

2025/2026 Budget, LRFP, COSA, and Rates

Presented by Financial Stewardship to the Public Utility Board on August 14, 2024

Agenda

| | | |
|--|--|----------------------------|
| Overview | Challenges and Risks; Drivers, Impacts, Cost Savings, and Mitigation | Jodi Collins |
| Preliminary Budget | O&M; Personnel; Supplies, Services, and Other Charges; Capital | Alyssa Flores Brown |
| Preliminary RWSS Budget | O&M; Capital | Alyssa Flores Brown |
| Preliminary Revenue Forecast | Non-Rate Revenue; Forecasting Accounts; Forecasting Demand; Revenue at Existing Rates | Andrew Zarembo |
| Financial Forecasting | Forecasting Summary; Base Case; Scenarios; Long-Range Financial Plan | Lyna Vo |
| Cost of Service Analysis | Cost of Service Analysis; Customer Classes; Recommendation | Andrew Zarembo |
| Rate Design | Monthly Bill; Regional Comparison; Customer Assistance | Andrew Zarembo |
| Water Services Construction Charges | Fixed Fee Updates | Marc Powell |
| Next Steps | Timeline | Jodi Collins |

Emerging and Ongoing Budget Impacts

- **Higher salaries and benefits expenses (class & comp adjustments, wage inflation)**
- **SAP Now! ERP replacement expenses**
- **Higher capital budget for 2025/26 and Capital Improvement Plan (CIP) beyond 2026 (construction inflation, regulatory mandates, new projects)**
- **PFAS Treatment and Pipeline 1 Pressurization Program**
- **Additional Water Storage Project (AWSP), Fish Passage and Habitat, Water Warehouse**
- **Ongoing financial, operational, and infrastructure changes due to mill closure**

Beyond the Planning Period

- **Large capital projects (wells & treatment, transmission system, Headworks Master Plan, Water Operations Building Phase 2, unknown regulatory requirements)**
- **Actively marketing excess water (wholesale, potential large volume commercial)**
- **Responsibly managing this plan to consider the impact to current and future customers**

Infrastructure Cost Increases

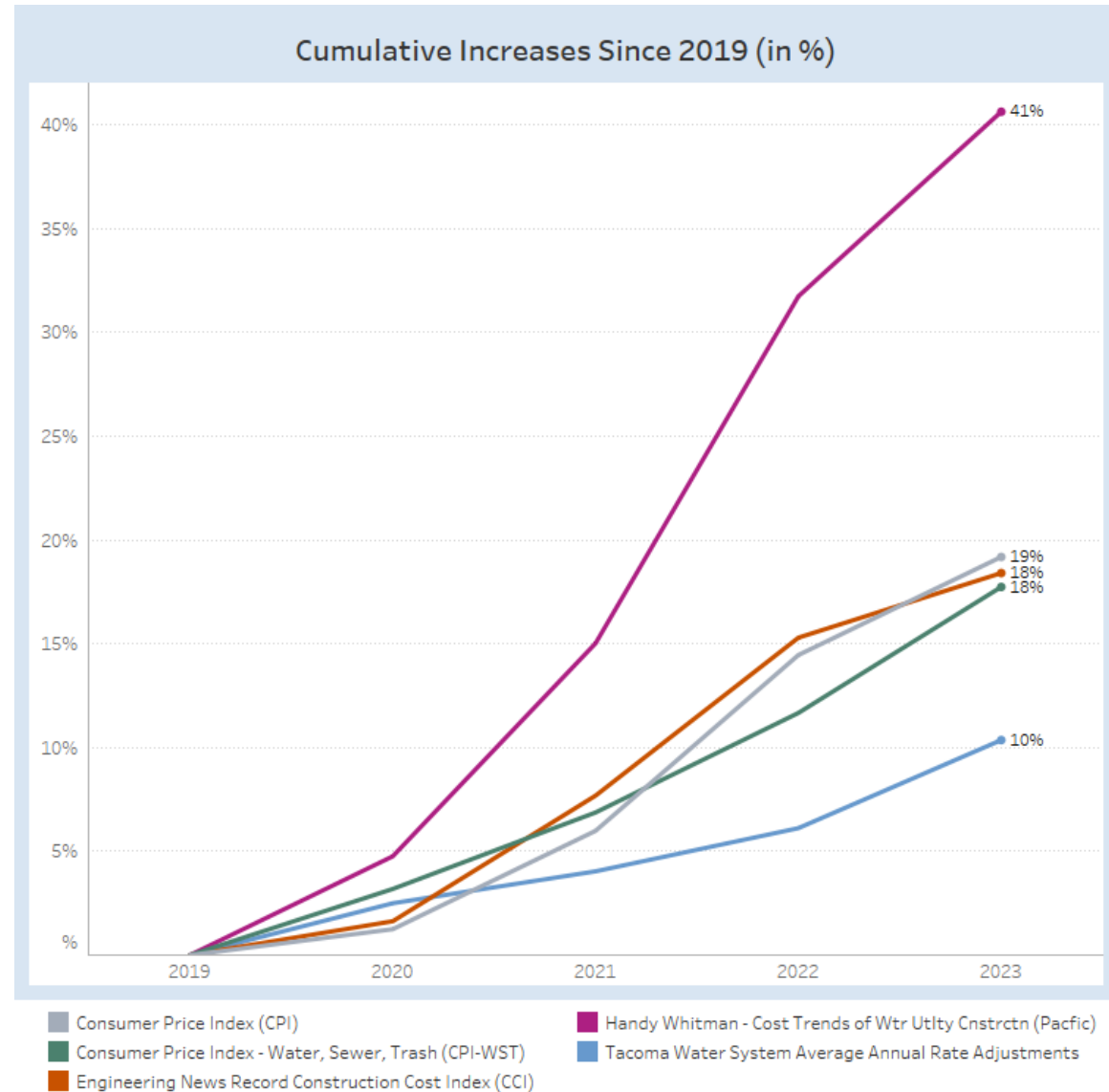
Construction and Other Inflation

The utility generally faces different inflationary pressures than consumers. While customers primarily observe the Consumer Price Index (CPI) as an indicator for inflation, the Handy Whitman is a better indicator for a capital-intensive utility. Long-term financial planning allows the utility to weather periods of high costs in the short term and spread the impact over time.

Ongoing Impacts

The rate of inflation continues to level off, however cost decreases are unlikely, resulting in a new, higher 'normal' cost environment. Our Capital Improvement Plan (CIP) is considerably higher in part due to this higher escalation.

Interest rates for the next several years are expected to be near their highest levels in over a decade, resulting in higher financing costs for our upcoming capital plan.



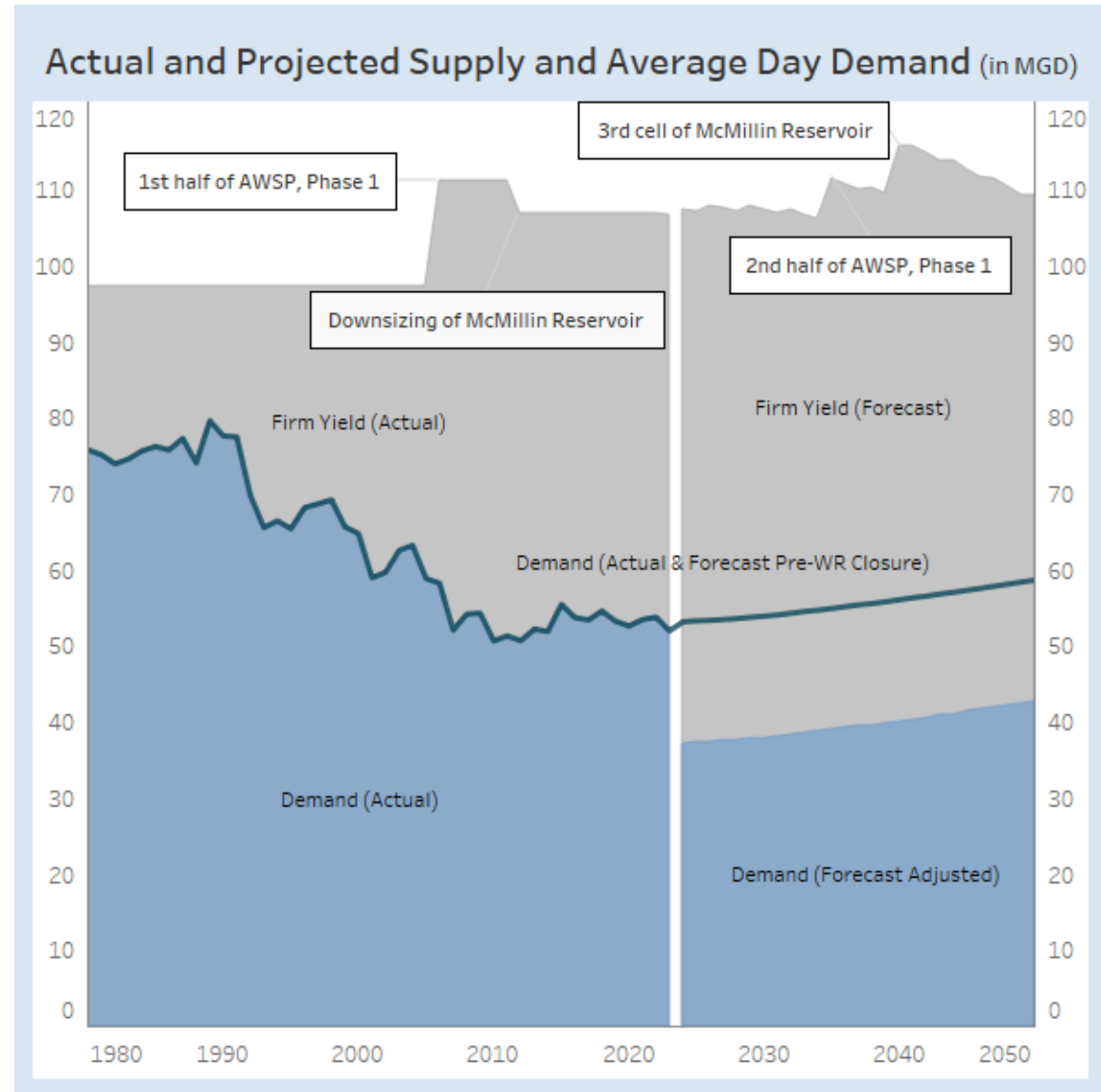
Progress on Wholesale Revenue Opportunities

Supply and Market Development

We project our system demand and our supply to remain relatively constant. We anticipate this will provide us with an opportunity for market development to serve additional regional water customers. Additionally, we re-inherited supply back into our water system due to the closure of the WestRock Tacoma mill.

Wholesale Opportunities

Innovative, market-based pricing options may help increase delivery to current customers. We are also actively pursuing potential new water sales contracts to increase revenue and keep rates as low as is responsible.



Rate Mitigation Measures for 25/26

We strive to mitigate challenges and keep rates as low as is responsible to ensure that our rates remain affordable.

Budget Variance in 2023/24 applied to reserves

- Projected savings and expenditure deferrals of \$22.8M lowers cash needed from rate increase and delays borrowing costs

Refinancing for Debt Service Savings and Restructuring

- RWSS Refunding saved \$1.1M in the Tacoma 2025/26 budget

Deferred Infrastructure Investments

- Deferred nearly \$41M Capital expenditures, includes WestRock related and other
- Capital Carryforward deduction of \$7.5M mitigates rate impact

Personnel Expense Management and Hiring Prioritization

- Repurpose existing project positions, no additional FTEs included for 2025/26
- Vacancy factor deduction of \$3.2M mitigates rate impact

Responsible Budgeting and Financial Management

- Use of Reserves and anticipated Revenue Bond issue to fund capital
- Prioritization, long-term planning, Decision-Making Framework

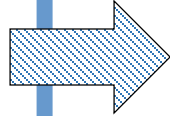
Budget & Ratemaking Process

What is in the Pie?

