all persons for which it served as nominee on the record date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the participant served as nominee on the record date to the Bondowners' Trustee, (v) provide on behalf of the City and not as its agent, an undertaking of the City to pay to any participant or other nominee (other than the securities depository) the reasonable costs of transmitting the notice to persons for whom the participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Parity Bonds. Any default in performance of the duties required by this subsection shall not affect the sufficiency of notice to the Parity Bond owners given in accordance with the provisions of the Bond Ordinance, or the validity of any action taken under the Bond Ordinance in reliance on such notice to Parity Bond owners.

Where the Bond Ordinance provides for notice to the Parity Bond owners of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Parity Bonds; (ii) the CUSIP number of each affected Parity Bond; (iii) the record date for the notice; and (iv) a summary of the notice.

Any notice required or permitted by the Bond Ordinance to be given to the securities depository shall be given to it in the manner provided by this section for giving notice to Parity Bond owners, and also shall be given in the format requested by the securities depository to such address as may be specified by the securities depository in writing to the Bondowners' Trustee.

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APPENDIX B

BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike-through~~ has been deleted as permitted by DTC as it does not pertain to the 2025 Bonds.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [~~each issue of~~] the Securities, [~~each~~] in the aggregate principal amount of such issue, and will be deposited with DTC. [~~If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.~~]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[~~9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.~~]

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

July 3, 2025

City of Tacoma, Washington

Re: City of Tacoma, Washington
Electric System Revenue Bonds, Series 2025A (Green Bonds)
Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds)

To the Addressee:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of all of the proceedings taken with respect to the issuance by the City of its Electric System Revenue Bonds, Series 2025A (Green Bonds) and Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds) (together, the "Bonds"). The Bonds are issued pursuant to Ordinance No. 28146, passed by the City Council on April 30, 2013, as supplemented and amended (the "Master Ordinance"), including as supplemented and amended by Supplemental Ordinance No. 29033 passed by the City Council on May 6, 2025 (the "Supplemental Ordinance," and together with the Master Ordinance, the "Bond Ordinance") for the purpose of providing funds (a) to finance and reimburse the City for certain capital improvements to the Electric System, (b) to be used together with other available funds of the Electric System to refund certain outstanding obligations of the Electric System, and (c) to pay costs of issuance. Capitalized terms used in this opinion not otherwise defined shall have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to redemption prior to their stated maturities as provided in the Bond Ordinance and Bond Purchase Agreement. The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance, the Tax Certificate executed by the City in connection with the issuance of the Bonds and the exhibits attached thereto, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding special obligations of the City, payable from and secured solely by the sources identified in the Bond Ordinance, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Bond Ordinance is a legal, valid and binding obligation of the City, has been duly authorized, executed and delivered and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The City has pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with the provisions of the Bond Ordinance, subject only to the provisions of the Bond Ordinance restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Ordinance: (i) the proceeds of the sale of the Bonds to the extent held in funds established by the Bond

Ordinance, (ii) Net Revenues, and (iii) the money and investments, if any, credited to the Revenue Fund and the Bond Fund, and the income therefrom. Except as provided in the Bond Ordinance, the pledge of the Net Revenues and of the amounts to be paid into and maintained in the funds and accounts described in the Bond Ordinance to pay and secure the payment of the Bonds has been declared to be a prior lien and charge on the Net Revenues and the money and investments in such funds and accounts superior to all other liens and charges of any kind or nature, and equal in rank to the lien and charge on such sources as the Outstanding Parity Bonds and any Future Parity Bonds. The City has reserved the right to issue Future Parity Bonds on the terms and conditions set forth in the Bond Ordinance.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City must comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements with respect to the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PACIFICA LAW GROUP LLP

APPENDIX D

2023 AND 2024 AUDITED FINANCIAL STATEMENTS

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20 Tacoma Power
24 Annual Financial Report

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2024
PREPARED BY THE FINANCE DEPARTMENT

TACOMA POWER
TACOMA PUBLIC UTILITIES

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Public Utility Board

JOHN O'LOUGHLIN
Chair

WILLIAM BRIDGES
Vice-Chair

ELLY CLAUS-MCGAHAN
Secretary

ANITA GALLAGHER
Member

CARLOS WATSON
Member

DEVIN HAMPTON
Member

JACKIE FLOWERS
Director of Utilities

CHRIS ROBINSON
Power Superintendent/COO

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION
Doing Business As

Tacoma Power

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Financial Data

Report of Independent Auditors

The Chair and Members of the Public Utility Board
City of Tacoma, Department of Public Utilities, Power Division
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Power Division (the Division), which comprise the statements of net position as of and for the years ended December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows and notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Proportionate Share of the Collective OPEB Liability Last 10 Years be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the table of contents. The other information comprises the statistical data and graphs but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2025, on our consideration of the City of Tacoma, Department of Public Utilities, Power Division, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tacoma, Department of Public Utilities, Power Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the City of Tacoma, Department of Public Utilities, Power Division's internal control over financial reporting and compliance.

Moss Adams LLP

Tacoma, Washington
May 21, 2025

Management Discussion and Analysis

The following management discussion and analysis of Tacoma Power's (Utility) financial performance provides an overview of the financial activities for the years ended December 31, 2024, 2023, and 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the Utility's financial activities, and identify changes in the Utility's financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and the accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applied on a consistent basis and include amounts that are based on management's best estimates and judgment.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2024 and 2023, include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The Statements of Net Position present information on all of the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of the Utility's presentation of financial position, results of operations and changes in cash flows.

Financial Highlights

- Tacoma Power reported an increase in net position of $37.4 million or 4.1% in 2024 and an increase of $40.5 million or 4.6% in 2023, as restated.

- Operating revenues decreased $4.2 million or 0.8% in 2024. Operating revenues increased $36.0 million or 7.5% in 2023.

- Utility Plant in Service before depreciation and Right to Use increased $91.2 million or 3.8% in 2024 and $41.7 million or 1.8% in 2023.

- Construction work in progress increased $2.6 million or 5.9% in 2024 and $18.1 million or 69.5% in 2023.

Overview of Financial Statements

Tacoma Power reported net operating income of $23.1, $32.5, and $13.9 million, respectively, in 2024, 2023, 2022, as restated. Operating revenues decreased $4.2 million during 2024 and operating expenses increased $5.2 million. For 2023, operating revenues increased $36.0 million and operating expenses increased $17.5 million, as restated. Tacoma Power reported an increase in net position of $37.4 million in 2024 compared to an increase of $40.5 million in 2023, as restated, and a decrease of $402,000 in 2022.

The following tables highlight Tacoma Power's past three years' operating results and megawatt-hours billed.

OPERATING RESULTS
(in thousands)

Category	2024	2023 (As Restated)	2022	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Operating Revenues	$ 512,351	$ 516,547	$ 480,528	$ (4,196)	$ 36,019
Operating Expenses (*)	489,298	484,070	466,599	5,228	17,471
Net Operating Income	23,053	32,477	13,929	(9,424)	18,548
Net Non-Operating Expenses	(10,539)	(8,048)	(35,201)	(2,491)	27,153
Capital Contributions	14,436	9,599	8,261	4,837	1,338
BABs and CREBs subsidies	3,729	3,729	3,729	-	-
Transfers In	6,717	2,728	8,880	3,989	(6,152)
Change in Net Position Increase (decrease)	$ 37,396	$ 40,485	$ (402)	$ (3,089)	$ 40,887

(*) Gross Earnings Tax was reclassified from Transfers Out to Operating Expenses.

MEGAWATT-HOURS BILLED
(in thousands)

Type of Customer	2024	2023 (**)	2022 (**)	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Residential	1,962	1,967	2,024	(5)	(57)
Commercial/General/Industrial	2,390	2,692	2,753	(302)	(61)
Other (**)	29	37	20	(8)	17
Bulk Power Sales	1,272	1,036	2,095	236	(1,059)
Total	5,653	5,732	6,892	(79)	(1160)

(**) In 2024, Other was reclassified from Residential to be presented on a separate line.
2023 and 2022 were reclassified for comparative purposes.
Street Lighting data, included in Other, was restated for 2023 due to an update in data collection.

Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following analysis highlights net position for the last three years.

NET POSITION
(in thousands)

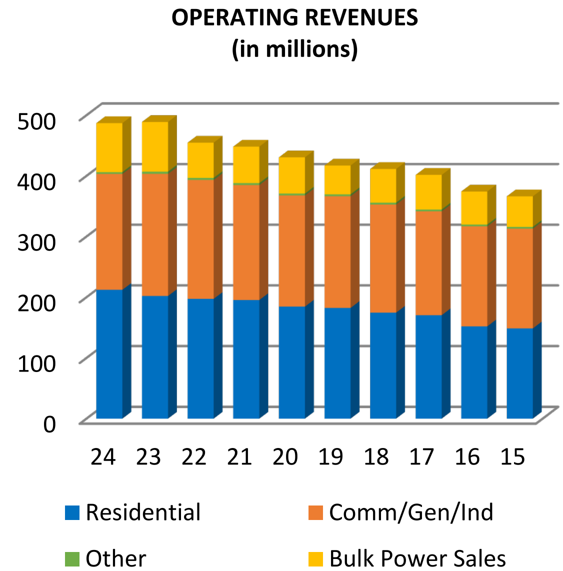
Description	2024	2023 (As Restated)	2022	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Net Utility and Non-Utility Plant	$ 1,228,461	$ 1,177,231	$ 1,158,516	$ 51,230	$ 18,715
Special Funds, Current Assets, and Other Assets	670,245	686,254	668,429	(16,009)	17,825
Total Assets	1,898,706	1,863,485	1,826,945	35,221	36,540
Deferred Outflows	66,323	71,936	34,259	(5,613)	37,677
Total Assets and Deferred Outflows	$ 1,965,029	$ 1,935,421	$ 1,861,204	$ 29,608	$ 74,217
Net Position:					
Net Investment in Capital Assets (*)	$ 625,967	$ 564,934	$ 567,070	$ 61,033	$ (2,136)
Restricted (*)	31,736	30,374	85,192	1,362	(54,818)
Unrestricted	297,240	322,238	224,799	(24,998)	97,439
Total Net Position	954,943	917,546	877,061	37,397	40,485
Long-Term Debt	594,071	506,619	595,564	87,452	(88,945)
Other Liabilities	173,078	270,021	114,663	(96,943)	155,358
Total Liabilities	767,149	776,640	710,227	(9,491)	66,413
Deferred Inflows	242,937	241,235	273,916	1,702	(32,681)
Total Net Position, Liabilities and Deferred Inflows	$ 1,965,029	$ 1,935,421	$ 1,861,204	$ 29,608	$ 74,217

(*) The Debt Service Funds under Restricted Net Position was reclassified from Restricted to Net Investment in Capital Assets in 2023 and 2022.

Revenues

2024 Compared to 2023

Operating revenues totaled $512.4 million in 2024 compared to $516.5 million in 2023, a decrease of $4.2 million or 0.8%.



Sales of electric energy decreased $2.0 million or 0.4%.

In 2024, residential sales accounted for 43.6% of electric revenues, commercial, general and industrial revenues accounted for 39.2%, other for 0.6% and bulk power sales accounted for 16.6%.

Other Operating Revenue decreased $1.9 million. The decrease was primarily due to the decrease in reimbursement of qualified conservation expenses. Tacoma Power entered into an Energy Conservation Agreement (ECA) with Bonneville Power Administration (BPA) in 2009. Under this agreement, funds are collected in wholesale power rates to support regional energy efficiency programs. As utilities implement conservation programs and activities, BPA reimburses these funds per program specifications. Conservation programs and activities decreased in 2024 compared to 2023 which is consistent with the industry wide trend and led to the decrease in BPA reimbursements in 2024.

Lease revenues were recorded in the amount of $2.2 million in 2024 compared to $2.5 million in 2023.

2023 Compared to 2022

Operating revenues totaled $516.5 million in 2023 compared to $480.5 million in 2022, an increase of $36.0 million or 7.5%.

Sales of electric energy increased $34.1 million or 7.5%. The increases occurred across different revenue types primarily from residential, general, and wholesale in the amount of $37.9 million, offset with a decrease in contract industrial of $3.8 million. There was a 3.5% rate increase effective April 1, 2023, which attributed to $63.4 million of the total increase. This was offset by a reduction in consumption of $29.3 million.

In 2023, residential sales accounted for 42.1% of electric revenues, commercial and industrial revenues accounted for 41.2% and bulk power sales accounted for 16.7%.

Other Operating Revenue increased $2.0 million. The increase was primarily due to the increase in reimbursement of qualified conservation expenses. Tacoma Power entered into an Energy Conservation Agreement (ECA) with Bonneville Power Administration (BPA) in 2009. Under this agreement, funds are collected in wholesale power rates to support regional energy efficiency programs. As utilities implement conservation programs and activities, BPA reimburses these funds per program specifications. Receipt of these funds is cyclical, resulting in a greater amount recovered in the even years of Tacoma Power's biennium.

Lease revenues were recorded in the amount of $2.5 million in 2023 compared to $2.6 million in 2022.

Expenses

2024 Compared to 2023
Total operating expenses increased $5.2 million or 1.1% compared to 2023, as restated.

Purchased and Interchanged Power decreased $7.4 million or 5.8% primarily due to a decrease in purchased power because of a decent water year and decreased overall system load.

Generation expenses increased $2.7 million or 9.2%. The increase is primarily due to the increases of $1.2 million in maintenance expenses and $606,000 in operating supplies in Cowlitz, Nisqually and Cushman natural resources projects. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Administrative and General expenses increased $4.8 million or 6.8%. Salaries and wages increased $3.6 million. Bad debt expense increased $4.1 million due to aging accounts receivable balances. These increases were offset by $3.0 million increase in administrative and general credits allocated to capital projects due to more spending on capital projects.

2023 Compared to 2022
Total operating expenses increased $17.5 million or 3.7% compared to 2022, as restated.

Purchased and Interchanged Power decreased $19.3 million or 13.1%. The decrease is primarily due to $11.1 million of the Reserves Distribution Clause from BPA to Tacoma Power from their strong reserves in 2022 which was recorded as an offset to expenses. This is a component of BPA's Financial Reserves Policy that is triggered when their reserves in 2022, measured in days cash on hand, reached pre-established target.

Generation expenses increased $7.4 million or 34.1%. Salaries and wages increased $5.4 million. Services provided by Washington Department of Fish and Wildlife represented $2.4 million of the increase. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Transmission expenses decreased $6.4 million or 15.2%. In 2023, Tacoma Power discovered certain meter data inaccuracies in conjunction with its participation in the California Independent System Operator's (CAISO) Western Energy Imbalance Market and self-reported the inaccuracies to CAISO. The impacted trade periods spanned from March 2022 through November 2022 and the Division corrected the errors beginning February 2023 through December 2023 due to the timing of CAISO settlement calendar. These corrections primarily decreased the transmission expenses in 2023 compared to 2022.

Distribution expenses increased $9.8 million or 45.4%. The increase was primarily due to an increase in salaries and wages.

Maintenance expenses increased $8.2 million or 22.9%. Salaries and wages increased $6.3 million. Maintenance costs for the Cushman #1 Low Level Outlet accounted for $1.5 million of the increase. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Administrative and General expenses increased $19.5 million or 38.0%. Salaries and wages increased $10.2 million, assessments increased $4.0 million and bad debt expense increased $2.7 million due to higher aging accounts receivable. Self-insurance expenses increased $2.1 due to an increase in claims. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Compensated absences expense increased $1.6 million due to the implementation of GASB No. 101 – *Compensated absences*. This increase was spread across Operations, Maintenance, Telecommunications, Administrative and General expenses. 2023 ending net position, compensated absences expense and liabilities were restated for the year ended 2023. Additional information can be found in Note 3 of the financial statements.

Non-Operating Revenues (Expenses)

Interest income increased $6.1 million in 2024 primarily due to higher interest rates in City Pooled investments in 2024. Unrealized gain on fair value investment decreased $4.7 million due to lower market value of investments as of December 31, 2024.

Other expenses increased $5.6 million mainly due to $4.4 million more expenses in crediting utility accounts receivable in 2024 compared to 2023. In 2024, the Division received $7.1 million in pass-through federal funding from Neighborhood and Community Services (NCS) as part of the Family Clean Energy Programs. The funding was applied to utility accounts receivable at a credit of $200 per customer that applied and met the requirements for the funding. In 2023, the Division received $2.7 million in pass-through federal funding from NCS as part of the corona virus state fiscal recovery fund federal appropriation programs. The funding was applied to overdue utility accounts receivable for customers impacted by COVID-19. In addition, there was another $1.1 million decrease in other revenues from hydro incentive program in 2024 compared to in 2023. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

There was no gain/ (loss) on lease modification and termination in 2024. In 2023, there was $1.8 million loss due to a renewal term of total 20 years was added to the original lease term and remeasurement of lease receivables and deferred inflows was performed.

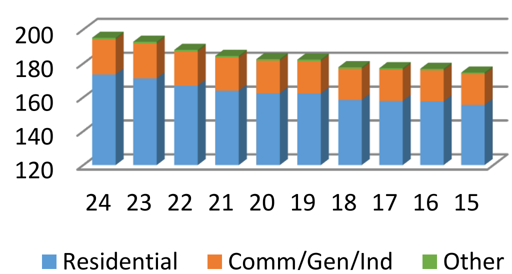
Capital Contributions and Transfers

In 2024, capital contributions and transfers increased $8.8 million. Contributions in aid of construction increased $4.8 million. Transfer from other funds increased $4.0 million mainly due to the increase in transfers from NCS as discussed in the non-operating revenues (expenses) section.

Customer Counts

Tacoma Power's overall customer growth during the past 10 years has been relatively steady averaging between less than 1% and 3% per year. The customer count for 2024 is 195,113 compared to 192,767 in 2023 and 187,950 in 2022.

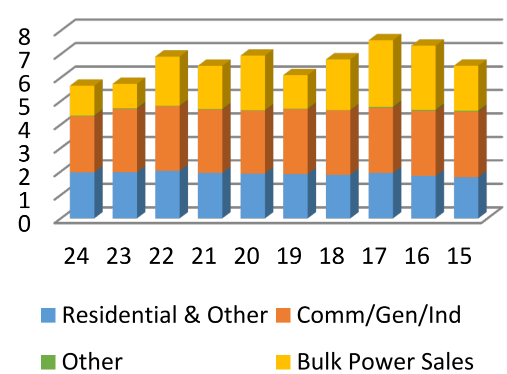
NUMBER OF CUSTOMERS
(in thousands)



Megawatt-hours Billed

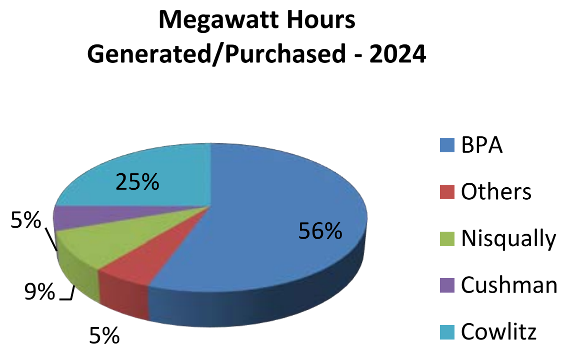
Megawatt-hours billed to residential customers decreased 0.3% in 2024. Commercial / general / industrial billings decreased 11.2% and other decreased 19.7%. Bulk power sales billed in 2024 was 1,272,332 megawatt-hours compared to 1,036,598 in 2023, an increase of 235,734 megawatt-hours or 22.7%.

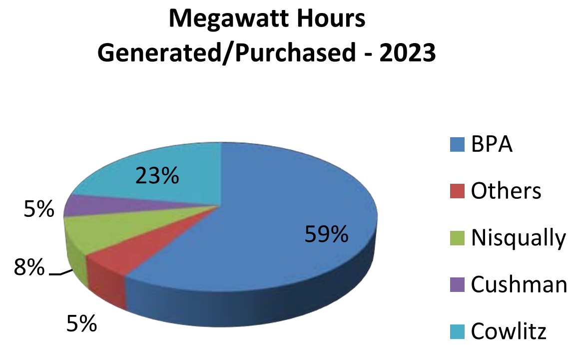
MEGAWATT HOURS BILLED
(in millions)



Sources of Power

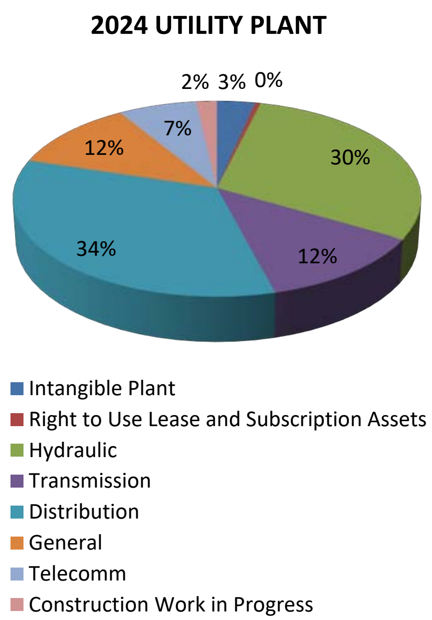
Tacoma Power's total resources for power supply to serve its retail and wholesale customers for the last two years are shown in the following graphs.

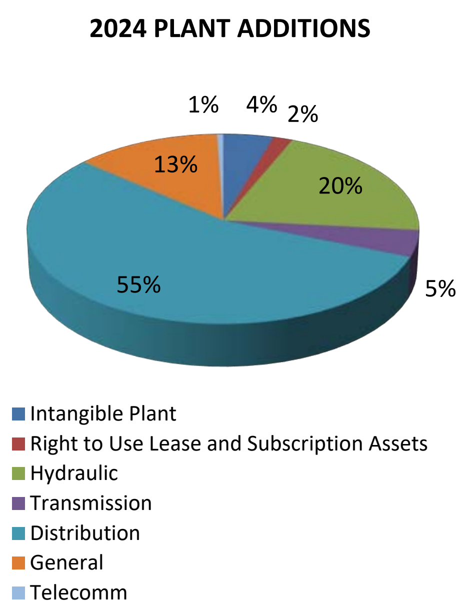




Utility Plant and Plant Additions

Tacoma Power has $2.5 billion invested in its utility plant assets on a cost basis. The largest portion is for the combined distribution and transmission business unit followed by the generation (hydroelectric) business unit. The following graphs show the total investment in plant and allocation of plant additions.





Additions to Intangible Plant in 2024 were $4.5 million, which primarily included easements, customer engagement portal, utility modernization additions and replacements, and advanced meter modules.

Additions to right to use subscription assets were $1.7 million in 2024 compared to $410,000 in 2023.

Additions to Hydraulic Plant in 2024 were $20.5 million, which mainly included Alder unit 11 rebuild, Cowlitz Mayfield Cove Lane culvert & bank remediation, Cushman #1 rockfall mitigation and debris removal ramp, Nisqually hydro project relay upgrades, Cushman #2 draft tube stoplogs, LaGrande residence #1 upgrades, Mossyrock governor controls, Mossyrock unit 51 exciter controls, and other hydro projects additions and replacements.

