



# 20 Tacoma Power 23 Annual Financial Report

FOR THE FISCAL YEAR ENDED  
**DECEMBER 31, 2023**  
PREPARED BY THE FINANCE DEPARTMENT

**TACOMA POWER**  
TACOMA PUBLIC UTILITIES





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

# Tacoma Power

## Table of Contents

Financial Data .....	1
Auditor’s Report .....	2
Management Discussion and Analysis .....	5
Financial Statements .....	15
Statements of Net Position .....	16
Statements of Revenues, Expenses and Changes in Net Position.....	19
Statements of Cash Flows .....	20
Notes to Financial Statements .....	22
Required Supplementary Information .....	53
Proportionate Share of the Net Pension Liability Last 10 Years.....	54
Schedule of Contributions Last 10 Fiscal Years .....	54
Proportionate Share of the Collective OPEB Liability Last 10 Years.....	55
Statistical Data (Unaudited) .....	57
Ten-Year Financial Review.....	58
Ten-Year Power Summary.....	60
Gross Generation Report.....	62
Debt Service Requirements.....	63
Funds Available for Debt Service.....	64
Resources .....	65
Taxes and Employee Welfare Contributions .....	66
2023 Electric Rates .....	67
Graphs .....	69

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

#### ***Emphasis of Matter***

As discussed in Note 3 of the financial statements, the Division adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2022. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. 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 29, 2024, 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.



Tacoma, Washington  
May 29, 2024

# 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, 2023, 2022, and 2021. 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, 2023 and 2022, 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 \$42.1 million or 4.8% in 2023 and a decrease of \$402,000 or 0.05% in 2022, as restated.
- Operating revenues increased \$36.0 million or 7.5% in 2023. Operating revenues increased \$10.6 million or 2.3% in 2022 after transferring \$95.0 million of wholesale revenues to the rate stabilization account.
- Utility Plant in Service before depreciation increased \$41.7 million or 1.8% in 2023 and \$68.6 million or 3.0% in 2022.
- Construction work in progress increased \$18.1 million or 69.5% in 2023 and decreased \$10.9 million or 29.5% in 2022.

## Overview of Financial Statements

Tacoma Power reported net operating income of \$73.8, \$56.0, and \$42.9 million, respectively, in 2023, 2022, as restated, and 2021. Operating revenues increased \$36.0 million during 2023 and operating expenses increased \$18.2 million. For 2022, operating revenues increased \$10.6 million and operating expenses decreased \$2.5 million, as restated. Tacoma Power reported an increase in net position of \$42.1 million in 2023 compared to a decrease of \$402,000 in 2022, as restated, and a decrease of \$209,000 in 2021.

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

**OPERATING RESULTS**  
(in thousands)

<u>Description</u>	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>	<u>2021</u> <u>(As Restated)</u>	<u>23/22</u>	<u>22/21</u>
				<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
Net Utility and Non-Utility Plant Special Funds, Current Assets, and Other Assets	\$ 1,177,231	\$ 1,158,516	\$ 1,124,873	\$ 18,715	\$ 33,643
	686,254	668,429	491,544	17,825	176,885
<b>Total Assets</b>	<b>1,863,485</b>	<b>1,826,945</b>	<b>1,616,417</b>	<b>36,540</b>	<b>210,528</b>
Deferred Outflows	71,936	34,259	38,975	37,677	(4,716)
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,935,421</b>	<b>\$ 1,861,204</b>	<b>\$ 1,655,392</b>	<b>\$ 74,217</b>	<b>\$ 205,812</b>

**MEGAWATT-HOURS BILLED**  
(in thousands)

<u>Type of Customer</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>23/22</u>	<u>22/21</u>
				<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
Residential	1,982	2,044	1,958	(62)	86
Commercial/General/Industrial	2,692	2,753	2,699	(61)	54
Wholesale	1,036	2,095	1,845	(1,059)	250
<b>Total</b>	<b>5,710</b>	<b>6,892</b>	<b>6,502</b>	<b>(1,182)</b>	<b>390</b>

## 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.

<u>Description</u>	<b>NET POSITION</b> (in thousands)			<b>23/22</b>	<b>22/21</b>
	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>	<b>2021</b>	<b>Increase</b> <b>(Decrease)</b>	<b>Increase</b> <b>(Decrease)</b>
Net Utility and Non-Utility Plant Special Funds, Current Assets, and Other Assets	\$ 1,177,231	\$ 1,158,516	\$ 1,124,873	\$ 18,715	\$ 33,643
<b>Total Assets</b>	<b>1,863,485</b>	<b>1,826,945</b>	<b>1,616,417</b>	<b>36,540</b>	<b>210,528</b>
Deferred Outflows	71,936	34,259	38,975	37,677	(4,716)
<b>Total Assets and Deferred Outflows</b>	<b>\$ 1,935,421</b>	<b>\$ 1,861,204</b>	<b>\$ 1,655,392</b>	<b>\$ 74,217</b>	<b>\$ 205,812</b>
Net Position:					
Net Investment in Capital					
Assets	\$ 558,379	\$ 560,830	\$ 589,351	\$ (2,451)	\$ (28,521)
Restricted	36,929	91,432	34,973	(54,503)	56,459
Unrestricted	323,820	224,799	252,467	99,021	(27,668)
<b>Total Net Position</b>	<b>919,128</b>	<b>877,061</b>	<b>876,791</b>	<b>42,067</b>	<b>270</b>
Long-Term Debt	506,619	595,564	534,255	(88,945)	61,309
Other Liabilities	268,439	114,663	120,982	153,776	(6,319)
<b>Total Liabilities</b>	<b>775,058</b>	<b>710,227</b>	<b>655,237</b>	<b>64,831</b>	<b>54,990</b>
Deferred Inflows	241,235	273,916	123,364	(32,681)	150,552
<b>Total Net Position, Liabilities and Deferred Inflows</b>	<b>\$ 1,935,421</b>	<b>\$ 1,861,204</b>	<b>\$ 1,655,392</b>	<b>\$ 74,217</b>	<b>\$ 205,812</b>



## Revenues

### 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 wholesale power revenues 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.

### 2022 Compared to 2021

Operating revenues totaled \$480.5 million in 2022 compared to \$470.0 million in 2021, as restated, an increase of \$10.5 million or 2.3% after transferring \$95.0 million of wholesale revenues to the rate stabilization account in 2022.

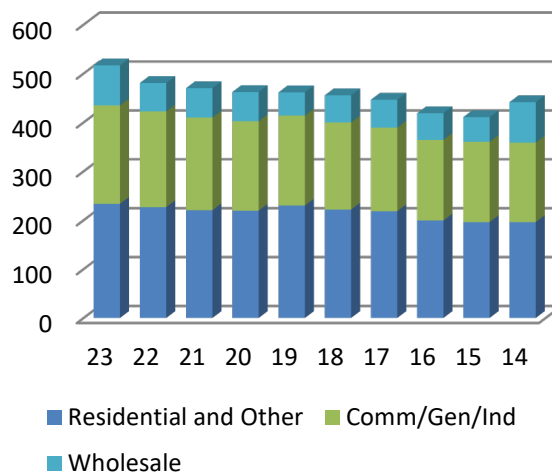
Sales of electric energy increased \$6.5 million or 1.5%. This was primarily due to an increase in revenues from residential, commercial, general, and new large load of \$19.2 million (3.1%) offset with decreases in contract industrial and wholesale of \$12.7 million. There was a 2.0% rate increase effective April 1, 2022 which attributed to \$4.5 million of the total increase. The remaining increase is due to the increase in consumption.

In 2022, residential sales accounted for 44.1% of electric revenues, commercial and industrial revenues accounted for 43.1% and wholesale power revenues accounted for 12.8%.

Other Operating Revenue increased \$4.1 million. The increase is 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.

As a result of GASB 87 implementation, lease revenues were recorded in the amount of \$2.6 million in 2022.

**OPERATING REVENUES**  
(in millions)



## Expenses

### 2023 Compared to 2022

Total operating expenses increased \$18.2 million or 4.3% 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 triggered when their reserves in 2022, measured in days cash on hand, reached pre-established target.

Generation expenses increased \$7.2 million or 33.3%. 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 \$6.5 million or 17.7%. 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 \$9.2 million or 42.9%. The increase was primarily due to an increase in salaries and wages.

Maintenance expenses increased \$7.9 million or 22%. 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 \$19.1 million or 37.2%. 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.

### 2022 Compared to 2021

Total operating expenses decreased \$2.5 million or 0.6% compared to 2021.

Transmission expenses increased \$6.4 million or 17.7%. The increase was primarily due to grid-management related amounts that were sub-allocated as part of the Energy Imbalance Market (EIM) transmission settlement. The EIM transmission settlement process assigns the costs and revenues realized by Tacoma Power's EIM entity scheduling coordinator in the EIM to the transmission responsible entity.

Distribution expenses decreased \$4.8 million or 18.4%. The decrease was primarily due to a decrease in salaries and wages.

Administrative and General expense decreased \$17.4 million or 25.4%. This was primarily due to a decrease in bad debt expense in relation to lower aging accounts receivable.

Taxes increased \$2.4 million or 11.1% primarily due to higher revenues earned prior to the transfer to the rate stabilization fund in 2022 compared to 2021.

## Non-Operating Revenues (Expenses)

Interest income increased \$8.4 million in 2023 primarily due to higher cash balance and higher interest rates in City Pooled investments in 2023. An increase in unrealized gain on fair value investment of \$18.0 million due to higher market value of investments as of December 31, 2023.

Other expenses decreased \$7.1 million mainly due to \$2.7 million expenses to assist overdue utility accounts receivable in 2023 compared to \$8.9 million in 2022. The Division received \$2.7 million in pass-through federal funding from Neighborhood and Community Services (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. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

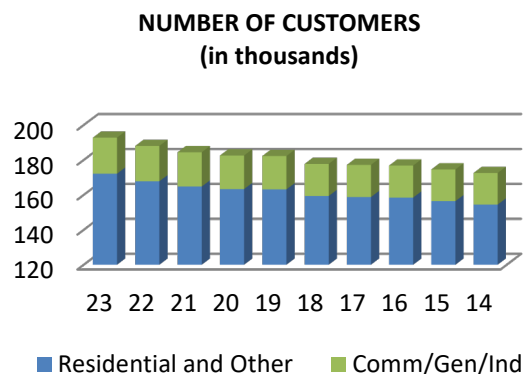
Gain/ (loss) on lease modification and termination was \$1.8 million in 2023. As of September 30, 2023, the renewal term of total 20 years was added to the original lease term and remeasurement of lease receivables and deferred inflows were performed as of this date. Additional information on lease modification can be found in Note 6 of the financial statements.

## Transfers

In 2023, net transfers decreased \$3.8 million. Gross Earnings tax decreased \$2.3 million due to a decrease in 2023 revenue compared to 2022 revenue before transferring to the rate stabilization account in 2022. There was no transfer to the rate stabilization fund in 2023. Transfer from other funds decreased \$6.1 million mainly due to the decrease in transfers from NCS as discussed in the non-operating revenues (expenses) section.

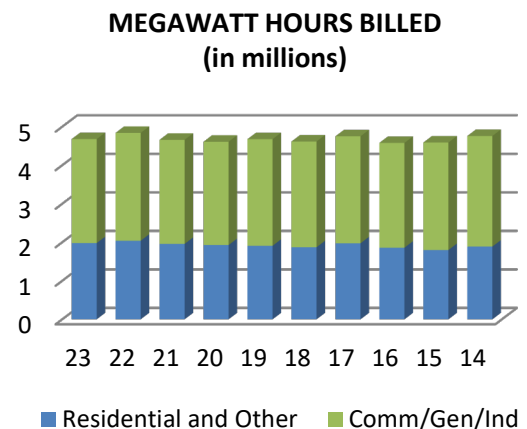
## Customer Counts

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 2023 is 192,767 compared to 187,950 in 2022 and 184,406 in 2021. The decrease is due to the reduction in consumption.



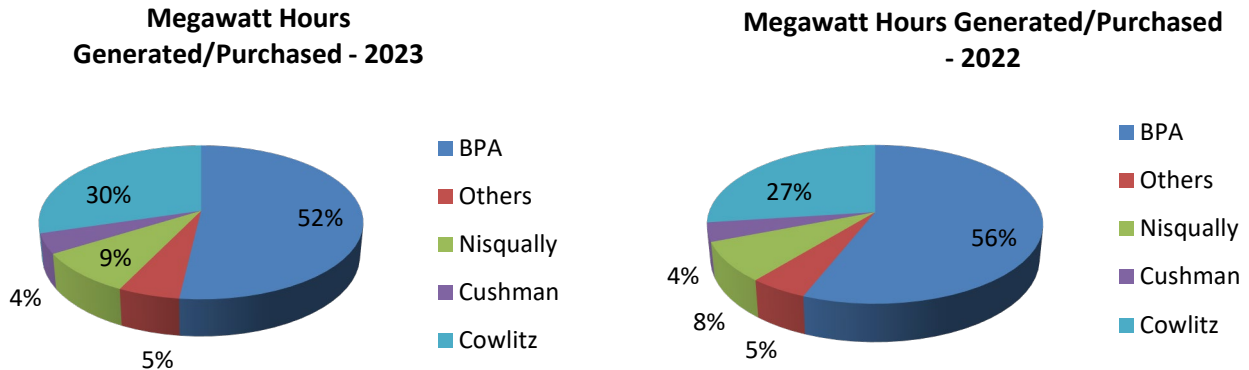
## Megawatt-hours Billed

Megawatt-hours billed to residential and other customers decreased 3.2% in 2023 and commercial / general / industrial billings decreased 2.3%. Wholesale power billed in 2023 was 1,036,598 megawatt-hours compared to 2,095,334 in 2022, a decrease of 1,058,736 megawatt-hours or 50.5%.