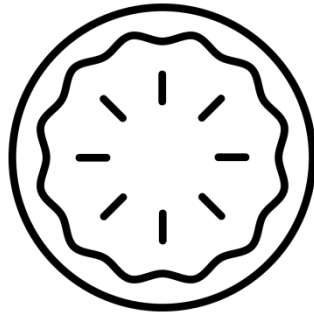


Budget Development

Identifies Operational and Capital Budgets for the upcoming biennium

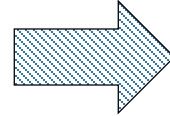


How Big is the Pie?

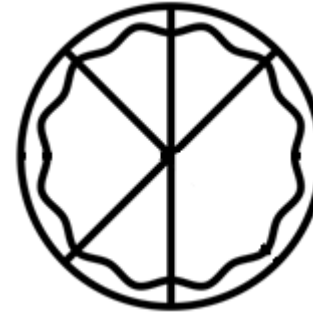


Revenue Requirement

Identifies revenue needed to sustain operations, according to financial plan

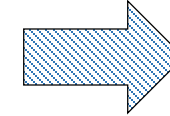


How to Slice the Pie?

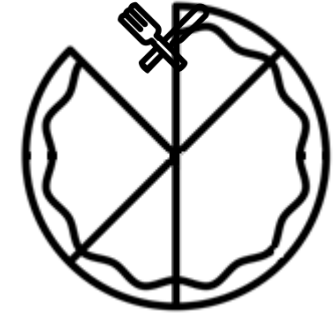


Cost of Service Analysis (COSA)

Divides revenue requirement into total amount to be paid by each customer class



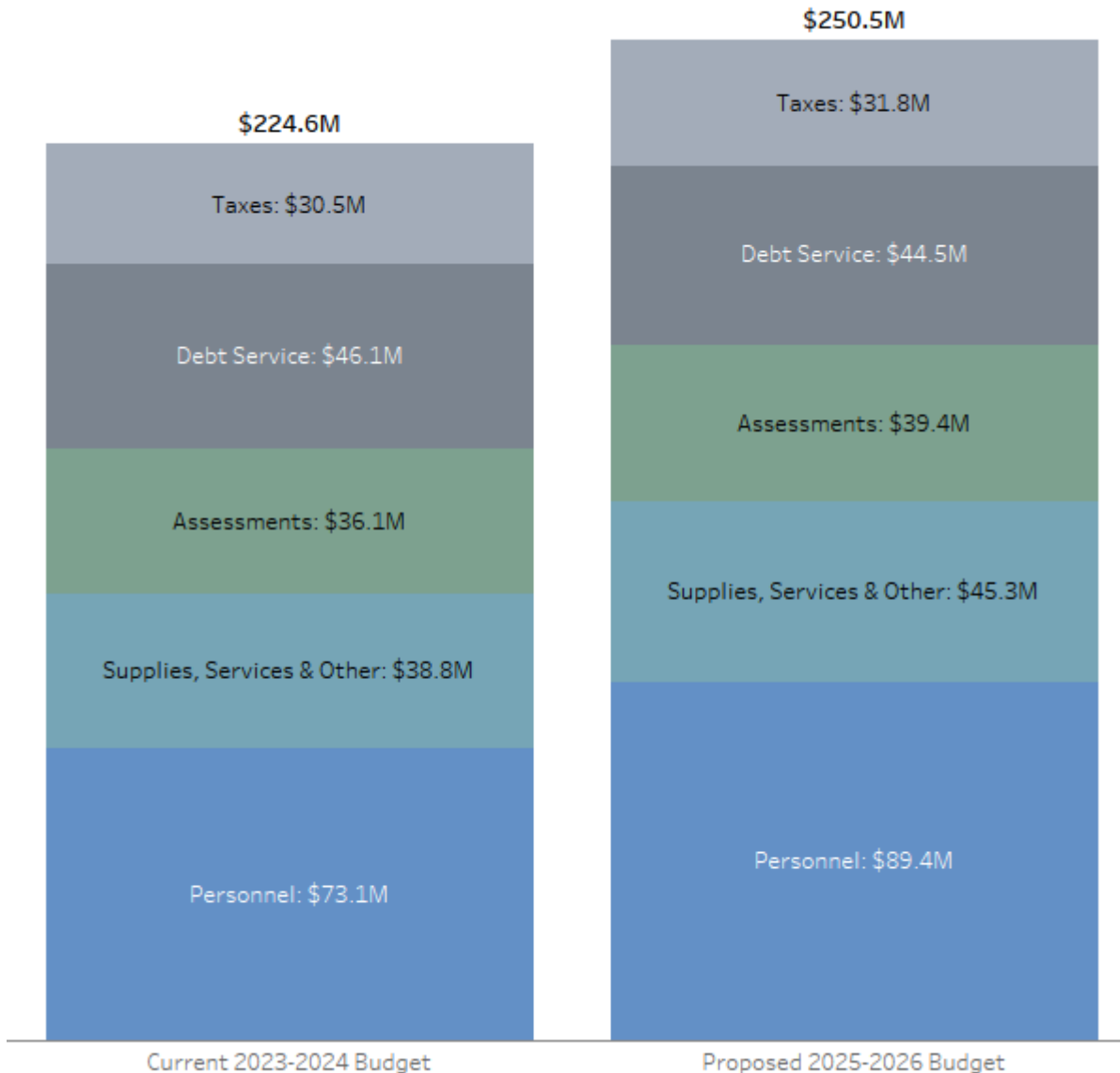
How to Eat the Pie?



Rate Design

Sets rate structure to bill each customer (e.g. fixed charge per month, volumetric rate per CCF, etc.)

2025/2026 Preliminary O&M Budget



- **Operations & Maintenance (O&M) is \$25.9M higher in 2025/2026 than in 2023/2024**
- **Personnel costs are higher by \$16.3M or 22% with no additional FTEs**
- **Supplies, Services & Other Charges increase about \$6.5M due to multiple factors**
- **Assessments still in process, in this view they remain at about 16% of total budget**
- **Taxes are a function of revenues, approximately 13% of total budget**
- **Debt Service reduced in 2025/2026**

Personnel Budget Overview



- Overall personnel is about **\$16.3M** higher in 2025/2026 than in 2023/2024
- Budget includes no new positions
- Benefits expenses are increasing **10%** this biennium
- Salaries & Wages are **\$8.3M** or **12%** higher and include market wage adjustments and general wage increases
- Budget includes **\$3.2M** deduction to salaries and benefits for vacancy factor, about **\$3.5M** less than in 23/24
- Personnel expense not finalized

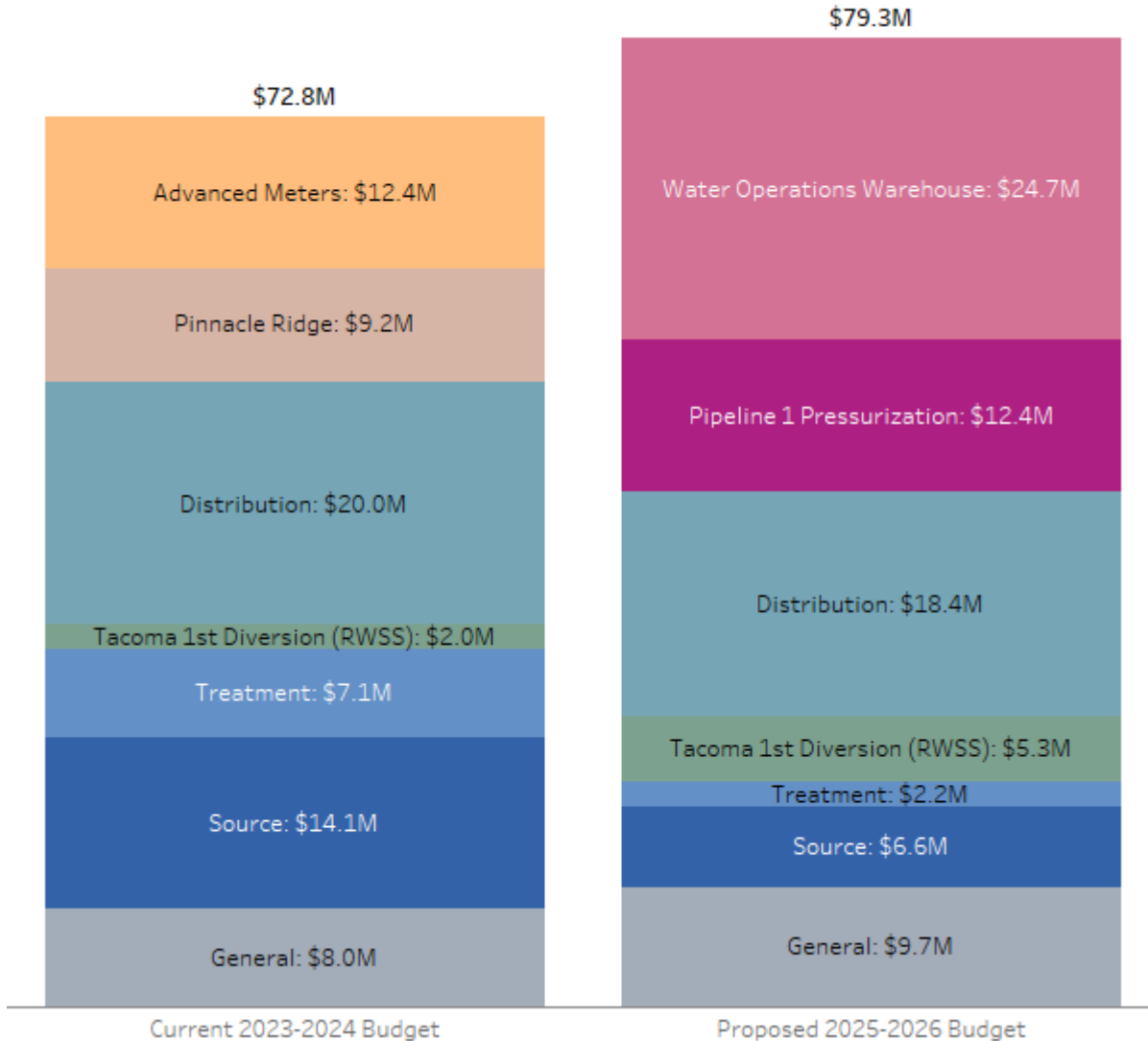
Supplies, Services, and Other Charges



- Overall supplies, services, and other charges is about **\$6.5M** higher in 2025/2026 than in 2023/2024
- Utilities, rent, insurance, fees, fleet maintenance and fuel are about **\$17.6M**, about **40%** of the total
- Professional & Contract Services includes PFAS, Hydraulic Modeling Support, GIS Consulting, Workforce Development and more
- Other includes **\$6.4M** for Tacoma share of RWSS O&M and **\$8.6M** for Tacoma RWSS Debt Service Contract Resource Obligations (CRO)
- Other is net of credits for Overhead costs