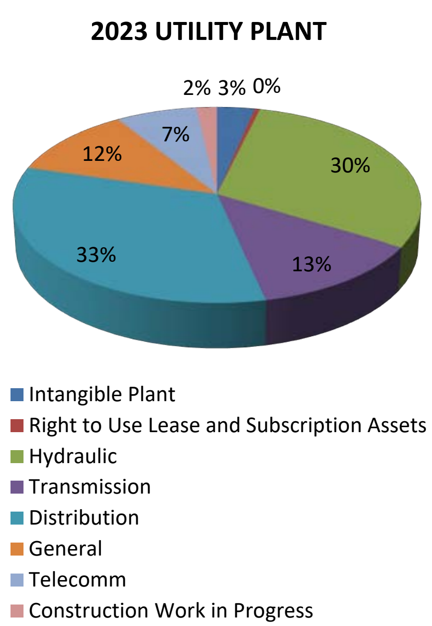
Transmission additions were $4.1 million, which included addition and replacement programs for substations, transmission, protection and controls, joint use, transmission-related-assets from Washington State Department of Transportation state route 167 phase 1 A, and other road related additions and replacements.

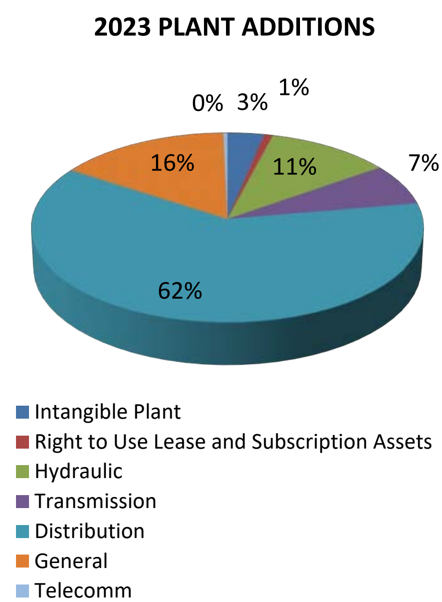
Distribution additions were $55.4 million, which included addition and replacement programs for overhead and underground distribution, new services, joint use, central business district, distribution system and transformers, meters and devices, copper replacement, power security upgrades, road related additions and replacements, the advanced meter project, Fawcett Avenue duct bank, and distribution-related-assets for Amazon cold storage.

Regional Transmission additions were $426,000, which primarily included critical operations power systems additions and replacements program.

Additions to General Plant were $13.1 million, which included, fleet related vehicles and equipment, radio systems for Cowlitz, Cushman, and Nisqually, geographic information system servers, survey equipment, electric vehicle charging ports, data cable infrastructure, supervisory control and data acquisition remote terminal units, and multiprotocol label switching.

Telecommunications additions were $539,000, which included hybrid fiber coax plant extensions.





Additions to Intangible Plant in 2023 were $1.7 million, which included cyber security & resilience additions and replacements, advanced meter modules and software, drawing management solutions, and easements.

Additions to right to use subscription assets were $410,000 in 2023 compared to $10.2 million in 2022.

Additions to Hydraulic Plant in 2023 were $5.9 million, which mainly included Mossyrock unit 52 generation breakers, Nisqually hydro project relay upgrade, Wynoochee dam electrical system upgrade, drift tube stop log, Cowlitz salmon hatchery barrier dam, Cowlitz Rife Lake North Shore fishing trail enhancements, and other hydro projects additions and replacements.

Transmission additions were $3.4 million, which included addition and replacement programs for substations, transmission, protection and controls, power security upgrade, and road related additions and replacements.

Distribution additions were $32.5 million, which included addition and replacement programs for overhead and underground distribution, new services, joint use, central business district, distribution system and transformers, meters and devices, and the advanced meter project.

Regional Transmission additions were $266,000, which primarily included the Verint system and the energy imbalance market (EIM) video wall software.

Additions to General Plant were $8.1 million, which included, fleet related vehicles and equipment, conference room upgrades, communication tower modifications, energy control center elevator replacement, advanced metering infrastructure and security upgrades.

Telecommunications additions were $190,000, which included hybrid fiber coax plant extensions.

Net Utility Plant (in thousands)	**2024**	**2023**	**2022**	**24/23 Increase (Decrease)**	**23/22 Increase (Decrease)**
Intangible Plant	$ 57,272	$ 55,419	$ 56,113	$ 1,853	$ (694)
Right to Use Lease and Subscription Assets	6,007	6,939	8,848	(932)	(1,909)
Hydraulic Plant	471,370	461,727	466,600	9,643	(4,873)
Transmission Facilities	132,287	133,929	139,051	(1,642)	(5,122)
Distribution Facilities	410,019	373,221	357,081	36,798	16,140
General Plant	95,619	91,665	92,615	3,954	(950)
Telecommunications Plant	9,030	10,077	12,030	(1,047)	(1,953)
Construction Work in Progress	46,675	44,072	25,996	2,603	18,076
Total Net Utility Plant	$ 1,228,279	$ 1,177,049	$ 1,158,334	$ 51,230	$ 18,715

Additional information on Tacoma Power's capital assets can be found in Note 5 of the financial statements.

Debt Administration

On December 31, 2024, Tacoma Power had outstanding revenue bonds of $553.6 million, an increase of $77.8 million compared to 2023. Tacoma Power issued $95.3 million of Electric System Revenue Bonds, Series 2024A (Green Bonds) and $47.4 million of Electric System Revenue Refunding Bonds, Series 2024B in February 2024. The proceeds of the issuance were used to pay down $104.8 million of the Wells Fargo line of credit and portions of the 2013A and 2013B bonds. In October 2024, Tacoma Power paid the remaining $250,000 balance due on the Wells Fargo line of credit.

At December 31, 2023, Tacoma Power had outstanding revenue bonds of $475.8 million, a reduction of $6.2 million compared to 2022. In December 2023, Tacoma Power took a draw of $25.0 million on the line of credit agreement with Wells Fargo bringing the total balance outstanding at December 31, 2023 to $105.0 million.

On October 1, 2021, Tacoma Power entered into a $150.0 million line-of-credit agreement with Wells Fargo to pay for working capital, which matured on October 1, 2024. As of December 31, 2024, this line-of-credit has been paid off, terminated and was not renewed. There was no outstanding balance from this line-of-credit as of December 31, 2024.

On May 21, 2020, Tacoma Power entered into a 2-year Note Purchase Agreement with KeyBank in the amount of $100.0 million. On September 16, 2021, an amendment was made to the agreement which reduced the amount to $50.0 million and extended the maturity date to December 2024. As of December 31, 2024, this Note reached the maturity date without extension and was terminated. There were no draws outstanding on this Note Purchase Agreement during 2024or 2023. There was no outstanding balance from this note as of December 31, 2024.

All bonds are rated AA by Standard and Poor's and AA- by Fitch, Inc. Bonds prior to 2017 are rated Aa3 by Moody's Investors Service.

Additional information on Tacoma Power's long-term debt can be found in Note 7 of the financial statements.

Debt Service Coverage

Tacoma Power is required by its bond covenants to maintain a debt service coverage ratio of 1.25. In 2024, principal and interest were covered 4.29 times compared to 4.98 times in 2023, as restated, and 3.63 times in 2022, as restated.

Economic Factors Affecting Next Year

On April 1, 2025, an average rate increase of 5.3% for electric customers went into effect. The biennial rate increase approved by the Public Utility Board are expected to bring in an additional $13.5 million in operating revenues for 2025. The rate increases remain competitive with surrounding jurisdictions.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray Tacoma Power's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information.

The financial statements have been audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative, and accounting processes. These controls provide reasonable assurance that records and reports are complete and accurate, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

Power financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Financial Statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS	DECEMBER 31, 2024	DECEMBER 31, 2023
UTILITY PLANT		
In Service	$2,486,039,310	$2,394,876,667
Less - Accumulated Depreciation	(1,310,442,484)	(1,268,838,145)
Total Net Plant in Service	1,175,596,826	1,126,038,522
Right to Use Lease and Subscription Assets	11,969,310	11,357,495
Less - Accumulated Amortization	(5,962,722)	(4,418,470)
Total Net Right to Use	6,006,588	6,939,025
Construction Work in Progress	46,675,429	44,071,113
Net Utility Plant	1,228,278,843	1,177,048,660
NON-UTILITY PROPERTY	182,051	182,051
SPECIAL FUNDS		
Debt Service Funds	19,845,651	18,167,955
Special Bond Reserve Funds	-	4,997,639
Wynoochee Reserve Funds	2,970,010	2,845,795
Fish and Wildlife Reserves	28,765,950	27,528,493
Total Special Funds	51,581,611	53,539,882
CURRENT ASSETS		
Operating Funds Cash and Equity in Pooled Investments	423,729,699	426,962,861
Accounts Receivable	32,177,965	37,521,720
(Net of Allowance for Doubtful Accounts of $10,799,479 in 2024 and $10,478,836 in 2023)		
Accrued Unbilled Revenue	28,716,362	29,276,055
Materials and Supplies	11,231,672	11,201,742
Prepayments and Other	11,523,002	13,664,290
Current Lease Receivable	1,332,035	1,266,513
Total Current Assets	508,710,735	519,893,181
OTHER ASSETS		
Regulatory Asset - Conservation (Net of Amortization of $89,382,646 in 2024 and $82,895,317 in 2023)	28,032,769	29,406,972
Conservation Loans Receivable	4,997,617	5,155,337
Long-Term Lease Receivable	76,922,078	78,259,109
Total Other Assets	109,952,464	112,821,418
Total Assets	1,898,705,704	1,863,485,192
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow for Pensions	63,997,636	69,115,910
Deferred Outflow for OPEB	2,325,711	2,820,270
Total Deferred Outflows	66,323,347	71,936,180
TOTAL ASSETS AND DEFERRED OUTFLOWS	$1,965,029,051	$1,935,421,372

The accompanying notes are an integral part of these financial statements

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	DECEMBER 31, 2024	2023 (As Restated)
NET POSITION		
Net Investment in Capital Assets	$625,967,151	$564,933,504
Restricted for:		
Wynoochee Reserve Funds	2,970,010	2,845,795
Fish and Wildlife Reserves	28,765,950	27,528,493
Unrestricted	297,239,631	322,238,548
Total Net Position	954,942,742	917,546,340
LONG-TERM DEBT		
Revenue Bonds	594,071,189	506,618,951
Total Long-Term Debt	594,071,189	506,618,951
CURRENT LIABILITIES		
Current Portion of Revenue Bonds and Line of Credit	6,205,000	111,555,000
Taxes and Other Payables	30,559,048	21,287,664
Purchased Power Payable	11,249,824	10,678,886
Salaries, Wages and Compensated Absences Payable	10,116,812	7,534,706
Interest Payable	13,640,651	11,612,955
Unearned Revenue	3,827,027	4,680,907
Customers' Deposits	12,298,390	14,178,531
Current Accrued Environmental Liability	115,000	120,000
Current Pension Withdrawal Liability	35,112	35,112
Net Current OPEB Liability	245,486	321,032
Current Lease and Subscription Liability	1,791,407	1,914,806
Total Current Liabilities	90,083,757	183,919,599
LONG-TERM LIABILITIES		
Long-Term Accrued Compensated Absences	15,413,301	14,330,578
Net Pension Liability	51,637,595	53,548,006
Net OPEB Liability	9,949,518	11,186,123
Pension Withdrawal Liability	350,324	350,324
Long-Term Lease and Subscription Liability	2,908,921	3,761,088
Other Long-Term Liabilities	2,735,029	2,925,382
Total Long-Term Liabilities	82,994,688	86,101,501
Total Liabilities	767,149,634	776,640,051
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow for Pensions	770,206	1,267,692
Deferred Inflow for OPEB	3,400,617	2,770,304
Deferred Inflow for Leases	77,043,625	79,196,985
Deferred Inflows for Gain on Refunding	3,722,227	-
Rate Stabilization	158,000,000	158,000,000
Total Deferred Inflows	242,936,675	241,234,981
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	$1,965,029,051	$1,935,421,372

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City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31, 2024	2023 (As Restated)
OPERATING REVENUES		
Sales of Electric Energy	$486,894,353	$488,845,315
Other Operating Revenue	23,303,801	25,193,920
Lease Revenue	2,153,360	2,507,510
Total Operating Revenue	512,351,514	516,546,745
OPERATING EXPENSES		
Operations		
Purchased and Interchanged Power	120,891,221	128,335,810
Generation	31,547,908	28,887,498
Transmission	37,545,594	35,940,083
Distribution	30,166,482	31,270,234
Other	26,365,736	26,337,877
Maintenance	46,436,836	44,218,202
Telecommunications Expense	999,877	1,009,322
Administrative and General	75,515,194	70,708,842
Depreciation and Amortization	53,562,084	53,576,433
Taxes	66,267,241	63,786,043
Total Operating Expenses	489,298,173	484,070,344
Net Operating Income	23,053,341	32,476,401
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	19,001,929	12,933,375
Unrealized Gain (Loss) on Fair Value Investment	2,164,432	6,910,454
Interest Income on Lease Activity	2,062,801	1,244,607
Contribution to Family Need	(3,500,000)	(3,500,000)
Others	(5,953,214)	(332,797)
Gain on Sale/Disposal of Capital Assets	68,027	429,179
Loss on Lease Modifications and Termination	-	(1,756,141)
Interest on Long-Term Debt	(27,779,055)	(26,366,314)
Amortization of Debt Premium	3,395,372	2,390,051
Total Non-Operating Expenses	(10,539,708)	(8,047,586)
Net Income Before Capital Contributions and Transfers	12,513,633	24,428,815
Capital Contributions		
Cash	12,897,614	8,979,522
Donated Capital Assets	1,538,525	619,432
BABs and CREBs Interest Subsidies	3,729,224	3,729,224
Transfers		
Transfers from/(to) Other Funds	6,717,406	2,728,458
CHANGE IN NET POSITION	37,396,402	40,485,451
TOTAL NET POSITION - BEGINNING OF YEAR	917,546,340	877,060,889
TOTAL NET POSITION - END OF YEAR	$954,942,742	$917,546,340

The accompanying notes are an integral part of these financial statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2024	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	$516,701,891	$536,788,970
Cash Paid to Suppliers	(192,561,738)	(203,917,472)
Cash Paid to Employees	(157,955,020)	(151,128,978)
Taxes Paid	(65,934,474)	(66,148,449)
Cash from/(to) Conservation Loans	157,720	(2,483,768)
Cash from /(to) Other Revenues (Expenses)	(4,352,838)	783,647
Net Cash from Operating Activities	96,055,541	113,893,950
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants Received	-	68,548
Grants Paid	(668,058)	(970,926)
Transfer from Other Funds	6,717,406	2,728,458
Transfer to Family Need Fund	(3,500,000)	(3,500,000)
Net Cash from Non-Capital Financing Activities	2,549,348	(1,673,920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(101,838,083)	(73,665,800)
Principal payments on leases and subscriptions	(2,764,979)	(2,143,738)
Proceeds from sales of capital assets	295,799	480,814
Proceeds from Issuance of Long-Term Debt and LOC	142,660,000	25,000,000
Debt Issuance and LOC Costs	(750,736)	(13,250)
Principal Payments on Long-Term Debt and LOC	(169,850,000)	(6,240,000)
Premium on sale of bonds	16,409,837	-
Interest Paid on Debt, LOC, and subscriptions	(25,751,359)	(26,702,604)
BABs and CREBs Interest Subsidies	3,729,224	3,729,224
Contributions in Aid of Construction (Cash)	12,897,614	8,979,522
Net Cash from Capital and Related Financing Activities	(124,962,683)	(70,575,832)
CASH FLOWS FROM INVESTING ACTIVITIES [a]		
Investment Income (Loss)	21,166,361	19,843,829
Net Cash from Investing Activities	21,166,361	19,843,829
Net Change in Cash and Equity in Pooled Investments	(5,191,433)	61,488,027
Cash and Equity in Pooled Investments at January 1	480,502,743	419,014,716
Cash and Equity in Pooled Investments at December 31	$475,311,310	$480,502,743

[a] Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long term-term investments. Information on the increases and decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Cash Flows

	YEAR ENDED DECEMBER 31, 2024	2023 (As Restated)
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	$23,053,341	$32,476,401
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation and Amortization	53,562,084	53,576,433
Amortization of Regulatory Assets	6,487,329	7,139,304
Pension Expenses (Credits)	2,710,377	8,400,843
Net OPEB Expenses (Credits)	(187,279)	(120,298)
Accrued Environmental Expense	(5,000)	(255,000)
Lease Revenue Net	1,180,950	701,800
Other Revenues (Expenses)	(4,352,838)	783,647
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Accrued Unbilled Revenue	5,903,449	16,280,444
Conservation Loans Receivable	157,720	(2,483,768)
Materials, Supplies, and Other	1,885,407	(298,429)
Taxes and Other Payables	8,417,501	(2,246,268)
Purchased Power Payable	570,938	(1,245,296)
Salaries, Wages and Compensated Absences Payable	2,582,106	1,296,103
Long-Term Accrued Compensated Absences	1,082,723	381,373
Customers' Deposits	(1,880,141)	3,368,637
Regulatory Asset - Conservation	(5,113,126)	(3,861,976)
Total Adjustments	73,002,200	81,417,549
Net Cash from Operating Activities	$96,055,541	$113,893,950
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	$51,581,611	$53,539,882
Cash and Equity in Pooled Investments in Operating Funds	423,729,699	426,962,861
Cash and Equity in Pooled Investments at December 31	$475,311,310	$480,502,743
Noncash Investing, Capital, and Financing activities		
Donated fixed assets	$1,538,525	$619,432
Unrealized Gain (Loss) on Fair Value Investment	2,164,432	6,910,454
Additions in Right to Use Lease Assets	89,152	-
Additions in Right to Use Subscription Assets	$779,325	$123,252

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power

Notes to Financial Statements
Years Ended December 31, 2024 and 2023

NOTE 1 OPERATIONS

OPERATIONS OF TACOMA POWER - The Light Division, doing business as Tacoma Power (Tacoma Power or the Division), is a division of the City of Tacoma, Washington (the City), Department of Public Utilities (the Department) and is included as an enterprise fund in the Annual Comprehensive Financial Report (ACFR) of the City. The Department consists of Tacoma Power, Tacoma Water and Tacoma Rail and is governed by a five-member Public Utility Board (the Board) appointed by the City Council. Certain matters relating to utility operations, such as system expansion, issuance of bonds and setting of utility rates and charges, are initiated, and executed by the Board, but also require formal City Council approval. Tacoma Power owns and operates the City's electrical generation and distribution facilities. Tacoma Power also owns a telecommunications network which is leased out under an Indefeasible Right of Use (IRU) agreement. Tacoma Power serves approximately 195,000 retail customers and has 1,029 employees. Tacoma Power is organized into six business units: Generation, Power Management, Transmission and Distribution, Rates, Planning and Analysis, and Utility Technology Services.

GENERATION - operates four hydroelectric generating projects (Cowlitz, Cushman, Nisqually and Wynoochee) and the associated recreational facilities, fish hatcheries and other project lands.

POWER MANAGEMENT - manages the power supply portfolio, markets bulk and ancillary power supply services, schedules and dispatches division-owned generation and contract power supplies and performs power trading and risk management activities. Revenues and the cost of electric power purchases vary from year to year depending on the electric wholesale power market, which is affected by several factors including the availability of water for hydroelectric generation, marginal fuel prices and the demand for power in other areas of the country.

TRANSMISSION AND DISTRIBUTION - plans, constructs, operates, and maintains the transmission and distribution systems including substations, the underground network system, supervisory control and data acquisition (SCADA) systems, revenue metering facilities and all overhead transmission and distribution systems. Electricity use by retail customers varies from year to year primarily because of weather conditions, customer growth, the economy in Tacoma Power’s service area, conservation efforts, appliance efficiency and other technology.

RATES, PLANNING AND ANALYSIS - plans for and manages the retail rate process, financial planning, analysis and modeling, budget strategies, the capital program and risk management.

UTILITY TECHNOLOGY SERVICES (UTS) - maintains communication networks, operational and informational technology systems, and related equipment and infrastructure to optimize utility operations and improve reliability and service quality. This includes a Project Management Office that establishes and leads Tacoma Public Utilities Information Systems project governance process and implements project portfolio management tools. UTS is responsible for all matters related to Tacoma Power’s compliance with North American Electric Reliability Corporation (NERC) Reliability Standards, maintains overall responsibility for the NERC Reliability Standards and manages Tacoma Power’s Internal Reliability and Compliance Project.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION - The financial statements of the Division are prepared in accordance with GAAP issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting principles used are similar to those applicable to businesses in the private sector and are maintained on the accrual basis of accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

The Division follows the provisions set forth in regulatory accounting guidance. In general, regulatory accounting permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

The Division accounts are maintained substantially in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission and the Division of Audits of the Washington State Auditor's Office.

ACCOUNTING CHANGES - Effective for the fiscal year 2024, the Division implemented the following new accounting and reporting standard issued by the GASB:

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. This statement was issued in June 2022 as an amendment to GASB Statement No. 62 to enhance accounting and financial reporting requirements for accounting changes and error corrections. The goal is to provide clearer, more reliable, relevant, consistent, and comparable information to support decision-making and accountability assessments. This statement categorizes accounting changes into three types: (1) Changes in accounting principles, (2) Changes in accounting estimates, and (3) Changes to or within the financial reporting entity. The statement defines the transactions or events that constitute these changes and specifies that for certain changes in accounting principles and measurement methodologies, the new principle or methodology must be justified as preferable to the previous one. This preferability should align with the qualitative characteristics of financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability. Additionally, this statement provides guidance for correcting errors in previously issued financial statements. The Division implemented GASB Statement No. 100 for the fiscal year ended December 31, 2024.

GASB Statement No. 101 – *Compensated Absences*. This statement superseded the requirements of GASB Statement No. 16, Accounting for Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosure. The implementation of this standard requires a liability to be recorded for compensated absences and reported in the government-wide and proprietary financial statements for (a) leave that has not been used and (b) leave that has been used but not yet paid or settled through noncash means. Compensated absence liability is recognized for leave that has not been used if (i) the leave is attributable to services already rendered, (ii) the leave accumulates, and (iii) the leave is more likely than not to be used for time off or settled through noncash means. The City implemented the provisions of GASB Statement No. 101 effective January 1, 2023, and restated financial results for the year ended December 31, 2023, as required by the standard (see Note 3).

CASH, SPECIAL FUNDS AND EQUITY IN POOLED INVESTMENTS - The Division's cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Pooled investments are reported on the Statement of Net Position as Cash and equity in pooled investments. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances, which are their equity in the TIP. Accordingly, balances are considered cash equivalents and the equity in pooled investments is considered cash for cash flow reporting purposes.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the LGIP.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2024 and 2023, is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer-term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Repurchase agreements and commercial paper are protected by the FDIC insurance up to $250,000. All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasurer's LGIP is authorized by RCW 43.250. The LGIP is operated like a money market fund and is collateralized by short-term legal investments.

RESTRICTED ASSETS - In accordance with bond resolutions, agreements and laws, separate restricted funds have been established. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds, fish and wildlife reserves, and customer deposits.

ACCOUNTS RECEIVABLES AND ACCRUED UNBILLED REVENUES - Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. The Division accrues an estimated amount for services that have been provided but not billed as of December 31, 2024, and 2023.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable is considered past due after 30 days.

INTERFUND AND INTERGOVERNMENTAL TRANSACTIONS - Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

MATERIALS AND SUPPLIES - Materials and supplies consist primarily of items for maintenance and construction of Division assets and are valued at the lower of average cost or fair market value.

BOND PREMIUM AND GAIN/LOSS ON REFUNDING - Bond premiums are amortized over the life of the bonds using a straight-line basis, are presented as an offset to the long-term debt balance in the statement of net position. Gains or losses on bond refunding represent the difference between reacquisition price and the carrying value of the old debt and are amortized on a straight-line basis over the applicable bond period and are presented as deferred inflows or deferred outflows in the statement of net position.