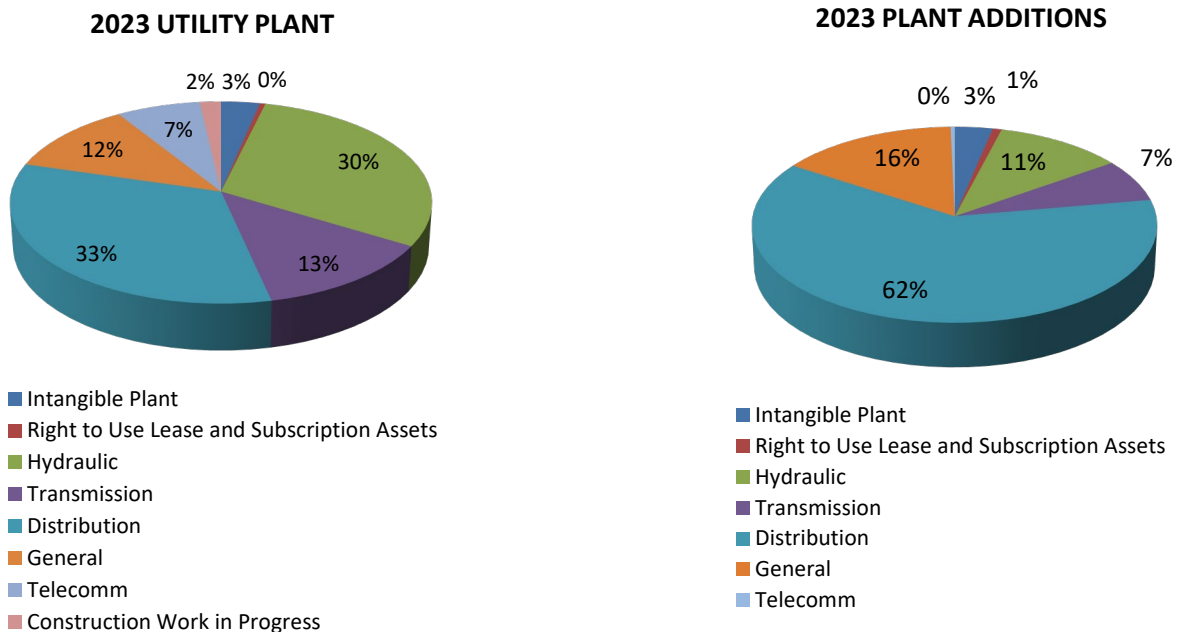
## Sources of Power

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 \$2.4 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 2023 were \$1.7 million, which included cybersecurity & resilience additions and replacements, advanced meter modules and software, drawing management solution, and easements.

The Division implemented GASB Statement No. 87, *Leases*, effective January 1, 2021, and GASB Statement No. 96, *Subscription-based information technology agreement (SBITA)*, effective January 1, 2022. The implementation of GASB 96 required the recognition of a right to use of another entity's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a specific period in an exchange or exchange-like transactions. The Division restated the 2022 Utility Plant and Plant Additions for the adoption of GASB Statement No. 96. Additions to right to use subscription assets were \$410,000 in 2023 compared to \$10.2 million in 2022. Further information can be found in Note 5 and Note 6.

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.

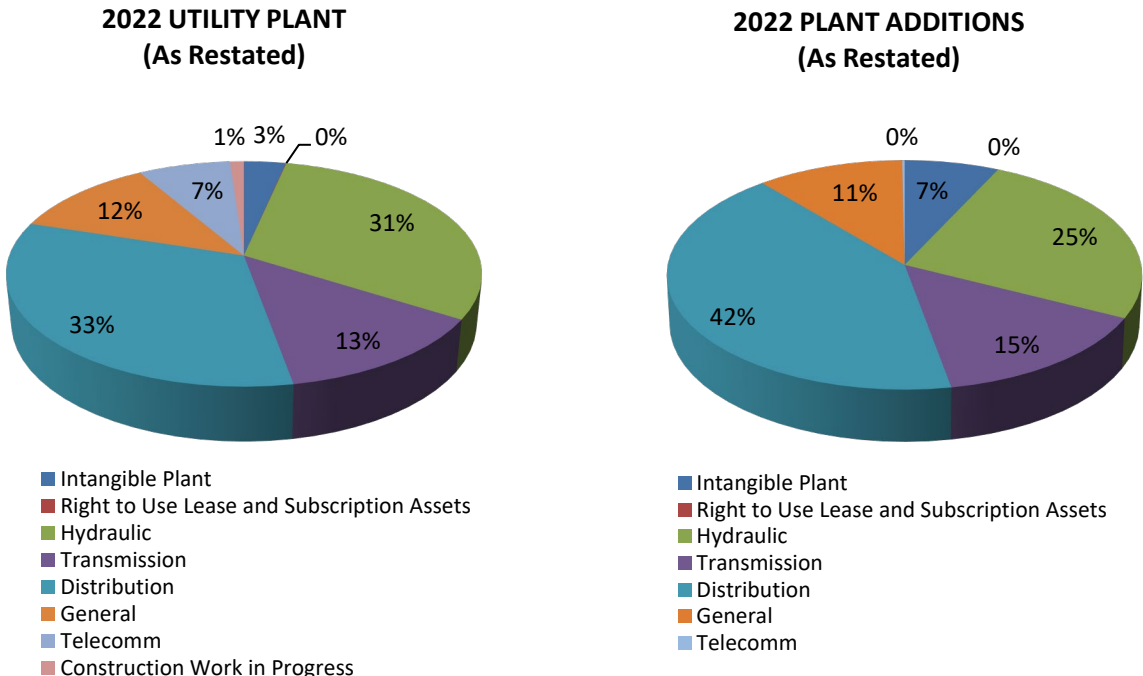
Transmission additions were \$3.4 million, which included addition and replacement programs for substations, transmission, protection and controls, power security upgrade, and road related additions and replacements.

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.



Additions to Intangible Plant in 2022 were \$6.1 million, which primarily included customer engagement portal, drawing management solution, and advanced meter modules and software.

Additions to right to use lease and subscription assets were \$7.3 million in 2022, as restated. The Division implemented GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-based information technology agreement* (SBITA) as discussed in 2023 Utility Plant and Plant Additions. Further information can be found in Note 5 and Note 6.

Additions to Hydraulic Plant in 2022 were \$22.0 million, which mainly included Cowlitz salmon hatchery barrier dam, Mayfield water system, and Mossyrock generator breaker replacements.



Transmission additions were \$10.9 million, which included Mayfield bank transformer replacement, addition and replacement programs for overhead, substations, transmission, protection and controls, central treatment plant electrical upgrade, Narrows tower fall protection, and road related additions and replacements.

Distribution additions were \$36.1 million, which included addition and replacement programs for overhead and underground distribution, new services, central business district, road related additions and replacements, distribution system and transformers, meters and devices, and the advanced meter project.

Regional Transmission additions were \$1.9 million, which primarily included Energy Imbalance Market (EIM) integration points, modules, and hardware.

Additions to General Plant were \$9.4 million, which included administrative building elevator replacements, fleet related vehicles and equipment, supervisory control and data acquisition systems (SCADA), land mobile radio, and main data center system upgrades. Telecommunications additions were \$156,000, which included hybrid fiber coax plant extensions.

<b>Net Utility Plant</b> (in thousands)	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>	<b>2021</b>	<b>23/22</b> <b>Increase</b> <b>(Decrease)</b>	<b>22/21</b> <b>Increase</b> <b>(Decrease)</b>
Intangible Plant	\$ 55,419	\$ 56,113	\$ 52,400	\$ (694)	\$ 3,713
Right to Use Lease and Subscription Assets	6,939	8,848	932	(1,909)	7,916
Hydraulic Plant	461,727	466,600	454,560	(4,873)	12,040
Transmission Facilities	133,929	139,051	134,445	(5,122)	4,606
Distribution Facilities	373,221	357,081	337,111	16,140	19,970
General Plant	91,665	92,615	92,824	(950)	(209)
Telecommunications Plant	10,077	12,030	15,521	(1,953)	(3,491)
Construction Work in Progress	44,072	25,996	36,898	18,076	(10,902)
<b>Total Net Utility Plant</b>	<b>\$ 1,177,049</b>	<b>\$ 1,158,334</b>	<b>\$ 1,124,691</b>	<b>\$ 18,715</b>	<b>\$ 33,643</b>

Additional information on Tacoma Power's capital assets can be found in Note 5 of the financial statements.

### Debt Administration

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.

At December 31, 2022, Tacoma Power had outstanding revenue bonds of \$482.0 million, a reduction of \$5.9 million compared to 2021. In April and September 2022, Tacoma Power took a combined total draw of \$50.0 million and in December 2022 another draw of \$20.0 million on the line of credit agreement with Wells Fargo bringing the total balance outstanding at December 31, 2022 to \$80.0 million.

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. There were no draws outstanding on this Note Purchase Agreement as of December 31, 2023 or 2022.

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 2023, principal and interest were covered 4.91 times compared to 3.60 times in 2022, as restated, and 3.61 times in 2021, as restated.

## **Economic Factors Affecting Next Year**

On April 1, 2024, an average rate increase of 3.5% for electric customers went into effect. The biennial rate increases approved by the Public Utility Board are expected to bring in an additional \$22 million in operating revenues for 2024.

The overall financial impact to Tacoma Power from the WestRock closure has been mitigated due to an offsetting decrease in associated expenses. While WestRock is one of our largest industrial customers, our healthy cash reserves and thoughtful long-range financial planning have positioned us to navigate this unexpected change in revenue.

## **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,	
	2023	2022 (As Restated)
<b>UTILITY PLANT</b>		
In Service, at Original Cost	\$2,394,876,667	\$2,353,218,766
Less - Accumulated Depreciation	(1,268,838,145)	(1,229,728,104)
Total Net Plant in Service	1,126,038,522	1,123,490,662
Right to Use Lease and Subscription Assets, at Original Cost	11,357,495	11,248,092
Less - Accumulated Amortization	(4,418,470)	(2,400,463)
Total Net Right to Use Lease and Subscription Assets	6,939,025	8,847,629
Construction Work in Progress	44,071,113	25,995,658
Net Utility Plant	1,177,048,660	1,158,333,949
<b>NON-UTILITY PROPERTY</b>	182,051	182,051
<b>SPECIAL FUNDS</b>		
Construction Funds	-	6,573,156
Debt Service Funds	18,167,955	18,008,955
Special Bond Reserve Funds	4,997,639	4,997,639
Wynoochee Reserve Funds	2,845,795	2,716,911
Fish and Wildlife Reserves	27,528,493	26,557,379
Total Special Funds	53,539,882	58,854,040
<b>CURRENT ASSETS</b>		
Operating Funds Cash and Equity in		
Pooled Investments	426,962,861	360,160,676
Accounts Receivable	37,521,720	50,981,032
(Net of Allowance for Doubtful Accounts of \$10,478,836 in 2023 and \$13,124,346 in 2022)		
Accrued Unbilled Revenue	29,276,055	32,097,187
Materials and Supplies	11,201,742	10,753,282
Prepayments and Other	13,664,290	11,856,468
Current Lease Receivable	1,266,513	3,209,310
Total Current Assets	519,893,181	469,057,955
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation		
(Net of Amortization of \$82,895,317 in 2023 and \$75,756,013 in 2022)	29,406,972	32,684,299
Net Pension Asset	-	55,917,696
Conservation Loans Receivable	5,155,337	2,671,569
Long-Term Lease Receivable	78,259,109	49,243,534
Total Other Assets	112,821,418	140,517,098
 Total Assets	 1,863,485,192	 1,826,945,093
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflow for Pensions	69,115,910	30,747,657
Deferred Outflow for OPEB	2,820,270	3,511,566
Total Deferred Outflows	71,936,180	34,259,223
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	 \$1,935,421,372	 \$1,861,204,316

*The accompanying notes are an integral part of these financial statements*

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	DECEMBER 31,	
	2023	2022 (As Restated)
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$558,378,504	\$560,829,754
Restricted for:		
Wynoochee Reserve Funds	2,845,795	2,716,911
Fish and Wildlife Reserves	27,528,493	26,557,379
Debt Service Funds	6,555,000	6,240,000
Net Pension Asset	-	55,917,696
Unrestricted	323,819,839	224,799,149
Total Net Position	<u>919,127,631</u>	<u>877,060,889</u>
<b>LONG-TERM DEBT</b>		
Revenue Bonds	506,618,951	515,564,002
Line of Credit	-	80,000,000
Total Long-Term Debt	<u>506,618,951</u>	<u>595,564,002</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Revenue Bonds and Line of Credit	111,555,000	6,240,000
Taxes and Other Payables	21,287,664	25,749,303
Purchased Power Payable	10,678,886	11,924,182
Salaries, Wages and Compensated Absences Payable	5,753,033	6,238,603
Interest Payable	11,612,955	11,768,955
Unearned Revenue	4,680,907	4,789,562
Customers' Deposits	14,178,531	10,809,894
Current Accrued Environmental Liability	120,000	375,000
Current Pension Withdrawal Liability	35,112	43,890
Net Current OPEB Liability	321,032	625,381
Current Lease and Subscription Liability	1,914,806	1,975,504
Total Current Liabilities	<u>182,137,926</u>	<u>80,540,274</u>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Accrued Compensated Absences	14,530,960	13,949,205
Net Pension Liability	53,548,006	-
Net OPEB Liability	11,186,123	13,422,976
Pension Withdrawal Liability	350,324	385,437
Long-Term Lease and Subscription Liability	3,761,088	5,477,534
Other Long-Term Liabilities	2,925,382	888,040
Total Long-Term Liabilities	<u>86,301,883</u>	<u>34,123,192</u>
Total Liabilities	<u>775,058,760</u>	<u>710,227,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflow for Pensions	1,267,692	63,964,298
Deferred Inflow for OPEB	2,770,304	1,040,696
Deferred Inflow for Leases	79,196,985	50,910,965
Rate Stabilization	158,000,000	158,000,000
Total Deferred Inflows	<u>241,234,981</u>	<u>273,915,959</u>
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$1,935,421,372</u>	<u>\$1,861,204,316</u>



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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,	
	2023	2022 (As Restated)
<b>OPERATING REVENUES</b>		
Sales of Electric Energy	\$488,845,315	\$454,760,186
Other Operating Revenue	25,193,920	23,151,034
Lease Revenue	2,507,510	2,617,126
Total Operating Revenue	<u>516,546,745</u>	<u>480,528,346</u>
<b>OPERATING EXPENSES</b>		
Operations		
Purchased and Interchanged Power	128,335,810	147,630,034
Generation	28,711,977	21,536,609
Transmission	35,872,375	42,361,520
Distribution	30,723,026	21,500,215
Other	26,308,180	25,522,724
Maintenance	43,905,203	35,973,761
Telecommunications Expense	987,962	858,512
Administrative and General	70,282,044	51,221,675
Depreciation and Amortization	53,576,433	54,144,320
Taxes	24,010,110	23,764,265
Total Operating Expenses	<u>442,713,120</u>	<u>424,513,635</u>
Net Operating Income	73,833,625	56,014,711
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	12,933,375	4,559,838
Unrealized Gain (Loss) on Fair Value Investment	6,910,454	(11,122,036)
Interest Income on Lease Activity	1,244,607	1,205,627
Contribution to Family Need	(3,500,000)	(1,000,000)
Others	(332,797)	(7,444,141)
Gain on Sale/Disposal of Capital Assets	429,179	530,217
Loss on Lease Modifications and Termination	(1,756,141)	-
Interest on Long-Term Debt	(26,366,314)	(24,381,573)
Amortization of Debt Premium	2,390,051	2,450,989
Total Non-Operating Expenses	<u>(8,047,586)</u>	<u>(35,201,079)</u>
Net Income Before Capital Contributions and Transfers	65,786,039	20,813,632
Capital Contributions		
Cash	8,979,522	7,966,031
Donated Capital Assets	619,432	294,538
BABs and CREBs Interest Subsidies	3,729,224	3,729,224
Transfers		
City of Tacoma Gross Earnings Tax	(39,775,933)	(42,085,291)
Transfers from/(to) Other Funds	2,728,458	8,879,606
<b>CHANGE IN NET POSITION</b>	42,066,742	(402,260)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>877,060,889</u>	<u>877,463,149</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$919,127,631</u>	<u>\$877,060,889</u>