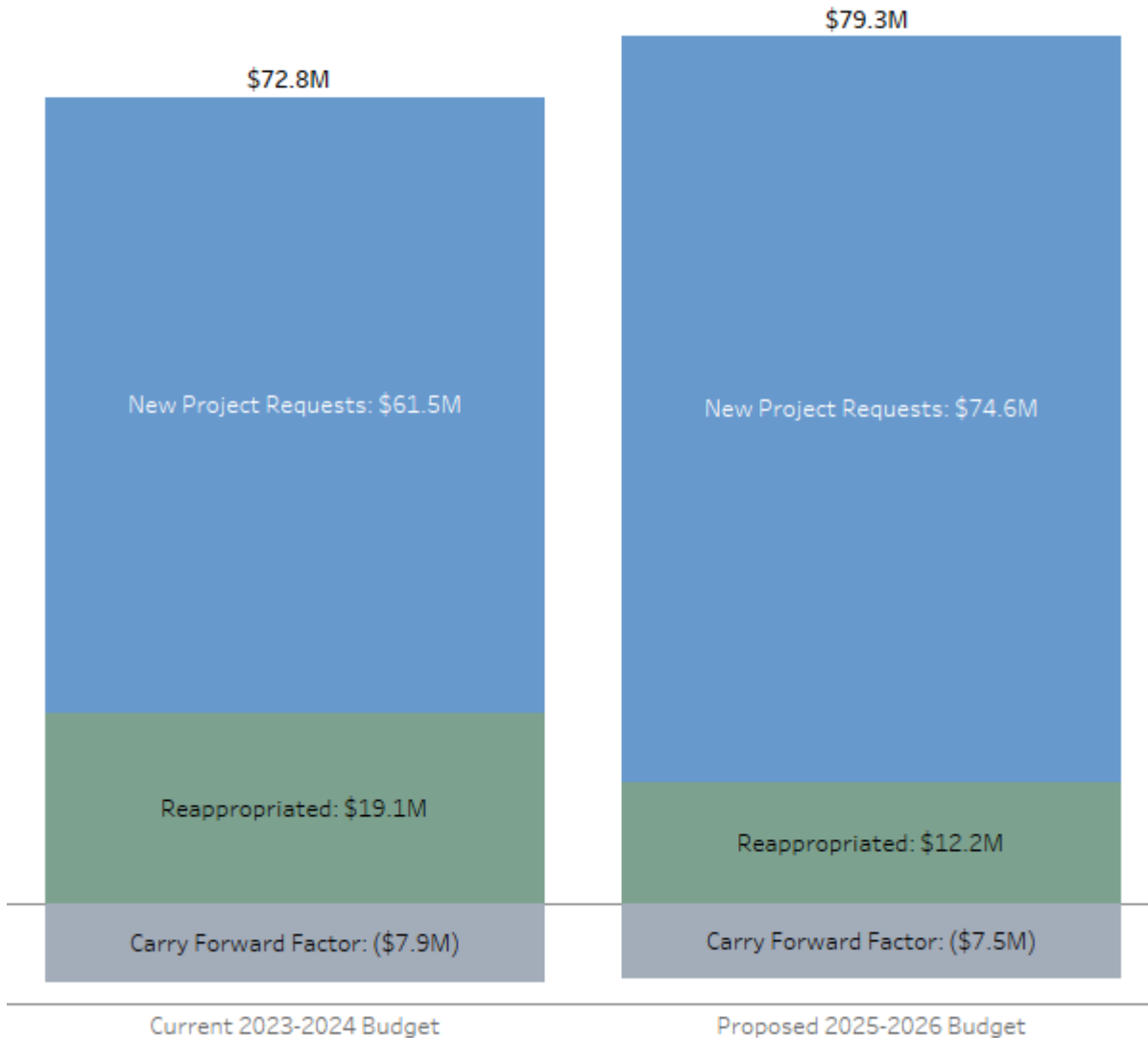
*Expenses are preliminary

2025/2026 Preliminary Water Capital Budget



- Overall capital is **\$6.5M** higher in 2025/2026 than in 2023/2024
- Funding sources vary by capital project
 - **\$34.8M** from Capital reserves
 - **\$44.5M** from Anticipated Revenue Bond Proceeds
- Budget includes 2023/2024 Budget reappropriation of **\$12.2M**
- General category is reduced by **\$7.5M** Capital Carryforward deduction for 2025/2026

2025/2026 Preliminary Water Capital Budget



- **Projects don't end on December 31st**
- **Overall reappropriation is about \$12.2M from 2023/2024**
- **Budget for projects in flight (carry forward) may have reappropriated and new money**
- **Carry Forward Factor reduces capital budget by about 10% to account for re-appropriated spending in the next biennium**

Budgeting for the Regional Water Supply System

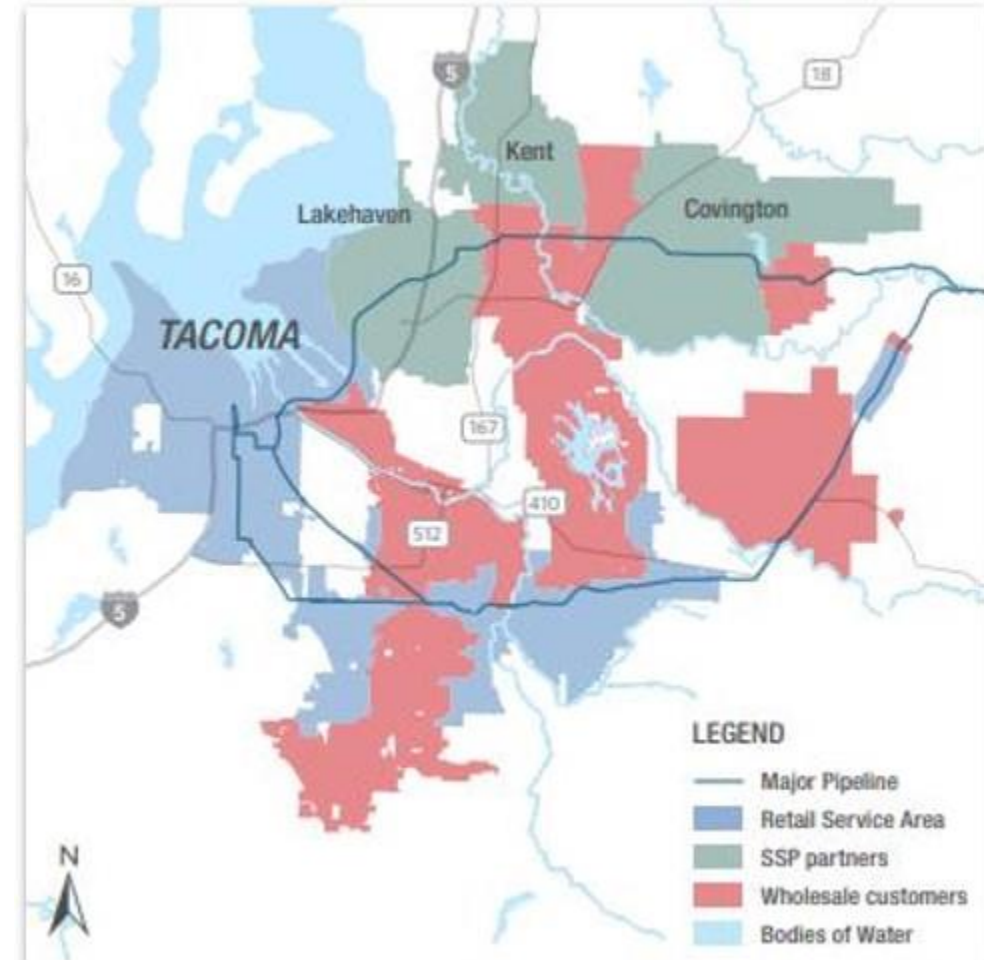
We began developing the Second Supply Project (SSP) in 1968 to meet our future water supply requirements and increase regional supply.

2002 Partnership Agreement defines rights and obligations of Participants

- **Project committee meets monthly and includes one representative of each Participant**
 - Shares represent proportional right to receive, and obligation to pay for water
 - Tacoma 15/36; Kent 7/36; Covington 7/36; Lakehaven 7/36
- **Committee approves annual budget for the RWSS each October**

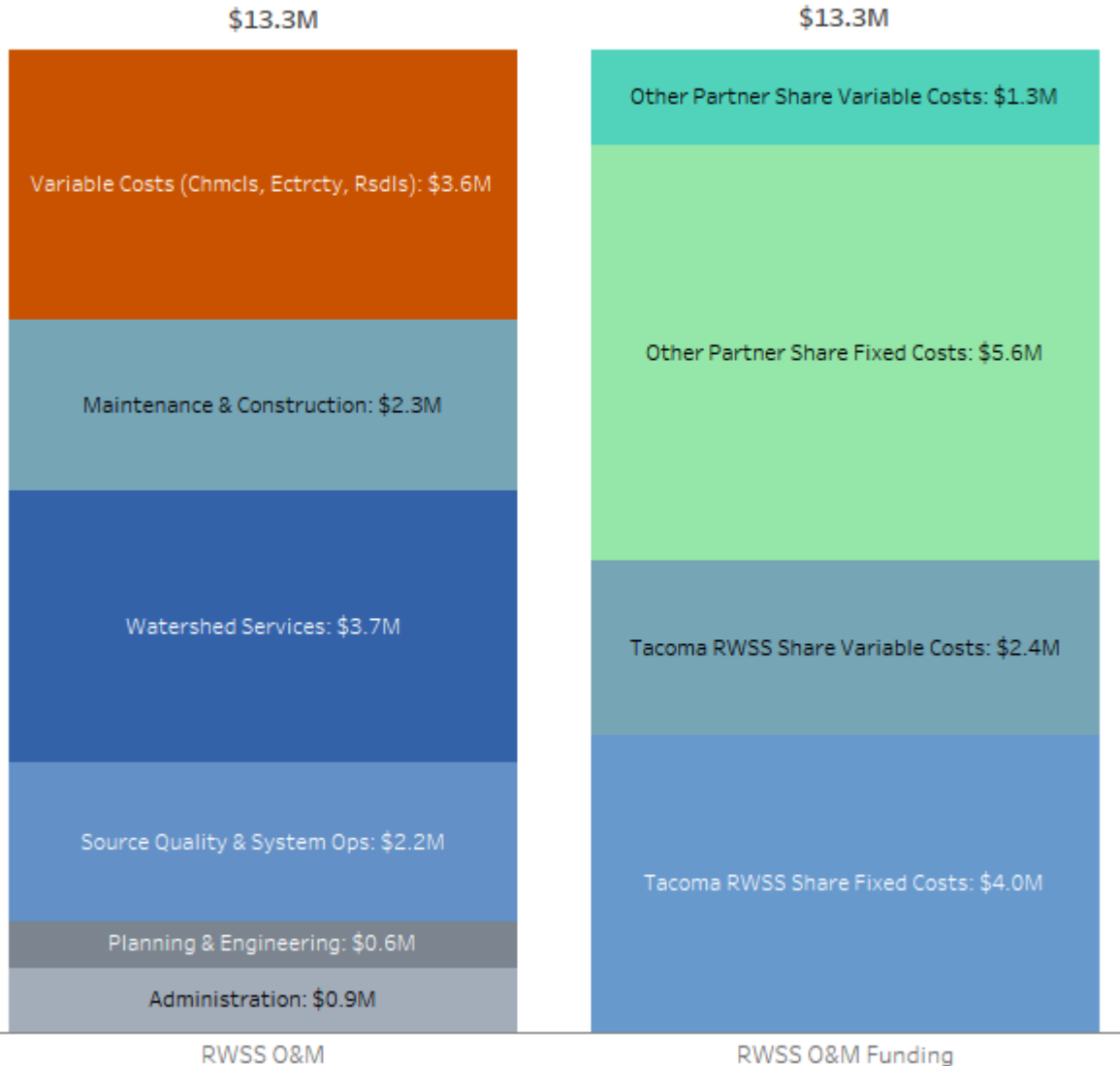
Tacoma Water is the Project Operator

- **RWSS Memorandum Budget establishes revenues to equal costs**
- **Tacoma pays all operating and debt service costs and bills each participant**
- **Tacoma share of budget is approved by the PUB as part of the biennial cycle**



2025/2026 Preliminary RWSS O&M Budget

Funding for RWSS O&M is equal to expenses, Tacoma budgets and pays for a share.