DEBT ISSUANCE COSTS – Debt issuance costs are recognized as expenses when incurred.

REGULATORY ASSET CONSERVATION - The Division has deferred conservation costs to be charged to future periods matching the time when the revenues are included in rates. Conservation assets represent installation of savings measures at the properties of its customers. The deferred balance is reduced as costs are recovered and are amortized as other operating expense on the statements of revenues, expenses, and changes in net position.

UTILITY PLANT, DEPRECIATION AND AMORTIZATION - Utility plant is stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. Assets are capitalized when costs exceed $5,000 and the useful life exceeds one year.

Depreciation and amortization are recorded using a straight-line composite method based on Federal Energy Regulatory Commission (FERC) recommended economic asset lives from 2 to 62 years for related operating assets placed in service at the beginning of the year. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service.

The economic lives for plant in service are as follows:

Intangible Plant	2 – 37 years
Hydraulic Production Plant	62 years
Transmission Plant	29 years
Distribution Plant	27 years
Regional Transmission	5 – 27 years
General Plant	19 years
Telecommunications Plant	5 – 19 years
Right to Use	depends on the life of the lease or subscription

CONSTRUCTION WORK IN PROGRESS - Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

ASSET IMPAIRMENT - The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows. There was no impairment existed in 2024 or 2023.

INTANGIBLE ASSETS - In accordance with GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*, land use rights, such as easements and rights-of-way, are recorded as intangible assets.

CAPITAL CONTRIBUTIONS - In accordance with GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants and capital contributions are recorded as capital contributions.

COMPENSATED ABSENCES - The City has two different policies for compensated absences.

The vacation and sick leave policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. Employees in this policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value.

The PTO policy allows employees to earn PTO (personal time off) without distinction between vacation and sick leave. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%.

The accrued liability is computed using the applicable pay rates at year end for leave and associated salary-related payments when leave is earned. Short term compensated absences include sick leave balances more likely than not to be used as time off in future reporting periods, and 10% of vacation, PTO, and sick leave at pay-out based on historical information.

RATE STABILIZATION ACCOUNT - The Division has established a rate stabilization account to reduce significant year-to-year variations in rates. Amounts deposited into the account are excluded from the statement of revenues, expenses and changes in net position in accordance with regulated operations. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

DEFERRED OUTFLOWS OF RESOURCES - Deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of balances related to losses on refunding of bonds, pensions, and other post-employment benefits other than pensions.

DEFERRED INFLOWS OF RESOURCES - Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of balances related to gains on refunding of bonds, rate stabilization, pensions, other post-employment benefits other than pensions, and leases.

OPERATING REVENUE - Service rates are authorized by the Tacoma City Council. Revenues are recognized as earned and include an estimate of revenue earned but not billed to customers as of year-end. Utility revenues are derived primarily from the sale and transmission of electricity. Utility revenue from power sales and power transmission is recognized when power is delivered to and received by the customer.

NON-OPERATING REVENUES AND EXPENSES - These are items that do not qualify as operating defined above such as interest and gain (loss) on disposition of property.

TAXES - The City charges the Division a Gross Earnings Tax at the rate of 7.5% on electrical revenues. In addition, the Division pays a 3.8734% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Division also pays business and occupation tax to the State at the rate of 1.75% on certain other non-utility revenues, as well as 0.484% for Wholesaling and 0.471% for Retailing. The Division is exempt from payment of federal income tax.

NET POSITION - The Statement of Net Position reports all financial and capital resources. The difference between assets and deferred outflows, and liabilities and deferred inflows is net position. There are three components of net position: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any bonds, loans or other borrowings, less outstanding construction funds, which are attributable to the acquisition, construction, or improvements of those assets.

Net position components are restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position components are those that are not “net investment in capital assets” or “restricted”.

LEASES - Division as a lessor and Division as a lessee

Division as a lessor - A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Division and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to future periods which were received prior to the lease commencement. These deferred inflows of resources are amortized over the life of the lease. Key estimates and judgments related to lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread as the discount rate for leases. The lease term includes the noncancelable period of the lease.

Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee. The Division monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Division as a lessee - A Lessee is required to recognize a lease payable and an intangible right to use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, and reasonably certain residual guarantees. The right to use lease asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease. Key estimates and judgments related to the lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread as the discount rate for leases. The lease term includes the noncancelable period of the lease.

Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Division is reasonably certain to exercise. The Division monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

SBITA - Subscription-based information technology arrangements (SBITA) are recognized in accordance with GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. This statement defines a SBITA as a contract that conveys control of the right to use another party's (the SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

A subscriber is required to recognize a subscription liability and an intangible right to use subscription asset at the commencement of the subscription term. The Division uses various SBITA assets that it contracts through cloud computing arrangements such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the net present value of future subscription payments and is adjusted over time by payments and interest. Future subscription payments are discounted using the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread. Payments for future subscription may be fixed or variable, based on the terms of the agreement between the subscriber and the vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription. Subscription and capitalizable implementation cost payments made prior to the commencement of the subscription are classified as assets under construction until the subscription commences; after the subscription commences, the assets under construction are reclassified as an intangible right to use subscription asset.

ARBITRAGE REBATE REQUIREMENT - The Division is subject to the Internal Revenue Code ("IRC"), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Division would record such a rebate as a liability. The Division had no liability in the current or prior year.

ENVIRONMENTAL REMEDIATION COSTS - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

SHARED SERVICES - The Division receives certain services from other departments and agencies of the City, including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies.

USE OF ESTIMATES - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported unbilled revenues, lease receivables, allowance for doubtful accounts, right to use lease and subscription assets, accrued compensated absences, depreciation, OPEB, pension, pension withdrawal liability, self-insurance liabilities, lease and subscription liability, deferred inflows of leases and other contingencies. Actual results may differ from these estimates.

FAMILY NEED - The Family Need program is Tacoma Power's low-income bill assistance program. Contributions are received from customers, employees and Tacoma Power.

INCURRED BUT NOT REPORTED CLAIMS - Liabilities for incurred but not reported claims are initially recorded when the expected loss is both probable and reasonably estimated in Self-Insurance Fund. Equity in the Self-Insurance Fund is transferred to the Division in accordance with GASB 10 and reported under Prepayments and Other and Other Long-Term Liabilities on the Statement of Net Position.

SIGNIFICANT RISKS AND UNCERTAINTIES - The Division is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of facilities.

RECLASSIFICATIONS - Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

NOTE 3 RESTATEMENTS

The Division restated the December 31, 2023, financial statements for the adoption of GASB Statement No. 101 – *Compensated Absences*, which increased total liabilities and decreased net position in the amount of $1.6 million. In addition, during 2024, the Division determined that gross earnings tax levied by the City, which has been reported under Transfers, should have been reported as an operating expense. Therefore, transfers were overstated by $39.8 million and operating expenses were understated in the same amount for the year ended December 31, 2023. Also, the Division determined that the restricted cash for Debt Service Funds, which has been reported as Restricted Net Position, should have been reduced by the Current Portion of Revenue Bonds related to this restricted cash. Therefore, Restricted Net Position was overstated by $6.6 million and Net Investment in Capital Assets was understated in the same amount as of December 31, 2023.

The effects of correcting these errors are shown in column Restatement of the table below.

STATEMENT OF NET POSITION	DECEMBER 31,		
NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2023 (As Previously Reported)	Restatement	2023 (As Restated)
NET POSITION			
Net Investment in Capital Assets	$558,378,504	6,555,000	$564,933,504
Restricted for:			
Wynoochee Reserve Funds	2,845,795	-	2,845,795
Fish and Wildlife Reserves	27,528,493	-	27,528,493
Debt Service Funds	6,555,000	(6,555,000)	-
Unrestricted	323,819,839	(1,581,291)	322,238,548
Total Net Position	919,127,631	(1,581,291)	917,546,340
CURRENT LIABILITIES			
Salaries, Wages and Compensated Absences Payable	5,753,033	1,781,673	7,534,706
LONG-TERM LIABILITIES			
Long-Term Accrued Compensated Absences	14,530,960	(200,382)	14,330,578
Total Liabilities	$775,058,760	$1,581,291	$776,640,051

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	YEAR ENDED DECEMBER 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
OPERATING EXPENSES			
Operations			
Purchased and Interchanged Power	$128,335,810	-	$128,335,810
Generation	28,711,977	175,521	28,887,498
Transmission	35,872,375	67,708	35,940,083
Distribution	30,723,026	547,208	31,270,234
Other	26,308,180	29,697	26,337,877
Maintenance	43,905,203	312,999	44,218,202
Telecommunications Expense	987,962	21,360	1,009,322
Administrative and General	70,282,044	426,798	70,708,842
Depreciation and Amortization	53,576,433	-	53,576,433
Taxes	24,010,110	39,775,933	63,786,043
Total Operating Expenses	442,713,120	41,357,224	484,070,344
Net Operating Income	73,833,625	(41,357,224)	32,476,401
Transfers			
City of Tacoma Gross Earnings Tax	(39,775,933)	39,775,933	-
CHANGE IN NET POSITION	42,066,742	(1,581,291)	40,485,451
TOTAL NET POSITION - END OF YEAR	$919,127,631	($1,581,291)	$917,546,340

STATEMENT OF CASH FLOWS	YEAR ENDED DECEMBER 31, 2023 (As Previously Reported)	Restatement	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Paid	($26,372,516)	($39,775,933)	($66,148,449)
Net Cash from Operating Activities	153,669,883	(39,775,933)	113,893,950
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer Out for Gross Earnings Tax	(39,775,933)	39,775,933	-
Net Cash from Non-Capital Financing Activities	(41,449,853)	39,775,933	(1,673,920)
Net Change in Cash and Equity in Pooled Investments	61,488,027	-	61,488,027
Cash and Equity in Pooled Investments at January 1	419,014,716	-	419,014,716
Cash and Equity in Pooled Investments at December 31	$480,502,743	-	$480,502,743

	YEAR ENDED DECEMBER 31, 2023 (As Previously Reported)	Restatement	2023 (As Restated)
Reconciliation of Net Operating Income to Net Cash From Operating Activities:			
Net Operating Income	$73,833,625	(41,357,224)	32,476,401
Cash from changes in operating			0
assets and liabilities:			0
Salaries, Wages and Compensated Absences Payable	(485,570)	1,781,673	1,296,103
Long-Term Accrued Compensated Absences	581,755	(200,382)	381,373
Total Adjustments	79,836,258	1,581,291	81,417,549
Net Cash from Operating Activities	$153,669,883	($39,775,933)	$113,893,950

NOTE 4 INVESTMENTS MEASURED AT FAIR VALUE

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

• Level 1 - Level 1 inputs are quoted (adjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement data. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

• Level 2 - Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.

• Level 3 - Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data.
Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Data regarding the City's investments, valued and categorized according to the above outlined levels, is below:

		Fair Value Measurements Using			Not Measured at Fair Value	
Debt Securities	As of 12/31/2024	Level 1	Level 2	Level 3	Amortized Cost	Carrying amount
Cash	$5,671	$ -	$ -	$ -	$ -	$5,671
Money Market Fund	3,153,160	-	-	-	3,153,160	-
U.S. Treasury Securities	808,114,725	-	808,114,725	-	-	-
U.S. Agency Securities	449,364,653	-	449,364,653	-	-	-
Supranational Securities	16,351,475	-	16,351,475	-	-	-
Municipal Bonds	41,275,075	-	41,275,075	-	-	-
Corporate Securities	108,469,338	-	108,469,338	-	-	-
	$1,426,734,097	$ -	$1,423,575,266	$ -	$3,153,160	$5,671

		Fair Value Measurements Using			Not Measured at Fair Value	
Debt Securities	As of 12/31/2023	Level 1	Level 2	Level 3	Amortized Cost	Carrying amount
Money Market Fund	$1,199,500	$ -	$ -	$ -	$1,199,500	$ -
U.S. Treasury Securities	643,384,888	-	643,384,888	-	-	-
U.S. Agency Securities	673,735,766	-	673,735,766	-	-	-
Supranational Securities	32,104,066	-	32,104,066	-	-	-
Municipal Bonds	22,877,649	-	22,877,649	-	-	-
Corporate Securities	77,539,603	-	77,539,603	-	-	-
	$1,450,841,472	$ -	$1,449,641,972	$ -	$1,199,500	$ -

Tacoma Power's share of the City investments shown in the table above is 30.64% and 30.59% for 2024 and 2023, respectively.

NOTE 5 UTILITY PLANT

A summary of the balances and changes in utility plant for 2024 and 2023 follows:

	Balance December 31, 2023	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2024
Intangible Plant	$ 80,952,579	$ 1,427,179	$ (165,001)	$ 3,103,357	$ 85,318,114
Hydraulic Production Plant	732,253,014	-	(22,574)	20,450,367	752,680,807
Transmission Plant	276,503,298	-	(3,523,868)	4,144,280	277,123,710
Distribution Plant	808,112,892	111,346	(2,092,843)	55,312,855	861,444,250
Regional Transmission	39,504,372	-	-	426,092	39,930,464
General Plant	282,405,103	-	(1,635,059)	13,087,989	293,858,033
Telecommunications Plant	175,145,409	-	-	538,523	175,683,932
Total Plant In Service	2,394,876,667	1,538,525	(7,439,345)	97,063,463	2,486,039,310
Right to Use Lease and Subscription Assets	11,357,495	1,743,110	(1,131,295)	-	11,969,310
Total Utility Plant in Service	2,406,234,162	3,281,635	(8,570,640)	97,063,463	2,498,008,620
Less Accumulated					
Depreciation	(1,268,838,145)	(50,886,538)	9,207,857	74,342	(1,310,442,484)
Amortization	(4,418,470)	(2,675,547)	1,131,295	-	(5,962,722)
Total Accumulated Depreciation & Amortization	(1,273,256,615)	(53,562,085)	10,339,152	74,342	(1,316,405,206)
Construction Work in Progess	44,071,113	106,672,287	-	(104,067,971)	46,675,429
Net Utility Plant	$ 1,177,048,660	$ 56,391,837	$ 1,768,512	$ (6,930,166)	$ 1,228,278,843

	Balance December 31, 2022	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2023
Intangible Plant	$ 79,262,767	$ 446,391	$ (38,296)	$ 1,281,717	$ 80,952,579
Hydraulic Production Plant	728,262,830	-	(1,888,837)	5,879,021	732,253,014
Transmission Plant	274,712,301	-	(1,639,969)	3,430,966	276,503,298
Distribution Plant	779,435,108	211,337	(3,869,711)	32,336,158	808,112,892
Regional Transmission	39,238,780	-	-	265,592	39,504,372
General Plant	277,351,877	-	(3,086,035)	8,139,261	282,405,103
Telecommunications Plant	174,955,103	-	-	190,306	175,145,409
Total Plant In Service	2,353,218,766	657,728	(10,522,848)	51,523,021	2,394,876,667
Right to Use Lease and Subscription Assets	11,248,092	409,566	(300,163)	-	11,357,495
Total Utility Plant in Service	2,364,466,858	1,067,294	(10,823,011)	51,523,021	2,406,234,162
Less Accumulated					
Depreciation	(1,229,728,104)	(51,258,263)	10,432,918	1,715,304	(1,268,838,145)
Amortization	(2,400,463)	(2,318,170)	300,163	-	(4,418,470)
Total Accumulated Depreciation & Amortization	(1,232,128,567)	(53,576,433)	10,733,081	1,715,304	(1,273,256,615)
Construction Work in Progess	25,995,658	77,160,646		(59,085,191)	44,071,113
Net Utility Plant	$ 1,158,333,949	$ 24,651,507	$ (89,930)	$ (5,846,866)	$ 1,177,048,660

Total Utility Plant in Service includes non-depreciable assets of $76,276,757 for 2024 and $74,635,984 for 2023.

Right to Use Lease and Subscription Assets

A summary of the balances and changes in right to use lease and subscription assets for 2024 and 2023 follows:

	Balance December 31, 2023	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2024
Right to Use Lease and Subscriptions Assets					
Land	$ 306,898	$ -	$ -	$ -	$ 306,898
Equipment	-	184,578	-	-	184,578
Telecommunications	687,005	-	-	-	687,005
SBITAs	10,363,592	1,558,532	(1,131,295)	-	10,790,829
Total Right to Use	11,357,495	1,743,110	(1,131,295)	-	11,969,310
Less:Accumulated Amortization					
Land	(63,864)	(21,288)	-	-	(85,152)
Equipment	-	(76,377)	-	-	(76,377)
Telecommunications	(137,400)	(34,350)	-	-	(171,750)
SBITAs	(4,217,206)	(2,543,532)	1,131,295	-	(5,629,443)
Total Accumulated Amortization	(4,418,470)	(2,675,547)	1,131,295	-	(5,962,722)
Total Right to Use Lease and Subscription Assets, net	$ 6,939,025	$ (932,437)	$ -	$ -	$ 6,006,588

	Balance December 31, 2022	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2023
Right to Use Lease and Subscriptions Assets					
Land	$ 352,546	$ -	$ (45,648)	$ -	$ 306,898
Telecommunications	687,005	-	-	-	687,005
SBITAs	10,208,541	409,566	(254,515)	-	10,363,592
Total Right to Use	11,248,092	409,566	(300,163)	-	11,357,495
Less:Accumulated Amortization					
Land	(77,917)	(31,595)	45,648	-	(63,864)
Telecommunications	(103,050)	(34,350)	-	-	(137,400)
SBITAs	(2,219,496)	(2,252,225)	254,515	-	(4,217,206)
Total Accumulated Amortization	(2,400,463)	(2,318,170)	300,163	-	(4,418,470)
Total Right to Use Lease and Subscription Assets, net	$ 8,847,629	$ (1,908,604)	$ -	$ -	$ 6,939,025

NOTE 6 LEASES AND SUBSCRIPTION LIABILITY

Lease receivables and Deferred Inflows of Resources - Lessor

The Division is a Lessor of two lease agreements related to land and telecommunications network. These leases have various length terms through 2065. The monthly receipts from these leases range from $30,463 to $250,000. The Division used its average incremental borrowing rate ranging between 2.264% and 2.671% in calculation of net present value of lease receipts, as the interest rates are not stated in the agreement.

Total lease receivable as of December 31, 2024 is $78.3 million and $79.5 million as of December 31, 2023. Current lease receivable as of December 31, 2024 and 2023 is $1.3 million.

Interest income on lease activity of $2.1 million and $1.2 million was recorded in 2024 and 2023, respectively. Lease Revenue in the amount of $2.2 million and $2.5 million was recorded for the year ended December 31, 2024 and 2023, respectively.

Right to Use Lease Assets and Lease Liability - Lessee

The Division entered into three long-term lease agreements as the lessee for land, equipment, and telecommunications. These leases have various length terms through 2037. The Division is required to make annual principal and interest payments ranging from $22,612 to $95,426. The Division used the average incremental borrowing rate ranging between 2.264% and 4.840% in calculation of net present value of lease liabilities, as the interest rates are not stated in the agreement.

Lease liability activities for the year ended December 31, 2024 and 2023 is as follows:

	Lease Liability
Beginning balance, January 1, 2024	$ 589,438
Additions	197,134
Reductions	(145,354)
Ending Balance, December 31, 2024	641,218
Less: Current Lease Liability	(140,537)
Total Long-term Lease Liability	$ 500,681
Beginning balance, January 1, 2023	$ 643,945
Additions	6,203
Reductions	(60,801)
Change due to termination	91
Ending Balance, December 31, 2023	589,438
Less: Current Lease Liability	(44,174)
Total Long-term Lease Liability	$ 545,264

As of December 31, 2024, scheduled lease principal and interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 140,537	$ 13,479	$ 154,016
2026	45,054	11,360	56,414
2027	45,587	11,546	57,133
2028	46,183	11,691	57,874
2029	46,846	11,792	58,638
2030-2034	246,542	58,926	305,468
2035-2037	70,469	36,237	106,706
Total	$ 641,218	$ 155,031	$ 796,249

Right to Use Subscription Assets and Subscription Liability

The Division has thirty-four (34) qualified SBITA agreements as the subscriber for software as of December 31, 2024 compared to twenty-three (23) agreements as of December 31, 2023. The subscription liability related to these SBITAs was initially recognized on January 1, 2022, with the adoption of GASB Statement No. 96. All thirty-four (34) SBITAs have initial terms of 2 to 7 years, and may contain renewal provisions, if any, generally 1 to 3-year periods, with the latest expiring in 2029. Annual payments in 2024 and 2023 range from $0 for prepayments to $837,000 for other subscriptions. The subscription liability was $4.1 million including $63,962 interest accrual as of December 31, 2024, compared to $5.1 million including $68,814 interest accrual as of December 31, 2023.

The Division used the average incremental borrowing rates ranging between 2.264% and 5.65% in calculation of net present value of subscription liability, as the interest rate is not stated in the agreements.

Subscription Liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Subscription Principal Payable
Beginning balance, January 1, 2024	$ 5,017,643
Additions	1,558,532
Reductions	(2,581,027)
Ending Balance, December 31, 2024	3,995,148
Less: Current Subscription Liability	(1,586,908)
Total Long-term Subscription Liability	$ 2,408,240
Beginning balance, January 1, 2023	$ 6,719,005
Additions	409,566
Reductions	(2,110,929)
Ending Balance, December 31, 2023	5,017,642
Less: Current Subscription Liability	(1,801,818)
Total Long-term Subscription Liability	$ 3,215,824

As of December 31, 2024, future scheduled annual subscription principal and interest payments are as follows:

	Principal	Interest	Total
2025	$ 1,586,908	$ 121,934	$ 1,708,842
2026	1,249,170	70,324	1,319,494
2027	1,131,907	30,850	1,162,757
2028	27,163	697	27,860
	$ 3,995,148	$ 223,805	$ 4,218,953

NOTE 7 LONG-TERM DEBT

Tacoma Power's long-term debt is primarily for capital improvements. Long-term liability activities for the years ended December 31, 2024 and 2023, were as follows:

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Due Within One Year
Revenue Bonds	$ 475,775,000	$ 142,660,000	$ (64,850,000)	$ 553,585,000	$ 6,205,000
Plus: Unamortized Premium	37,398,951	16,409,837	(7,117,599)	46,691,189	-
Net Revenue Bonds	513,173,951	159,069,837	(71,967,599)	600,276,189	6,205,000
Line of Credit	105,000,000	-	(105,000,000)	-	-
Total Long-Term Debt	$ 618,173,951	$ 159,069,837	$ (176,967,599)	$ 600,276,189	$ 6,205,000

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Revenue Bonds	$ 482,015,000	$ -	$ (6,240,000)	$ 475,775,000	$ 6,555,000
Plus: Unamortized Premium	39,789,002	-	(2,390,051)	37,398,951	-
Net Revenue Bonds	521,804,002	-	(8,630,051)	513,173,951	6,555,000
Line of Credit	80,000,000	25,000,000	-	105,000,000	105,000,000
Total Long-Term Debt	$ 601,804,002	$ 25,000,000	$ (8,630,051)	$ 618,173,951	$ 111,555,000

Tacoma Power's long-term debt at December 31 consists of the following payable from revenues of Tacoma Power:

	2024	2023
2010B Revenue Bonds, with interest rates ranging from 5.791% to 5.966%, with a Build America Bond (BAB) rebate at 35% of interest, due in yearly installments of $27,310,000 to $31,630,000 from 2031 to 2035. Original Issue: $147,070,000 Current Portion: $0	$ 147,070,000	$ 147,070,000
2010C Revenue Bonds, with an interest rate of 5.641%, with Clean Renewal Energy Bond rebate at 67% of interest, due in one payment of $24,185,000 in 2027. Original Issue: $24,185,000 Current Portion: $0	24,185,000	24,185,000

Long-term debt (continued)

2013A Refunding Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments of $10,990,000 to $14,310,000 from 2039 to 2042. These were partially refunded with proceeds from 2024B Revenue Refunding Bonds. Original Issue: $181,610,000 Current Portion: $0	$ 54,015,000	$ 88,655,000
2013B Refunding Bonds, with interest rates ranging from 3.05% to 5.0%, due in yearly installments of $4,185,000 to $5,155,000 from 2024 to 2030. These were refunded with proceeds from 2024B Revenue Refunding Bonds. Original Issue: $35,620,000 Current Portion: $0	-	27,840,000
2017 Revenue Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments of $2,370,000 to $5,225,000 from 2025 to 2047. Original Issue: $70,575,000 Current Portion: $2,490,000	63,800,000	66,170,000
2021 Revenue Bonds, with interest rates ranging from 2.5% to 5.0%, due in yearly installments of $5,355,000 to $10,040,000 from 2036 to 2051. Original Issue: $121,855,000 Current Portion: $0	121,855,000	121,855,000
2024A Revenue Bonds, with interest rates of 5.0%, due in yearly installments of $3,120,000 to $7,510,000 from 2036 to 2054. Original Issue: $95,300,000 Current Portion: $0	95,300,000	-
2024B Revenue Refunding Bonds, with interest rates of 5.0%, due in yearly installments of $3,610,000 to $10,070,000 from 2025 to 2038. Original Issue: $47,360,000 Current Portion: $3,715,000	47,360,000	-
	553,585,000	475,775,000
Unamortized premium	46,691,189	37,398,951
Current Portion of Revenue Bond Debt	(6,205,000)	(6,555,000)
Total Long Term Debt	$ 594,071,189	$ 506,618,951

On May 21, 2020, Tacoma Power entered into a 2-year Note Purchase Agreement with KeyBank in the amount of $100 million. On September 16, 2021, an amendment was made to the agreement which reduced the amount to $50 million and extended the maturity date to December 2024. As of December 31, 2024, this Note reached the maturity date without extension and was terminated. There were no draws outstanding on this Note Purchase Agreement as of December 31, 2024 and 2023. There was no outstanding balance from this note as of December 31, 2024.