*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,	
	2023	2022 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers	\$536,788,970	\$575,522,713
Cash Paid to Suppliers	(203,917,472)	(215,114,122)
Cash Paid to Employees	(151,128,978)	(142,277,961)
Taxes Paid	(26,372,516)	(22,123,341)
Cash from/(to) Conservation Loans	(2,483,768)	(710,329)
Cash from/(to) Non-Operating Revenues (Expenses)	783,647	(7,009,427)
Net Cash from Operating Activities	<u>153,669,883</u>	<u>188,287,533</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax	(39,775,933)	(42,085,291)
Grants Received	68,548	60,384
Grants Paid	(970,926)	10,000
Transfer from Other Funds	2,728,458	8,879,606
Transfer to Family Need Fund	(3,500,000)	(1,000,000)
Net Cash from Non-Capital Financing Activities	<u>(41,449,853)</u>	<u>(34,135,301)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures	(73,665,800)	(78,326,210)
Principal payments on leases and subscriptions	(2,143,738)	(2,225,118)
Proceeds from sales of capital assets	480,814	568,360
Proceeds from Line of Credit (LOC)	25,000,000	70,000,000
Debt Issuance and LOC Costs	(13,250)	39,047
Principal Payments on Long-Term Debt and LOC	(6,240,000)	(5,945,000)
Interest Paid on Debt, LOC, and subscriptions	(26,702,604)	(23,616,523)
BABs and CREBs Interest Subsidies	3,729,224	3,729,224
Contributions in Aid of Construction (Cash)	8,979,522	7,966,031
Net Cash from Capital and Related Financing Activities	<u>(70,575,832)</u>	<u>(27,810,189)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup></b>		
Investment Income (Loss)	<u>19,843,829</u>	<u>(6,562,198)</u>
Net Cash from Investing Activities	<u>19,843,829</u>	<u>(6,562,198)</u>
Net Change in Cash and Equity in Pooled Investments	61,488,027	119,779,845
Cash and Equity in Pooled Investments at January 1	<u>419,014,716</u>	<u>299,234,871</u>
Cash and Equity in Pooled Investments at December 31	<u><u>\$480,502,743</u></u>	<u><u>\$419,014,716</u></u>

<sup>a</sup> 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,	
	2023	2022 (As Restated)
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>		
Net Operating Income	\$73,833,625	\$56,014,711
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation and Amortization	53,576,433	54,144,320
Amortization of Regulatory Assets	7,139,304	7,854,071
Pension Expenses (Credits)	8,400,843	(19,044,104)
Net OPEB Expenses (Credits)	(120,298)	328,285
Accrued Environmental Expense	(255,000)	50,000
Rate Stabilization	-	95,000,000
Lease Revenue Net	701,800	427,538
Other Non-Op Revenues (Expenses)	783,647	(7,009,427)
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Accrued Unbilled Revenue	16,280,444	(4,579,894)
Conservation Loans Receivable	(2,483,768)	(710,329)
Materials, Supplies, and Other	(298,429)	(1,527,976)
Taxes and Other Payables	(2,246,268)	9,963,158
Purchased Power Payable	(1,245,296)	(397,425)
Salaries, Wages and Compensated Absences Payable	(485,570)	372,289
Long-Term Accrued Compensated Absences	581,755	430,103
Customers' Deposits	3,368,637	1,335,149
Regulatory Asset - Conservation	(3,861,976)	(4,362,936)
Total Adjustments	<u>79,836,258</u>	<u>132,272,822</u>
Net Cash from Operating Activities	<u>\$153,669,883</u>	<u>\$188,287,533</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$53,539,882	\$58,854,040
Cash and Equity in Pooled Investments in Operating Funds	<u>426,962,861</u>	<u>360,160,676</u>
Cash and Equity in Pooled Investments at December 31	<u>\$480,502,743</u>	<u>\$419,014,716</u>
Noncash Investing, Capital, and Financing activities		
Donated fixed assets	\$619,432	\$294,538
Unrealized Gain (Loss) on Fair Value Investment	\$6,910,454	(\$11,122,036)

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power

Notes to Financial Statements  
Years Ended December 31, 2023 and 2022

**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 193,000 retail customers and has 995 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 2023, the Division implemented the following new accounting and reporting standard issued by the GASB:

GASB Statement No. 94 – *Public-Private and Public-Public Partnership and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Under this Statement, a transferor is required to recognize the receivables for installment payments to be submitted by the operator and a deferred inflow of resources, while an operator is required to recognize a liability for installment payments to be submitted and a deferred outflow of resources, which taken together enhance the relevance and consistency of information about governments' outsourcing of functions to external operators. The Division did not have any agreements covered by GASB Statement No. 94 in the fiscal year ended December 31, 2023. Therefore, there are no effects on the Division's financial statements upon implementation.

GASB Statement No. 96 – *Subscription-based information technology arrangements (SBITAs)*. The objective of this statement is to better meet the information needs of financial statement users by establishing a definition for SBITAs and prescribing accounting and financial reporting for SBITAs by governments. Prior to the issuance of GASB Statement No. 96, there was no accounting or financial reporting guidance specifically for SBITAs. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right to use subscription asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities. The Division implemented the provisions of GASB Statement No. 96 effective January 1, 2022, and restated financial results for the year ended December 31, 2022, as required by the standard (see Note 3).

GASB Statement No. 99 – *Omnibus 2022*. This statement is to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for the fiscal year ended December 31, 2023 address the following topics:

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (paragraphs 11-17)
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset (paragraphs 18-22)
- Clarification of provisions in Statement No. 96 SBITAs related to terms and definitions: subscription termination, short-term SBITAs, and measurement of subscription liabilities (paragraphs 23-25)

GASB Statement No. 99 paragraphs 11-17, 18-22, and 23-25 were implemented by the Division for the fiscal year ended December 31, 2023. There is no effect on the Division's financial statements as a result of the implementation. Additionally, the Division does not have derivative or hedging instruments as defined by Statement No. 99.

**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, 2023 and 2022, 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, 2023 and 2022.

**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 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. Losses on refunding are amortized on a straight-line basis over the applicable bond period and are presented as 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 2023 or 2022.

**INTANGIBLE ASSETS** - In accordance with GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*, land use rights, such as easements and right-of-ways, 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 City's original 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. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy. 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%. Vacation pay and PTO are recorded as a liability and expense in the year earned.

Employees in the original 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. Sick leave pay is recorded as a liability and an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

**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 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 City 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 City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses an average incremental borrowing rate 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 City 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 City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses an average incremental borrowing rate 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 City is reasonably certain to exercise. The City 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 City 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 City's average incremental borrowing rate. 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 RESTATEMENT**

The Division restated the December 31, 2022, financial statements for the adoption of GASB Statement No. 96 – SBITAs as summarized below:

	<b>2022</b> <b>(As previously</b> <b>reported)</b>	<b>Effect of</b> <b>Restatement</b> <b>related to adoption</b> <b>of GASB No. 96</b>	<b>2022</b> <b>(As Restated)</b>
<b>Statement of Net Position</b>			
<b>UTILITY PLANT &amp; NON-UTILITY PROPERTY</b>			
Net Utility Plant & Non-Utility Property, excluding Right to Use Lease and Subscription Assets	\$1,149,668,371	-	\$1,149,668,371
Right to Use Lease and Subscription Assets	1,039,551	10,208,541	11,248,092
Less - Accumulated Amortization	(180,967)	(2,219,496)	(2,400,463)
<b>SPECIAL FUNDS, CURRENT ASSETS &amp; OTHER ASSETS</b>	<u>668,429,093</u>	-	<u>668,429,093</u>
Total Assets	1,818,956,048	7,989,045	1,826,945,093
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>34,259,223</u>	-	<u>34,259,223</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$1,853,215,271</u>	<u>7,989,045</u>	<u>\$1,861,204,316</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$559,649,802	1,179,952	560,829,754
Restricted	91,431,986	-	91,431,986
Unrestricted	<u>224,799,149</u>	-	<u>224,799,149</u>
Total Net Position	<u>875,880,937</u>	<u>1,179,952</u>	<u>877,060,889</u>
<b>LONG-TERM DEBT</b>	595,564,002	-	595,564,002
<b>CURRENT LIABILITIES</b>			
Current Liabilities, excluding Lease and Subscription Liability	77,939,389	-	77,939,389
Current Lease and Subscription Liability	60,801	1,914,703	1,975,504
<b>LONG-TERM LIABILITIES</b>			
Long-term Liabilities, excluding Lease and Subscription Liability	29,271,039	-	29,271,039
Long-term Lease and Subscription Liability	<u>583,144</u>	4,894,390	<u>5,477,534</u>
Total Liabilities	<u>703,418,375</u>	<u>6,809,093</u>	<u>710,227,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>273,915,959</u>	-	<u>273,915,959</u>
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<u>1,853,215,271</u>	<u>7,989,045</u>	<u>1,861,204,316</u>

Notes to Financial Statements (continued)

	2022 (As previously reported)	December Year-to-Date Effect of Restatement related to adoption of GASB No. 96	2022 (As Restated)
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
<b>OPERATING REVENUES</b>	\$ 480,528,346	-	\$ 480,528,346
<b>OPERATING EXPENSES</b>			
Operating Expenses, excluding Depreciation and Amortization	373,086,888	(2,717,573)	370,369,315
Depreciation and Amortization	52,121,510	2,022,810	54,144,320
Net Operating Income	55,319,948	694,763	56,014,711
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Non-operating Expenses, excluding Others	(27,756,938)	-	(27,756,938)
Others	(7,257,175)	(186,966)	(7,444,141)
Net income before capital contributions and transfers	20,305,835	507,797	20,813,632
Capital Contributions	8,260,569	-	8,260,569
BABs and CREBs Interest Subsidies	3,729,224	-	3,729,224
Transfers	(33,205,685)	-	(33,205,685)
<b>CHANGE IN NET POSITION</b>	(910,057)	507,797	(402,260)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	876,790,994	672,155	877,463,149
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 875,880,937	\$ 1,179,952	\$ 877,060,889

**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.

**Notes to Financial Statements (continued)**

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:

Debt Securities	As of			
	12/31/2023	Level 1	Level 2	Level 3
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	-
	<u>\$ 1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,449,641,972</u>	<u>\$ -</u>

Debt Securities	As of			
	12/31/2022	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 683,653,733	\$ -	\$ 683,653,733	\$ -
U.S. Agency Securities	555,411,908	-	555,411,908	-
Supranational Securities	19,561,285	-	19,561,285	-
Municipal Bonds	20,114,217	-	20,114,217	-
Corporate Securities	61,142,820	-	61,142,820	-
	<u>\$ 1,339,883,963</u>	<u>\$ -</u>	<u>\$ 1,339,883,963</u>	<u>\$ -</u>

Tacoma Power's share of the City investments shown in the table above is 30.59% and 28.74% for 2023 and 2022, respectively.

**NOTE 5 UTILITY PLANT**

A summary of the balances and changes in utility plant for 2023 and 2022 follows:

	Balance December 31, 2022 (Restated)	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 Progress	25,995,658	77,160,646	-	(59,085,191)	44,071,113
Net Utility Plant	<u>\$ 1,158,333,949</u>	<u>\$ 24,651,507</u>	<u>\$ (89,930)</u>	<u>\$ (5,846,866)</u>	<u>\$ 1,177,048,660</u>

**Notes to Financial Statements (continued)**

	<b>Balance December 31, 2021</b>	<b>Additions (*)</b>	<b>Retirements</b>	<b>Transfers &amp; Adjustments</b>	<b>Balance December 31, 2022 (Restated)</b>
Intangible Plant	\$ 73,278,947	\$ 183,982	\$ (78,414)	\$ 5,878,252	\$ 79,262,767
Hydraulic Production Plant	706,856,020	-	(556,859)	21,963,669	728,262,830
Transmission Plant	265,541,928	110,556	(1,649,212)	10,709,029	274,712,301
Distribution Plant	758,497,815	-	(15,171,055)	36,108,348	779,435,108
Regional Transmission	37,379,450	-	-	1,859,330	39,238,780
General Plant	268,282,823	-	(358,175)	9,427,229	277,351,877
Telecommunications Plant	174,799,209	-	-	155,894	174,955,103
Total Plant in Service	<u>2,284,636,192</u>	<u>294,538</u>	<u>(17,813,715)</u>	<u>86,101,751</u>	<u>2,353,218,766</u>
Right to use Lease and Subscription Assets	<u>1,039,551</u>	<u>10,208,541</u>	<u>-</u>	<u>-</u>	<u>11,248,092</u>
Total Utility Plant in Service	<u>2,285,675,743</u>	<u>10,503,079</u>	<u>(17,813,715)</u>	<u>86,101,751</u>	<u>2,364,466,858</u>
Less Accumulated					
Depreciation	(1,197,775,390)	(52,048,203)	17,223,033	2,872,456	(1,229,728,104)
Amortization	(107,660)	(2,292,803)	-	-	(2,400,463)
Total Accumulated Depreciation & Amortization	<u>(1,197,883,050)</u>	<u>(54,341,006)</u>	<u>17,223,033</u>	<u>2,872,456</u>	<u>(1,232,128,567)</u>
Construction Work In Progress	36,898,362	83,653,045	-	(94,555,749)	25,995,658
Net Utility Plant	<u>\$ 1,124,691,055</u>	<u>\$ 39,815,118</u>	<u>\$ (590,682)</u>	<u>\$ (5,581,542)</u>	<u>\$ 1,158,333,949</u>

(\*) Restated for the impacts of the implementation of GASB Statement No. 96 SBITA.

Total Utility Plant in Service includes non-depreciable assets of \$74,635,984 for 2023 and \$74,540,752 for 2022.

**Right to Use Lease and Subscription Assets**

A lease is defined as a contract that conveys control of the right to use of another entity's nonfinancial assets as specified in a contract for a specific period in an exchange or exchange-like transactions. The City is party to a variety of lease contracts as lessee for which this right to use has been recognized as an asset on the statement of net position.