O&M Budget includes Fixed and Variable Costs

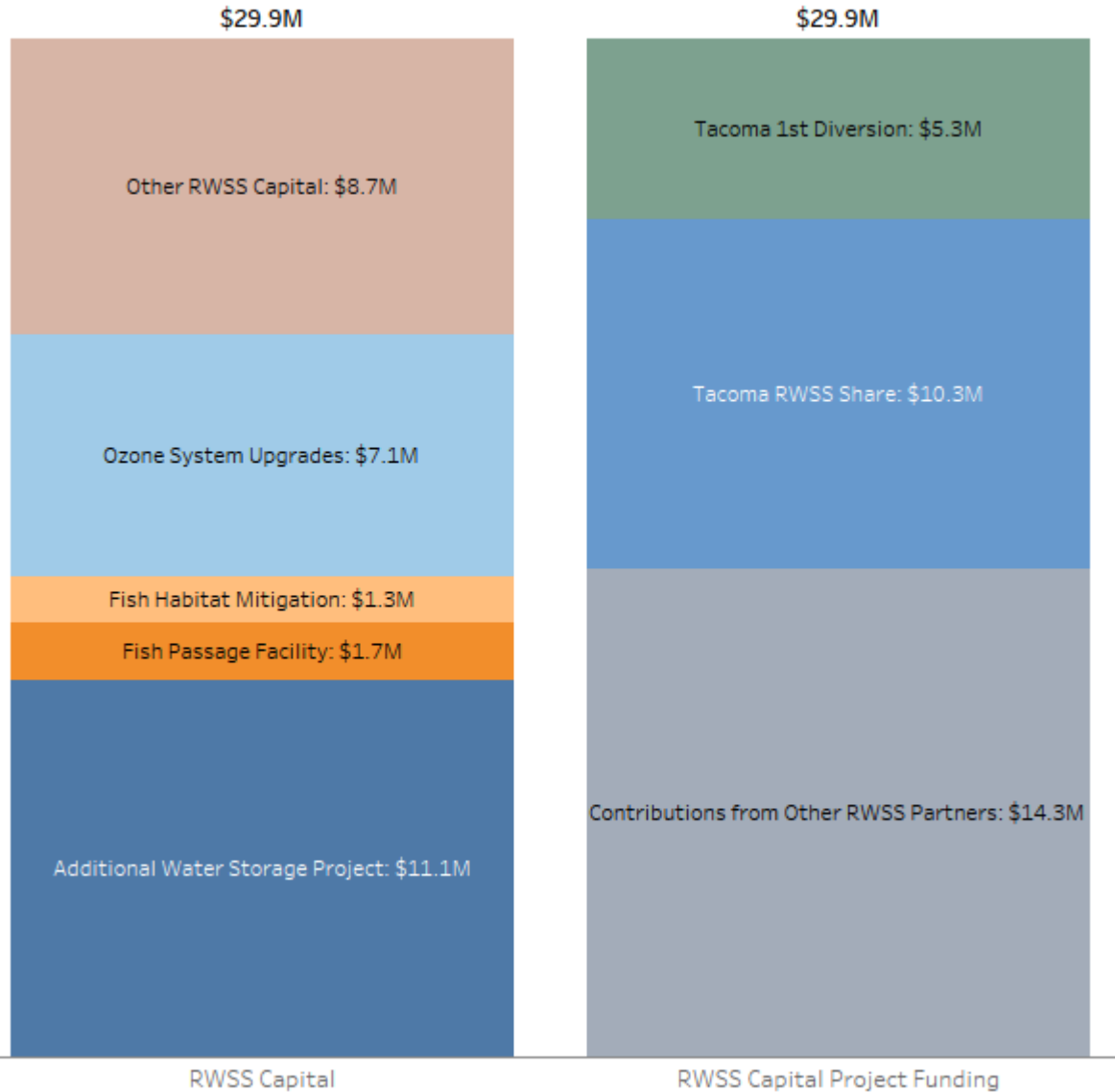
- **Fixed expenses don't vary based on quantity of water delivered**
 - **Billed monthly to all Participants based on allocated share**
- **Variable costs include electricity and water treatment supplies and materials**
 - **Based on quantity of water delivered**
 - **Invoiced monthly to all Participants based on estimates, trued-up**

Tacoma Share of RWSS O&M

- **Contract Resource Obligation (CRO)**
- **Budgeted as RWSS Water Purchase Expense in Administration cost center**

2025/2026 Preliminary RWSS Capital Budget

Funding for RWSS Capital is equal to expenditures, Tacoma budgets and pays for a share.



Tacoma 1st Diversion is not included in RWSS budget

- Based on allocations defined in the Agreement
- Included in Tacoma Water capital budget

Tacoma RWSS Share of Capital budget is unique

- Defined as Contract Resource Obligation (CRO)
- May use capital funding sources
- Funded through System Development Charge (SDC) in 2025/2026, will reduce liquidity
- This transfer is not a line item in Tacoma budget, it is activity between the RWSS and SDC Funds

Contributions from Other RWSS Participants

- Tacoma Water initially pays all expenditures
- Participants are billed quarterly for their shares

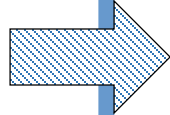
Budget & Ratemaking Process

What is in the Pie?

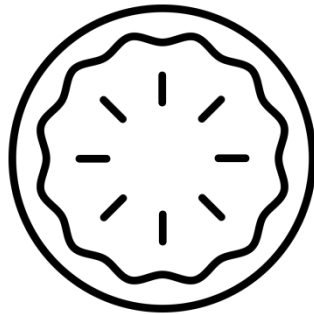


Budget Development

Identifies Operational and Capital Budgets for the upcoming biennium

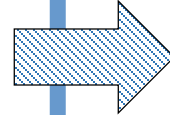


How Big is the Pie?

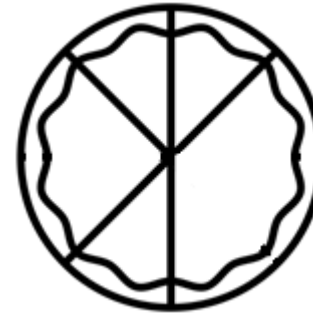


Revenue Requirement

Identifies revenue needed to sustain operations, according to financial plan

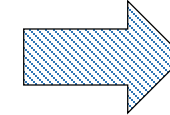


How to Slice the Pie?



Cost of Service Analysis (COSA)

Divides revenue requirement into total amount to be paid by each customer class



How to Eat the Pie?



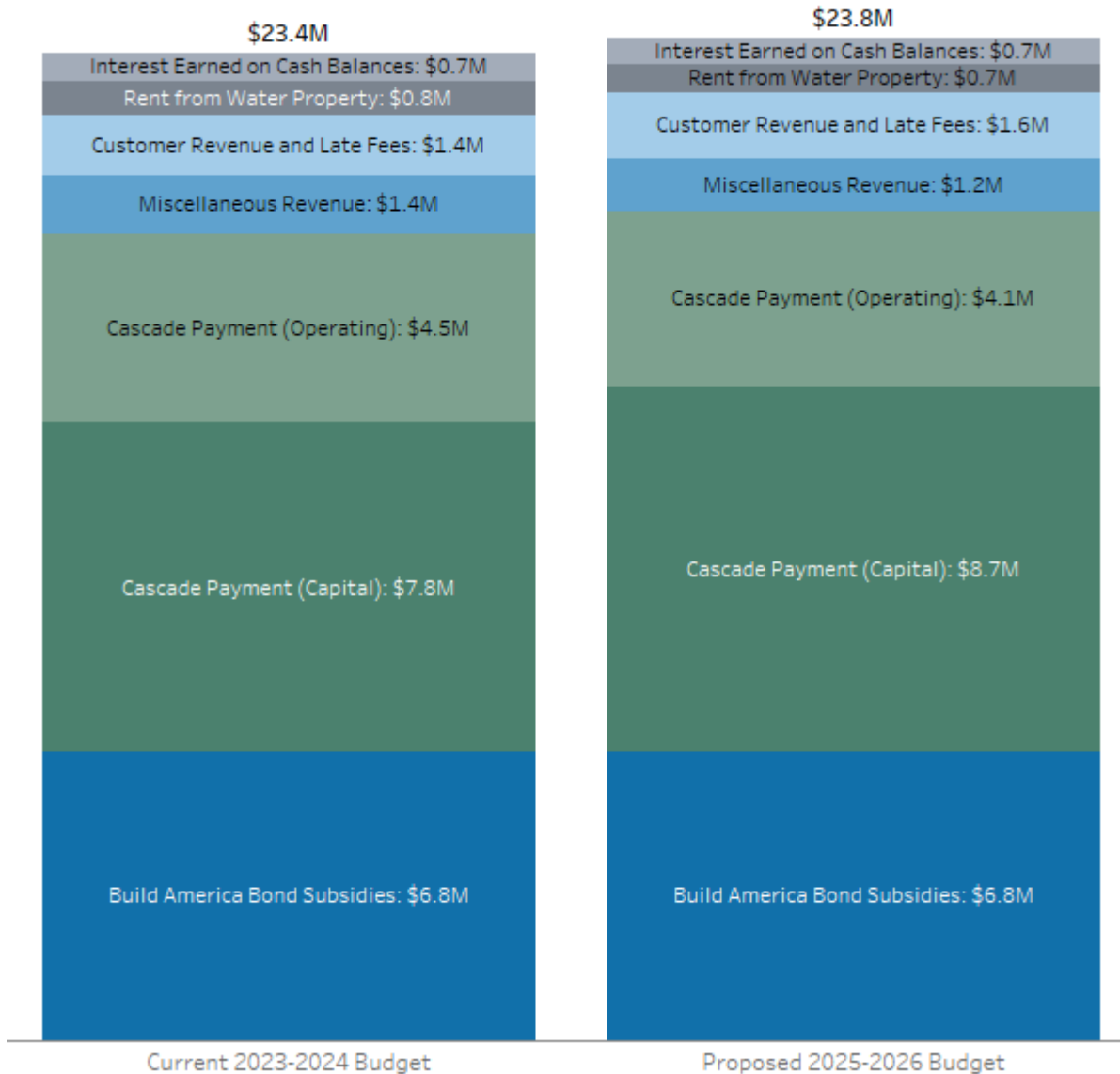
Rate Design

Sets rate structure to bill each customer
(*e.g.* fixed charge per month, volumetric rate per CCF, *etc.*)