On October 1, 2021, Tacoma Power entered into a $150 million line-of-credit agreement with Wells Fargo to pay for working capital, which matured on October 1, 2024. This line-of-credit was paid as part of the bond refunding discussed below. As of December 31, 2024, this line-of-credit has been paid off, terminated, and was not renewed. There was no outstanding balance form this line-of-credit as of December 31, 2024.

Bond refunding - In February 2024, Tacoma Power issued $95.3 million of Electric System Revenue Bonds, Series 2024A (Green Bonds) at a premium of $10.0 million, and $47.4 million of Electric System Revenue Refunding Bonds, Series 2024B at a premium of $6.4 million. The proceeds of the issuance, along with $5.0 million from Special Bond Reserve Funds, were used to refund $34.6 million of the 2013A bonds of the total debt outstanding $88.6 million, pay down $23.7 million of the 2013B bonds and $104.8 million of the Wells Fargo line of credit. The Green Bonds have been independently verified by Kestrel for conformity with the Green Bond Principles (2021) and are in complete alignment with the Renewable Energy eligible project category. Major projects financed by the refunded bonds and line of credit support the Division's hydropower system – a renewable system that has minimal greenhouse gas emissions, prioritizes climate resiliency and environmental restoration, and expands community access to electricity. Tacoma Power integrates fish passage and watershed stewardship to minimize environmental risks associated with hydroelectric facilities. The refunded amounts of the 2013A and 2013B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

Power refunded a portion of the 2013A and paid 2013B bonds in full to reduce its total combined debt service payments over the next 14 years by $16.1 million and to obtain net present value savings of approximately $7.5 million. The funding resulted in a difference between the net reacquisition price and the net carrying amount of the old debt of $4.1 million. This amount, reported in the Statement of Net Position as a deferred inflow of resources, is being charged to operations through the year 2037 using the straight-line basis method. As of December 31, 2024, the deferred inflows for gain on refunding balance is $3.7 million.

As of December 31, 2024, scheduled principal maturities on the bonds and interest payments are as follows:

	Principal	Interest
2025	$ 6,205,000	$ 27,126,175
2026	6,220,000	26,815,550
2027	24,185,000	25,977,912
2028	6,540,000	25,132,274
2029	6,860,000	24,797,274
2030-2034	122,645,000	108,298,889
2035-2039	122,675,000	70,118,747
2040-2044	118,595,000	41,835,125
2045-2049	85,750,000	20,020,850
2050-2054	53,910,000	5,070,700
	$ 553,585,000	$ 375,193,496

Tacoma Power's revenue bonds are secured by the net revenue of Tacoma Power and all cash and investments held in the bond and construction funds. The bonds are also subject to certain financial and non-financial covenants. Management believes that the Division was in compliance with all loan covenants at December 31, 2024 and 2023.

NOTE 8 PURCHASED POWER

Tacoma Power purchased electric power and energy from BPA under a long-term contract that expires on September 30, 2028. The contract consists of a base rate per kWh and certain cost-recovery adjustment clauses can be invoked under particular circumstances.

On December 1, 2008, the Board authorized the execution of a twenty-year Slice/Block Power Sales and Creditworthiness Agreement with BPA. The agreement allows Tacoma Power to purchase a Slice/Block power product from BPA which began October 1, 2011 and continues through September 30, 2028. In broad terms, the agreement requires Tacoma Power to purchase a firm amount (Block) and proportionate share (Slice) of power based on a number of criteria and calculations. This is a take or pay arrangement which allows Tacoma Power to remarket excess capacity. The related Creditworthiness Agreement provides for BPA to conduct a credit review of Tacoma Power. To determine if a letter of credit or cash deposit would be required, BPA completed this review and determined that as long as Tacoma Power's credit rating remains above BBB-, no Letter of Credit or cash deposit will be required.

The power received under this contract averaged approximately 354,363 and 378,825 kilowatts per hour for 2024 and 2023, respectively. Charges for the BPA purchased power were approximately $107.4 million and $109.3 million for 2024 and 2023, respectively, and are based on the total amount of energy delivered and the monthly peak power demand.

Under fixed contracts with other power suppliers, Tacoma Power has agreed to purchase portions of the output of certain generating facilities. Although Tacoma Power has no investment in such facilities, these contracts require Tacoma Power to pay minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the facility is operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in operations expense in the Statements of Revenues, Expenses and Changes in Net Position.

Information for the year ended December 31, 2024 pertaining to these contracts is summarized as follows:

Tacoma Power's Current Share of	Columbia Basin Hydropower	Grant County PUD - Priest Rapids Project
Energy Output	251,854 mWh	19,923 mWh
Megawatt Capacity	-	5 mW
Operating Costs	$ 4,902,058	$4,055,215
Incentive Payments	$ 3,503,051	-
Contract Expiration Date	12/31/2026	4/1/2052

On April 17, 2008, the FERC issued a new license to the Public Utility District No. 2 of Grant County (Grant PUD) for the continued operation of the Priest Rapids Hydroelectric Project which consists of the Priest Rapids Development and the Wanapum Development. The renewed license issued by FERC allows Grant PUD a 44-year license for the continued operation of the Project. The term of Tacoma Power's contract with Grant PUD is for the term of the FERC license. Tacoma Power's purchase quantity and costs are tied to the actual costs of the Project.

Total expenses under the above contracts for the years 2024 and 2023 were $7.3 million and $6.2 million, respectively for Columbia Basin Hydropower. Grant County PUD – Priest Rapids had proceeds under the contract exceeded expenses in 2024 and 2023 resulting in direct payments to the Division in the amount of $4.1 million and $4.3 million, respectively.

In addition, Tacoma Power is required to pay its proportionate share of the variable operating expenses of these projects.

Other Power Transactions - Other power transactions include purchases under short-term agreements and interchanges of secondary power between utilities in response to seasonal resource and demand variations. Fluctuations in annual precipitation levels and other weather conditions materially affect the energy output from Tacoma Power's hydroelectric facilities. Accordingly, the net interchange of secondary power in and out may vary significantly from year to year. Tacoma Power's trading activities are limited to purchasing power to meet native loads, optimizing the value of Tacoma Power's power supply portfolio, and selling energy during times of surplus.

Starting from 2022, Tacoma Power also made secondary power transactions via participation in the California Independent System Operator's (CAISO) Western Energy Imbalance Market (EIM). The EIM is a centrally organized and cleared energy market that strives to optimize the dispatch of generators in its footprint to meet demand at the lowest possible cost while maintaining system reliability. Nearly every major electric utility in the West is a participant. Market participants must show they have sufficient resources submitted into the CAISO system in order to participate in the EIM for that hour. Participants then bid into the EIM for energy purchases or sales.

The EIM market optimizes and clears at both fifteen and five-minute intervals resulting in short-term transactions. The CAISO serves as both the market operator and as a clearing house for processing payment between market participants. Invoices are generated by CAISO every Wednesday and must be settled within one week of invoicing.

Tacoma Power records applicable energy contracts using accrual accounting and recognizes the revenue or expense at the time of contract performance, settlement, or termination. As of December 31, 2024 Tacoma Power had forward sales contracts totaling $1.1 million dollars extending out to June 2025 with a fair market value of $823,000. These contracts meet the normal purchase normal sales scope exception for derivative reporting under GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*.

Tacoma Power's net power purchases or sales and interchanged activities are reflected in the Statements of Revenues, Expenses and Changes in Net Position.
A breakdown of the net interchange in kilowatt-hours is as follows:

Interchange Summary	2024 (in kWh)	2023 (in kWh)
Secondary Sales	(1,208,572,000)	(1,034,456,000)
Portfolio Purchases	36,100,000	121,849,000
Miscellaneous Exchanges	(2,082,000)	(1,042,000)
Other	154,274,000	133,726,000
Net Interchange	(1,020,280,000)	(779,923,000)

NOTE 9 FLEET SERVICES FUND

The Department of Public Utilities Fleet Services Fund provides administration, repair and maintenance of the vehicles and related equipment for all divisions, and replacements for the service divisions.

Tacoma Power pays Fleet Services Fund to cover fleet operating expenses related to administration, overhead, repair and maintenance of the division-owned vehicles and related equipment. The Division also pays Fleet Services Fund a usage fee on an as-needed basis for the use of pool cars. This fee contributes to the replacement of pool vehicles. Payments made by Tacoma Power in 2024 and 2023 were $6,534,776 and $5,676,113, respectively.

Fleet Services' management conducts a biennial assessment of the maintenance and capital replacements needs for all division-owned vehicles and related equipment.

NOTE 10 SELF-INSURANCE FUND

The Department of Public Utilities maintains a self-insurance program and insurance policies. The Department has established a Self-Insurance Fund to insure Tacoma Power and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Power are flooding, wind damage, chemical spills and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

Tacoma Power is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Power and administrative expenses of the Fund. Tacoma Power's premium payments were $500,000 in 2024 and 2023 respectively. As of December 31, 2024, assets in the Self-Insurance Fund total $12.2 million which exceeded accrued and incurred but not reported liabilities of $4.2 million. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB No. 10. Management believes Tacoma Power's investment in the Self-Insurance Fund is more than adequate to settle all its known or estimated claims.

The City purchased a Fiduciary Liability coverage with a limit of $15.0 million and a $100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a $5.0 million limit and a $200,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of $1.25 million per occurrence. Coverage also has a Cybersecurity policy with a limit of $2.0 million and a deductible of $250,000. An Excess Cyber policy is maintained with a limit of $2.0 million in excess of the primary policy. The City also has an Aviation Liability – Unmanned Aircraft Liability coverage for drones with a limit of $3.0 million. There is no deductible for this coverage.

Separate from General Government, the Department of Public Utilities maintains Property insurance and coverage, Wrongful Acts Liability coverage, and Excess General Liability insurance policies. The Property insurance policy has a deductible of $250,000 per occurrence applies to the buildings and contents. For loss due to earthquake, a limit of $10.0 million applies with a deductible of 5% of the value of the damaged property subject to a $250,000 minimum. For loss due to flood, a limit of $15.0 million applies for property in Flood Zones A & V, while a limit of $50.0 million applies to property in all other Flood Zones. A $250,000 deductible applies to loss due to flood. Coverage also provides a Wrongful Acts Liability coverage with a deductible of $150,000 and a limit of $2.35 million for each wrongful act and a $2.35 million aggregate. Excess General Liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage. These policies have a limit of $55.0 million each occurrence with a $55.0 million aggregate in excess of a $2.5 million retention.

Changes in the Division's estimated claims settlements liability under self-insurance fund for the past three years were as follows:

	2024	2023	2022
Balance 01/01	$ 2,925,382	$ 888,040	$1,155,213
New Claims	532,517	1,863,792	437,991
Adjustment to Claims	302,110	226,081	(450,337)
Claims Payment	(1,024,980)	(52,531)	(254,827)
Balance 12/31	$ 2,735,029	$2,925,382	$ 888,040

Tacoma Power's share of the Self-Insurance Fund shown in the table above is 64.46%, 69.34%, and 30.91% as of December 31, 2024, 2023, and 2022, respectively.

NOTE 11 WESTERN METAL INDUSTRY PENSION FUND

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

The Plan fell into critical status following the 2009 Plan Year and was certified as "critical" in 2010. In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010 and subsequently updated it on July 24, 2012 and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan's funded status. The Trustees have adopted the "free look" rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 General Unit. Contained in this agreement was a call for cessation of the participation in the Plan. The contributions submitted for the December 31, 2019, payroll was the final contributions made on behalf of the employees in this unit. As of December 31, 2024, there were no employees participating in the plan.

Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2024 and 2023. There were no contributions paid by the City in 2024 and 2023.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from the Plan. The actuaries for the Plan determined that the withdrawal liability attributed to City of Tacoma is $44,325,881 in total, but the collective liability was recorded by the City of Tacoma for 20-year limitation liability of $17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as of December 31, 2021. The initial $337,619 payment was due on or before January 1, 2022 which was comprised of $169,829 attributable to the partial withdrawal and $167,790 attributable to the complete withdrawal. Subsequent payments are due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of $13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028 for a total of $4,276,732, the last payment amount will be $81,982. There was no payment made in 2024 and $1.7 million was made by the City during 2023.

As of December 31, 2024 and 2023, the Division reported a liability of $385,436 for its proportionate share of the City's collective total withdrawal liability of $14,824,481. The current portion of the withdrawal liability is $35,112 as of December 31, 2024 and 2023. At December 31, 2024 and 2023, the Division's proportion was 2.6%. There was no withdrawal expense for the year ended December 31, 2024 and 2023.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). On April 12, 2023, the City submitted a Demand and Notice of Initiation Arbitration to American Arbitration Association. On January 2, 2024, the City received the ruling on motions for summary judgement and award regarding the interest rate used to calculate the withdrawal liability from American Arbitration Association. On January 23, 2024, the City filed a complaint to enforce arbitration award to United States District Court Western District of Washington in Seattle. The outcome of the complaint is uncertain at the time of the report issuance and may affect the estimated liability amount.

NOTE 12 TACOMA EMPLOYEES' RETIREMENT SYSTEM FUND (TERS OR THE SYSTEM)

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available ACFR that includes financial statements and required supplementary information may be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS ACFR may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

Administration of The System - The "Tacoma Employees' Retirement System" is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, are also members.

The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members.

The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

The breakdown of membership as of December 31, 2023 and 2022 (measurement date) is as follows:

	Measurement date as of December 31,	
	2023	2022
Retirees and beneficiaries currently receiving benefits	2,836	2,765
Terminated vested and other terminated participants	948	918
Active members:		
City of Tacoma	2,982	2,877
Pierce Transit	15	17
South Sound 911	-	2
Tacoma-Pierce County Health Department	328	305
Total active members	3,325	3,201
Total membership	7,109	6,884

Membership - Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighters, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments.

Benefits - There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, “service retirement”, is a product of the member’s average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member’s age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.
Any active member who has not retired, and has five or more years of service as a member may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 4154 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

Contributions - The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

Significant Assumptions - The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2023
Valuation Date	January 1, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution (ADC). The amortization method for the ADC is as follows*: • Level percent • Open periods • 25 year amortization period* • 3.25% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the Female PubG-2010 Amount-Weighted Mortality Tables, sex distinct. Generational improvements with unisex projection scale based on Social Security Administration Data 1957-2017.

**The actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL. Note that the UAAL amortization period is 30 years for years 2017 and earlier and 25 for years beginning January 1, 2018 and later.*

Benefit and Assumption Changes - The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. There have been no significant changes between the January 1, 2024, valuation date and December 31, 2023, the measurement date. Therefore, no adjustments were needed from the January 1, 2024, actuarial valuation date to the calculated liabilities as of December 31, 2023, measurement date for reporting date of December 31, 2024. There were no changes between the January 1, 2023, and January 1, 2024, valuation dates.

Target Allocations - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2023 and 2022 for reporting date December 31, 2024 and 2023, respectively. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated August 2023 and November 2022 for reporting date December 31, 2024, and 2023, respectively.

	Reporting date			
	December 31, 2024		December 31, 2023	
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	21.5%	2.28%	19.5%	2.35%
US Bank/ Leveraged Loans	2.0%	4.12%	3.0%	3.75%
US Long Government Bonds	3.0%	2.43%	3.0%	2.38%
High Yield Bonds	5.0%	3.93%	6.0%	4.28%
Emerging Market Debt	5.0%	2.80%	5.0%	4.04%
Global Equity	19.0%	4.35%	34.5%	5.08%
Low Volatility Global Equity	9.5%	4.47%	-	-
Private Real Estate	10.0%	3.53%	10.0%	3.35%
Private Equity	15.0%	7.15%	10.0%	7.78%
Private Credit	3.0%	5.90%	-	-
Master Limited Partnerships	-	-	4.0%	5.73%
Infrastructure	7.0%	5.28%	5.0%	4.12%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.44%		1.41%
Portfolio 10 year Geometric Rate of Return		6.60%		7.04%
Portfolio 30 year Arithmetic Rate of Return		7.89%		-
Portfolio 30 year Geometric Rate of Return		7.28%		-
Portfolio Standard Deviation		11.55%		11.04%
Long-Term Expected Rate of Return, net of investment expenses		6.75%		6.75%

Sensitivity Analysis - The following presents the net pension liability (asset) of the Division, calculated using the discount rate of 6.75% as of December 31, 2024 and 2023, as well as what the Division's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower, 5.75%, or 1 percentage point higher, 7.75%, than the current rate.

As of December 31, 2024	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	$ 153,907,354	$ 51,637,595	$ (33,577,796)

As of December 31, 2023	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	$ 152,225,204	$ 53,548,006	$ (28,682,034)

As of December 31, 2024 and 2023, the deferred inflows and outflows of resources are as follows:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	$ (727,414)	$ 10,961,402	$(1,207,123)	$ 3,705,737
Changes of assumptions	-	6,341,861	-	10,524,144
Net Difference Between Projected and Actual Earnings	-	32,232,250	-	41,678,112
Changes in Employer Proportion	(47,792)	2,288	(60,569)	162
Contributions Made Subsequent to the Measurement Date	-	14,459,835	-	13,207,755
Total	$ (770,206)	$ 63,997,636	$(1,267,692)	$ 69,115,910

The Division reported $14.5 million as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total pension liability in the fiscal year ending December 31, 2025.

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next five years.

Amounts will be recognized in pension expense as follows:

2025	$ 15,322,816
2026	9,735,217
2027	23,005,454
2028	(119,664)
2029	823,772
	$ 48,767,595

At December 31, 2024, the Division reported a pension liability of $51,637,595 for its proportionate share of the total System, compared to a pension liability of $53,548,006 at December 31, 2023. The proportionate share of the Power Division is 38.05% of total System's pension liability as of December 31, 2024, and 38.76% as of December 31, 2023. The proportionate share was based on the actual contributions for the year as of December 31, 2024 and 2023.

NOTE 13 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma Human Resources Department. The membership as of January 1, 2024 for non-LEOFF 1 members includes 4,038 active participants, 639 vested terminated participants, 255 retirees and surviving spouses, and spouses of current retirees. The membership as of January 1, 2024 for LEOFF 1 members includes 1 active participant and 227 retirees.

This plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Actuarial Assumptions and Other Inputs - The valuation date is January 1, 2024 for both non-LEOFF 1 and LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is December 31, 2023. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2024 and 2023.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2024, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2024	
Census Date:	January 1, 2024	
Actuarial Cost Method:	Individual Entry Age Normal Cost Method	
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.	
Actuarial Assumptions:		
Discount Rate:	2.00% for pay-as-you-go funding	
Medical Cost Trend:	2024	6.90%
	2025	6.10%
	2026	5.40%
	2030	4.80%
	2040	4.20%
	2050	4.30%
	2060	4.30%
	2070	4.00%
	2080	3.90%
	Note that the trend for year 2024 reflects the percent by which 2025 medical costs are expected to exceed 2024 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.	
Economic Assumptions - Discount Rate (Liabilities):	3.25%	

Demographic Assumptions:	Eligibility: Disability - Five years of service are required for non-service connected disability. Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits). • 30 years of service • 60 years of age • Age + Service = 80 years • Age 55 with 10 years of service • Age 40 with 20 years of service Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement. Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At December 31, 2024 the Division reported a total liability of $10,195,004 for its proportionate share of the collective total OPEB liability of $181.7 million compared to $11,507,155 at December 31, 2023. At December 31, 2024 the Division reported a current liability of $245,486 compared to $321,032 at December 31, 2023. At December 31, 2024, the participating Division's proportion was 5.61226% as compared to 5.99115% at December 31, 2023. For the year ended December 31, 2024, the participating Division recognized an OPEB credit of $187,279 compared to an OPEB credit of 120,298 in 2023.

At December 31, 2024, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ (848,951)	$ 93,097	$ (75,283)	$ 127,660
Changes of assumptions	(1,489,462)	840,807	(2,103,832)	845,470
Changes in Employer Proportion	(987,226)	944,293	(490,023)	1,270,269
Differences in Contributions	(74,978)	15,293	(101,166)	10,051
Contributions Made Subsequent to the Measurement Date	-	432,221	-	566,820
Total	$ (3,400,617)	$ 2,325,711	$ (2,770,304)	$ 2,820,270

The Division reported $432,221 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	$ (53,986)
2026	(81,461)
2027	(192,100)
2028	(468,486)
2029	(511,934)
Thereafter	(199,160)
	$ (1,507,127)

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

As of December 31, 2024, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.25%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.25%, or one percentage point higher, 4.25%, than the current rate.

As of December 31, 2024	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Net OPEB liability	$ 11,322,713	$ 10,195,004	$ 9,229,010

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.75%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.75%, or one percentage point higher, 4.75%, than the current rate.

As of December 31, 2023	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Net OPEB liability	$ 12,765,814	$ 11,507,155	$ 10,428,825

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2024 and 2023, the following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

As of December 31, 2024	1% Decrease 5.90%	Current Trend Rates 6.90%	1% Increase 7.90%
Net OPEB liability	$ 9,174,260	$ 10,195,004	$ 11,385,055

As of December 31, 2023	1% Decrease 5.50%	Current Trend Rates 6.50%	1% Increase 7.50%
Net OPEB liability	$ 10,269,356	$ 11,507,155	$ 12,957,206

NOTE 14 COMMITMENTS AND CONTINGENCIES

Capital Improvements - The financial requirement for Tacoma Power's 2023/2024 biennial Capital Improvement Program is approximately $179.4 million. As of December 31, 2024, the remaining financial requirement for the 2023/2024 biennial Capital budget was approximately $46.9 million.