A subscription-based information technology agreement (SBITA) is defined as a contract that conveys control of the right to use of another entity'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. The City is party to a variety of SBITA contracts as a subscriber for which this right to use has been recognized as an asset on the statement of net position. This recognition is effective January 1, 2022, due to the implementation of GASB 96.

A summary of the balances and changes in right to use lease and subscription assets for 2023 and 2022 follows:

	<b>2022 (As Restated)</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers &amp; Adjustments</b>	<b>2023</b>
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	<u>11,248,092</u>	<u>409,566</u>	<u>(300,163)</u>	<u>-</u>	<u>11,357,495</u>
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	<u>(2,400,463)</u>	<u>(2,318,170)</u>	<u>300,163</u>	<u>-</u>	<u>(4,418,470)</u>
Total Right to Use Lease and Subscription Assets, net	<u>\$ 8,847,629</u>	<u>\$ (1,908,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,939,025</u>

Notes to Financial Statements (continued)

	2021	Additions (*)	Retirements	Transfers & Adjustments	2022 (As Restated)
Right to Use Lease and Subscriptions Assets					
Land	\$ 352,546	\$ -	\$ -	\$ -	\$ 352,546
Telecommunications	687,005	-	-	-	687,005
SBITAs	-	10,208,541	-	-	10,208,541
Total Right to Use	<u>1,039,551</u>	<u>10,208,541</u>	<u>-</u>	<u>-</u>	<u>11,248,092</u>
Less: Accumulated Amortization					
Land	(38,960)	(38,957)	-	-	(77,917)
Telecommunications	(68,700)	(34,350)	-	-	(103,050)
SBITAs	-	(2,219,496)	-	-	(2,219,496)
Total Accumulated Amortization	<u>(107,660)</u>	<u>(2,292,803)</u>	<u>-</u>	<u>-</u>	<u>(2,400,463)</u>
Total Right to Use Lease and Subscription Assets, net	<u>\$ 931,891</u>	<u>\$ 7,915,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,847,629</u>

(\*) Restated for the impacts of the implementation of GASB Statement No. 96 SBITA.

**NOTE 6 LEASES AND SUBSCRIPTION LIABILITY**

**Lease receivables and Deferred Inflows of Resources - Lessor**

On February 8, 1966, the Division entered into a lease agreement related to the recreational use of existing Cushman project reservoirs for private development of individual tracts on or near the reservoirs. The lease term started on March 1, 1966 for ninety-nine (99) years and will end on February 28, 2065. The annual rental payment will be increased every five years in accordance with the Consumer Price Index - CPI (All Urban Consumers – Seattle – Tacoma – Bremerton). The basis for this increase is the annual rent for the base year of the lease, which was \$40,000 in 1966. A monthly receipt of \$30,463 from January 1, 2021 to end of lease term, February 28, 2065, is applied to calculate the net present value of the lease receivable in the absence of future CPI. An initial lease receivable was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2023, the lease receivable is \$9.8 million compared to \$9.9 million as of December 31, 2022. An initial deferred inflows was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2023, the deferred inflows is \$9.5 million compared to \$9.8 million as of December 31, 2022.

On April 1, 2020, Tacoma Power entered into an IRU agreement with Rainier Connect who took operational control of the telecommunications network including commercial coax, fiber, equipment and other assets. The lease term started on April 1, 2020 for twenty (20) years and will end on March 31, 2040. This agreement may be renewed for up to two additional terms of ten (10) years each. The renewal period was not included in the lease period in calculating the net present value of lease receivables due to uncertainty as of December 31, 2022. Monthly IRU fee range is from \$208,333 to \$250,000 in the first five year of the lease period. Each subsequent year following the fifth year, the IRU fee will be adjusted on the anniversary of the Effective Date to reflect the Consumer Price Index Increase. If there is no Consumer Price Index Increase (i.e. there is deflation during the relevant period), there shall be no reduction in the IRU fee from the prior year. An initial lease receivable was recorded in the amount of \$45.9 million as of January 1, 2021. As of September 30, 2023, the renewal term of total 20 years was added to the original lease term and the lease was remeasured as of this date to add the additional period using the average incremental borrowing rate of 2.671%. As of December 31, 2023, the lease receivable was \$69.7 million compared to \$42.5 million as of December 31, 2022. An initial deferred inflows was recorded in the amount of \$45.9 million as of January 1, 2021. As of December 31, 2023, the deferred inflows was \$69.7 million compared to \$41.2 million as of December 31, 2022. A loss on lease modification of \$1.8 million was recorded in 2023 as a result of the remeasurement.

The City used its average incremental borrowing rate of 2.671% and 2.264% as of December 31, 2023 and 2022, respectively, in calculation of net present value of lease receipts, as the interest rate is not stated in the agreements.

Total lease receivable as of December 31, 2023 is \$79.5 million and \$52.5 million as of December 31, 2022. Current lease receivable as of December 31, 2023 is \$1.3 million compared to \$3.2 million as of December 31, 2022.

Interest income on lease activity of \$1.2 million was recorded in both 2023 and 2022. Lease Revenue in the amount of \$2.5 million and \$2.6 million was recorded for the year ended December 31, 2023, and 2022, respectively.

**Right to Use Lease Assets and Lease Liability - Lessee**

The Division entered into a real estate lease for a communication site and associated beams paths at Capital Peak located in Thurston County, Washington. The lease is for ten (10) years which started from August 1, 2013 through July 31, 2023. The lease term ended on July 31, 2023 and was extended to July 31, 2024. The Division has recorded this contract as a short-term lease thereafter with the payments recorded as expenses. As of December 31, 2023, there were no balances of lease liability and right to use of asset for this contact compared to a lease liability of \$10,683 and a net right to use of asset of \$10,307 as of December 31, 2022.

On May 1, 2016, the Division entered into a real estate lease for a communication site property situated in Lewis County, Washington for a period of twenty (20) years started on May 1, 2016 and will end on or before April 30, 2036. Annual rental fee for the 1<sup>st</sup> year is \$17,500 and the fee will increase by 3% on the anniversary date in the subsequent year of the lease term. An initial lease liability was recorded in the amount of \$306,897 as of January 1, 2021, and as of December 31, 2023, the lease liability was \$261,742 compared to \$277,574 as of December 31, 2022. The value of the right to use asset as of both December 31, 2023 and 2022 was \$306,898 with accumulated amortization of \$63,864, and \$42,575 as of December 31, 2023 and 2022, respectively.

On June 14, 2017, the Division entered into a telecommunication lease agreement for accessing fiber network. The lease is for twenty (20) years from 2017 to 2037. The Division is required to deposit upon execution of this lease agreement \$181,453 and an annual operations fee of \$31,542 for the first year beginning in 2018. After the first year, the annual rate for each succeeding year will increase by amount of the Consumer Price Index for the Seattle/Tacoma area (CPI). Without the CPI at the time of GASB No. 87 implementation, the annual fee of \$31,542 is used in calculating the net present value of the lease liability. As of December 31, 2023, the lease liability was \$327,695 compared to \$355,687 as of December 31, 2022. The value of the right to use asset as of December 31, 2023 and 2022 was \$687,005 with accumulated amortization of \$137,400 and \$103,050, respectively.

The City used its average incremental borrowing rate of 2.671% and 2.264% as of December 31, 2023 and 2022, respectively, in calculation of net present value of lease payments, as the interest rate is not stated in the agreements.

Lease liability for the year ended December 31, 2023 and 2022 is as follows:

	Lease Liability
Beginning balance, January 1, 2023	\$ (643,945)
Additions	(6,203)
Reductions	60,801
Change due to termination	(91)
Ending Balance, December 31, 2023	<u>\$ (589,438)</u>
Beginning balance, January 1, 2022	\$ (705,346)
Additions	(6,932)
Reductions	68,333
Ending Balance, December 31, 2022	<u>\$ (643,945)</u>

Current lease liability was \$44,174 and \$60,801 as of December 31, 2023, and 2022, respectively.

Interest expense on lease activity of \$6,203 and \$6,932 was recorded in 2023 and 2022, respectively, under Other item of other non-operating revenues (expenses).

Future annual lease liability as of December 31, 2023 is as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 44,174	\$ 10,864	\$ 55,038
2025	44,583	11,133	55,716
2026	45,054	11,360	56,414
2027	45,587	11,546	57,133
2028	46,183	11,691	57,874
2029-2033	242,202	59,090	301,292
2034-2037	121,655	47,865	169,520
Total	\$ 589,438	\$ 163,549	\$ 752,987

**Subscription Liability**

The Division has entered into twenty-three (23) qualified SBITA agreements as the subscriber for software. The subscription liability related to these SBITAs was initially recognized on January 1, 2022, with the adoption of GASB Statement No. 96. All twenty-three (23) 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 on May 18, 2028. Annual payments for 2023 range from \$0 for prepayments to \$837,000 for other subscriptions. The subscription liability was \$5.1 million as of December 31, 2023, compared to \$6.8 million as of December 31, 2022. As of December 31, 2023, the subscription asset was \$10.4 million with the accumulated amortization of \$4.2 million compared to \$10.2 million with accumulated amortization of \$2.2 million as of December 31, 2022.

The City used its average incremental borrowing rate of 2.671% as of December 31, 2023 and 2.264% in 2022 in calculation of net present value of subscription liability, as the interest rate is not stated in the agreements.

Notes to Financial Statements (continued)

Subscription Liability for the year ended December 31, 2023 and 2022 is as follows:

	Subscription Liability
Beginning balance, January 1, 2023	\$ (6,809,093)
Additions	(478,379)
Reductions	2,201,016
Ending Balance, December 31, 2023	\$ (5,086,456)
Beginning balance, January 1, 2022	\$ (2,018,047)
Additions	(6,947,831)
Reductions	2,156,785
Ending Balance, December 31, 2022	\$ (6,809,093)

Current subscription liability as of December 31, 2023 was \$1,870,632 including \$68,814 interest accrual compared to \$1,914,703 including \$90,088 interest accrual as of December 31, 2022.

Interest expenses on subscription activity of \$159,015 was recorded in 2023 and \$186,966 in 2022 under others of Other non-operating revenues (expenses).

Future annual subscription liability as of December 31, 2023 is as follows:

	Principal	Interest	Total
2024	\$ 1,801,818	\$ 134,479	\$ 1,936,297
2025	1,021,526	85,816	1,107,342
2026	1,058,448	58,244	1,116,692
2027	1,120,603	29,591	1,150,194
2028	15,247	51	15,298
	\$ 5,017,642	\$ 308,181	\$ 5,325,823



**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, 2023 and 2022, were as follows:

	<b>Balance December 31, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2023</b>	<b>Due Within One Year</b>
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	<u>\$ 601,804,002</u>	<u>\$ 25,000,000</u>	<u>\$ (8,630,051)</u>	<u>\$ 618,173,951</u>	<u>\$ 111,555,000</u>

	<b>Balance December 31, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2022</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 487,960,000	\$ -	\$ (5,945,000)	\$ 482,015,000	\$ 6,240,000
Plus: Unamortized Premium	42,239,991	\$ -	(2,450,989)	39,789,002	-
Net Revenue Bonds	530,199,991	-	(8,395,989)	521,804,002	6,240,000
Line of Credit	10,000,000	70,000,000	-	80,000,000	-
Total Long-Term Debt	<u>\$ 540,199,991</u>	<u>\$ 70,000,000</u>	<u>\$ (8,395,989)</u>	<u>\$ 601,804,002</u>	<u>\$ 6,240,000</u>

Notes to Financial Statements (continued)

Tacoma Power's long-term debt at December 31 consists of the following payable from revenues of Tacoma Power:

	<u>2023</u>	<u>2022</u>
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
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 2036 to 2042. Original Issue: \$181,610,000 Current Portion: \$0	88,655,000	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. Original Issue: \$35,620,000 Current Portion: \$4,185,000	27,840,000	31,825,000
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 2024 to 2047. Original Issue: \$70,575,000 Current Portion: \$2,370,000	66,170,000	68,425,000
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	<u>121,855,000</u>	<u>121,855,000</u>
	475,775,000	482,015,000
Unamortized premium	37,398,951	39,789,002
Current Portion of Revenue Bond Debt	<u>(6,555,000)</u>	<u>(6,240,000)</u>
Long-term Portion of Revenue Bond Debt	506,618,951	515,564,002
Line of Credit	-	80,000,000
Total Long Term Debt	<u>\$ 506,618,951</u>	<u>\$ 595,564,002</u>

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. There were no draws outstanding on this Note Purchase Agreement as of December 31, 2023 and 2022.

On October 1, 2021, Tacoma Power entered into a \$150 million line-of-credit agreement with Wells Fargo to pay for working capital, which will mature on October 1, 2024. As of December 31, 2022, there is no repayment term requiring classification of this line-of-credit as current and Tacoma Power has classified outstanding balance as long-term debt on the Statement of Net Position. As of December 31, 2023, this line-of-credit was classified as current portion with the due date on October 1, 2024. Each advance will bear interest based on the weekly Securities Industry and Financial Markets Association (SIFMA) index rate. On December 31, 2023, SIFMA was 3.87%. Each advance is secured by Revenues as set forth in the Note Ordinance.

As of December 31, 2023, scheduled principal maturities on the bonds and interest payments are as follows:

	Principal	Interest
2024	\$ 6,555,000	23,062,035
2025	6,885,000	22,768,886
2026	7,135,000	22,500,831
2027	24,185,000	21,679,911
2028	7,420,000	20,812,273
2029-2033	100,945,000	92,638,046
2034-2038	123,635,000	54,907,316
2039-2043	107,930,000	28,221,475
2044-2048	61,900,000	10,453,636
2049-2051	29,185,000	1,418,864
	\$ 475,775,000	\$ 298,463,273

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, 2023 and 2022.

#### **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 378,825 and 448,341 kilowatts per hour for 2023 and 2022, respectively. Charges for the BPA purchased power were approximately \$109.3 million and \$122.0 million for 2023 and 2022, 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, 2023 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 .....	256,750 mWh	20,206 mWh
Megawatt Capacity .....	-	5 mW
Operating Costs .....	\$ 4,099,570	\$4,331,761
Incentive Payments .....	\$ 2,595,600	-
Contract Expiration Date .....	5/9/2024	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 2023 and 2022 were \$6.2 million and \$8.2 million, respectively for Columbia Basin Hydropower. Grant County PUD – Priest Rapids had proceeds under the contract exceeded expenses in 2023 and 2022 resulting in direct payments to the Division in the amount of \$4.3 million and \$1.8 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, 2023 Tacoma Power had forward sales contracts totaling \$12.8 million dollars extending out to June 2024 with a fair market value of \$11.5 million. 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:

<u>Interchange Summary</u>	<u>2023</u> (in kWh)	<u>2022</u> (in kWh)
Secondary Sales	(1,034,456,000)	(2,113,197,000)
Portfolio Purchases	121,849,000	140,323,000
Miscellaneous Exchanges	(1,042,000)	(1,337,000)
Other	<u>133,726,000</u>	<u>(2,300,000)</u>
Net Interchange	<u>(779,923,000)</u>	<u>(1,976,511,000)</u>

**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 2023 and 2022 were \$5,676,113 and \$5,478,707, 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 2023 and \$1.0 million 2022. As of December 31, 2023, assets in the Self-Insurance Fund total \$12.6 million which exceeded accrued and incurred but not reported liabilities of \$4.3 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. 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. 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.