Revenue Requirement



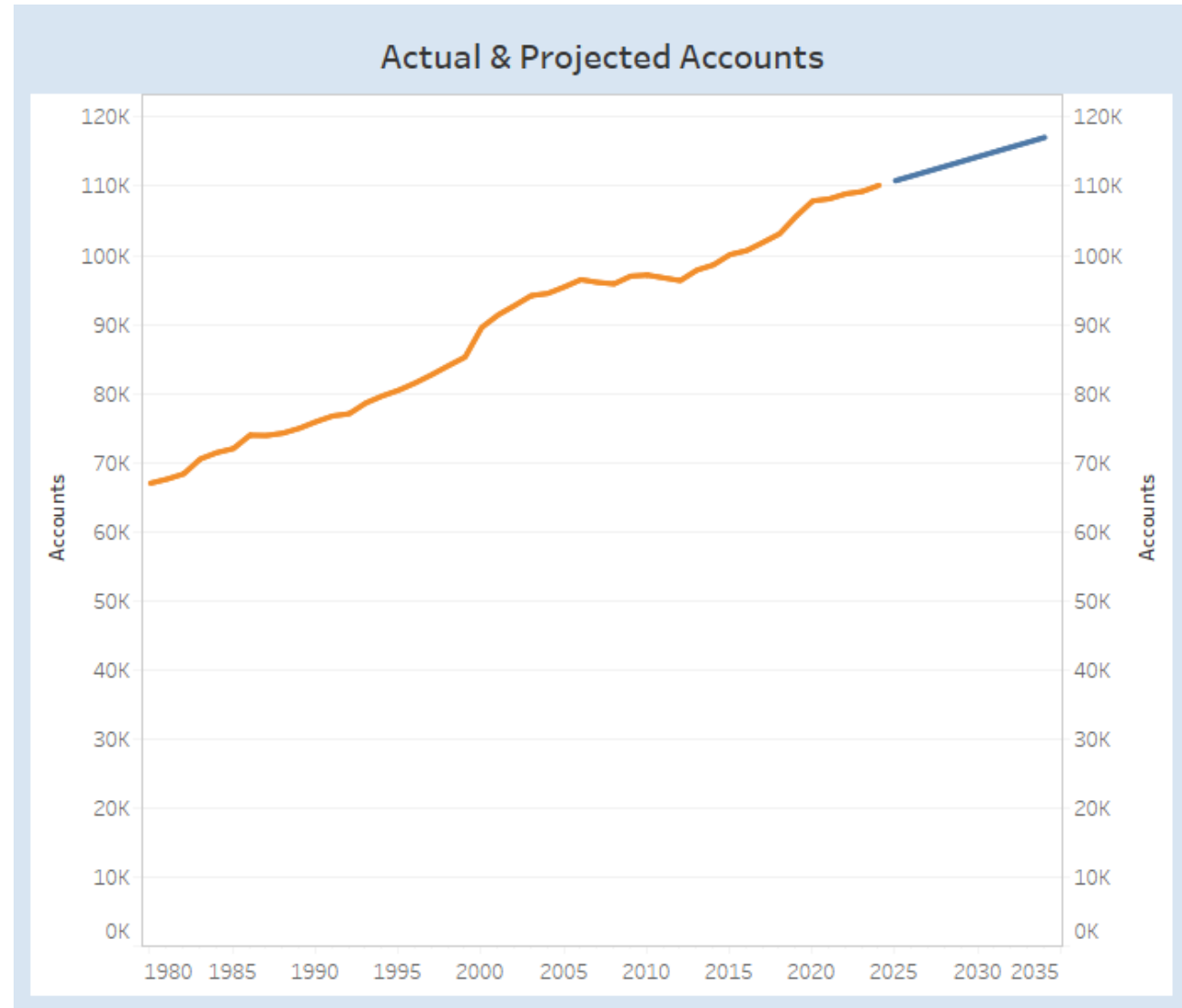
Non-Rate Revenue



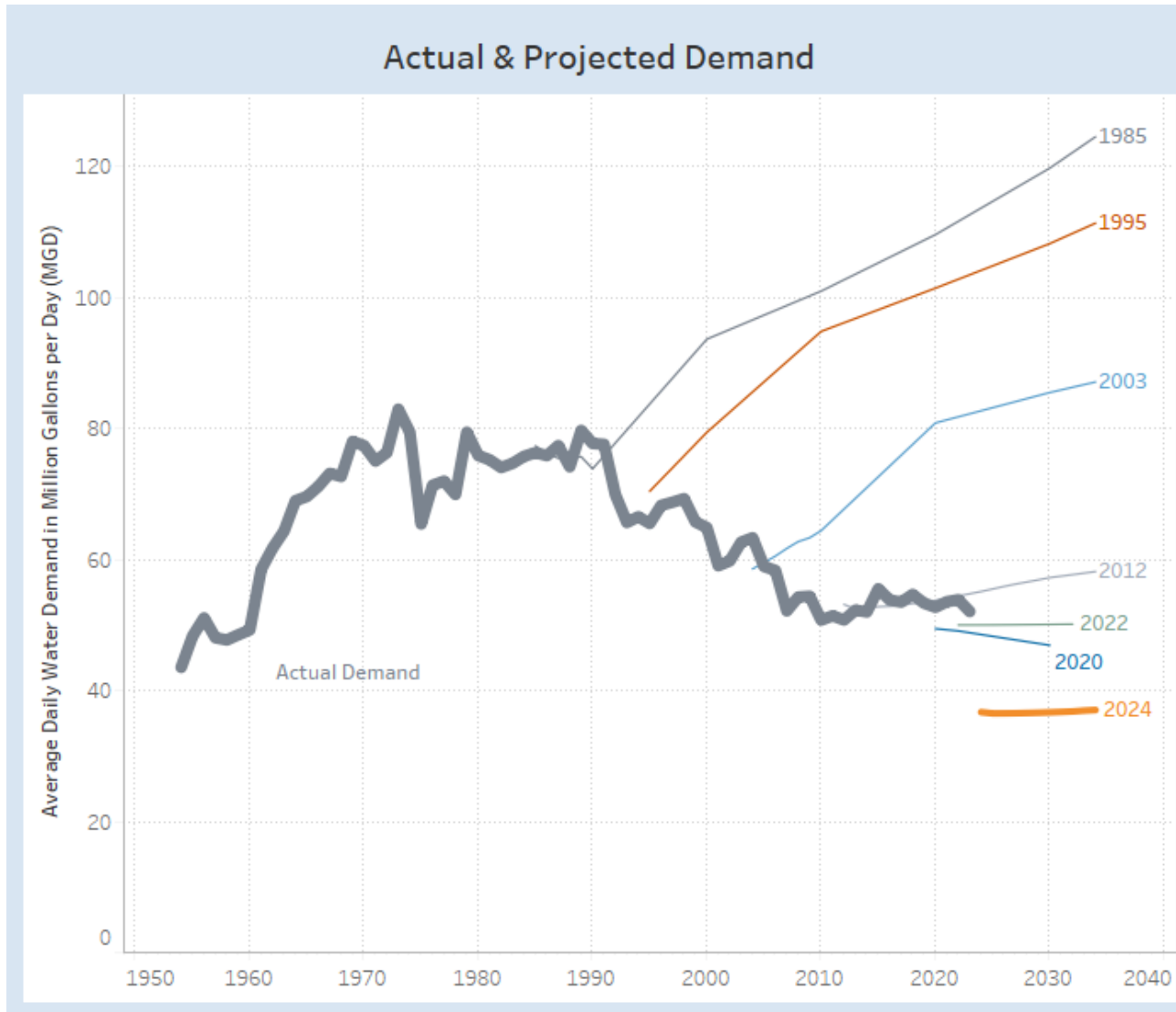
- **Non-rate revenue helps keep rate adjustments as low as is responsible.**
- **Overall increase is about \$552K from 2023/2024**
- **10% of total of our revenue**
- **Cascade Water Alliance contract revenue is limited term, drops to \$1.0M per year in 2030 and ends in 2042**
- **Build America Bond subsidies (BABs) offset interest expense for certain taxable revenue bonds**

Forecasting Accounts; Water Sales

- **Accounts are projected to grow by approximately 0.6% per year for the next 10 years**
- **Outside-city residential accounts continue to make up the majority of growth**
- **Densification, such as Home in Tacoma, is likely to provide significant opportunity for inside-city growth, but impacts are still unknown**



Forecasting Demand; Water Sales



- **Total Demand is projected to grow by approximately 0.15% per year over the next 10 years**
- **Primarily driven by the Irrigation and Residential classes**
- **Commercial demand continues to decline, despite account growth**

Rate Revenue at Existing Rates

- Absent any rate adjustments, rate revenue is projected to increase by **0.43% per year over the upcoming biennium (excluding WestRock).**

| Total Revenues | 2024 | 2025 | 2026 |
|----------------------------|-----------------------|-----------------------|-----------------------|
| Single Family | \$ 60,644,083 | \$ 61,100,370 | \$ 61,567,273 |
| Multi-Family | 15,095,808 | 15,108,392 | 15,130,190 |
| Commercial | 12,836,117 | 12,614,920 | 12,408,911 |
| Large Volume Commercial | 3,382,234 | 3,382,234 | 3,382,234 |
| Irrigation | 5,292,179 | 5,368,620 | 5,444,618 |
| Wholesale | 2,838,147 | 2,838,147 | 2,838,147 |
| Private Fire Protection | 3,794,748 | 3,897,176 | 3,991,265 |
| Public Fire - Tacoma | 2,314,898 | 2,320,265 | 2,325,593 |
| Public Fire - Outside City | 2,021,603 | 2,043,169 | 2,065,479 |
| Pulp Mill | 765,776 | - | - |
| Total | \$ 108,985,594 | \$ 108,673,293 | \$ 109,153,711 |

Revenue Requirement and Financial Forecasting

The two-year budget informs the long-range plan and the long-range plan informs the two-year rate proposal.

Budget & Revenue Requirement Development

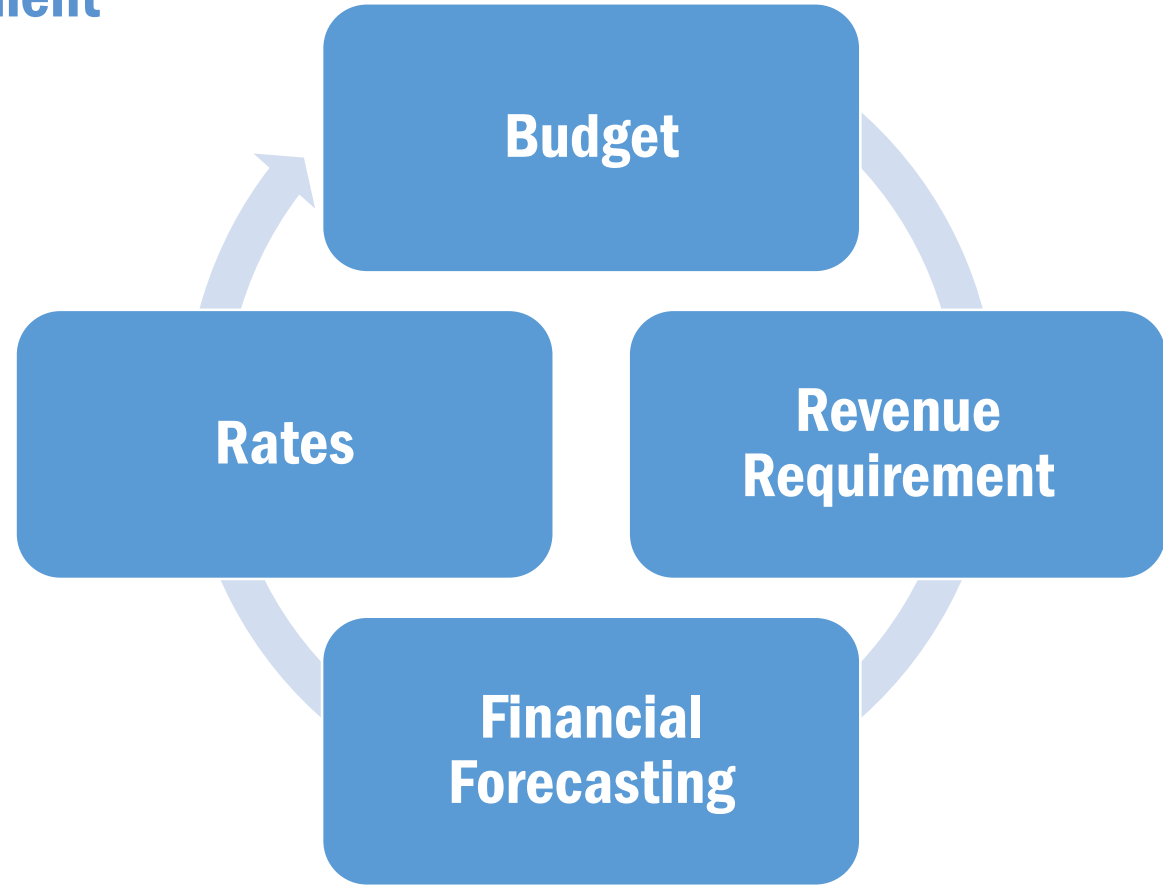
- O&M
- Capital
- Non-rate revenue
- Demand forecast