Kosmos Mill Oil Seep - On November 21, 2019, emergency action was initiated and subsequently completed to install a containment cap on oil seepage near Riffe Lake on the Cowlitz River. A sawmill was historically located at this site near the town of Kosmos before the area was inundated by Riffe Lake. The Division is working through an Agreed Order with the Department of Ecology to provide remedial action. Per the Agreed Order, a remedial investigation is in progress, and a feasibility study and a draft cleanup plan will be completed, anticipated by June, 2026. As of 12/31/24, liability in the amount of $115,000 has been recognized as the known cost for the site investigation progress which will be performed in 2025.

General Legal Matters - Tacoma Power has received several other miscellaneous claims that either do not allege significant amounts or that the Legal Department has determined do not pose a risk to liability to the Utility.

NOTE 15 SUBSEQUENT EVENTS

On May 6, 2025, the Division is approved to issue and sell one or more series of Electric System Revenue and Refunding Bonds, Series 2025, in an aggregate principal amount not to exceed $325.0 million, to provide funds to be used with available funds of the Division, to finance and/ or reimburse for capital improvements, to defease and/or redeem certain obligations of the Division, and to pay costs of issuance for the Bonds.

Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years

	As of Measurement Date December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	38.05%	38.76%	38.13%	38.11%	38.64%	39.23%	39.43%	39.50%	39.47%	39.80%
Employer's proportion share of net pension liability (asset)	$ 51,637,595	$ 53,548,006	$ (55,917,696)	$ 26,436,014	$ (7,189,022)	$45,902,976	($15,506,238)	$36,687,245	$34,177,293	($3,823,476)
Employer's covered payroll *(1)*	$126,849,161	$119,492,391	$ 109,506,998	$ 103,973,693	$ 103,961,975	$ 98,135,432	$95,163,955	$91,704,363	$93,063,240	$86,312,354
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll *(1)*	40.71%	44.81%	-51.06%	25.43%	-6.92%	46.78%	-16.29%	40.01%	36.72%	-4.11%
Plan fiduciary net position as a percentage the total pension liability	93.49%	93.02%	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Schedule of Contributions Last 10 Fiscal Years

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$14,459,835	$13,207,755	$11,921,168	$11,305,402	$11,063,963	$10,961,788	$10,415,912	$9,528,899	$9,322,005	$9,053,341
Contributions in relation to the contractually required employer contribution	(14,459,835)	(13,207,755)	(11,921,168)	(11,305,402)	(11,063,963)	(10,961,788)	(10,415,912)	(9,528,899)	(9,322,005)	(9,053,341)
Employer contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	$136,695,763	$126,849,161	$119,492,391	$109,506,998	$103,973,693	$103,961,975	$98,135,432	$95,163,955	$91,704,363	$93,063,240
Employer contribution as a percentage of covered-employee payroll	10.58%	10.41%	9.98%	10.32%	10.64%	10.54%	10.61%	10.01%	10.17%	9.73%

(1) The 2016 covered payroll has been updated to accurately reflect the covered payroll, which therefore also updated the calculation for the Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll.

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	5.61%	5.99%	6.18%	5.80%	5.26%	5.17%	5.56%	5.48%
Employer's proportion share of collective OPEB liability	$10,195,004	$11,507,155	$14,048,357	$13,295,561	$10,972,398	$10,562,836	$12,272,355	$11,471,098
Employer's covered-employee payroll**	$126,849,161	$119,492,391	$109,506,998	$103,973,693	$103,961,975	$98,135,432	$95,163,955	$92,203,786
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	8.04%	9.63%	12.83%	12.79%	10.55%	10.76%	12.90%	12.44%

** The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.*
*** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.*

Notes to Required Supplementary Information
For the Fiscal Year Ended December 31, 2024

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

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Statistical Data
(Unaudited)

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Ten-Year Financial Review

STATEMENTS OF NET POSITION	2024	2023 (As Restated)	2022	2021
ASSETS AND DEFERRED OUTFLOWS				
Utility Plant - Net	$1,228,278,843	$1,177,048,660	$1,158,333,949	$1,124,691,055
Special and Other Assets	161,716,126	166,543,351	199,553,189	140,444,929
Current Assets	508,710,735	519,893,181	469,057,955	351,281,064
Total Assets	1,898,705,704	1,863,485,192	1,826,945,093	1,616,417,048
Deferred Outflows	66,323,347	71,936,180	34,259,223	38,975,355
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,965,029,051	1,935,421,372	1,861,204,316	1,655,392,403
NET POSITION	954,942,742	917,546,340	877,060,889	876,790,994
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	594,071,189	506,618,951	595,564,002	534,254,991
Current Liabilities	90,083,757	183,919,599	79,914,893	65,518,845
Long-Term Liabilities	82,994,688	86,101,501	34,748,573	55,463,452
Total Liabilities	767,149,634	776,640,051	710,227,468	655,237,288
Deferred Inflows	242,936,675	241,234,981	273,915,959	123,364,121
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	$1,965,029,051	$1,935,421,372	$1,861,204,316	$1,655,392,403
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
Residential	$212,755,558	$204,813,075	$202,426,757	$190,098,283
Small General	31,887,901	32,271,456	31,533,517	29,993,197
General	121,773,524	118,933,924	112,558,787	107,346,523
High Voltage General	27,238,598	26,857,988	25,725,286	26,702,063
Contract Industrial	6,423,807	19,823,085	23,680,737	23,967,448
New Large Load	3,641,100	3,412,658	2,434,984	1,446,341
Shore Power	1,438	-	-	-
H1 Street Lights and Traffic Signals	286,999	821,362	572,326	581,514
H2 Private Off-Street Lighting	1,482,863	1,498,702	1,530,280	1,542,339
H3 Street Lighting	512,222	665,591	708,940	601,300
Sales to Other Electric Utilities	683,763	715,965	659,801	594,932
Subtotal Retail Sales	$406,687,773	$409,813,806	$401,831,415	$382,873,940
Change in Unbilled	(559,693)	(2,821,132)	(5,172,096)	5,249,462
Bulk Power Sales	80,766,273	81,852,641	58,100,867	60,118,206
Total Electric Revenues	486,894,353	488,845,315	454,760,186	448,241,608
Other Operating Revenue	25,457,161	27,701,430	25,768,160	21,711,976
Total Operating Revenues	512,351,514	516,546,745	480,528,346	469,953,584
OPERATING EXPENSES				
Operation and Maintenance	369,468,848	366,707,868	346,605,050	355,003,154
Taxes (*)	66,267,241	63,786,043	65,849,556	57,736,396
Depreciation and Amortization	53,562,084	53,576,433	54,144,320	50,646,094
Total Operating Expenses	489,298,173	484,070,344	466,598,926	463,385,644
NET OPERATING INCOME	23,053,341	32,476,401	13,929,420	6,567,940
NON-OPERATING REVENUES (EXPENSES)				
Other Income and Expense (Net)	(5,885,187)	(1,494,541)	(6,720,026)	176,476
Interest Earned on Investments	21,166,361	19,843,829	(6,562,198)	(1,096,248)
Interest Charges (Net)	(22,320,882)	(22,896,874)	(20,918,855)	(18,271,994)
Contributions to Family Need	(3,500,000)	(3,500,000)	(1,000,000)	(1,000,000)
Net Income Before Contributions, Transfers & Extraordinary Items	12,513,633	24,428,815	(21,271,659)	(13,623,826)
Total Capital Contributions	18,165,363	13,328,178	11,989,793	10,489,071
Transfers In/Out (*)	6,717,406	2,728,458	8,879,606	2,925,802
CHANGE IN NET POSITION	$37,396,402	$40,485,451	($402,260)	($208,953)

(*) Gross earnings tax is reclassified from Transfers In/Out to Operating expenses on the Statements of Revenues, Expenses, and Changes in Net Position from 2015 to 2023 for comparative purpose.

2020	2019	2018	2017	2016	2015
$1,098,579,166	$1,069,731,618	$1,068,290,040	$1,037,776,028	$1,033,409,064	$1,002,810,874
111,347,289	113,665,257	120,789,034	81,257,489	95,903,332	125,203,792
316,708,685	254,522,388	282,186,074	276,486,000	289,162,319	267,460,091
1,526,635,140	1,437,919,263	1,471,265,148	1,395,519,517	1,418,474,715	1,395,474,757
22,628,413	55,281,371	20,842,914	38,820,632	39,469,454	10,977,517
1,549,263,553	1,493,200,634	1,492,108,062	1,434,340,149	1,457,944,169	1,406,452,274
876,999,947	832,027,328	863,431,784	830,375,494	821,995,693	825,933,297
386,222,415	470,424,575	461,339,467	417,800,137	457,601,726	441,928,130
192,829,811	73,264,089	66,566,861	68,841,615	70,165,746	63,906,544
26,370,429	71,866,789	26,315,935	61,418,039	57,893,021	22,647,914
605,422,655	615,555,453	554,222,263	548,059,791	585,660,493	528,482,588
66,840,951	45,617,853	74,454,015	55,904,864	50,287,983	52,036,389
$1,549,263,553	$1,493,200,634	$1,492,108,062	$1,434,340,149	$1,457,944,169	$1,406,452,274
$185,112,030	$180,549,765	$174,592,879	$168,264,912	$152,830,272	$147,936,447
28,587,971	29,724,195	29,248,619	29,133,553	27,703,400	26,956,059
105,112,999	106,960,713	104,598,765	100,276,264	97,708,618	97,425,750
25,416,533	23,643,687	20,800,261	19,428,371	17,892,033	18,628,248
23,962,855	23,730,505	23,494,502	22,278,802	21,462,712	21,356,911
-	-	-	-	-	-
-	-	-	-	-	-
577,578	614,900	967,837	1,341,644	1,392,144	1,323,993
1,510,390	1,452,477	1,386,806	1,318,424	1,260,997	1,258,646
700,262	697,680	351,668	-	-	-
470,489	454,787	435,738	413,158	333,056	319,763
$371,451,107	$367,828,709	$355,877,075	$342,455,128	$320,583,232	$315,205,817
(527,907)	1,816,954	29,348	2,114,131	(840,477)	677,091
59,615,216	47,420,681	55,486,697	57,062,247	54,506,535	50,380,147
430,538,416	417,066,344	411,393,120	401,631,506	374,249,290	366,263,055
30,414,785	44,300,152	43,898,363	44,711,899	44,365,098	44,363,160
460,953,201	461,366,496	455,291,483	446,343,405	418,614,388	410,626,215
338,082,475	388,725,538	313,885,614	325,018,197	312,790,388	299,200,704
58,340,024	56,124,889	55,871,926	54,897,722	50,187,411	45,475,656
48,123,728	48,700,270	53,869,012	57,231,313	55,702,297	57,381,578
444,546,227	493,550,697	423,626,552	437,147,232	418,680,096	402,057,938
16,406,974	(32,184,201)	31,664,931	9,196,173	(65,708)	8,568,277
7,079,995	1,795,633	1,776,333	(1,534,389)	1,555,659	(1,923,329)
6,064,525	7,607,143	3,719,705	2,251,477	2,405,144	1,796,071
(18,757,244)	(19,522,990)	(17,219,276)	(14,076,794)	(16,196,734)	(19,428,673)
(500,000)	(500,000)	(100,000)	(100,000)	(480,000)	(480,000)
10,294,250	(42,804,415)	19,841,693	(4,263,533)	(12,781,639)	(11,467,654)
8,740,649	11,399,959	13,214,597	12,643,334	8,846,216	9,383,844
25,937,720	-	-	-	(2,181)	512,401
$44,972,619	($31,404,456)	$33,056,290	$8,379,801	($3,937,604)	($1,571,409)

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Ten-Year Power Summary

	2024	2023	2022	2021
MWh Available				
Generated				
Nisqually	480,882	447,423	571,548	544,826
Cushman	302,267	286,103	270,056	347,364
Cowlitz	1,389,962	1,260,783	1,896,461	1,771,400
Wynoochee	30,839	26,389	23,541	35,008
Hood Street	41	176	-	1,775
Tacoma's Share of Priest Rapids	19,923	20,206	26,935	24,753
Tacoma's Share of GCPHA	251,854	256,750	292,384	265,851
Total Generated	2,475,768	2,297,830	3,080,925	2,990,977
Purchased	3,104,224	3,318,505	3,927,466	3,516,841
Interchange - Net	(1,020,280)	(779,923)	(1,976,511)	(1,581,873)
Losses - Net	625	(8,988)	(807)	2,795
Total System Load	4,560,337	4,827,424	5,031,073	4,928,740
MWh Billed				
Residential	1,961,819	1,966,881	2,024,151	1,933,657
Commercial/General/Industrial	2,389,894	2,691,740	2,752,467	2,699,506
Other (*)	29,138	36,305	20,214	23,018
Total Firm MWh Billed	4,380,851	4,694,926	4,796,832	4,656,181
MWh Available Over MWh Billed (Causes: Timing differences, internal use, and losses other than those reflected above)	179,486	132,498	234,241	272,559
Percent of Power Generated	54.29%	47.60%	61.24%	60.68%
Average Load Factor	52.74%	59.46%	58.39%	57.64%
Average Number of Customers	195,113	192,767	187,950	184,406
Maximum Hourly Energy Load				
MWh	984	920	971	968
Date	1/12/24	2/24/23	12/22/22	12/27/21
Time	1800 hr	0800 hr	1000 hr	1800 hr
Maximum Daily Energy Load				
MWh	21,287	18,982	21,460	20,895
Date	1/13/24	2/23/23	12/22/22	12/27/21
Minimum Hourly Energy Load				
MWh	313	316	349	351
Date	6/24/24	9/17/23	7/3/22	8/22/21
Time	0400 hr	0500 hr	0400 hr	0400 hr
Minimum Daily Energy Load				
MWh	9,473	9,658	10,208	10,121
Date	6/23/24	5/21/23	7/3/22	6/5/21
Average Hourly Energy Load	519	547	567	558

(*) In 2024, Other was reclassified from Residential to be presented on a separate line.
The information from 2015 to 2023 was reclassified for comparative purposes.
Street Lighting data, included in Other, was restated for 2023 due to an update in data collection.

2020	2019	2018	2017	2016	2015
562,674	387,967	538,674	631,627	630,483	511,592
259,101	180,935	292,553	377,366	507,618	272,457
1,838,319	1,034,672	1,556,232	2,138,980	1,989,438	1,630,130
29,756	13,734	26,071	34,103	37,209	12,680
3,617	3,543	2,892	3,282	2,942	1,889
26,687	21,140	26,974	27,440	26,975	25,360
258,513	220,240	241,233	228,781	253,625	258,679
2,978,667	1,862,231	2,684,629	3,441,579	3,448,290	2,712,787
3,697,665	3,551,373	3,980,124	4,023,330	3,807,370	3,674,140
(1,871,233)	(559,101)	(1,804,434)	(2,458,785)	(2,438,369)	(1,569,981)
2,743	2,367	5,073	27,919	(8,870)	10,340
4,807,842	4,856,870	4,865,392	5,034,043	4,808,421	4,827,286
1,909,650	1,889,361	1,857,386	1,931,900	1,810,757	1,757,385
2,677,791	2,759,606	2,743,659	2,777,190	2,771,822	2,786,233
23,323	24,221	14,410	43,196	44,949	43,729
4,610,764	4,673,188	4,615,455	4,752,286	4,627,528	4,587,347
197,078	183,682	249,937	281,757	180,892	239,939
61.95%	38.34%	55.18%	68.37%	71.71%	56.20%
61.19%	59.00%	60.20%	57.27%	60.02%	62.71%
182,526	182,234	177,723	177,153	176,784	174,562
894	939	922	997	913	877
1/14/20	2/7/19	2/23/18	1/5/17	12/17/16	12/31/15
1900 hr	0800 hr	0800 hr	0800 hr	0900 hr	0900 hr
18,856	19,052	19,318	20,525	19,641	18,675
1/14/20	2/6/19	2/23/18	1/5/17	12/17/16	12/31/15
315	307	329	350	351	354
7/6/20	9/8/19	6/7/18	7/2/17	7/5/16	6/21/15
0600 hr	0500 hr	0400 hr	0600 hr	0400 hr	0600 hr
9,501	9,911	10,208	10,315	10,110	10,262
7/6/20	9/8/19	9/2/18	6/4/17	9/4/16	5/24/15
547	554	555	571	548	550

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Gross Generation Report
December 31, 2024 and December 31, 2023

	YEAR ENDED Dec 31 2024	YEAR ENDED Dec 31 2023 (*)	2024 OVER (UNDER) 2023	PERCENT CHANGE
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross				
Generated - LaGrande	297,706,000	277,662,000	20,044,000	7.2%
Generated - Alder	183,176,000	169,761,000	13,415,000	7.9%
TOTAL NISQUALLY	480,882,000	447,423,000	33,459,000	7.5%
Generated - Cushman No 1	120,389,000	115,845,000	4,544,000	3.9%
Generated - Cushman No 2	181,878,000	170,258,000	11,620,000	6.8%
TOTAL CUSHMAN	302,267,000	286,103,000	16,164,000	5.6%
Generated - Mossyrock	812,830,000	714,954,000	97,876,000	13.7%
Generated - Mayfield	577,132,000	545,829,000	31,303,000	5.7%
TOTAL COWLITZ	1,389,962,000	1,260,783,000	129,179,000	10.2%
Generated - Wynoochee	30,839,000	26,389,000	4,450,000	16.9%
Generated - Hood Street	40,745	176,000	(135,255)	-76.8%
Tacoma's Share of Priest Rapids	19,923,000	20,206,000	(283,000)	-1.4%
Tacoma's Share of GCPHA	251,854,000	256,749,500	(4,895,500)	-1.9%
TOTAL KWH GENERATED - TACOMA SYSTEM	2,475,767,745	2,297,829,500	177,938,245	7.7%
Purchased Power				
BPA Slice Contract	1,873,055,000	1,816,742,000	56,313,000	3.1%
BPA Block Contract	1,231,169,000	1,501,763,000	(270,594,000)	-18.0%
Interchange Net	(1,020,280,000)	(779,922,623)	(240,357,377)	30.8%
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED	4,559,711,745	4,836,411,877	(276,700,132)	-5.7%
Losses	24,418,725	19,924,142	4,494,583	22.6%
Baldi Replacement	1,574,383	992,755	581,628	58.6%
Ketron	246,438	253,128	(6,690)	-2.6%
NT PC Mutuals Schedules	(27,927,000)	(31,465,000)	3,538,000	-11.2%
PC Mutual Inadvertent	2,312,885	1,307,026	1,005,859	77.0%
TACOMA SYSTEM FIRM LOAD	4,560,337,176	4,827,423,928	(267,086,752)	-5.5%
PIERCE COUNTY MUTUAL LOAD	1,525,226,000	1,534,462,000	(9,236,000)	-0.6%
KWH BILLED (**)				
Residential Sales	1,961,819,038	1,966,880,883	(5,061,845)	-0.3%
Small General	315,755,599	325,379,722	(9,624,123)	-3.0%
General	1,412,931,119	1,458,031,115	(45,099,996)	-3.1%
High Voltage General	483,787,772	475,854,757	7,933,015	1.7%
Contract Industrial	125,646,325	388,608,868	(262,962,543)	-67.7%
New Large Load	51,763,667	43,865,650	7,898,017	18.0%
Shore Power	9,600	-	9,600	n/a
H1 Street Lights and Traffic Signals (*)	12,402,038	18,083,351	(5,681,313)	-31.4%
H2 Private Off-Street Lighting (*)	7,256,760	7,649,106	(392,346)	-5.1%
H3 Street Lighting (*)	8,252	10,896	(2,644)	-24.3%
Sales to Other Electric Utilities	9,470,700	10,561,500	(1,090,800)	-10.3%
TOTAL FIRM	4,380,850,870	4,694,925,848	(314,074,978)	-6.7%
Bulk Power Sales	1,272,332,000	1,036,598,000	235,734,000	22.7%
TOTAL KWH BILLED	5,653,182,870	5,731,523,848	(78,340,978)	-1.4%

(*) Street Lighting data was restated due to an update in data collection.

(**) KWH Billed data was reclassified into different categories to provide the information more aligned with power rates.

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Debt Service Requirements
December 31, 2024

YEAR	PRINCIPAL	INTEREST	TOTAL
2025	6,205,000	27,126,175	33,331,175
2026	6,220,000	26,815,550	33,035,550
2027	24,185,000	25,977,912	50,162,912
2028	6,540,000	25,132,274	31,672,274
2029	6,860,000	24,797,274	31,657,274
2030	7,205,000	24,445,648	31,650,648
2031	27,310,000	23,474,762	50,784,762
2032	28,335,000	21,856,059	50,191,059
2033	29,335,000	20,153,052	49,488,052
2034	30,460,000	18,369,368	48,829,368
2035	31,630,000	16,517,222	48,147,222
2036	21,245,000	15,042,575	36,287,575
2037	22,305,000	13,953,825	36,258,825
2038	21,270,000	12,864,450	34,134,450
2039	26,225,000	11,740,675	37,965,675
2040	27,355,000	10,595,625	37,950,625
2041	28,465,000	9,466,450	37,931,450
2042	29,685,000	8,219,725	37,904,725
2043	16,160,000	7,167,500	23,327,500
2044	16,930,000	6,385,825	23,315,825
2045	17,735,000	5,566,574	23,301,574
2046	18,590,000	4,707,725	23,297,725
2047	19,395,000	3,888,100	23,283,100
2048	14,725,000	3,221,538	17,946,538
2049	15,305,000	2,636,913	17,941,913
2050	15,905,000	2,028,812	17,933,812
2051	16,530,000	1,396,263	17,926,263
2052	6,810,000	903,500	7,713,500
2053	7,155,000	554,375	7,709,375
2054	7,510,000	187,750	7,697,750
	553,585,000	375,193,496	928,778,496

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Funds Available for Debt Service

	2024	2023 (As Restated)	2022	2021	2020
Total Income	$534,747,488	$538,886,575	$478,366,018	$471,174,087	$476,791,233
Less: Operating Exp Before Depreciation and Amortization	394,691,591	390,717,977	370,369,315	376,398,775	359,613,214
Income Available for Debt Service	$140,055,897	$148,168,598	$107,996,703	$94,775,312	$117,178,019
Bond Redemption	$6,205,000	$6,555,000	$6,240,000	$5,945,000	$7,470,000
Bond Interest	26,409,488	23,225,910	23,537,910	20,332,831	19,220,110
Debt Service Payable on All Debt	$32,614,488	$29,780,910	$29,777,910	$26,277,831	$26,690,110
Times Debt Service Covered	4.29	4.98	3.63	3.61	4.39

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Resources
As of December 31, 2024

GENERATING FACILITIES	GENERATING UNITS	AGGREGATE NAME PLATE RATING (kW)	APPROX. RATED 4-YR. AVERAGE ANNUAL OUTPUT (1,000 kWh)
Hydro:			
Alder	2	50,000	197,240
LaGrande	5	64,000	313,958
Cushman No 1	2	43,200	120,642
Cushman No 2	3	81,000	180,816
Mayfield	4	162,000	654,291
Mossyrock	2	300,000	925,418
Wynoochee	1	12,800	28,848
Total Hydro		713,000	2,421,212

Tacoma Power and the City of Seattle Light Department have entered into a 40-year purchase power contract with three Eastern Washington irrigation districts that have combined to develop the Grand Coulee Project Hydroelectric Authority. Tacoma Power and the City of Seattle Light Department share equally the output of the project which has a combined capacity of 128,700 kW and an annual energy capability of about 476,000,000 kWh.