Separate from General Government, the Department of Public Utilities maintains Property insurance and Excess Liability insurance. 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 property that is damaged 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 policy with a limit of \$2.25 million for each wrongful act and a \$2.25 million aggregate. 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 \$57.5 million each occurrence with a \$57.5 million aggregate in excess of a \$2.5 million retention. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

Changes in the Division’s estimated claims settlements liability under self-insurance fund for the past three years were as follows:

	2023	2022	2021
Balance 01/01	\$ 888,040	\$ 1,155,213	\$ 2,576,678
New Claims	1,863,792	437,991	587,022
Adjustments to Claims	226,081	(450,338)	(1,877,904)
Claims Payment	(52,531)	(254,827)	(130,583)
Balance 12/31	\$ 2,925,382	\$ 888,040	\$ 1,155,213

Tacoma Power’s share of the Self-Insurance Fund shown in the table above is 69.34%, 30.91%, and 37.63% as of December 31, 2023, 2022, and 2021, 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 (WMIPF or 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 WMIPF. 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, 2023, 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 2023 and 2022. There were no contributions paid by the City in 2023 and 2022.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the Plan and the system is currently functioning on a pay-as-you-go basis.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from WMIPF. 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. The payments of \$1.7 million and \$1.0 million were made by the City during 2023 and 2022, respectively.

As of December 31, 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 compared to \$429,327, at December 31, 2022. The current portion of the withdrawal liability is \$35,112 as of December 31, 2023 compared to \$43,890 as of December 31, 2022. At December 31, 2023 and 2022, the Division's proportion was 2.6%. There was no withdrawal expense for the year ended December 31, 2023 and 2022.

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](http://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, 2022 and 2021 (measurement date) is as follows:

	Measurement date as of	
	December 31,	
	2022	2021
Retirees and beneficiaries currently receiving benefits	2,765	2,695
Terminated vested and other terminated participants	918	842
Active members:		
City of Tacoma	2,877	2,790
Pierce Transit	17	12
South Sound 911	2	2
Tacoma-Pierce County Health Department	305	292
Total active members	3,201	3,096
Total membership	6,884	6,633



**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, 2022
Valuation Date	January 1, 2023
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*:
	<ul style="list-style-type: none"> <li>• Level percent</li> <li>• Open periods</li> <li>• 25 year amortization period*</li> <li>• 3.25% amortization growth rate</li> </ul>
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%

Notes to Financial Statements (continued)

Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the Femal 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, 2023, valuation date and December 31, 2022, the measurement date. Therefore, no adjustments were needed from the January 1, 2023, actuarial valuation date to the calculated liabilities as of December 31, 2022, measurement date for reporting date of December 31, 2023. There were no changes between the January 1, 2022, and January 1, 2023, 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, 2022 and 2021 for reporting date December 31, 2023 and 2022, respectively. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated November 2022 and November 2021 for reporting date December 31, 2023, and 2022, respectively.

Asset Class	Reporting date			
	December 31, 2023		December 31, 2022	
	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	2.35%	19.5%	2.00%
US Bank/ Leveraged Loans	3.0%	3.75%	3.0%	3.14%
US Long Government Bonds	3.0%	2.38%	3.0%	2.30%
High Yield Bonds	6.0%	4.28%	6.0%	3.60%
Emerging Market Debt	5.0%	4.04%	5.0%	3.20%
Global Equity	34.5%	5.08%	34.5%	5.15%
Private Real Estate	10.0%	3.35%	10.0%	5.90%
Private Equity	10.0%	7.78%	10.0%	8.10%
Master Limited Partnerships	4.0%	5.73%	4.0%	6.60%
Timber	-	-	1.5%	3.88%
Infrastructure	5.0%	4.12%	2.0%	7.55%
Agriculture	-	-	1.5%	4.23%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.41%		1.23%
Portfolio 30 year Arithmetic Rate of Return		-		7.26%
Portfolio 30 year Geometric Rate of Return		-		6.71%
Portfolio 10 year Geometric Rate of Return		7.04%		
Portfolio Standard Deviation		11.04%		10.97%
Long-Term Expected Rate of Return, net of investment expenses		6.75%		6.75%

Notes to Financial Statements (continued)

**Sensitivity Analysis** - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75% as of December 31, 2023 and 2022, as well as what the System'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.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
As of December 31, 2023			
Net pension liability (asset)	\$ 152,225,204	\$ 53,548,006	\$ (28,682,034)
	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
As of December 31, 2022			
Net pension liability (asset)	\$ 37,107,619	\$ (55,917,696)	\$ (133,439,695)

As of December 31, 2023 and 2022, the deferred inflows and outflows of resources are as follows:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (1,207,123)	\$ 3,705,737	\$ (2,021,858)	\$ 4,531,330
Changes of assumptions	-	10,524,144	-	14,294,900
Net Difference Between Projected and Actual Earnings	-	41,678,112	(61,896,325)	-
Changes in Employer Proportion	(60,569)	162	(46,115)	259
Contributions Made Subsequent to the Measurement Date	-	13,207,755	-	11,921,168
Total	\$ (1,267,692)	\$ 69,115,910	\$ (63,964,298)	\$ 30,747,657

The Division reported \$13.2 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, 2024.

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:

2024	\$ 4,911,761
2025	15,839,838
2026	10,133,701
2027	23,685,436
2028	69,727
	\$ 54,640,463

At December 31, 2023, the Division reported a pension liability of \$53,548,006 for its proportionate share of the total System, compared to a pension asset of \$55,917,696 at December 31, 2022. The proportionate share of the Power Division is 38.76% of total System's pension liability as of December 31, 2023, and 38.13% as of December 31, 2022. The proportionate share was based on the actual contributions for the year as of December 31, 2023 and 2022.

**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, 2023 for non-LEOFF 1 members includes 3,819 active participants, 584 vested terminated participants, 176 retirees and surviving spouses, and 115 spouses of current retirees. The membership as of January 1, 2023 for LEOFF 1 members includes 1 active participant and 348 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, 2022 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, 2022. 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, 2023 and 2022.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2022, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2022
Census Date:	January 1, 2022
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:	2023 6.50%
	2024 6.90%
	2030 4.60%
	2040 4.30%
	2050 4.30%
	2060 4.40%
	2070 4.10%
	2080 3.90%

Note that the trend for year 2023 reflects the percent by which 2024 medical costs are expected to exceed 2023 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): 3.75%  
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 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. 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, 2023 the Division reported a total liability of \$11,507,155 for its proportionate share of the collective total OPEB liability of \$192.1 million compared to \$14,048,357 at December 31, 2022. At December 31, 2023 the Division reported a current liability of \$321,032 compared to \$625,381 at December 31, 2022. At December 31, 2023, the participating Division’s proportion was 5.99115% as compared to 6.17722% at December 31, 2022. For the year ended December 31, 2023, the participating Division recognized a credit OPEB expense of \$120,298 compared to an OPEB expense of \$328,285 in 2022.

At December 31, 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (75,283)	\$ 127,660	\$ (114,574)	\$ 160,766
Changes of assumptions	(2,103,832)	845,470	(571,930)	1,226,444
Changes in Employer Proportion	(490,023)	1,270,269	(281,046)	1,619,469
Differences in Contributions	(101,166)	10,051	(73,146)	14,837
Contributions Made Subsequent to the Measurement Date	-	566,820	-	490,050
<b>Total</b>	<b>\$ (2,770,304)</b>	<b>\$ 2,820,270</b>	<b>\$ (1,040,696)</b>	<b>\$ 3,511,566</b>

The Division reported \$566,820 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, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$	(144,699)
2025		138,898
2026		110,814
2027		(3,653)
2028		(288,425)
Thereafter		<u>(329,789)</u>
	\$	<u>(516,854)</u>

**Sensitivity of the Division’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate**

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.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	2.75%	3.75%	4.75%
Net OPEB liability	\$ 12,765,814	\$ 11,507,155	\$ 10,428,825

As of December 31, 2022, the following presents the Division’s proportionate share of the OPEB liability, calculated using the discount rate of 2.00%, 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, 1.00%, or one percentage point higher, 3.00%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2022	1.00%	2.00%	3.00%
Net OPEB liability	\$ 15,838,739	\$ 14,048,357	\$ 12,547,320

**Sensitivity of the Division’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates**

As of December 31, 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:

	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2023	5.50%	6.50%	7.50%
Net OPEB liability	\$ 10,269,356	\$ 11,507,155	\$ 12,957,206

As of December 31, 2022, 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:

	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2022	4.50%	5.50%	6.50%
Net OPEB liability	\$ 12,482,162	\$ 14,048,357	\$ 15,900,632

**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, 2023, the remaining financial requirement for the 2023/2024 biennial Capital budget was approximately \$121.6 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, 2025. Liability in the amount of \$120,000 has been recognized as the known cost for the site investigation progress in 2023.

**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 EVENT**

On February 15, 2024, Tacoma Power issued the Electric System Revenue and Refunding Bonds, Series 2024 including Series 2024A (Green Bonds) and Series 2024B in the amount of \$95.3 million and \$47.4 million, respectively. Proceeds of the Series 2024A Bonds will be used to redeem a portion of the outstanding draws on the revolving line of credit issued by Wells Fargo Bank on October 1, 2021. The Series 2024B Bonds will be used to refund a portion of 2013A Refunding Bonds and in full of 2013B Refunding Bonds.

# Required Supplementary Information



## Proportionate Share of the Net Pension Liability Last 10 Years\*

	Proportionate Share of the Net Pension Liability Last 10 Years*								
	2022	2021	2020	As of Measurement Date December 31,			2016	2015	2014
				2019	2018	2017			
Employer's proportion of the net pension liability (asset) as a percentage	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)	\$ 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)	\$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)	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	93.02%	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

## Schedule of Contributions Last 10 Fiscal Years\*

	Schedule of Contributions Last 10 Fiscal Years*								
	2023	2022	2021	Fiscal Year Ended December 31,			2017	2016	2015
				2020	2019	2018			
Contractually required employer contribution	\$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	(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	\$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	10.41%	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.

\* The above schedules are 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.

## Proportionate Share of the Collective OPEB Liability Last 10 Years\*

	As of Measurement Date December 31,						
	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	5.99%	6.18%	5.80%	5.26%	5.17%	5.56%	5.48%
Employer's proportion share of collective OPEB liability	\$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**	\$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	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, 2023

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 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. 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

<b>STATEMENTS OF NET POSITION</b>	2023	2022 (As Restated)	2021 (As Restated)	2020
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Utility Plant - Net	\$1,177,048,660	\$1,158,333,949	\$1,124,691,055	\$1,098,579,166
Special and Other Assets	166,543,351	199,553,189	140,444,929	111,347,289
Current Assets	<u>519,893,181</u>	<u>469,057,955</u>	<u>351,281,064</u>	<u>316,708,685</u>
Total Assets	1,863,485,192	1,826,945,093	1,616,417,048	1,526,635,140
Deferred Outflows	<u>71,936,180</u>	<u>34,259,223</u>	<u>38,975,355</u>	<u>22,628,413</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>1,935,421,372</u>	<u>1,861,204,316</u>	<u>1,655,392,403</u>	<u>1,549,263,553</u>
<b>NET POSITION</b>	919,127,631	877,060,889	876,790,994	876,999,947
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
Long-Term Debt	506,618,951	595,564,002	534,254,991	386,222,415
Current Liabilities	182,137,926	79,914,893	65,518,845	192,829,811
Long-Term Liabilities	<u>86,301,883</u>	<u>34,748,573</u>	<u>55,463,452</u>	<u>26,370,429</u>
Total Liabilities	775,058,760	710,227,468	655,237,288	605,422,655
Deferred Inflows	<u>241,234,981</u>	<u>273,915,959</u>	<u>123,364,121</u>	<u>66,840,951</u>
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS</b>	<u>\$1,935,421,372</u>	<u>\$1,861,204,316</u>	<u>\$1,655,392,403</u>	<u>\$1,549,263,553</u>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>				
<b>OPERATING REVENUES</b>				
Residential	\$206,311,777	\$203,957,036	\$191,640,622	\$186,622,420
Commercial	32,271,456	31,533,517	29,993,197	28,587,971
General	145,791,912	138,284,074	134,048,586	130,529,532
Contract Industrial	19,823,085	23,680,737	23,967,448	23,962,855
New Large Load	3,412,658	2,434,984	1,446,341	-
Bulk Power	81,852,641	58,100,867	60,118,206	59,615,216
Unbilled	(2,821,132)	(5,172,096)	5,249,462	(527,907)
Other	<u>2,202,918</u>	<u>1,941,067</u>	<u>1,777,746</u>	<u>1,748,329</u>
Total Electric Revenues	488,845,315	454,760,186	448,241,608	430,538,416
Other Operating Revenue	<u>27,701,430</u>	<u>25,768,160</u>	<u>21,711,976</u>	<u>30,414,785</u>
Total Operating Revenues	516,546,745	480,528,346	469,953,584	460,953,201
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	365,126,577	346,605,050	355,003,154	338,082,475
Taxes	24,010,110	23,764,265	21,395,621	21,530,739
Depreciation and Amortization	<u>53,576,433</u>	<u>54,144,320</u>	<u>50,646,094</u>	<u>48,123,728</u>
Total Operating Expenses	442,713,120	424,513,635	427,044,869	407,736,942
<b>NET OPERATING INCOME</b>	73,833,625	56,014,711	42,908,715	53,216,259
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Other Income and Expense (Net)	(1,494,541)	(6,720,026)	176,476	7,079,995
Interest Earned on Investments	19,843,829	(6,562,198)	(1,096,248)	6,064,525
Interest Charges (Net)	(22,896,874)	(20,918,855)	(18,271,994)	(18,757,244)
Contributions to Family Need	<u>(3,500,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(500,000)</u>
Net Income Before Contributions, Transfers & Extraordinary Items	65,786,039	20,813,632	22,716,949	47,103,535
Total Capital Contributions	13,328,178	11,989,793	10,489,071	8,740,649
Transfers In/Out	<u>(37,047,475)</u>	<u>(33,205,685)</u>	<u>(33,414,973)</u>	<u>(10,871,565)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$42,066,742</u>	<u>(\$402,260)</u>	<u>(\$208,953)</u>	<u>\$44,972,619</u>