Financial Forecasting

- Cost escalators
- Financial modeling
- Financial strategy

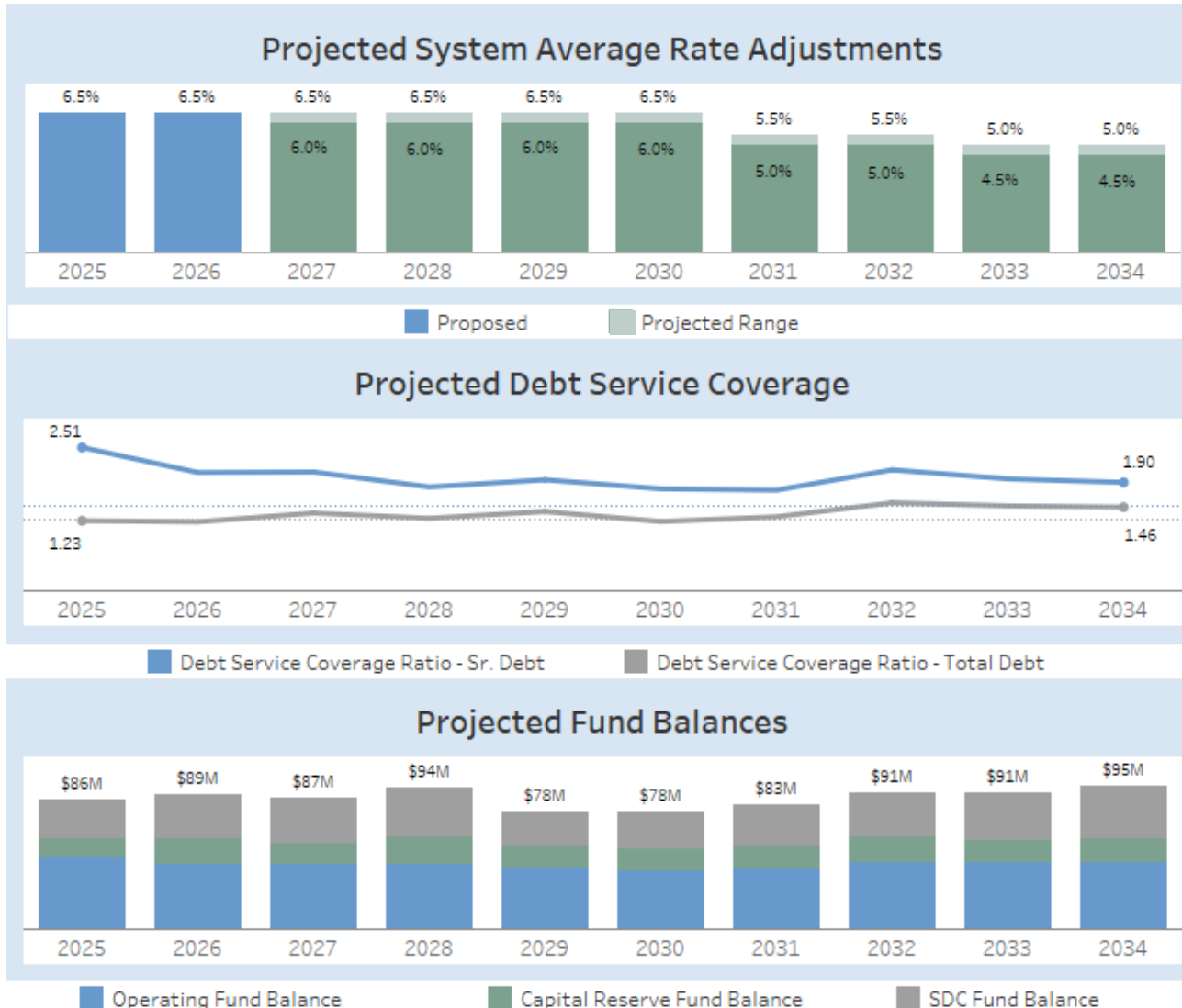
Rates

- System average rate proposal



Long-Term Planning and Financial Forecasting

Establishing the base case to ensure gradualism.



Rates

- **6.5% annual system average rates for 2025/2026**

Coverage

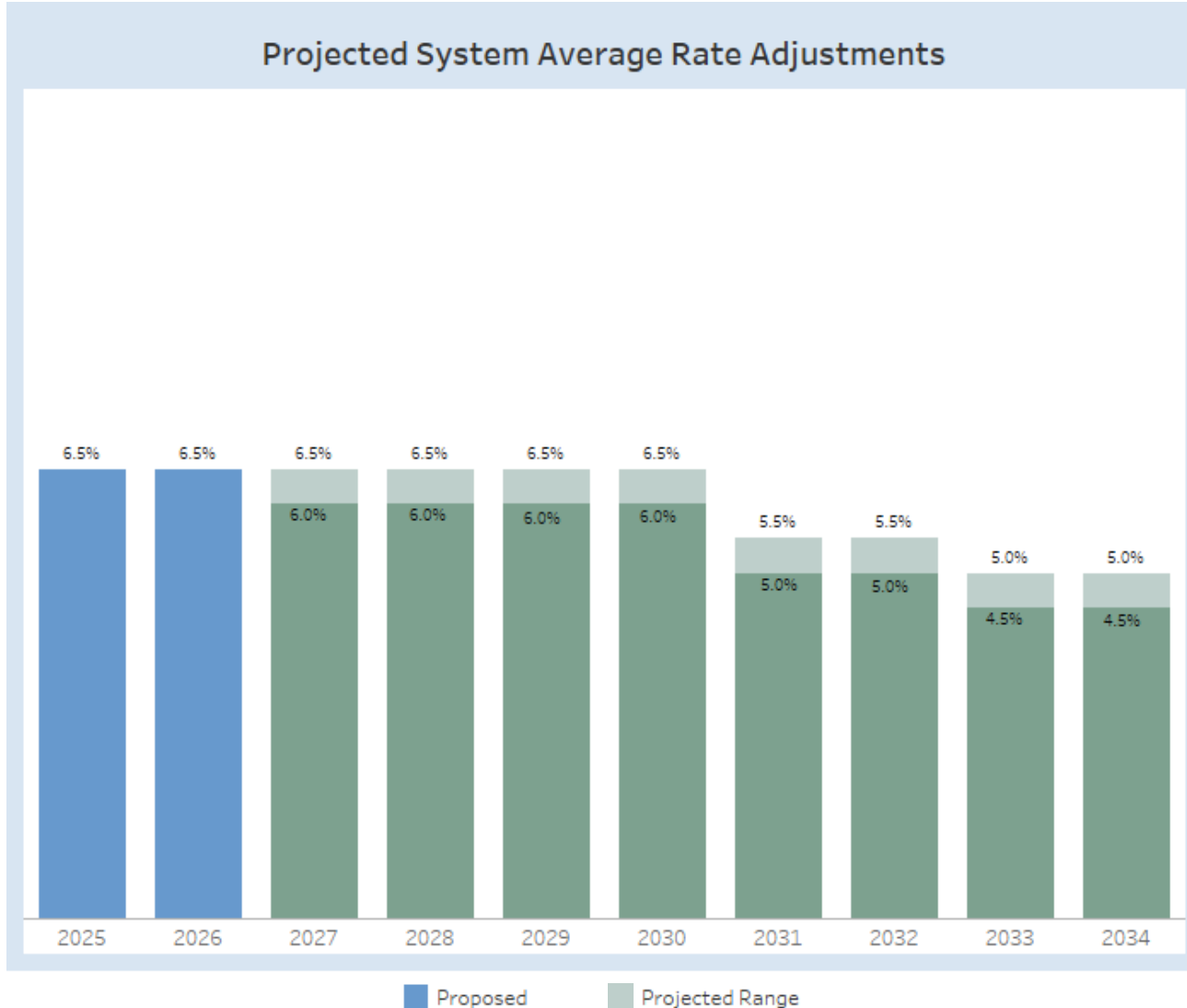
- **Continue meeting debt service coverage requirements**

Liquidity

- **Management of reserves while meeting liquidity requirements**

Long-Term Planning and Financial Forecasting

Development of possible scenarios / uncertainties with similar ending rate trajectories and financial metrics.