CUSTOMERS BY CLASS	AVERAGE NUMBER OF CUSTOMERS	AVERAGE HOURLY ENERGY (kW)
Residential	173,466	1.288
Incidental	18,030	1.994
General	2,616	90.676
Public Streets and Highways	1,001	0.490
Total System	195,113	2.547
Circuit Miles of Transmission Lines		
115 kV		307
230 kV		44
Circuit Miles of Distribution Lines		
Overhead		1,170
Underground		870

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Taxes and Employee Welfare Contributions
For the Year 2024

FEDERAL		
Power Social Security (FICA)	$9,893,165	
Total		$9,893,165
STATE OF WASHINGTON		
Retail Sales and Use Taxes	4,758,470	
Power Utilities and Business Operations Tax	15,992,678	
Power State Employment Security	13,528	
Total		20,764,676
COUNTY		
Lewis County - In Lieu of Taxes	2,475,376	
Mason County - In Lieu of Taxes	232,152	
Pierce County School Support - Eatonville	7,000	
White Pass School Support	144,849	
Mossyrock School Support	125,947	
Morton School Support	3,539	
Mason County Fire Protection District	7,136	
Lewis County Fire Protection District	13,818	
Pierce County Fire Protection District	23,852	
Pierce County Drainage District	93,518	
Thurston County	2,491	
Total		3,129,678
MUNICIPALITIES		
City of Tacoma Power Gross Earnings Tax	41,044,498	
City of Fife Power Franchise Fee	1,460,750	
City of University Place Power Franchise Fee and taxes	3,028,384	
City of Lakewood Power Franchise Fee	1,291,557	
City of Fircrest Power Franchise Fee	327,890	
City of Steilacoom Power Franchise Fee	5,892	
Total		47,158,971
TOTAL TAXES		$80,946,489
Taxes as a % of Operating Revenues of $512,351,514		15.80%
EMPLOYEE WELFARE CONTRIBUTIONS		
Power Industrial Insurance and Medical Aid	661,043	
Power City of Tacoma Pension Fund	14,036,244	
Power Medical/Life Insurance	23,085,358	
TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		$37,782,645

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
2024 Electric Rates
(Based on 2024 rate schedules)

RATE PER MONTH

	Tacoma and Other Jurisdictions	University Place
Schedule A-1 - Residential Service		
Customer Charge	$23.50 per month	$27.14 per month
Customer Charge (for collectively metered apartments)	$20.70 per month	$22.20 per month
Energy (all energy measured in kilowatt-hours)	$0.045351 per kWh	$0.048644 per kWh
Delivery (all energy delivered in kilowatt-hours)	$0.038207 per kWh	$0.040981 per kWh
Schedule A-2 - Low-Income/Elderly/Handicapped Residential Service		
Sixty-five percent (65%) of the monthly bill as calculated under Section 12.06.160 of the official Code of the City of Tacoma, known as RESIDENTIAL SERVICE - SCHEDULE A-1		
Schedule B - Small General Service		
Customer Charge	$28.95 per month	$31.05 per month
Customer Charge (for unmetered services)	$22.55 per month	$24.19 per month
Energy (all energy measured in kilowatt-hours)	$0.044616 per kWh	$0.047856 per kWh
Delivery (all energy delivered in kilowatt-hours)	$0.038014 per kWh	$0.040774 per kWh
Schedule G - General Service		
Customer Charge	$82.80 per month	$88.81 per month
Energy (all energy measured in kilowatt-hours)	$0.054780 per kWh	$0.062227 per kWh
Delivery (all kilowatts of Billing Demand delivered)	$9.44 per kW	$10.13 per kW
Schedule HVG - High Voltage General Service		
Customer Charge	$1,750.00 per month	$1,877.08 per montl
Energy (all energy measured in kilowatt-hours)	$0.045729 per kWh	$0.049050 per kWh
Delivery (all kilowatts of Billing Demand delivered)	$5.21 per kW	$5.59 per kW

Other schedules also now in effect are:

PR - Prepaid Residential Service

CP - Contract Industrial Service (major industrial power use - written contract required)

NLL - New large load service

VLL - Very large load service

H-1 - Street Lighting and Traffic Signal Service

H-2 - Private Off-Street Lighting Service

H-3 - Street Lighting Service

FC - Electric Vehicle Fast Charge

SP - Shore Power

Electric rates were established by Ordinance No. 28847 and became effective April 1, 2024.

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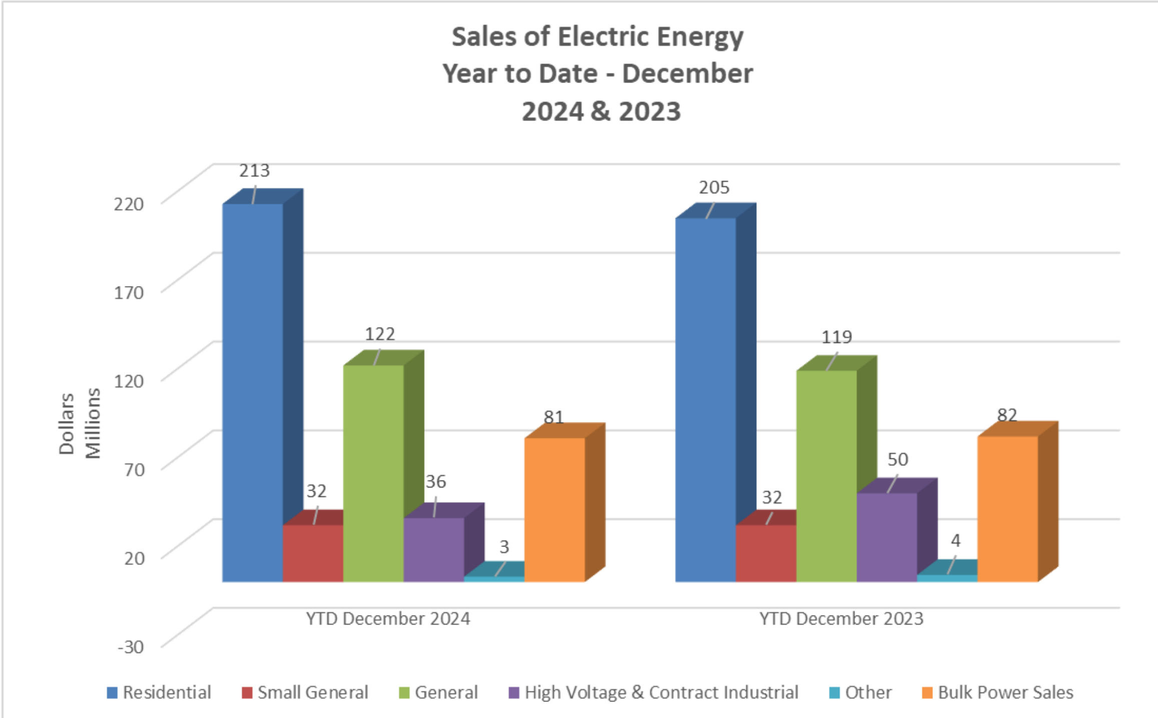
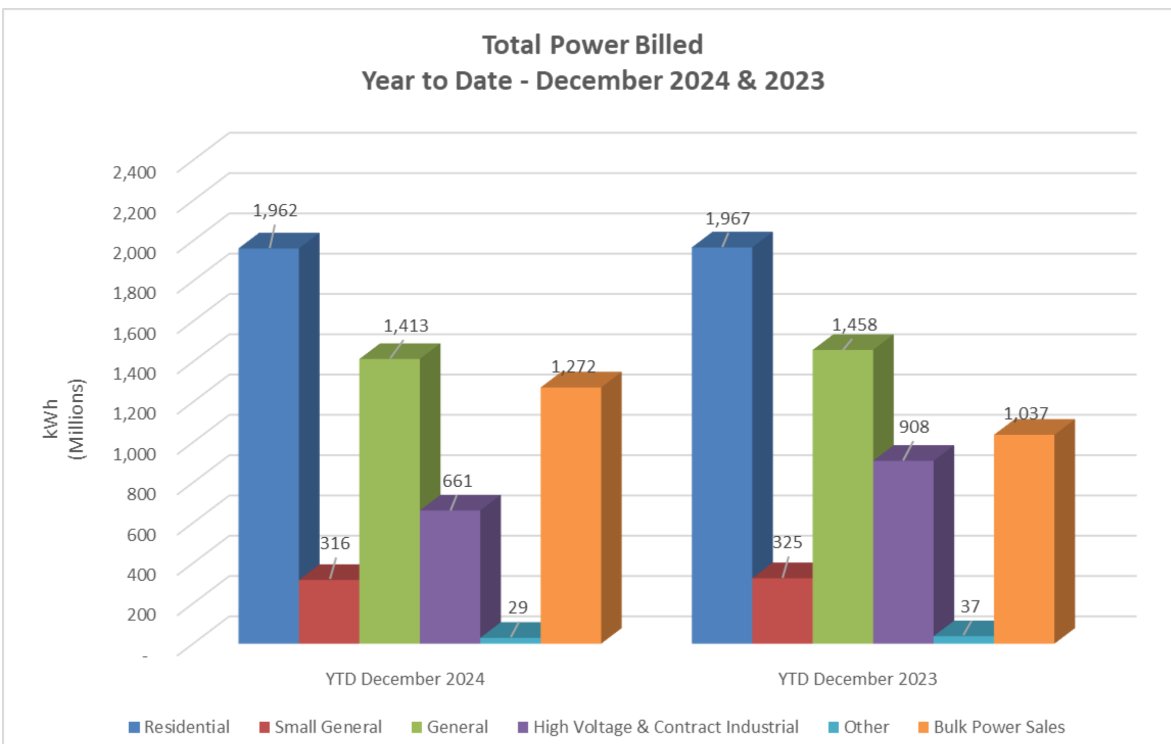
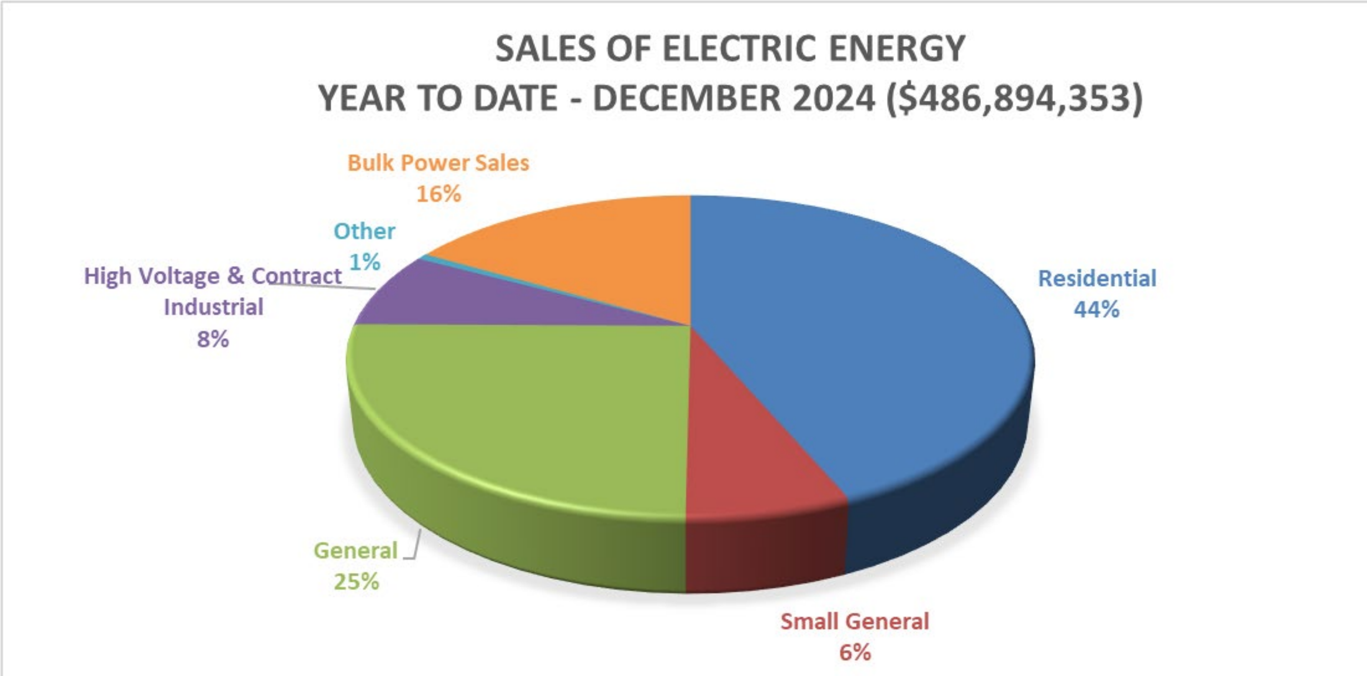
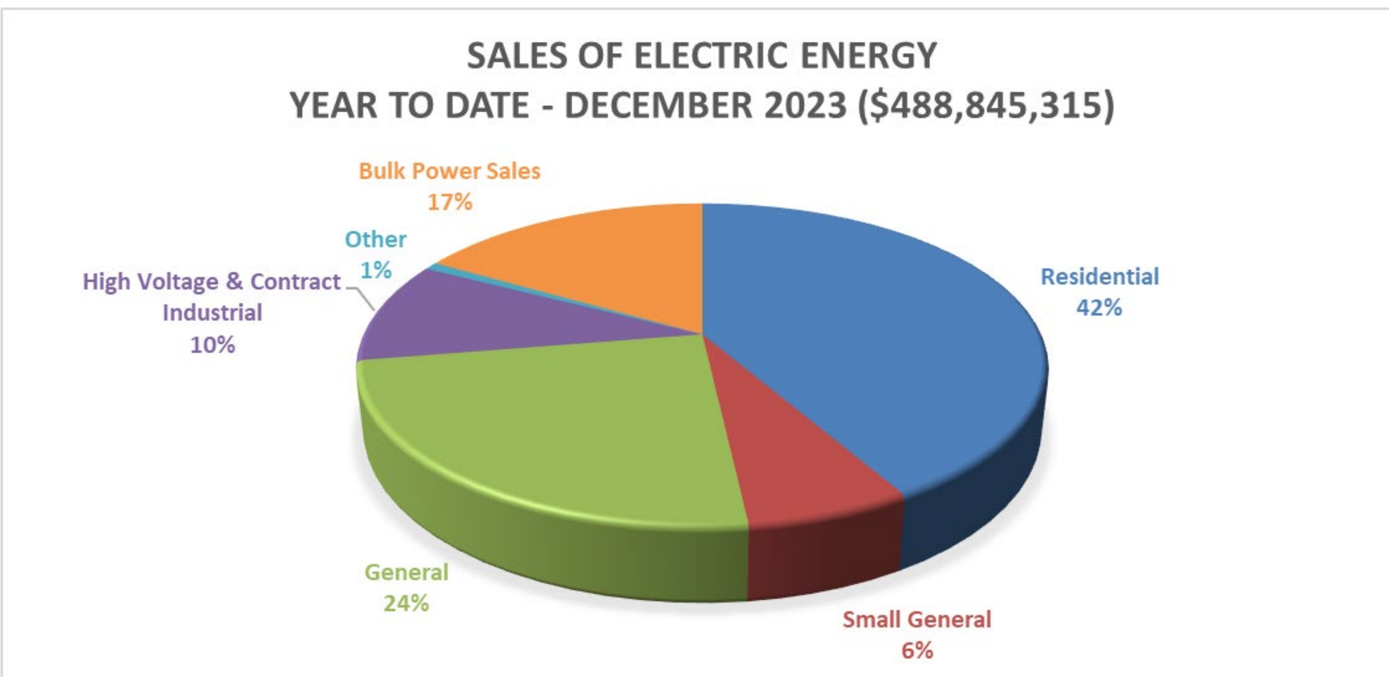
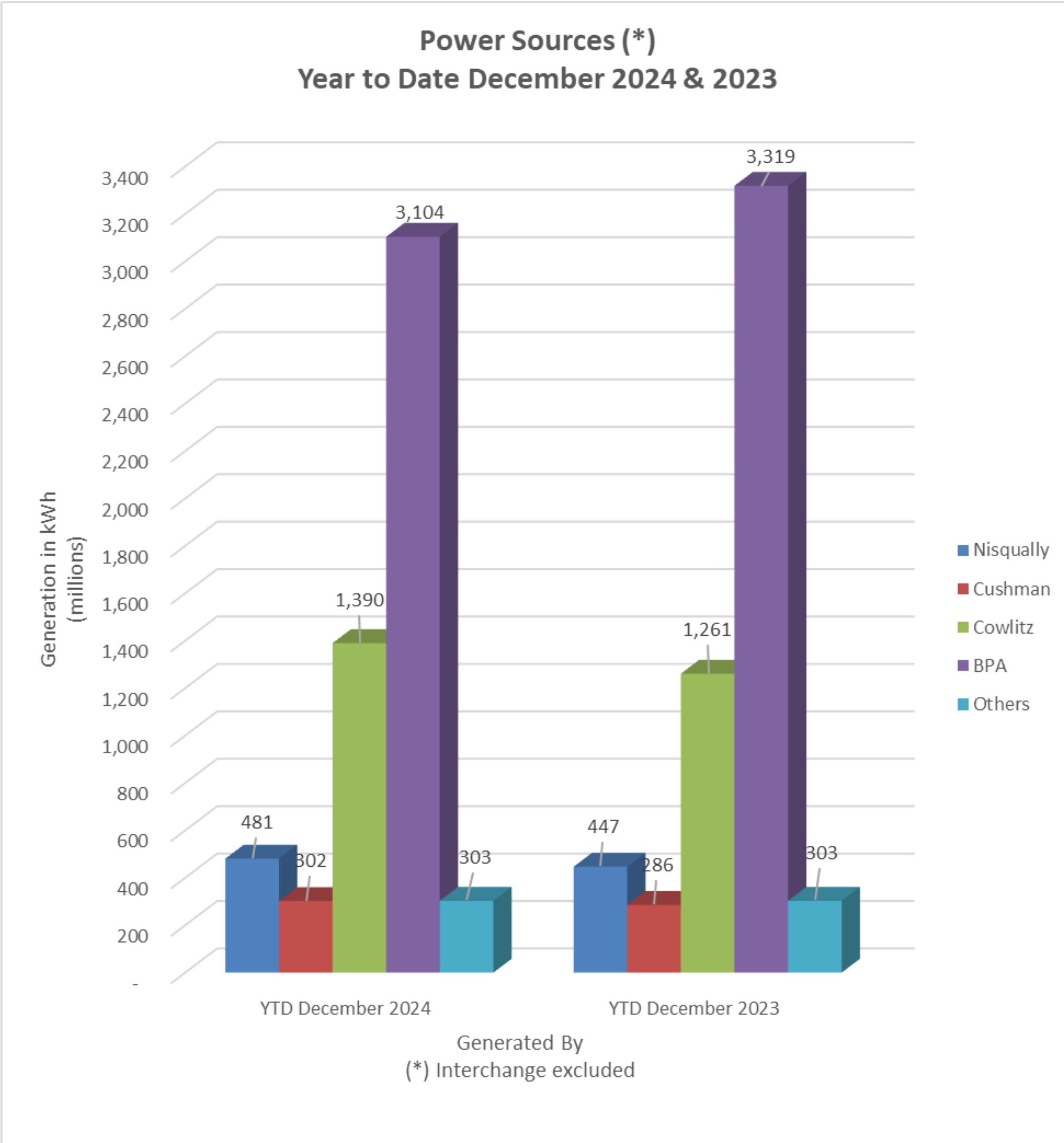
Graphs

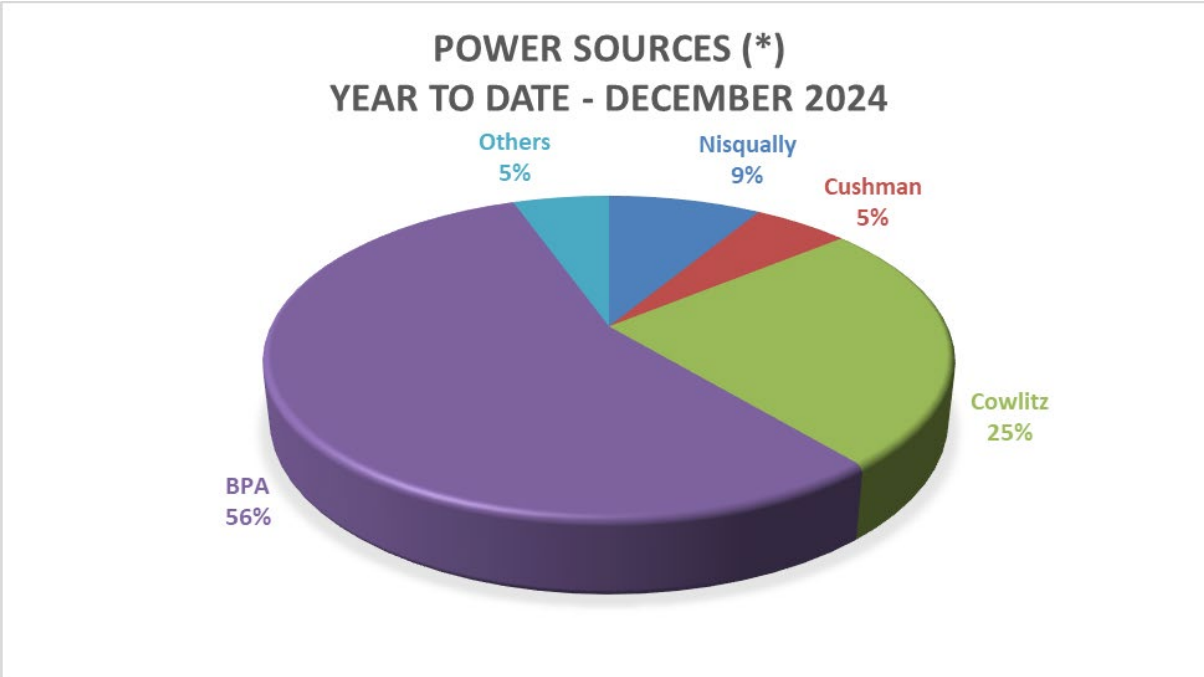

Sales of Electric Energy
Year to Date - December
2024 & 2023
Dollars
Millions
220
170
120
70
20
-30
213
32
122
36
3
81
205
32
119
50
4
82
YTD December 2024
YTD December 2023
Residential
Small General
General
High Voltage & Contract Industrial
Other
Bulk Power Sales