2019	2018	2017 (As Restated)	2016	2015	2014
\$1,069,731,618	\$1,068,290,040	\$1,037,776,028	\$1,033,409,064	\$1,002,810,874	\$978,885,275
113,665,257	120,789,034	81,257,489	95,903,332	125,203,792	160,778,160
<u>254,522,388</u>	<u>282,186,074</u>	<u>276,486,000</u>	<u>289,162,319</u>	<u>267,460,091</u>	<u>365,173,352</u>
1,437,919,263	1,471,265,148	1,395,519,517	1,418,474,715	1,395,474,757	1,504,836,787
<u>55,281,371</u>	<u>20,842,914</u>	<u>38,820,632</u>	<u>39,469,454</u>	<u>10,977,517</u>	<u>8,026,229</u>
1,493,200,634	1,492,108,062	1,434,340,149	1,457,944,169	1,406,452,274	1,512,863,016
832,027,328	863,431,784	830,375,494	821,995,693	825,933,297	822,803,061
470,424,575	461,339,467	417,800,137	457,601,726	441,928,130	530,580,510
73,264,089	66,566,861	68,841,615	70,165,746	63,906,544	86,776,174
<u>71,866,789</u>	<u>26,315,935</u>	<u>61,418,039</u>	<u>57,893,021</u>	<u>22,647,914</u>	<u>24,703,271</u>
615,555,453	554,222,263	548,059,791	585,660,493	528,482,588	642,059,955
<u>45,617,853</u>	<u>74,454,015</u>	<u>55,904,864</u>	<u>50,287,983</u>	<u>52,036,389</u>	<u>48,000,000</u>
\$1,493,200,634	\$1,492,108,062	\$1,434,340,149	\$1,457,944,169	\$1,406,452,274	\$1,512,863,016
\$182,002,242	\$175,979,684	\$169,583,337	\$154,091,270	\$149,195,092	\$150,972,050
29,724,195	29,248,620	29,133,553	27,703,400	26,956,059	26,594,512
130,604,401	125,399,026	119,704,634	115,600,650	116,053,999	114,718,365
23,730,505	23,494,502	22,278,802	21,462,712	21,356,911	21,150,771
-	-	-	-	-	-
47,420,681	55,486,697	57,062,247	54,506,535	50,380,147	82,796,740
1,816,954	29,348	2,114,131	(840,477)	677,091	(666,187)
<u>1,767,366</u>	<u>1,755,243</u>	<u>1,754,802</u>	<u>1,725,200</u>	<u>1,643,756</u>	<u>1,609,143</u>
417,066,344	411,393,120	401,631,506	374,249,290	366,263,055	397,175,394
<u>44,300,152</u>	<u>43,898,363</u>	<u>44,711,899</u>	<u>44,365,098</u>	<u>44,363,160</u>	<u>44,070,713</u>
461,366,496	455,291,483	446,343,405	418,614,388	410,626,215	441,246,107
388,725,538	313,885,614	325,018,197	312,790,388	299,200,704	294,741,044
22,139,736	21,486,970	20,755,847	19,727,313	19,993,833	19,276,216
<u>48,700,270</u>	<u>53,869,012</u>	<u>57,231,313</u>	<u>55,702,297</u>	<u>57,381,578</u>	<u>59,156,228</u>
459,565,544	389,241,596	403,005,357	388,219,998	376,576,115	373,173,488
1,800,952	66,049,887	43,338,048	30,394,390	34,050,100	68,072,619
1,795,633	1,776,333	(1,534,389)	1,555,659	(1,923,329)	(728,908)
7,607,143	3,719,705	2,251,477	2,405,144	1,796,071	3,780,834
(19,522,990)	(17,219,276)	(14,076,794)	(16,196,734)	(19,428,673)	(27,290,021)
<u>(500,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(480,000)</u>	<u>(480,000)</u>	<u>(900,000)</u>
(8,819,262)	54,226,649	29,878,342	17,678,459	14,014,169	42,934,524
11,399,959	13,214,597	12,643,334	8,846,216	9,383,844	7,788,292
<u>(33,985,153)</u>	<u>(34,384,956)</u>	<u>(34,141,875)</u>	<u>(30,462,279)</u>	<u>(24,969,422)</u>	<u>(26,998,415)</u>
<u>(\$31,404,456)</u>	<u>\$33,056,290</u>	<u>\$8,379,801</u>	<u>(\$3,937,604)</u>	<u>(\$1,571,409)</u>	<u>\$23,724,401</u>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
Ten-Year Power Summary

	2023	2022	2021	2020
MWh Available				
Generated				
Nisqually	447,423	571,548	544,826	562,674
Cushman	286,103	270,056	347,364	259,101
Cowlitz	1,260,783	1,896,461	1,771,400	1,838,319
Wynoochee	26,389	23,541	35,008	29,756
Hood Street	176	-	1,775	3,617
Grant Net Actual	-	-	-	-
Tacoma's Share of Priest Rapids	20,206	26,935	24,753	26,687
Tacoma's Share of GCPHA	256,750	292,384	265,851	258,513
Total Generated	2,297,830	3,080,925	2,990,977	2,978,667
Purchased	3,318,505	3,927,466	3,516,841	3,697,665
Interchange - Net	(779,923)	(1,976,511)	(1,581,873)	(1,871,233)
Losses - Net	(8,988)	(807)	2,795	2,743
Total System Load	4,827,424	5,031,073	4,928,740	4,807,842
MWh Billed				
Residential and Other	1,982,021	2,044,365	1,956,674	1,932,973
Commercial/General/Industrial	2,691,740	2,752,467	2,699,507	2,677,791
Total Firm MWh Billed	4,673,761	4,796,832	4,656,181	4,610,764
MWh Available Over MWh Billed (Causes: Timing differences, internal use, and losses other than those reflected above)	153,663	234,241	272,559	197,078
Percent of Power Generated	47.60%	61.24%	60.68%	61.95%
Average Load Factor	59.46%	58.39%	57.64%	61.19%
Average Number of Customers	187,950	187,950	184,406	182,526
Maximum Hourly Energy Load				
MWh	920	971	968	894
Date	2/24/23	12/22/22	12/27/21	1/14/20
Time	0800 hr	1000 hr	1800 hr	1900 hr
Maximum Daily Energy Load				
MWh	18,982	21,460	20,895	18,856
Date	2/23/23	12/22/22	12/27/21	1/14/20
Minimum Hourly Energy Load				
MWh	316	349	351	315
Date	9/17/23	7/3/22	8/22/21	7/6/20
Time	0500 hr	0400 hr	0400 hr	0600 hr
Minimum Daily Energy Load				
MWh	9,658	10,208	10,121	9,501
Date	5/21/23	7/3/22	6/5/21	7/6/20
Average Hourly Energy Load	547	567	558	547

2019	2018	2017	2016	2015	2014
387,967	538,674	631,627	630,483	511,592	635,121
180,935	292,553	377,366	507,618	272,457	358,509
1,034,672	1,556,232	2,138,980	1,989,438	1,630,130	2,111,686
13,734	26,071	34,103	37,209	12,680	14,272
3,543	2,892	3,282	2,942	1,889	2,281
-	-	-	-	-	(2,018)
21,140	26,974	27,440	26,975	25,360	22,733
<u>220,240</u>	<u>241,233</u>	<u>228,781</u>	<u>253,625</u>	<u>258,679</u>	<u>272,846</u>
1,862,231	2,684,629	3,441,579	3,448,290	2,712,787	3,415,430
3,551,373	3,980,124	4,023,330	3,807,370	3,674,140	3,845,666
(559,101)	(1,804,434)	(2,458,785)	(2,438,369)	(1,569,981)	(2,339,277)
<u>2,367</u>	<u>5,073</u>	<u>27,919</u>	<u>(8,870)</u>	<u>10,340</u>	<u>14,057</u>
4,856,870	4,865,392	5,034,043	4,808,421	4,827,286	4,935,876
1,913,582	1,871,796	1,975,096	1,855,706	1,801,114	1,890,970
<u>2,759,606</u>	<u>2,743,659</u>	<u>2,777,190</u>	<u>2,771,822</u>	<u>2,786,233</u>	<u>2,838,966</u>
4,673,188	4,615,455	4,752,286	4,627,528	4,587,347	4,729,936
183,682	249,937	281,757	180,893	239,939	205,940
38.34%	55.18%	68.37%	71.71%	56.20%	69.20%
59.00%	60.20%	57.27%	60.02%	62.71%	55.31%
182,234	177,723	177,153	176,784	174,562	172,531
939	922	997	913	877	1,016
2/7/19	2/23/18	1/5/17	12/17/16	12/31/15	2/6/14
0800 hr	0800 hr	0800 hr	0900 hr	0900 hr	0800 hr
19,052	19,318	20,525	19,641	18,675	21,686
2/6/19	2/23/18	1/5/17	12/17/16	12/31/15	2/6/14
307	329	350	351	354	348
9/8/19	6/7/18	7/2/17	7/5/16	6/21/15	7/6/14
0500 hr	0400 hr	0600 hr	0400 hr	0600 hr	0600 hr
9,911	10,208	10,315	10,110	10,262	10,221
9/8/19	9/2/18	6/4/17	9/4/16	5/24/15	7/5/14
554	555	571	548	550	562



City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Power  
Gross Generation Report  
December 31, 2023 and December 31, 2022

	YEAR ENDED		2023 OVER	PERCENT CHANGE
	Dec 31 2023	Dec 31 2022	(UNDER) 2022	
<b>KWH GENERATED, PURCHASED AND INTERCHANGED - Gross</b>				
Generated - LaGrande	277,662,000	343,851,000	(66,189,000)	-19.2%
Generated - Alder	169,761,000	227,697,000	(57,936,000)	-25.4%
TOTAL NISQUALLY	<u>447,423,000</u>	<u>571,548,000</u>	<u>(124,125,000)</u>	-21.7%
Generated - Cushman No 1	115,845,000	109,476,000	6,369,000	5.8%
Generated - Cushman No 2	170,258,000	160,579,866	9,678,134	6.0%
TOTAL CUSHMAN	<u>286,103,000</u>	<u>270,055,866</u>	<u>16,047,134</u>	5.9%
Generated - Mossyrock	714,954,000	1,126,522,000	(411,568,000)	-36.5%
Generated - Mayfield	545,829,000	769,939,000	(224,110,000)	-29.1%
TOTAL COWLITZ	<u>1,260,783,000</u>	<u>1,896,461,000</u>	<u>(635,678,000)</u>	-33.5%
Generated - Wynoochee	26,389,000	23,541,000	2,848,000	12.1%
Generated - Hood Street	176,000	-	176,000	0.0%
Tacoma's Share of Priest Rapids	20,206,000	26,935,000	(6,729,000)	-25.0%
Tacoma's Share of GCPHA	256,749,500	292,384,000	(35,634,500)	-12.2%
TOTAL KWH GENERATED - TACOMA SYSTEM	<u>2,297,829,500</u>	<u>3,080,924,866</u>	<u>(783,095,366)</u>	-25.4%
<b>Purchased Power</b>				
BPA Slice Contract	1,816,742,000	2,344,688,000	(527,946,000)	-22.5%
BPA Block Contract	1,501,763,000	1,582,778,000	(81,015,000)	-5.1%
Interchange Net	(779,922,623)	(1,976,511,000)	1,196,588,377	-60.5%
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED	<u>4,836,411,877</u>	<u>5,031,879,866</u>	<u>(195,467,989)</u>	-3.9%
<b>Losses</b>				
Baldi Replacement	19,924,142	32,804,114	(12,879,972)	-39.3%
Ketron	992,755	981,553	11,202	1.1%
NT PC Mutuals Schedules	253,128	287,700	(34,572)	-12.0%
PC Mutual Inadvertent	(31,465,000)	(33,028,000)	1,563,000	-4.7%
TACOMA SYSTEM FIRM LOAD	<u>1,307,026</u>	<u>(1,852,516)</u>	<u>3,159,542</u>	-170.6%
PIERCE COUNTY MUTUAL LOAD	<u>4,827,423,928</u>	<u>5,031,072,718</u>	<u>(203,648,790)</u>	-4.0%
<b>KWH BILLED</b>				
Residential Sales	1,966,913,995	2,028,569,663	(61,655,668)	-3.0%
Commercial Sales	325,379,722	324,222,786	1,156,936	0.4%
General	1,933,885,872	1,938,247,735	(4,361,863)	-0.2%
Contract Industrial	388,608,868	480,521,602	(91,912,734)	-19.1%
New Large Load	43,865,650	9,475,200	34,390,450	363.0%
Public Street and Highway Lighting	4,545,510	5,662,227	(1,116,717)	-19.7%
Sales to Other Electric Utilities	10,561,500	10,133,100	428,400	4.2%
TOTAL FIRM	<u>4,673,761,117</u>	<u>4,796,832,313</u>	<u>(123,071,196)</u>	-2.6%
Bulk Power Sales	1,036,598,000	2,095,334,000	(1,058,736,000)	-50.5%
TOTAL KWH BILLED	<u>5,710,359,117</u>	<u>6,892,166,313</u>	<u>(1,181,807,196)</u>	-17.1%

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Debt Service Requirements  
 December 31, 2023

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	6,555,000	23,062,035	29,617,035
2025	6,885,000	22,768,886	29,653,886
2026	7,135,000	22,500,831	29,635,831
2027	24,185,000	21,679,911	45,864,911
2028	7,420,000	20,812,273	28,232,273
2029	7,785,000	20,432,148	28,217,148
2030	8,180,000	20,033,024	28,213,024
2031	27,310,000	19,037,763	46,347,763
2032	28,335,000	17,419,059	45,754,059
2033	29,335,000	15,716,052	45,051,052
2034	30,460,000	13,932,368	44,392,368
2035	31,630,000	12,080,223	43,710,223
2036	19,520,000	10,648,700	30,168,700
2037	20,495,000	9,648,325	30,143,325
2038	21,530,000	8,597,700	30,127,700
2039	22,615,000	7,557,675	30,172,675
2040	23,560,000	6,597,750	30,157,750
2041	24,480,000	5,663,075	30,143,075
2042	25,505,000	4,620,475	30,125,475
2043	11,770,000	3,782,500	15,552,500
2044	12,320,000	3,225,825	15,545,825
2045	12,895,000	2,642,825	15,537,825
2046	13,505,000	2,032,100	15,537,100
2047	14,060,000	1,472,974	15,532,974
2048	9,120,000	1,079,912	10,199,912
2049	9,420,000	782,538	10,202,538
2050	9,725,000	476,063	10,201,063
2051	10,040,000	160,263	10,200,263
	<u>475,775,000</u>	<u>298,463,273</u>	<u>774,238,273</u>