Base Case Assumptions

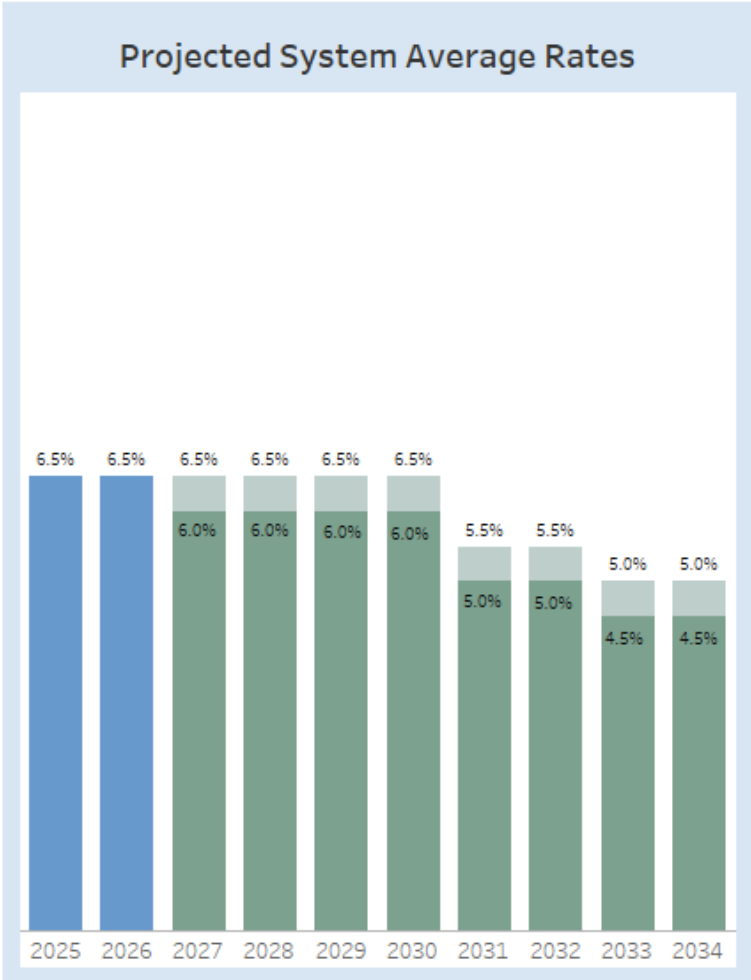
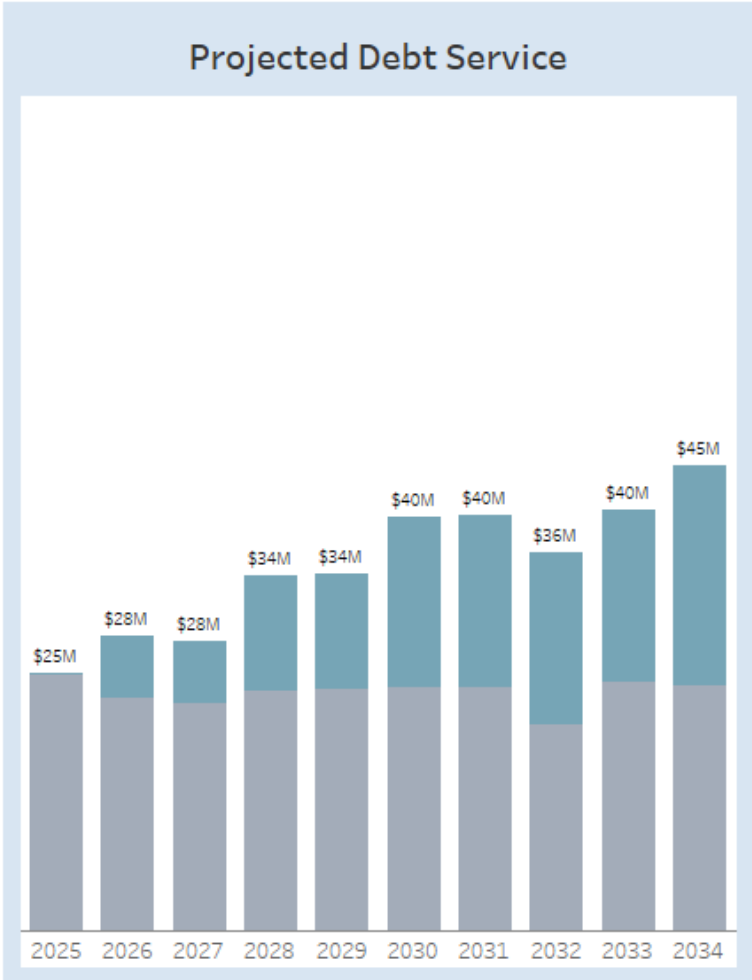
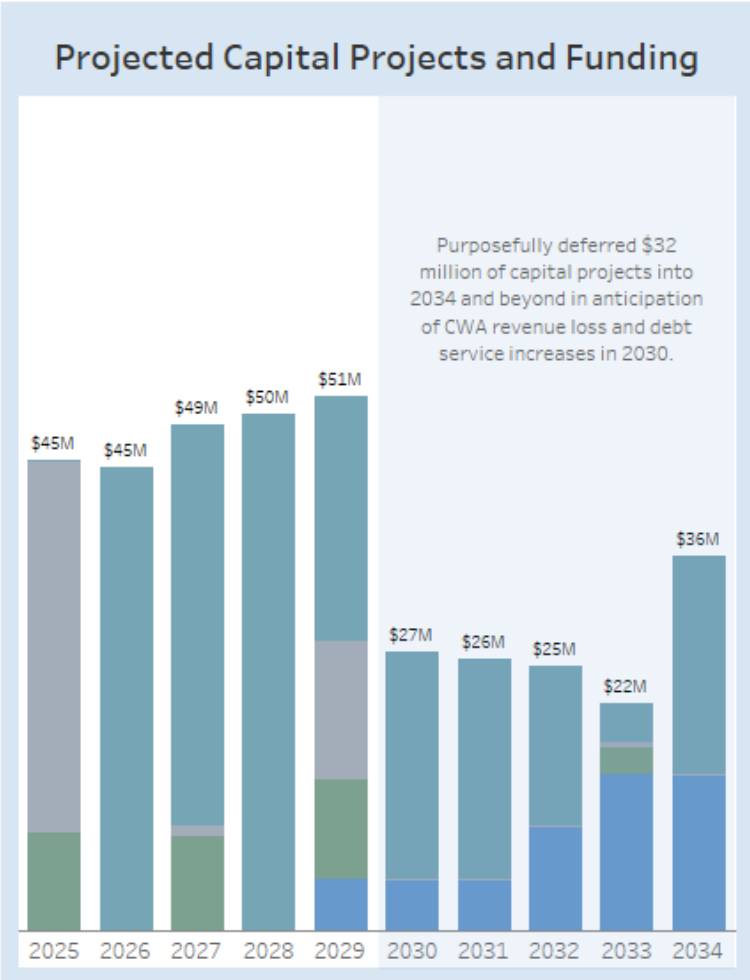
- Inflationary Costs (general, labor, etc.)
- Incremental Franchise Fees
- System Account Growth
- Demand Growth
- Interest Earnings

Scenario Development

- Higher O&M expenses (wage inflation, assessment increases)
- Deferred capital projects
- Marketing excess water

Long-Term Planning and Financial Forecasting

Anticipating projects, optimizing debt, and stabilizing rates for the long-term.



■ Current Fund ■ Capital Fund ■ SDC Fund ■ New Debt

■ Current Debt Service ■ Proposed New Debt Service

■ Proposed ■ Projected Range



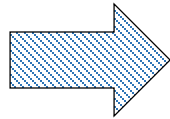
Budget & Ratemaking Process

What is in the Pie?

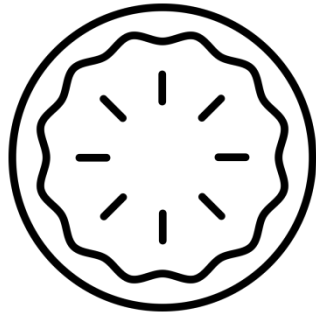


Budget Development

Identifies Operational and Capital Budgets for the upcoming biennium

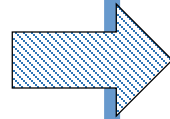


How Big is the Pie?

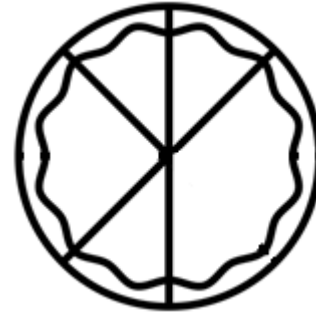


Revenue Requirement

Identifies revenue needed to sustain operations, according to financial plan

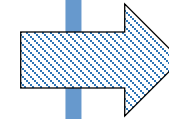


How to Slice the Pie?

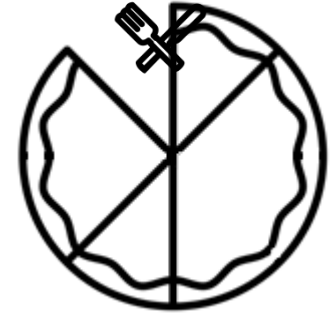


Cost of Service Analysis (COSA)

Divides revenue requirement into total amount to be paid by each customer class



How to Eat the Pie?



Rate Design

Sets rate structure to bill each customer
(*e.g.* fixed charge per month, volumetric rate per CCF, *etc.*)

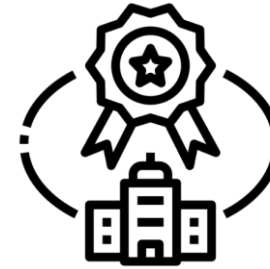
Cost of Service Analysis (COSA)



Allocates utility expenses equitably by assigning them to those who cause the costs



Provides bill stability and prevents large rate spikes by phasing in adjustments



The cost of service methodology is a well-tested industry standard

Tacoma Water Customer Classes

- Single-family and multifamily residences

- 101,722 accounts
- \$72.2M revenue

Residential



- Small & medium sized businesses such as flower shops and small offices

- 4,689 accounts
- \$12.7M revenue

Commercial



- Large industries which use more than 65,000 CCF per year, such as U.S. Oil and Boeing

- 7 accounts
- \$3.0M revenue

Large Volume



- Dedicated irrigation meter for primarily outdoor use such as Point Defiance Park

- 1,175 accounts
- \$5.2M revenue

Irrigation



- Warehouses with large fire sprinkler systems

- 1,623 accounts
- \$4.5M revenue

Private Fire



- Other utilities such as City of Fife and Firgrove Mutual Water Company

- 18 accounts
- \$2.5M revenue

Wholesale



- WestRock in the Tideflats

- 1 account
- \$7.1M revenue

Pulp Mill

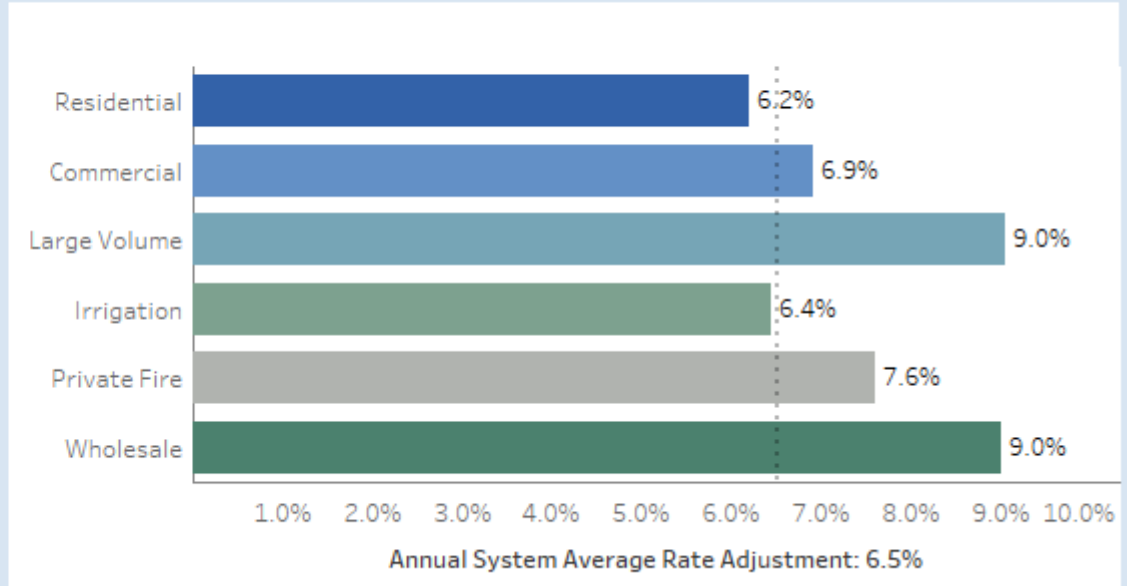


Revenue Requirement & Cost of Service

Revenue Requirement by Customer Class

| Class | Current Revenue | Revenue Requirement | Additional Revenue |
|--------------|--------------------|---------------------|--------------------|
| Residential | 161,296,119 | 176,447,209 | 15,151,089 |
| Commercial | 25,387,766 | 28,066,173 | 2,678,407 |
| Large Volume | 6,765,146 | 7,710,426 | 945,280 |
| Irrigation | 10,813,238 | 11,881,671 | 1,068,433 |
| Private Fire | 7,888,441 | 8,814,604 | 926,163 |
| Wholesale | 5,676,295 | 6,466,679 | 790,385 |
| Total | 217,827,004 | 239,386,761 | 21,559,757 |

Proposed Annual Rate Adjustments by Customer Class



- **Tacoma Water is recommending a 6.5% system average rate increase**
- **Increases are phased in using principles of gradualism**
- **Our recommendation is to continue applying the adjustment to both the fixed and variable components of rates (where applicable)**

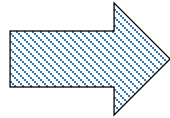
Budget & Ratemaking Process

What is in the Pie?

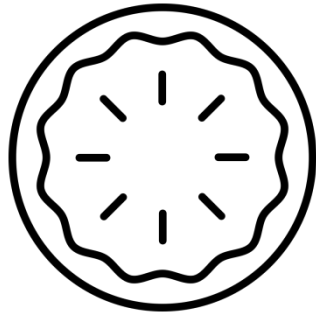


Budget Development

Identifies Operational and Capital Budgets for the upcoming biennium

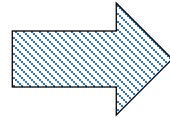


How Big is the Pie?