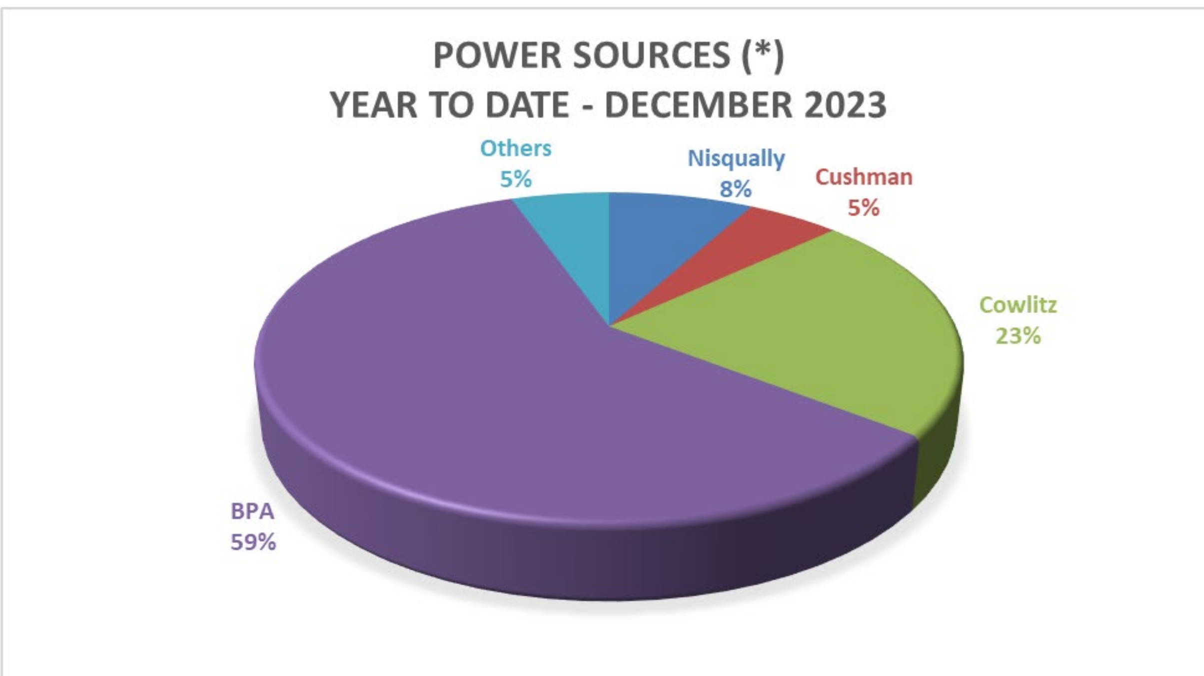

Total Power Billed
Year to Date - December 2024 & 2023
kWh
(Millions)
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
1,962
316
1,413
661
29
1,272
1,967
325
1,458
908
37
1,037
YTD December 2024
YTD December 2023
Residential
Small General
General
High Voltage & Contract Industrial
Other
Bulk Power Sales


SALES OF ELECTRIC ENERGY
YEAR TO DATE - DECEMBER 2024 ($486,894,353)
Bulk Power Sales
16%
Other
1%
High Voltage & Contract
Industrial
8%
Residential
44%
General
25%
Small General
6%

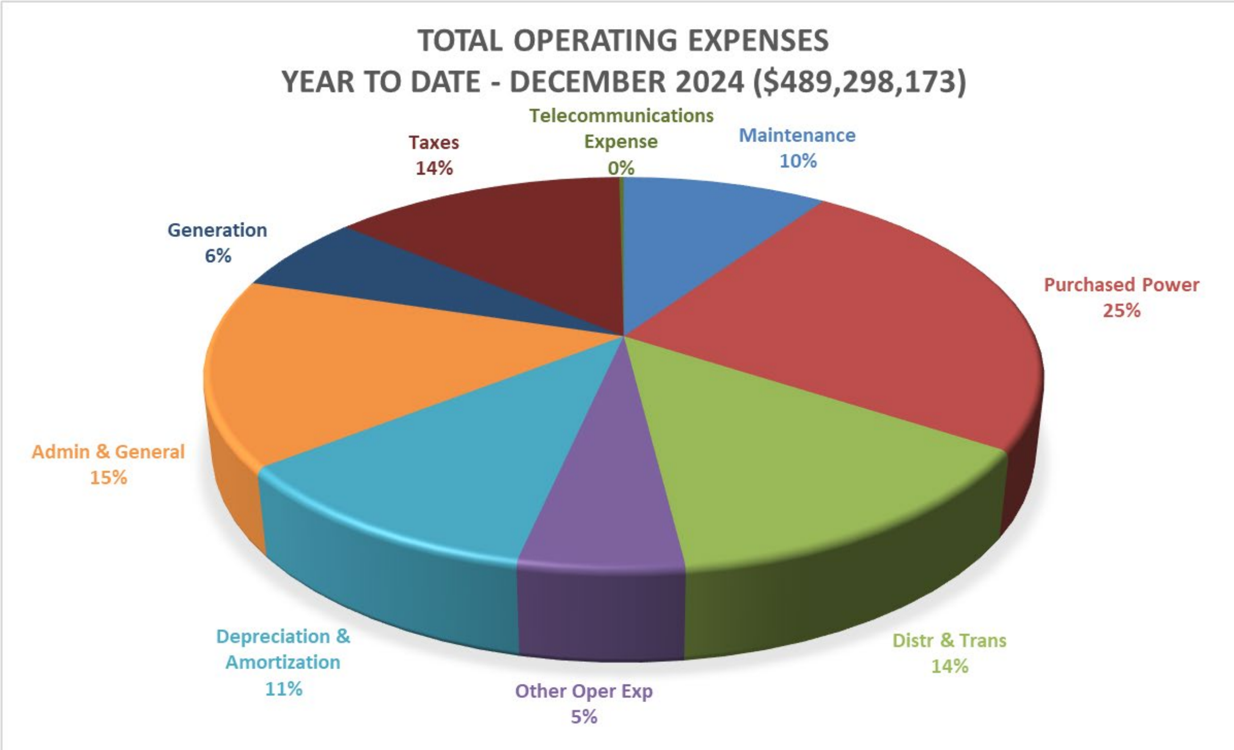

SALES OF ELECTRIC ENERGY
YEAR TO DATE - DECEMBER 2023 ($488,845,315)
Bulk Power Sales
17%
Other
1%
High Voltage & Contract
Industrial
10%
Residential
42%
General
24%
Small General
6%

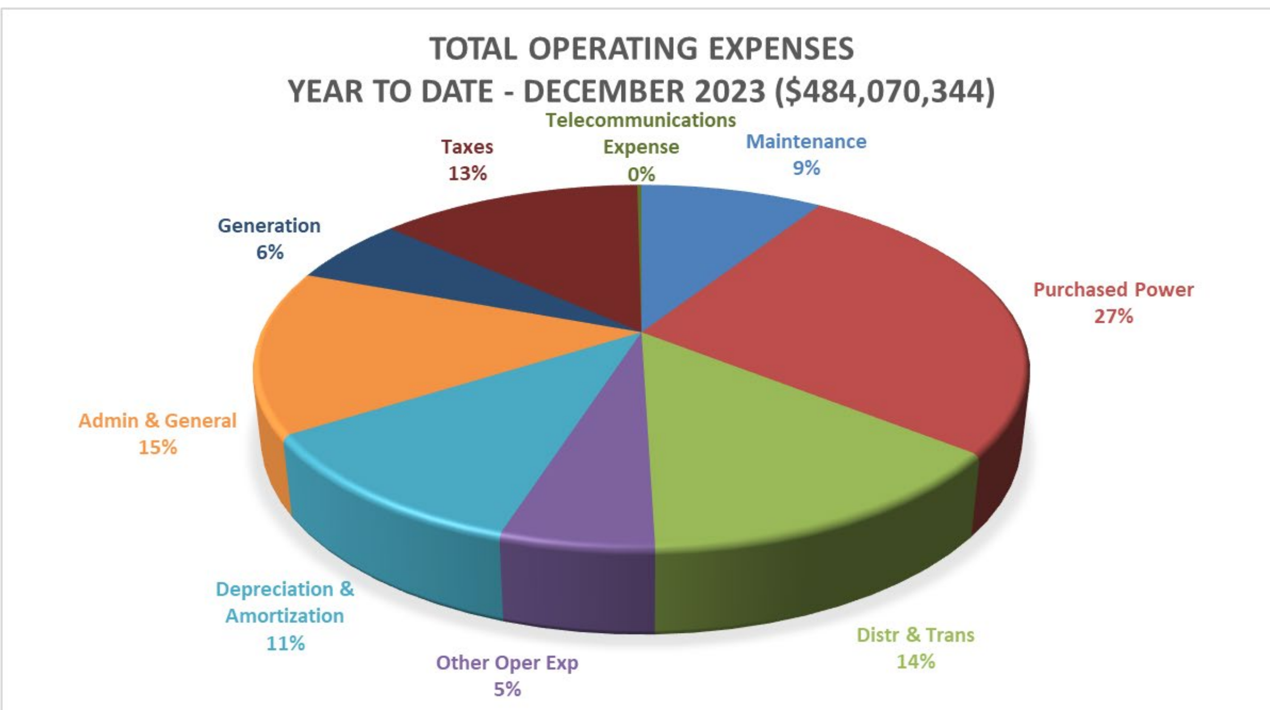

Power Sources (*)
Year to Date December 2024 & 2023
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
Generation in kWh
(millions)
481
302
1,390
3,104
303
447
286
1,261
3,319
303
Nisqually
Cushman
Cowlitz
BPA
Others
YTD December 2024
YTD December 2023
Generated By
(*) Interchange excluded

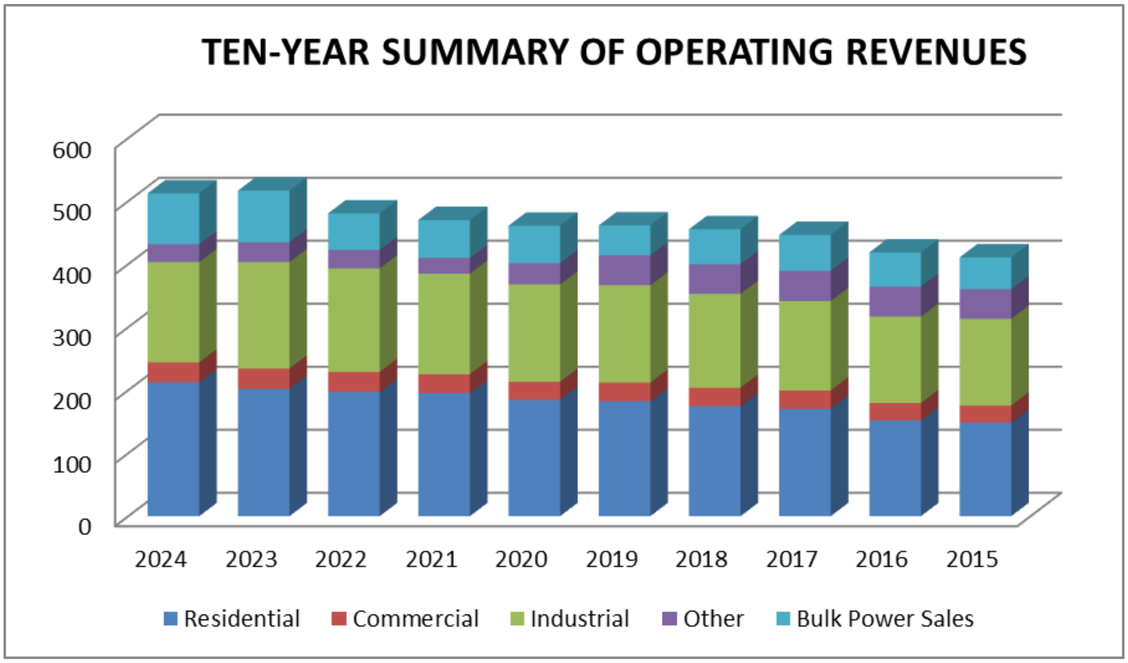


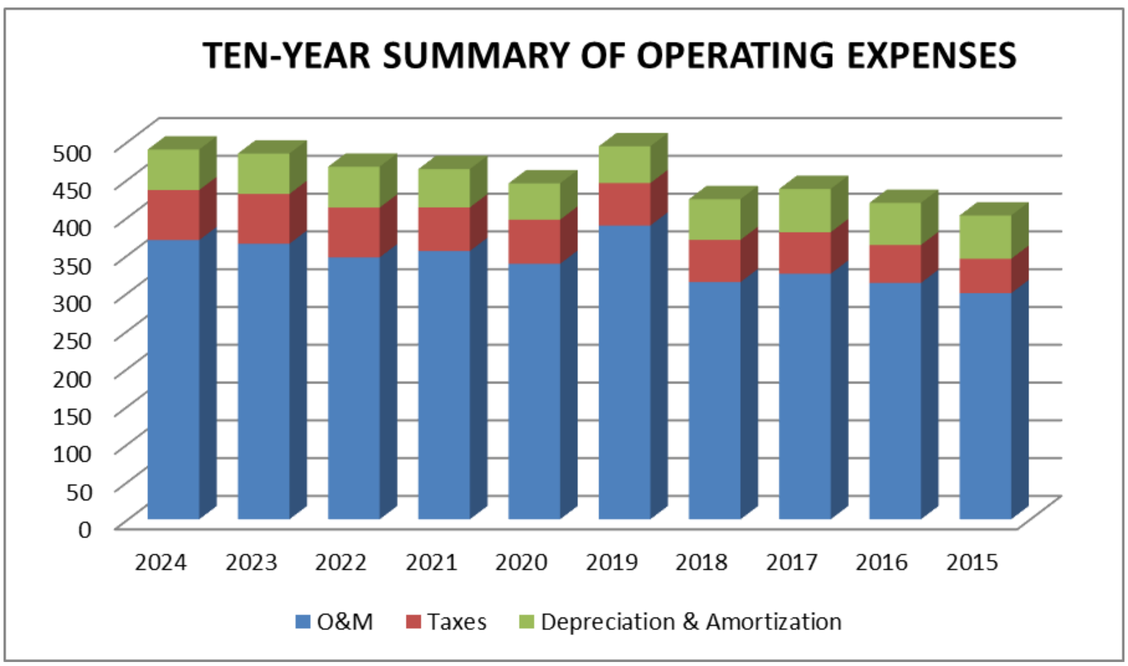


(*) Interchange excluded


TOTAL OPERATING EXPENSES
YEAR TO DATE - DECEMBER 2024 ($489,298,173)
Telecommunications Expense 0%
Maintenance 10%
Purchased Power 25%
Distr & Trans 14%
Other Oper Exp 5%
Depreciation & Amortization 11%
Admin & General 15%
Generation 6%
Taxes 14%


TOTAL OPERATING EXPENSES
YEAR TO DATE - DECEMBER 2023 ($484,070,344)
Telecommunications Expense 0%
Maintenance 9%
Purchased Power 27%
Distr & Trans 14%
Other Oper Exp 5%
Depreciation & Amortization 11%
Admin & General 15%
Generation 6%
Taxes 13%


TEN-YEAR SUMMARY OF OPERATING REVENUES
600
500
400
300
200
100
0
2024
2023
2022
2021
2020
2019
2018
2017
2016
2015
Residential
Commercial
Industrial
Other
Bulk Power Sales


TEN-YEAR SUMMARY OF OPERATING EXPENSES
500
450
400
350
300
250
200
150
100
50
0
2024
2023
2022
2021
2020
2019
2018
2017
2016
2015
O&M
Taxes
Depreciation & Amortization

APPENDIX E

ECONOMIC AND DEMOGRAPHIC INFORMATION

Tacoma, the county seat of Pierce County (the "County"), is located in the west central part of Washington State near the southern tip of Puget Sound. It is the third largest city in the State with a 2024 estimated population of 225,100. The City is located 32 miles south of the City of Seattle and 31 miles northeast of the City of Olympia, the State capital.

The historical population of the City and the County is shown in the following table.

Table E-1: Population

Year	Tacoma	Pierce County
2024	225,100	952,600
2023	222,400	946,300
2022	220,800	937,400
2021	218,700	928,200
2020	219,346	920,393

Source: Washington State Office of Financial Management estimates

The following are economic indicators for the City and the County.

Table E-2: Pierce County
2020 Major Employers[(1)]

Employer	Sector	Number of Full Time Employees
Joint Base Lewis-McCord	Military	54,000
MultiCare Health System	Health Care	8,264
The State	Government	7,859
CHI Franciscan Health	Health Care	5,682
Tacoma School District	Education	3,649
The City and Tacoma Public Utilities	Government	3,623
Pierce County Government	Government	3,304
Puyallup School District	Education	2,711
Bethel School District	Education	2,689
Safeway and Albertsons	Retail	2,153

(1) Most recent data available.
Source: Economic Development Board of Tacoma-Pierce County

Table E-3: City of Tacoma
Residential Building Permit Values

	Single-Family		Multi-Family	
Year	Number of Dwellings	Value of Permits	Number of Dwellings	Value of Permits
2025[1]	6	$ 1,878,036	117	$ 21,447,509
2024	137	42,717,635	265	56,569,697
2023	84	24,806,658	608	127,667,936
2022	149	42,296,423	1,391	200,409,861
2021	250	69,159,564	2,220	278,672,092

(1) Latest data available through March 2025.
Source: United States Census Bureau

Table E-4: Pierce County and City of Tacoma
Taxable Retail Sales ($000)

Year	Pierce County	City of Tacoma
2024[1]	$ 11,676,566,331	$ 3,458,779,532
2023	23,419,751,044	6,999,681,932
2022	23,881,668,344	7,104,415,018
2021	22,863,160,384	6,699,732,445
2020	19,407,955,285	5,700,693,214

(1) Latest data available; through second quarter. Taxable retail sales through second quarter 2023 for the County and the City were $11,360,504,753 and $3,390,995,375, respectively.
Source: Washington State Department of Revenue

Table E-5: Pierce County and Washington State
Median Household Income

Year	Pierce County	Washington State
2024[1]	$ 102,431	$ 97,970
2023[2]	95,897	94,553
2022	92,793	91,255
2021	85,492	84,155
2020	80,236	80,319

(1) Projected.
(2) Preliminary estimates.
Source: Washington State Office of Financial Management for County and State data

Table E-6: Pierce County and Washington State
Total Personal and Per Capita Income

	Pierce County(1)		State of Washington(2)	
Year	**Total Personal Income (in thousands)**	**Per Capita Income**	**Total Personal Income (in thousands)**	**Per Capita Income**
2023	$ 60,540,283	$ 65,188	$ 632,295,984	$ 80,930
2022	56,568,077	61,057	589,077,317	75,673
2021	55,017,785	59,325	570,160,963	73,651
2020	52,007,677	56,310	522,509,173	67,643
2019	47,476,182	51,951	484,540,895	63,431

(1) Census Bureau mid-year population estimates. Estimates for 2010-2019 reflect county estimates available as of March 6, 2020.

(2) Census Bureau mid-year state population. Estimates for 2010-2020 reflect estimates available as of February 20, 2025.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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Employment within the County is described in the following table:

Table E-7: Tacoma-Lakewood Metropolitan Division (Pierce County)
Residential Civilian Labor Force and Employment and Average Civilian Nonagricultural Wage and Salary Employment(1)

NAICS Industry Title	Annual Average				
Residential Labor Force	**2024(2)**	**2023**	**2022**	**2021**	**2020**
Civilian Labor Force	490,752	484,869	471,243	453,788	450,588
Total Employment	468,284	463,395	450,969	429,115	408,292
Total Unemployment	22,468	21,474	20,274	24,673	42,296
Unemployment Percent of Labor Force	4.6%	4.4%	4.3%	5.4%	9.4%
Total Nonfarm	343,050	340,150	334,808	321,058	312,108
Total Private	282,392	281,325	277,300	264,525	255,433
Goods Producing	42,858	42,875	43,750	42,467	41,475
Mining and Logging	300	308	325	375	300
Construction	25,675	25,833	26,442	25,425	24,708
Specialty Trade Contractors	16,892	16,967	17,325	16,775	16,392
Manufacturing	16,883	16,733	16,983	16,667	16,467
Service Providing	300,192	297,275	291,058	278,592	270,633
Trade, Transportation and Utilities	71,408	72,033	71,992	69,650	67,567
Wholesale Trade	13,442	13,675	13,333	12,683	12,575
Retail Trade	36,592	37,383	37,283	37,208	35,258
Food and Beverage Stores	6,517	6,792	6,658	6,742	6,408
General Merchandise Stores	9,475	9,367	9,475	9,292	8,842
Transportation and Utilities	21,375	20,975	21,375	19,758	19,733
Information	2,008	2,050	1,892	1,650	1,992
Financial Activities	14,817	14,425	14,300	14,483	14,433
Professional and Business Services	38,933	39,625	38,917	35,892	32,833
Admin, Support, Waste Mgmt. & Remed.	24,583	25,167	25,183	23,167	20,750
Administrative and Support Services	22,525	22,992	23,008	21,017	18,825
Education and Health Services	63,508	61,575	59,367	58,242	57,075
Ambulatory Health Care Services	19,300	19,025	18,517	18,308	18,000
Hospitals	13,833	13,492	13,008	13,092	13,300
Leisure and Hospitality	35,200	35,417	34,000	29,900	27,258
Food Services and Drinking Places	28,733	28,467	27,575	24,550	22,758
Other Services	13,658	13,325	13,083	12,242	12,800
Government	60,658	58,825	57,508	56,533	56,675
Federal Government	11,317	11,242	11,208	11,350	11,700
State Government	10,792	10,017	9,900	10,533	10,833
State Government Educational Services	3,033	2,767	2,792	2,942	3,167
Local Government	38,550	37,567	36,400	34,650	34,142
Local Government Educational Services	20,925	20,633	20,275	19,008	18,992

(1) Washington employment estimates are based on Current Employment Statistics (CES) data developed by the federal Bureau of Labor Statistics (BLS). Employment estimates for Washington industries are taken from the Quarterly Census of Employment and Wages (QCEW).

(2) Most recent data available is preliminary through December 2024.

Source: Washington State Employment Security Department

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of Tacoma, Washington (the "City"), in connection with the issuance by the City of its Electric System Revenue Bonds, Series 2025A (Green Bonds) and Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds) (together, the "Bonds") pursuant to Ordinance No. 28146, passed by the City Council on April 30, 2013, as supplemented and amended by Supplemental Ordinance No. 29033 passed by the City Council on May 6, 2025 (together, the "Bond Ordinance"). Pursuant to the Bond Ordinance, the City hereby covenants and agrees as follows:

Section 1. Purpose of this Certificate. This Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below).

Section 2. Definitions. In addition to the definitions set forth herein, in the Bond Ordinance or in the Official Statement, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

Commission means the Securities and Exchange Commission.

Financial obligation means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of clause (A) or (B) of this definition. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Official Statement related to the Bonds.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering the Bonds.

Rule means Section (b)(5) of Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provisions of Annual Information.

(a) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing in 2026 for the fiscal year ended December 31, 2025):

(1) audited financial statements of the Electric System, prepared in accordance with generally accepted accounting principles applicable to government entities, with regulations prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and substantially in accordance with the system prescribed by the Federal Energy Regulatory Commission, provided, that if the Electric System's financial statements are not yet available, the City shall provide unaudited financial statements in substantially the same format, and audited statements when they become available;

(2) principal amount of outstanding Parity Bonds;

(3) debt service coverage for outstanding Parity Bonds;

(4) energy resources from Electric System-owned resources and purchases from Electric System power purchase contracts (substantially in the form of the table "Peak Demand, Energy Requirements and Resources" in the Official Statement); and

(5) average number of customers, energy sales and revenue from energy sales for the major customer classes (substantially in the form of the table "Customers, Energy Sales and Revenues from Electric Sales" in the Official Statement).

Items (2)-(5) shall be required only to the extent that such information is not included in the annual financial statements. The annual financial information may be provided in a single or multiple documents and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

The information and data described above shall be provided on or before the last day of the ninth month after the end of the City's fiscal year. The City's fiscal year currently ends on December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross refer to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(b) *Listed Events.* The City further agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- Incurrence of a financial obligation of the City, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Section 4. Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in above on or prior to the date set forth in above.

Section 5. EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination/Modification. The City's obligations to provide annual financial information and notices of listed events with respect to a series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of such series of Bonds. Any provision of this undertaking shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of all or any portion of this undertaking.

Notwithstanding any other provision of this certificate, the City may amend this certificate, and any provision of the undertaking contained herein may be waived, in accordance with Rule, which, as currently interpreted by the Commission, requires that (i) the amendment or waiver be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule at the time of the primary offering, after taking into account any amendments or interpretations of Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the City (such as bond counsel) or by the approving vote of holders of the Bonds.