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Funds Available for Debt Service

	<u>2023</u>	<u>2022 (As Restated)</u>	<u>2021 (As Restated)</u>	<u>2020</u>	<u>2019</u>
Total Income	\$539,051,793	\$478,366,018	\$471,174,087	\$476,791,233	\$473,776,579
Less: Operating Exp Before Depreciation and Amortization	<u>389,136,687</u>	<u>370,369,315</u>	<u>376,398,775</u>	<u>359,613,214</u>	<u>410,865,274</u>
Income Available for Debt Service	<u>\$149,915,106</u>	<u>\$107,996,703</u>	<u>\$94,775,312</u>	<u>\$117,178,019</u>	<u>\$62,911,305</u>
Bond Redemption	\$6,555,000	\$6,240,000	\$5,945,000	\$7,470,000	\$9,365,000
Bond Interest	<u>23,982,368</u>	<u>23,537,910</u>	<u>20,332,831</u>	<u>19,220,110</u>	<u>19,688,360</u>
Debt Service Payable on All Debt	\$30,537,368	\$29,777,910	\$26,277,831	\$26,690,110	\$29,053,360
Times Debt Service Covered	4.91	3.63	3.61	4.39	2.17

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Resources  
 As of December 31, 2023

GENERATING FACILITIES	GENERATING UNITS	AGGREGATE NAME PLATE RATING (kW)	APPROX. RATED 4-YR. AVERAGE ANNUAL OUTPUT (1,000 kWh)
Hydro:			
Alder	2	50,000	204,466
LaGrande	5	64,000	327,180
Cushman No 1	2	43,200	116,856
Cushman No 2	3	81,000	173,810
Mayfield	4	162,000	691,659
Mossyrock	2	300,000	1,000,139
Wynoochee	1	12,800	28,690
Total Hydro		713,000	2,542,800

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	171,114	1.312
Incidental	18,057	2.057
General	2,598	104.440
Public Streets and Highways	998	0.520
Total System	192,767	2.768
Circuit Miles of Transmission Lines		
115 kV		308
230 kV		44
Circuit Miles of Distribution Lines		
Overhead		1,170
Underground		867

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 Taxes and Employee Welfare Contributions  
 For the Year 2023

**FEDERAL**

Power Social Security (FICA)	\$9,130,143	
Total		\$9,130,143

**STATE OF WASHINGTON**

Retail Sales and Use Taxes	3,434,253	
Power Utilities and Business Operations Tax	16,118,898	
Power State Employment Security	12,527	
Total		19,565,678

**COUNTY**

Lewis County - In Lieu of Taxes	1,435,065	
Mason County - In Lieu of Taxes	227,600	
Pierce County School Support - Eatonville	7,000	
White Pass School Support	170,868	
Mossyrock School Support	124,048	
Morton School Support	3,802	
Mason County Fire Protection District	7,136	
Lewis County Fire Protection District	13,036	
Pierce County Fire Protection District	23,020	
Pierce County Drainage District	78,640	
Thurston County	2,491	
Total		2,092,706

**MUNICIPALITIES**

City of Tacoma Power Gross Earnings Tax	39,775,933	
City of Fife Power Franchise Fee	1,367,614	
City of University Place Power Franchise Fee and taxes	2,941,750	
City of Lakewood Power Franchise Fee	1,243,966	
City of Fircrest Power Franchise Fee	321,941	
City of Steilacoom Power Franchise Fee	6,472	
Total		45,657,676
<b>TOTAL TAXES</b>		<b>\$76,446,204</b>

Taxes as a % of Operating Revenues of \$516,546,745 14.80%

**EMPLOYEE WELFARE CONTRIBUTIONS**

Power Industrial Insurance and Medical Aid	623,189	
Power City of Tacoma Pension Fund	12,897,698	
Power Medical/Life Insurance	21,200,723	
<b>TOTAL EMPLOYEE WELFARE CONTRIBUTIONS</b>		<b>\$34,721,610</b>

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Power  
 2023 Electric Rates  
 (Based on 2023 rate schedules)

**RATE PER MONTH**

	Tacoma and Other Jurisdictions	University Place
<b>Schedule A-1 - Residential Service</b>		
Customer Charge	\$21.60 per month	\$23.17 per month
Customer Charge (for collectively metered apartments)	\$17.70 per month	\$18.99 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
 <b>Schedule A-2 - Low-Income/Elderly/Handicapped Residential Service</b>		
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		
 <b>Schedule B - Small General Service</b>		
Customer Charge	\$26.65 per month	\$28.59 per month
Customer Charge (for unmetered services)	\$20.75 per month	\$22.26 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
 <b>Schedule G - General Service</b>		
Customer Charge	\$82.80 per month	\$88.81 per month
Energy (all energy measured in kilowatt-hours)	\$0.054780 per kWh	\$0.058758 per kWh
Delivery (all kilowatts of Billing Demand delivered)	\$9.12 per kW	\$9.78 per kW
 <b>Schedule HVG - High Voltage General Service</b>		
Customer Charge	\$1,750.00 per month	\$1,877.08 per month
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

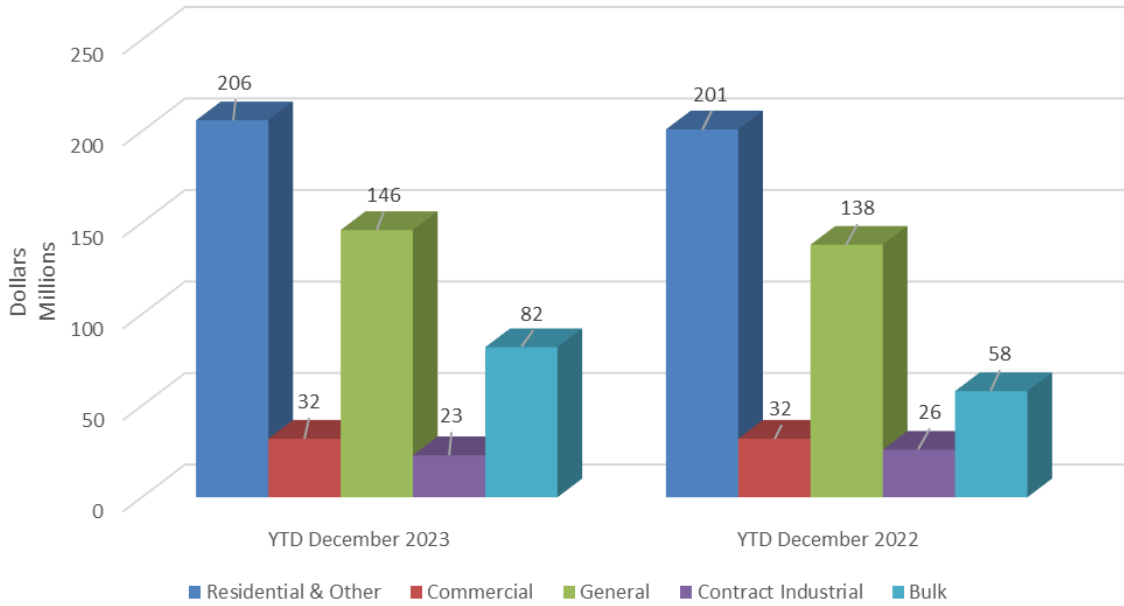
Electric rates were established by Ordinance No. 28847 and became effective April 1, 2023.

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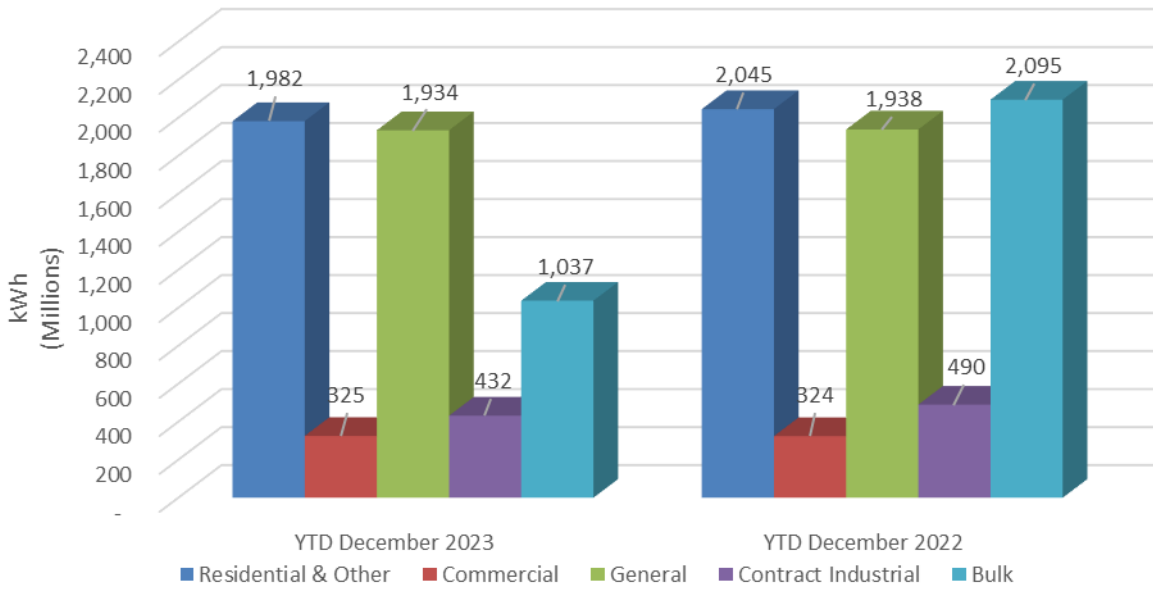
# Graphs



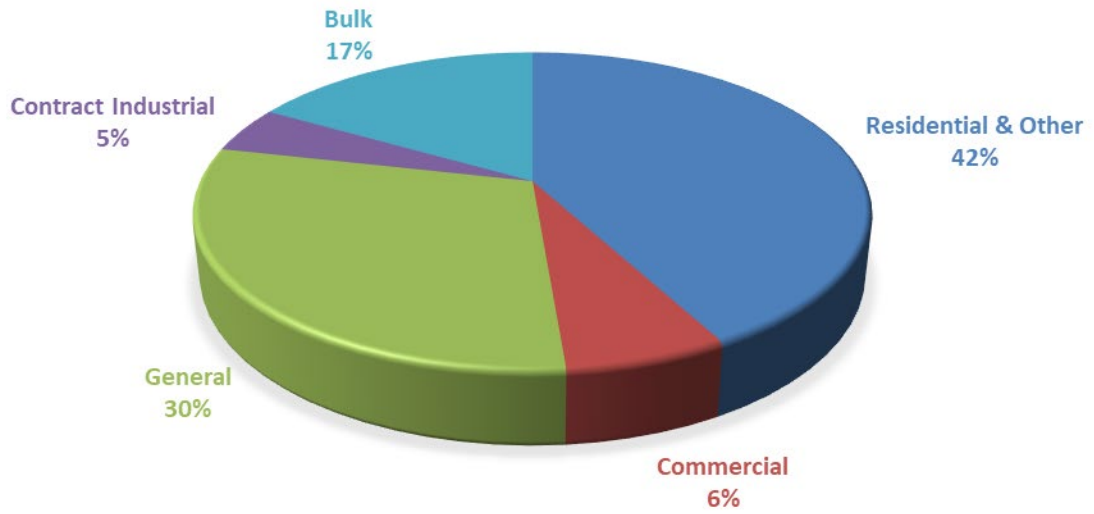
### Sales of Electric Energy Year to Date - December 2023 & 2022



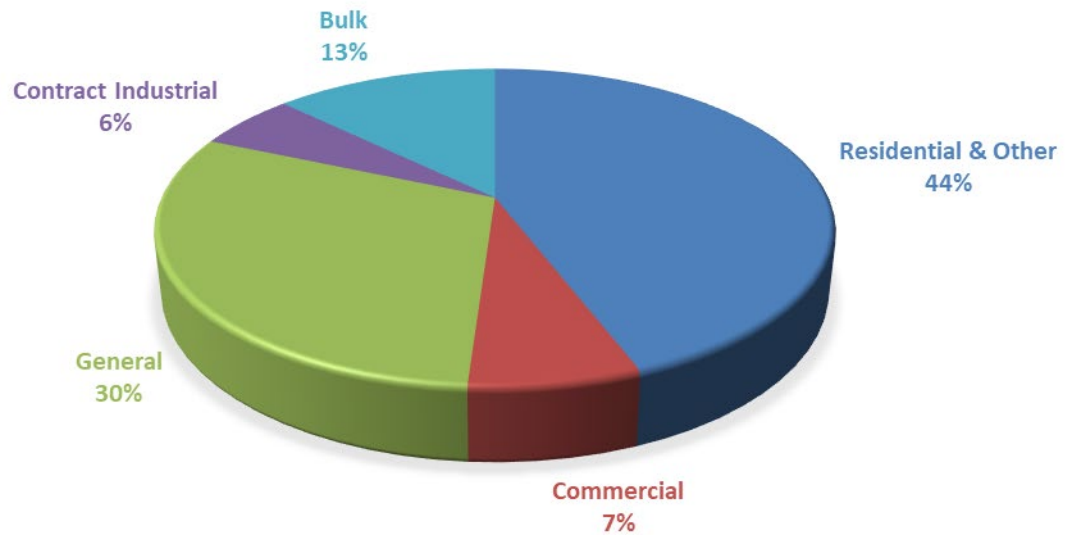
### Total Power Billed Year to Date - December 2023 & 2022



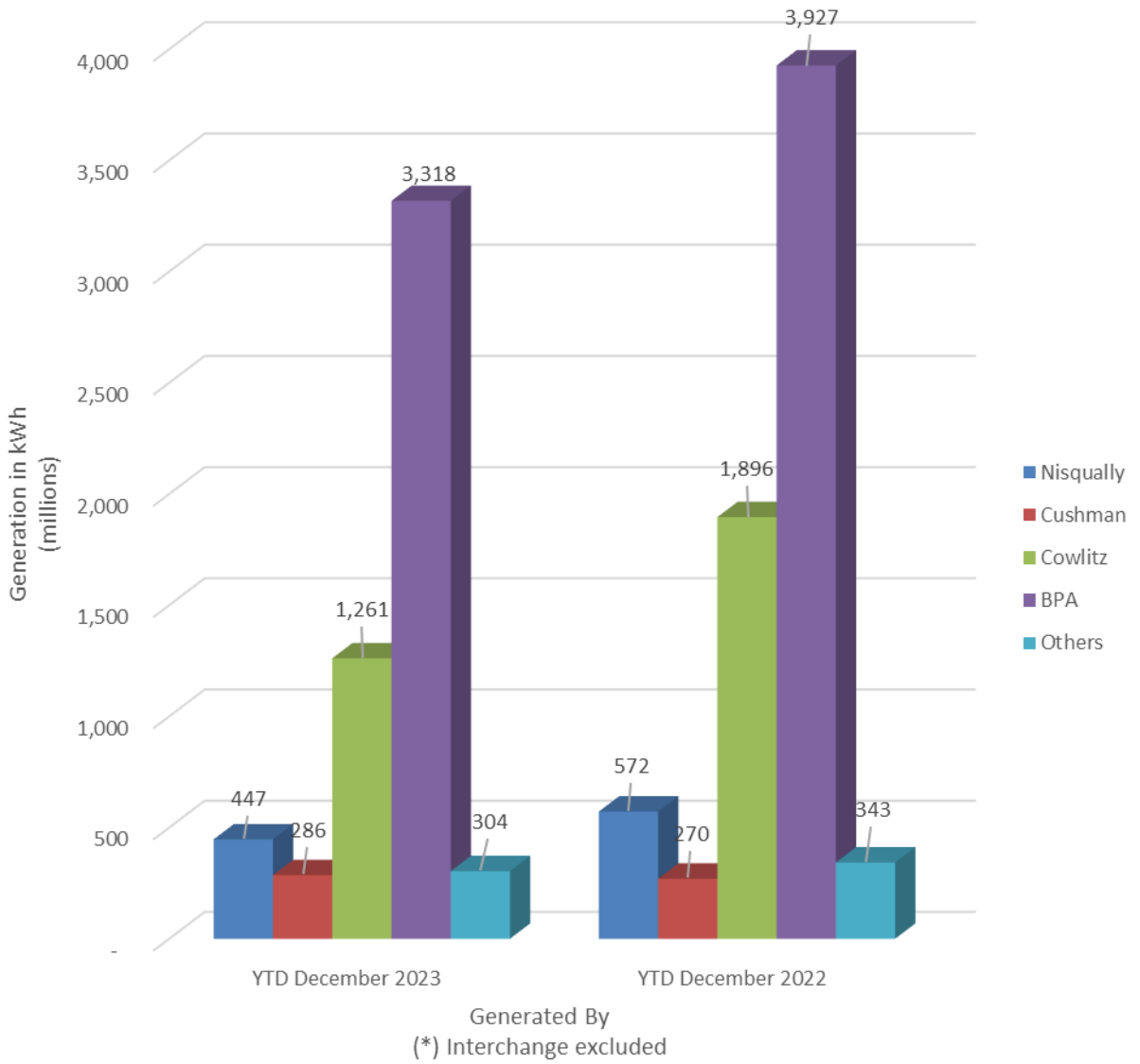
**SALES OF ELECTRIC ENERGY  
YEAR TO DATE - DECEMBER 2023 (\$488,845,315)**



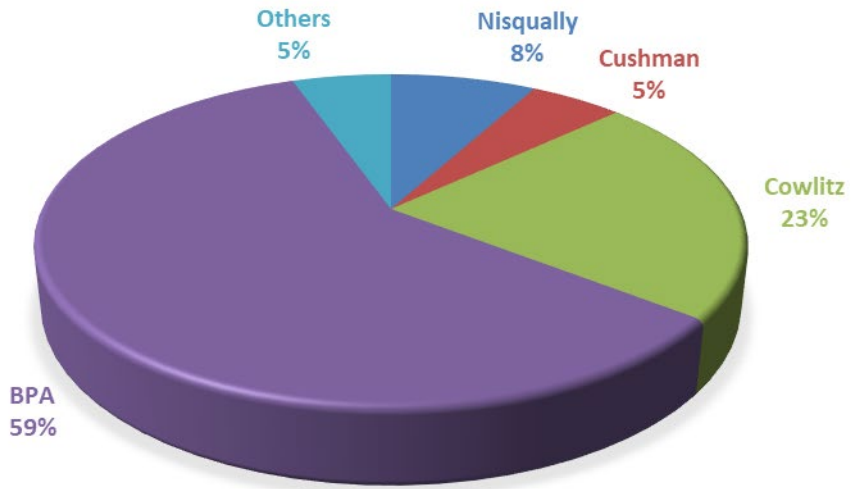
**SALES OF ELECTRIC ENERGY  
YEAR TO DATE - DECEMBER 2022 (\$454,760,186)**



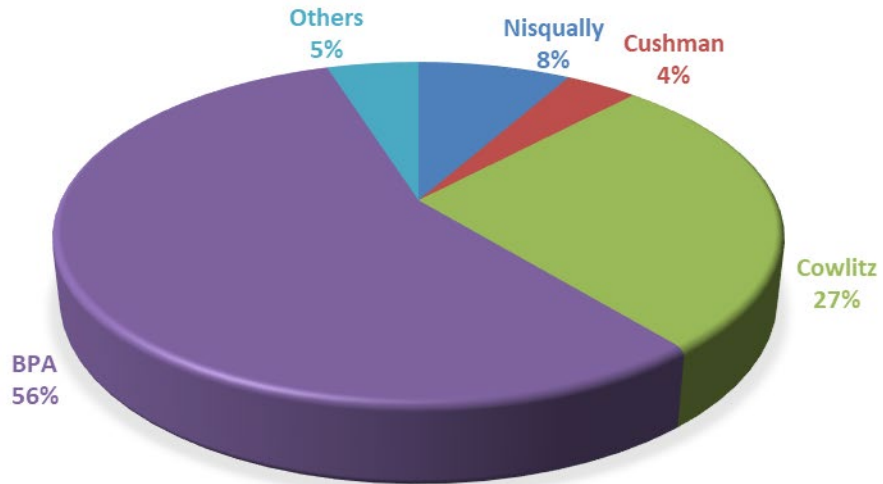
### Power Sources (\*) Year to Date December 2023 & 2022



**POWER SOURCES (\*)  
YEAR TO DATE - DECEMBER 2023**

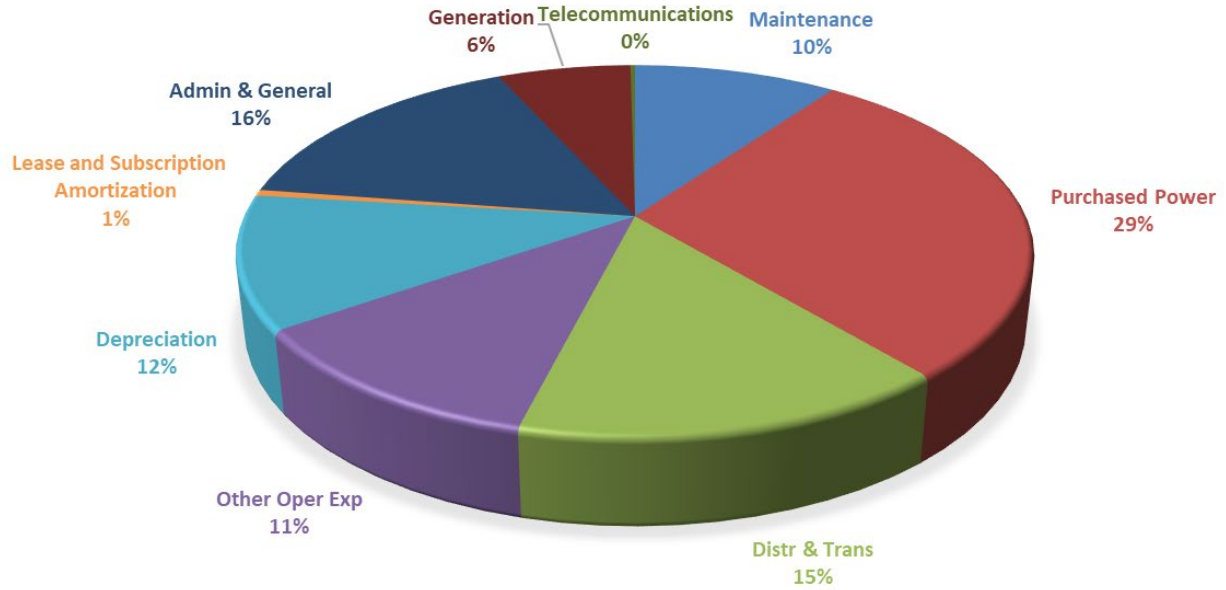


**POWER SOURCES (\*)  
YEAR TO DATE - DECEMBER 2022**

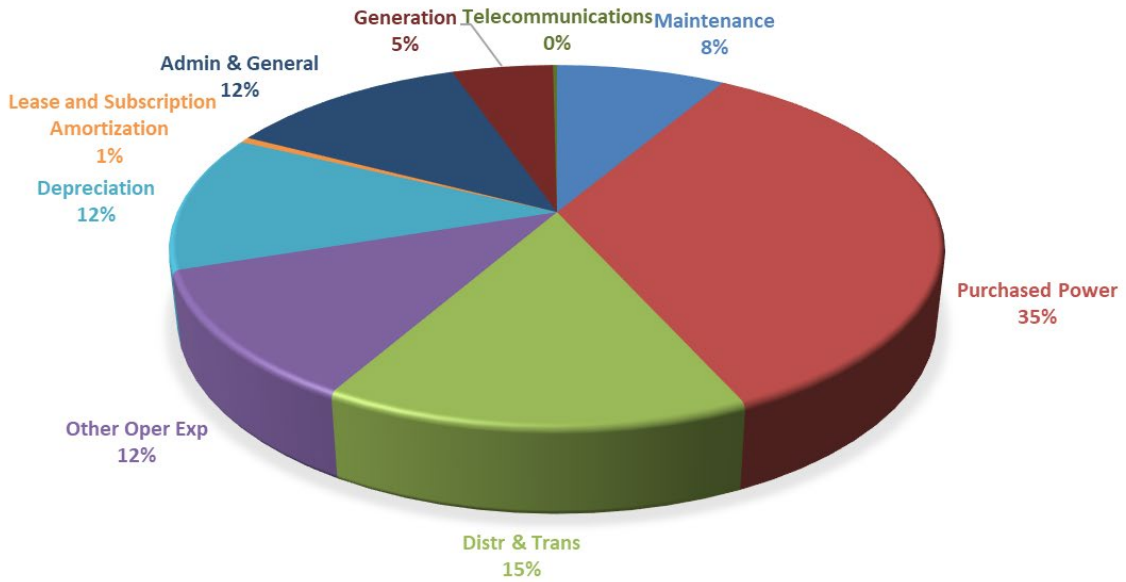


(\*) Interchange excluded

**TOTAL OPERATING EXPENSES \***  
**YEAR TO DATE - DECEMBER 2023 (\$442,713,120)**

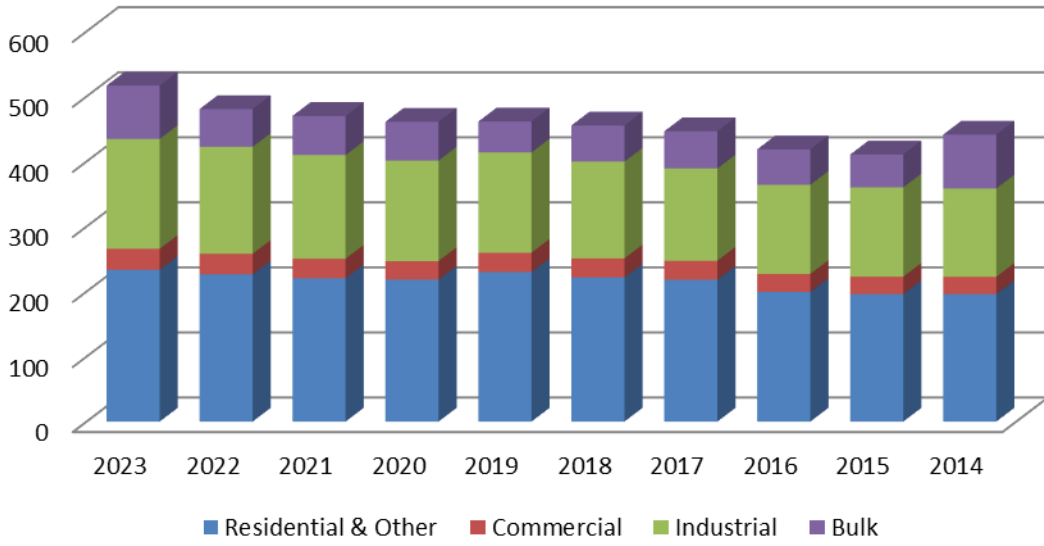


**TOTAL OPERATING EXPENSES \***  
**YEAR TO DATE - DECEMBER 2022 (\$424,513,635)**

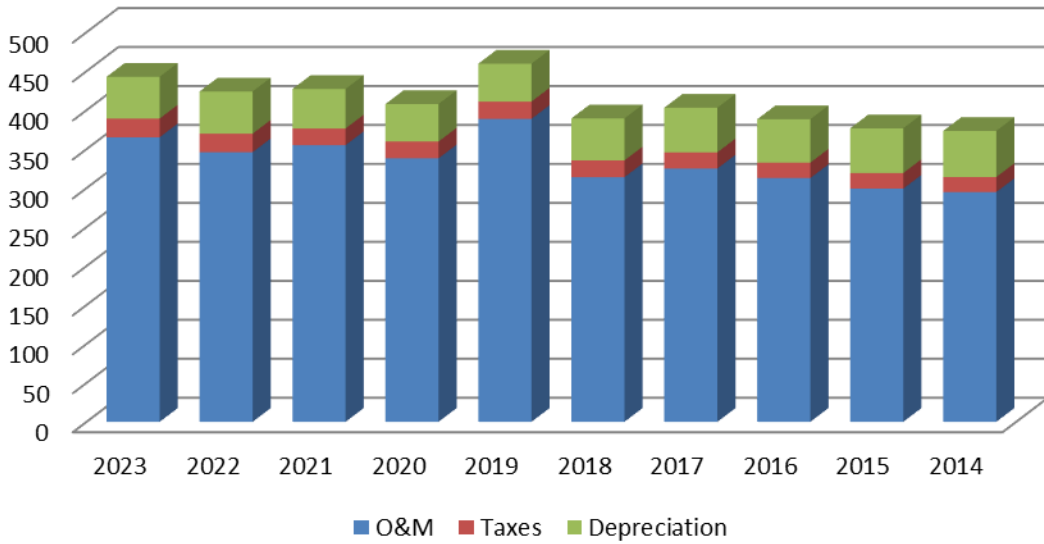


\* City Gross Earnings Taxes are not included in Total Operating Expenses.

### TEN-YEAR SUMMARY OF OPERATING REVENUES



### TEN-YEAR SUMMARY OF OPERATING EXPENSES





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.