In the event of any amendment or waiver of the undertaking provided for in this certificate, the City shall describe such amendment or waiver in the next annual report, and shall include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event above, and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Bond Owner's Remedies. The right of any bond owner or beneficial owner of Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the City's obligations under this undertaking, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this Certificate, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 8. Responsible Officer; Dissemination Agent. The City Finance Director, or such individual's designee, is designated to carry out this undertaking in accordance with Rule 15c2-12. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

DATED July 3, 2025.

CITY OF TACOMA, WASHINGTON

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APPENDIX G

GREEN BOND SECOND PARTY OPINION

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Second Party Opinion

Issuer:	**City of Tacoma, Washington**
Issue Description:	Electric System Revenue Bonds, Series 2025A (Green Bonds) Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds)
Project:	Electric System Improvements
Green Standard:	ICMA Green Bond Principles
Green Category:	Renewable Energy
Keywords:	Hydropower, carbon-free energy, low emissions intensity, renewable energy, decarbonization, advanced metering infrastructure, fish habitat, salmon recovery, watershed stewardship, biodiversity, natural resource management, equity index, net zero aligned, Washington State
Par:	$222,745,000
Evaluation Date:	May 13, 2025

GREEN BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the City of Tacoma, Washington, Electric System Revenue Bonds, Series 2025A (Green Bonds) ("2025A Bonds") and the Electric System Revenue Refunding Bonds, Series 2025B (Green Bonds) ("2025B Bonds," and collectively with the 2025A Bonds, the "2025 Bonds") to evaluate conformance with the Green Bond Principles (June 2021 with June 2022 Appendix 1) established by the International Capital Market Association. Our team for this engagement included analysts with experience in sustainability and environmental science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the 2025 Bonds with the Green Bond Principles. In our opinion, the 2025 Bonds are impactful, net zero aligned, conform with the four core components of the Green Bond Principles, and qualify for Green Bonds designation.

ABOUT THE ISSUER

The City of Tacoma ("City" or "Tacoma") is the third largest city in the State of Washington. Within City government, Tacoma Public Utilities is the largest department and includes Tacoma Power, Tacoma Water, and Tacoma Rail. Tacoma Power was originally formed in 1893 after the City purchased water and electric utility assets from the former Tacoma Water and Light Company. Tacoma Power is now the fourth largest public power utility in Washington.

As of 2025, Tacoma Power owns and operates four hydroelectric generation projects with seven hydroelectric dams. Generation projects include:

- Cowlitz River Project including the Mayfield Dam (162 MW capacity) and the Mossyrock Dam (300 MW);
- Nisqually River Project including the Alder Dam (50 MW) and LaGrande Dam (64 MW);
- Cushman Hydroelectric Project consisting of two dams located on the Skokomish River (43.2 MW and 81 MW); and
- Wynoochee River Project consisting of a powerhouse and flood control dam (12.8 MW).

These projects are located on rivers in Washington with dams that store and release water through turbines which generate electricity for customers that is 100% clean hydroelectric power. Tacoma Power maintains licenses issued by the Federal Energy Regulatory Commission ("FERC") for these projects. Since 2003, the Nisqually River Project has been certified by the Low Impact Hydropower Institute as a hydropower project that meets eight environmental, cultural, and recreational criteria including presence of ecological flow regimes that support healthy habitats, safe and effective fish passage, and protection of threatened and endangered species.

The system operated by Tacoma Power ("Electric System") includes 352 miles of transmission facilities and 2,034 miles of distribution facilities to provide contracted wholesale power to small utilities and service to approximately 195,000 customer accounts. In 2024, Tacoma Power's hydroelectric resources provided approximately 38% of the utility's total energy supply. To meet energy demands, Tacoma Power also utilizes power purchase contracts and market purchases, focusing on clean and renewable resources such as hydropower, wind, and solar. In 2023, Tacoma Power's fuel mix was over 95% carbon-free.[1]

Tacoma Power is a leader in supporting electrification and decarbonization of transportation and buildings. In 2020, Tacoma Power completed a *Transportation Electrification Plan* which established a goal to increase electric loads for transportation by an average of 10 MW by 2030.[2] Subsequently, Tacoma Power performed detailed scenario assessments for the next 20 years in the 2024 *Electrification Planning Study*.[3] Results of this Study inform resource planning and customer program development. Electrification of residential homes and commercial buildings are incentivized through rebates for electric appliances and zero-interest loans to income-qualified individuals to weatherize homes and purchase heat pumps.

In addition to supplying electricity and supporting decarbonization efforts, Tacoma Power manages over 20,000 acres of protected wildlife habitat with an emphasis on fisheries restoration and conservation. Tacoma Power works with state, federal, and Tribal partners to manage forestlands based on forest health indices and biodiversity, rather than single-species management strategies. FERC Plans associated with the four hydroelectric projects outline capital projects that support fish passage, maintain instream flows to ensure fish survival, and monitor native fish species. Successful fisheries programs have been expanded to adjacent watersheds in collaboration with partners. Additionally, initiatives are ongoing to improve coordinated land management to mitigate wildfire risks, including an award-winning vegetation

[1] 2.24% of the fuel mix is unspecified sources.
[2] "Transportation Electrification Plan and Strategic Guidelines," Tacoma Power, 2020, https://www.mytpu.org/wp-content/uploads/Transportation_Electrification_Plan_0720_FINAL.pdf.
[3] "Tacoma Power Electrification Forecast," Prepared for Tacoma Power, January 31, 2024, https://www.mytpu.org/wp-content/uploads/Tacoma-Electrification-Study_Final-Report-withTPWRintro.pdf.

management plan.[4] Multiple wildlife and watershed protection projects aim to ensure healthy habitats for native wildlife and plants:

- Cowlitz Wildlife Area, owned by Tacoma Power, covers about 14,000 acres of forests, wetlands, lowland valleys, and riparian habitats, and includes the 20-mile-long Peterman Hill Trail for recreational use;
- Nisqually River Project includes protection of 3,500 acres of wildlife lands in the Nisqually River Basin, such as preservation of the river corridor downstream of LaGrande Dam;
- Wynoochee River Project enhances 1,000 acres of high-quality forage area for elk; and
- Cushman Project Wildlife Lands conserves over 2,700 acres of habitat for birds and other wildlife.

ALIGNMENT TO GREEN STANDARDS[5]

Use of Proceeds

The 2025 Bonds finance and refinance debt for capital improvements to the Electric System. The capital improvements financed and refinanced 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 clean electricity. Tacoma Power integrates fish passage and watershed stewardship to minimize environmental risks associated with hydroelectric facilities. The financed improvements are eligible green projects as defined by the *Renewable Energy* project category.

Tacoma Power operations and the financed projects improve the hydroelectric system which provides carbon-free power to the region. The 2025B Bonds refund the 2010B Bonds as described in the offering documents. Several capital improvements have significant environmental benefits and are highlighted in Appendix A attached to this report. Hydropower is a clean alternative to fossil fuel power generation and thus supports climate change mitigation. Although some hydropower systems have been associated with negative environmental impacts, Tacoma Power mitigates risks to watersheds and wildlife through focused initiatives and projects, some of which are directly financed and refinanced by the 2025 Bonds.

In addition to maintenance and improvements to renewable energy generation infrastructure, financed and refinanced projects include fish passage improvements and advanced metering infrastructure. Certain capital projects have been prioritized based on the City's Equity Index which identifies areas with historically low investment.

[4] Tacoma Power has received the Tree Line USA award from the Arbor Day Foundation for best practices in vegetation management, including line clearance and integrated vegetation management. "Tree Line USA Standards," Arbor Day Foundation, accessed May 6, 2025, https://www.arborday.org/our-work/tree-line-usa/standards.

[5] Green Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or refinance eligible Green Projects which are aligned with the four core components of ICMA Green Bond Principles.

Bond-financed capital improvements include, but are not limited to:

- Distribution network improvements such as replacement or repair of underground and overhead cables and poles
- Advanced metering infrastructure that improves energy management capabilities
- Substation and transformer replacement and upgrades
- Remodel of salmon and trout hatcheries
- Improvements to the Mayfield Fish Passage
- Acquisition of transformers
- Voltage optimization at substations for energy savings
- Rebuild of two Cushman generation units
- Seismic retrofits for spillways at multiple dams for resilience and safety
- Infrastructure for debris removal at reservoirs
- Security upgrades

Net Zero Alignment

Because they finance infrastructure for delivery of clean electricity, the 2025 Bonds are aligned with net zero greenhouse gas emission goals. The Tacoma Power emissions factor is 0.0314 $MTCO_2e$ per MWh.[6] Electricity production is the third highest source of greenhouse gas emissions in the State of Washington and providing clean energy through local utilities is critical to reducing these emissions.[7] The Tacoma Power system supports the Washington commitment to a carbon-free electricity supply by 2045 and the City of Tacoma target to meet net zero greenhouse gas emissions by 2050.[8]

Climate Resilience

Tacoma Power has a comprehensive approach to resilience consisting of long-term climate assessments, grid modernization, and activities to reduce risk of wildfire.

Climate-Informed Resource Planning

Tacoma Power has incorporated climate change analysis in resource planning for over a decade. In 2015, the Climate Impacts Group was engaged to run an analysis on watersheds, water supply and quality, and stream flows against two greenhouse gas scenarios. These climate scenario assessments inform Tacoma Power's capital planning and budgeting for hydroelectric power operations and the financed projects. The *2016 Climate Change Resilience Study* by the City's Environmental Services Department also assessed climate risk for Tacoma Public Utilities, including Tacoma Power.

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6 "Mandatory GHG Reporting – Asset Controlling Supplier," California Air Resources Board, October 10, 2024, https://ww2.arb.ca.gov/mrr-acs.

7 "Washington's Greenhouse Gas Inventory 2020-2021," State of Washington Department of Ecology, accessed April 30, 2025, https://ecology.wa.gov/air-climate/reducing-greenhouse-gas-emissions/tracking-greenhouse-gases/ghg-inventories.

8 "2030 Climate Action Plan," City of Tacoma, accessed April 30, 2025, https://tacoma.gov/government/departments/environmental-policy-and-sustainability-office/climate-action/2030-climate-action-plan/; "Clean Energy Transformation Act (CETA)," Washington State Department of Commerce, May 7, 2019, https://www.commerce.wa.gov/energy-policy/electricity-policy/ceta/.

Today, Tacoma Power's resource and capital planning fully incorporates forecasting for climate change impacts on the Electric System to ensure resource adequacy and resilience. The *2024 Integrated Resource Plan* accounts for expected changes as a result of climate change such as drier summers, wetter winters, and earlier spring snowmelt. Analysis includes a variety of climate change scenarios.

Grid Modernization and Management
Incorporation of advanced technology in the grid improves efficiency of operations and resilience to disruptions. The Advanced Distribution Management System ("ADMS") project involves automated and real-time control and monitoring equipment for transmission and distribution infrastructure. Among other benefits, the project refines Tacoma Power's ability to use switches to redirect or isolate power on feeders that connect substations to distribution points and adds automated switching on capacitors to improve voltage stability and reduce energy losses.

Advanced metering infrastructure also provides instantaneous data on outages and customer usage patterns, useful in establishing priorities for long-term resource planning and energy conservation programs. Advanced metering infrastructure and the ADMS improve resilience by increasing operational flexibility to changing supply and demand, improving response times to disruptions, and enabling data-informed decision-making.

Tacoma Power has demand-response pilot programs that also add flexibility to power supply management. This flexibility is increasingly important as both demand and supply have increasing variability due to expanding electrification and intermittent generation profiles from wind and hydropower. A demand-response study for water heaters was completed in 2024 and a subsequent pilot study for industrial contracts is underway as of 2025. Tacoma Power aims to acquire 2 MW of flexible load capacity.

Wildfire Resilience
Tacoma Power is taking proactive steps and making capital investments to reduce fire risks. In October 2024, Tacoma Power adopted a *Wildfire Mitigation Plan* outlining prevention strategies and key performance indicators. Capital projects financed by the 2025 Bonds include installation of fire-resistant conductors, automated switches called reclosers that detect and isolate faults, and fusing on side branches to de-energize faulted grid segments. These measures help prevent prolonged arcing and overheating which are common fire ignition sources. Additional strategies include comprehensive vegetation management, public outreach, and coordination with local agencies and emergency response teams.

Process for Project Evaluation and Selection

Tacoma Power uses internally defined Value Criteria, updated in 2022, to evaluate and prioritize potential capital improvements and projects and ensure they align with the organization's mission and long-term planning trajectories. Each project in the biennial budget is given a weighted score from 0 to 10 on criterion which align with Tacoma Power's planning goals.[9]

[9] The Value Criteria are Safety, Customer and Employee Experience, Reliability and Resiliency, Compliance and Stewardship, and Rate Affordability and Economic Development.

Additionally, Tacoma Power's Capital Steering Committee evaluates and selects capital improvements and eligible green projects based on financial feasibility, risk analysis, consumer behavior, and environmental requirements laid out by the State of Washington. Planning documents such as the *Long-Range Financial Plan* and the *2024 Integrated Resources Plan* guide additional selection and evaluation processes for capital improvement projects. These documents account for financial opportunities and risks, including those posed by climate change. The capital improvement plan is refreshed biennially to account for new data and information.

Throughout this process, projects are assessed for alignment with the Guiding Principles of the Tacoma Public Utility Board. One of the Guiding Principles is decarbonization of the electric utility system and transportation electrification. The purpose, associated values, and measurements associated with the decarbonization goals are included in Appendix B.

Management of Proceeds

Proceeds from the 2025 Bonds will finance and refinance capital improvements to the Electric System and pay costs of issuance. Proceeds of the 2025B Bonds will refund 2010B Bonds and will not be held in temporary investments. Proceeds of the 2025A Bonds will be deposited in a separate construction account and held in temporary investments in accordance with the City's investment policy prior to spending. It is expected that 2025A Bond proceeds will be spent by Q1 2027.

Reporting

The City anticipates providing periodic, publicly available updates on the operating status of capital improvements and also in the event of material developments of the hydropower electric system. Reporting on progress towards decarbonization is also expected.

In addition to these reporting efforts, Kestrel will provide one update report on the 2025 Bonds within approximately 12 months of issuance. This report is expected to include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects, including allocation of proceeds. This report will be posted on the Electronic Municipal Market Access ("EMMA") system operated by the Municipal Securities Rulemaking Board ("MSRB") and on Tacoma Public Utilities' investor relations webpage: mytpu.org/about-tpu/investors/tacoma-power-investor-information.

Tacoma Power will also submit continuing financial disclosures to the MSRB as long as the 2025 Bonds are outstanding, as well as reports in the event of material developments. This reporting will be done annually on the EMMA system.

ALIGNMENT WITH UN SDGs

The 2025 Bonds support and advance the vision of the United Nations Sustainable Development Goals ("UN SDGs"), including:

Affordable and Clean Energy (Target 7.1)
Capital investments to improve reliability of a system delivering clean and renewable energy to customers

Industry, Innovation and Infrastructure (Targets 9.1, 9.4)
Prioritizing projects based on equity indices and installation of automated metering infrastructure to improve resource-use efficiency

Climate Action (Target 13.2)
Incorporation of forecasts on water supply and climate change impacts when prioritizing capital improvements

Life on Land (Target 15.4)
Conservation of quality habitat for wildlife and dedication to preserving and enhancing fish passages

Full text of the Targets for these Goals is on the United Nations website: un.org/sustainabledevelopment

CONCLUSION

Based on our independent external review, the 2025 Bonds are impactful, net zero aligned, conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with the *Renewable Energy* project category. Tacoma Power's stewardship of natural resources and operation of hydropower facilities demonstrates a clear commitment to regional climate change mitigation and resiliency. Bond-financed capital improvements directly support the renewable hydroelectric system, including climate change adaptation and mitigation efforts, and several financed projects stand out as having enduring positive environmental impacts.

KESTREL SUSTAINABILITY SCORES™

Project Information	
Subsector	Power, Mixed
Project Status	Not Complete

Sustainability Benchmarks	
Composite Score	4.88 out of 5.00
Rank*	Top 2%

***Compared to all bonds scored in the electric utility sector. To learn more about benchmarking with Kestrel Sustainability Analysis and Scores, including additional data fields not shown here, visit kestrelesg.com.**

Sustainability Scores (out of 5)		Weight in Composite Score Calculation
Environmental	5.00	55%
Social	4.50	25%
Transparency	5.00	20%

Score Rationale		
Environmental	Climate Change / Transition Planning	8%
	Climate Resilience & Adaptation	8%
	Smart Cities and Automation	8%
	Sustainable Design	8%
	Carbon-Free Energy	8%
	Electrification	8%
	Fuel Source	8%
Social	Equitable Access to Essential Services	16%
	Safe & Healthy Communities	8%
Transparency	Disclose Activities, Impacts & Risks	20%

Climate Risk Strategies	
Resilience	✓ Climate scenario assessments used in capital planning ✓ Grid modernization adds flexibility ✓ 2024 Wildfire Mitigation Plan with strategies, including detection and isolation, vegetation management, and coordinated emergency response
Renewable Energy	Yes

This bond was evaluated on 5/6/2025 and reference data for benchmarking was accessed on 4/22/2025. Kestrel Sustainability Scores of bonds for which Kestrel has provided a Second Party Opinion are fixed for a minimum period of one year from the date of our Opinion. During this period, scores will not be changed. Afterward, scores may be updated, including when Kestrel prepares a Post-Issuance Report.

About

Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Sustainability Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We evaluate transactions in public and private markets for conformance with international green and social bond standards.

kestrelesg.com | info@kestrelesg.com

For more information, contact:
Monica Reid, Chief Executive Officer
monica.reid@kestrelesg.com
+1 541-399-6806

Verification Team

- April Strid, MS - Head of Research and Lead Verifier
- Matt Michel, PhD - Senior Sustainability Analyst
- Monica Reid - CEO

Disclaimer

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information that was provided by the City or made publicly available by the City and relied upon by Kestrel only during the time of this engagement (April – May 2025), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Green Bonds. It was beyond Kestrel's scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel is for informational purposes only, is current as of the Evaluation Date, and does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the City, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the City or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.
SELECT CAPITAL IMPROVEMENTS

Table 1. Select capital improvements receiving bond proceeds

Project	Description	Category	Project Status	Cost[10]
Distribution Transformer Purchase	Acquisition of new and replacement transformers to maintain a reliable and efficient distribution system.	Transmission & Distribution	Ongoing	$16,640,000
Cushman #2 U31, U32 Unit Rebuild	Reconstruction of two generation units for Cushman hydroelectric project to generate clean hydropower.	Generation	Ongoing	$10,000,000
Advanced Metering Infrastructure	Tacoma Power is deploying Advanced Metering Infrastructure (AMI) for all power and water meters across the service territory and retiring existing metering systems that have reached end of life. Costs also include planning, design, technical and business process, change management, and vendor selection. AMI enables faster outage and leakage detection, saving costs for customers and reducing energy consumption.	Utility Technology Services	Ongoing	$590,000
Cowlitz Hatchery Remodel	Renovation of one of the largest steelhead hatcheries on the west coast to incorporate modern technology to enhance fish health and improve efficiency and reliability.	Generation	Ongoing	$3,820,000
Cowlitz Mayfield Downstream Collection	Upgrades to the downstream fish collection system to improve juvenile downstream passage in the Cowlitz River below the Mayfield Dam. This drives progress toward the goal of 95% fish passage survival rate. The project is designed to maintain pressurized flow conditions and minimize turbulence.	Generation	Ongoing	$3,720,000
Underground Additions and Replacements	The Cable Replacement Program funds inspection, testing, repair, and replacement of underground cable systems. Improvements focus on service reliability, reduction of unscheduled outages, and restoration of grounds.	Transmission & Distribution	Ongoing	$2,410,000
Distribution Efficiency	Voltage optimization will be improved at substations including voltage regulators, commissioning of SCADA control systems, and installation of capacitor banks or voltage regulators on poles.	Transmission & Distribution	Ongoing	$280,000

[10] Anticipated bond-financed costs based on 2024 – 2026 Capital Budget

Appendix B.

GUIDING PRINCIPLE: DECARBONIZATION

TACOMA POWER | TACOMA WATER | TACOMA RAIL
TACOMA PUBLIC UTILITIES

PUBLIC UTILITY BOARD POLICY

Date of Adoption: September 9, 2020	Title: Decarbonization
Resolution No.: U-11193	Policy Number: SD-11

Purpose

Tacoma Public Utilities seeks to be a leader in decarbonization of the electric utility system and transportation electrification and to promote Tacoma Power's renewable and nearly carbon free generation portfolio as a driver of economic development and a competitive advantage for existing customers.

Values

1. TPU is committed to advancing decarbonization of the electric utility system and transportation electrification where technically and economically feasible to meet these challenges today and into the future.
2. Electrification of transportation can produce new markets for TPU and can provide added revenue form surplus power that can help keep rates down for all customers.
3. The TPU Board joins the Tacoma City Council in supporting Council Resolution 40509, relating to the reality of climate change, and Council Resolution 39427, the Environmental Action Plan.
4. TPU believes that decarbonization is a vital tool to address the public emergency of climate change, and will help to minimize harm to current and future generations.
5. The Public Utility Board and senior management encourage measured risk taking while balancing opportunity and benefits to ensure that decarbonization and transportation electrification is pursued with strict discipline through analysis, sound technical data and good management oversight.
6. TPU is committed to educating our customers on the benefits of decarbonization and transportation electrification.
7. TPU is committed to decarbonizing our own operations and transitioning to electrified transportation as much as economically and operationally feasible.

Outcomes

1. Decarbonization and transportation electrification activities are identified, deployed, and supported with financial investment.
2. TPU will promote and support decarbonization efforts which benefit our customers, reducing their costs as well as reducing rate pressure. TPU will seek opportunities to make pro-active capital investments to accommodate anticipated customer electrification and decarbonization efforts.
3. TPU will be ready to act on opportunities as they arise by researching our customers' needs and barriers with regards to transportation electrification and collaborating with federal, state, and local governments, private business, and other stakeholders.
4. TPU will leverage its abundant natural resources to support decarbonization through the development of carbon credit projects.
5. TPU will seek opportunities to reduce greenhouse gas emissions in our own activities where operationally appropriate by replacing energy using devices with electric alternatives.
6. TPU will partner with and support the City of Tacoma in their greenhouse gas reduction efforts.
7. TPU will encourage electrification of transportation and decarbonization in the community and support with programs and initiatives in alignment with TPU business objectives and statutory authority.
8. TPU will support a legislative agenda that improves Tacoma Power's ability to advance decarbonization through increased electrification of energy use.
9. Decarbonization efforts are made transparent through reporting.

Measurements

1. Track progress on related Tacoma Environmental Action Plan and participate in City's Greenhouse Gas Inventory.
2. Adhere to the Transportation Electrification Strategic Plan.
3. Decarbonization goals will be reflected in long term planning such as the Power Integrated Resource Plan.
4. Track community outreach and communication activities related to decarbonization and transportation electrification.
5. Report to the Utility Board on organizational work groups who are focused on innovation, research and development, and modernization projects.
6. Individual work groups track and report progress.
7. Agree on simple metrics that can be tracked and reported. These metrics should map directly to an established value profile.

Reporting

1. Frequency: Annually
2. Reporting Method: To Be Developed

CITY OF TACOMA, WASHINGTON • ELECTRIC SYSTEM REVENUE BONDS, SERIES 2025A (GREEN BONDS) AND REFUNDING BONDS, SERIES 2025B (GREEN BONDS)

TACOMA POWER

TACOMA PUBLIC UTILITIES

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