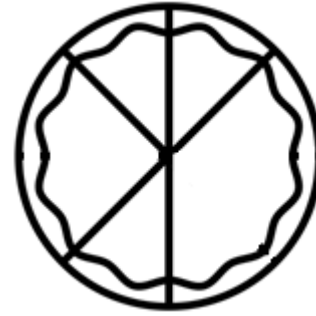


Revenue Requirement

Identifies revenue needed to sustain operations, according to financial plan

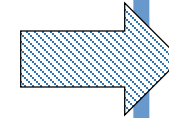


How to Slice the Pie?

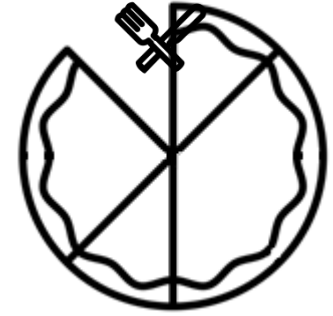


Cost of Service Analysis (COSA)

Divides revenue requirement into total amount to be paid by each customer class



How to Eat the Pie?



Rate Design

Sets rate structure to bill each customer
(*e.g.* fixed charge per month, volumetric rate per CCF, *etc.*)

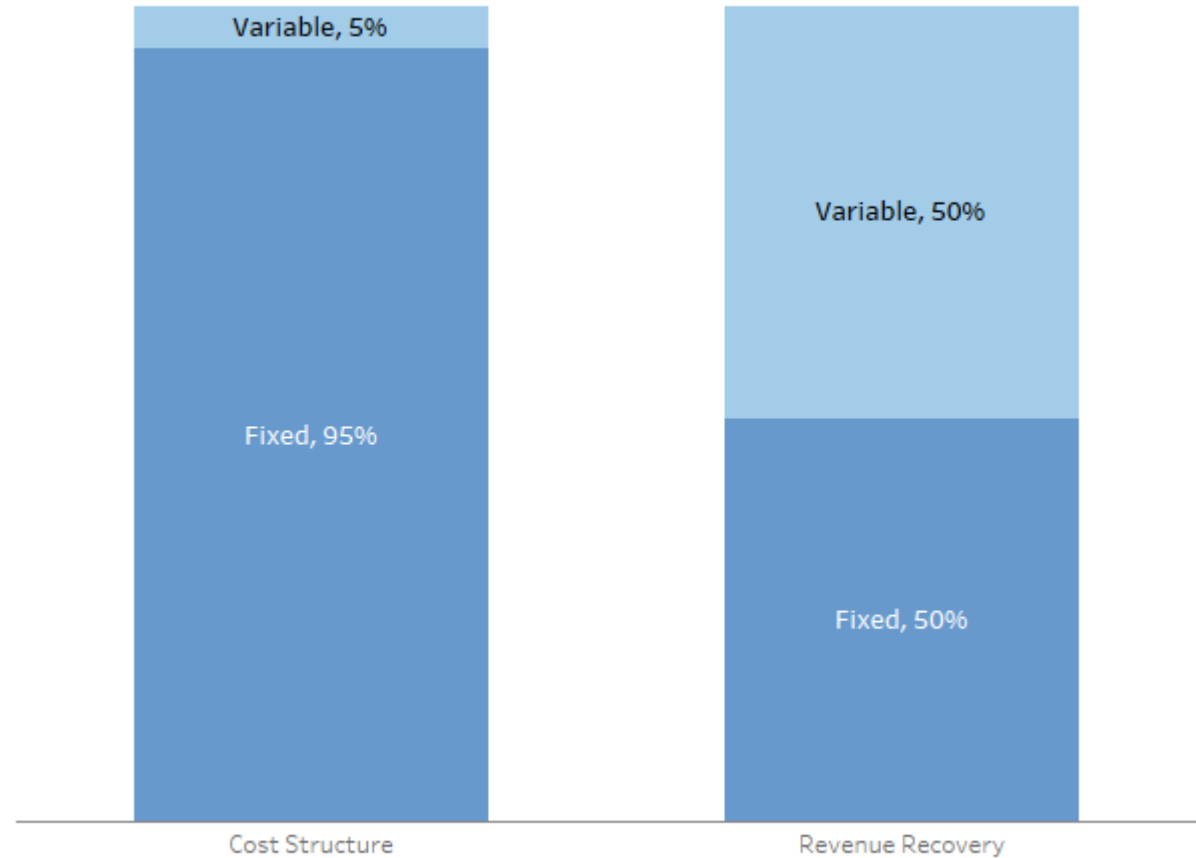
Mismatched Costs and Revenues

Water utilities exist in a capital-intensive business environment

Over 95% of costs are “fixed” in the very short-run; power, treatment, and solids handling are the only variable costs on this time horizon

Rate design can be used to contribute to revenue stability, improve equity across customer classes, and send a conservation signal

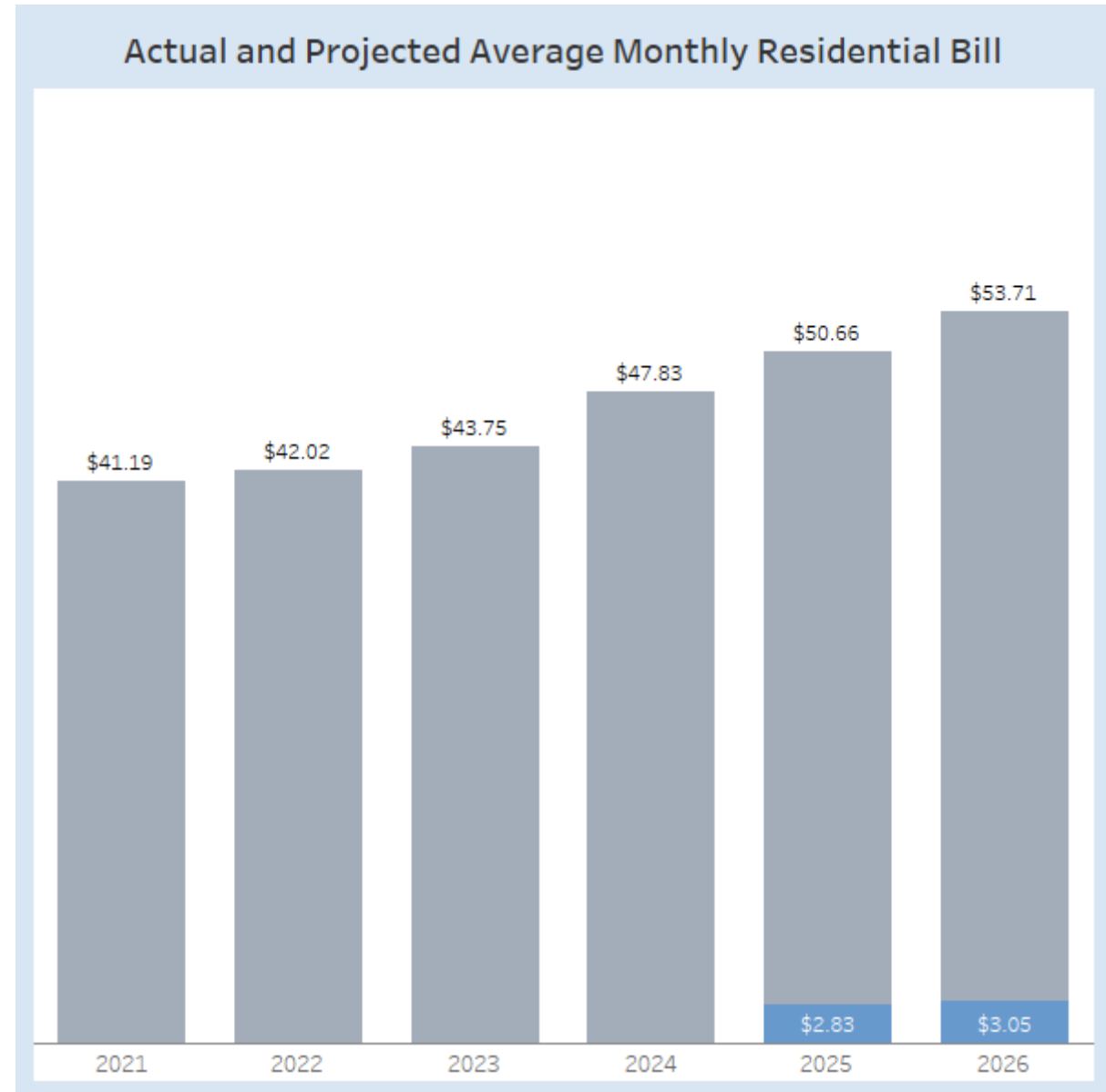
Water System Cost and Revenue Recovery Structure



Cost represents expenses in terms of percentage.
Revenue represents anticipated water sales in terms of percentage.

Average Monthly Bill (Residential)

- The recommended changes result in an increase of \$2.83 per month in 2025 and \$3.05 per month in 2026 for the average inside-city residential customer
- Assumes a City of Tacoma customer with 5/8" meter, 6 CCF (4,488 gallons) of consumption during Winter months and 9 CCF (6,732 gallons) of consumption during summer months
- BCAP automatic credit will increase by \$1 for a total of an \$8 automatic credit and a \$5 achievable credit

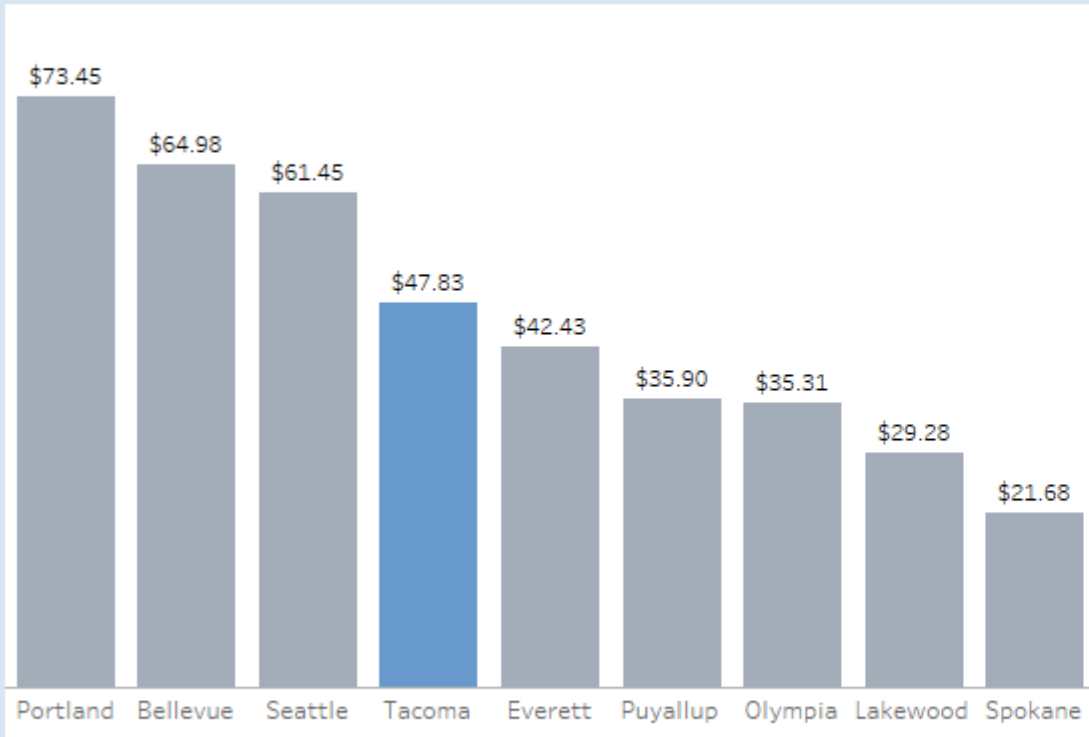


Tacoma Water Retail Rates are Competitive

“In our view, the water rates are competitive with those of neighboring cities.”

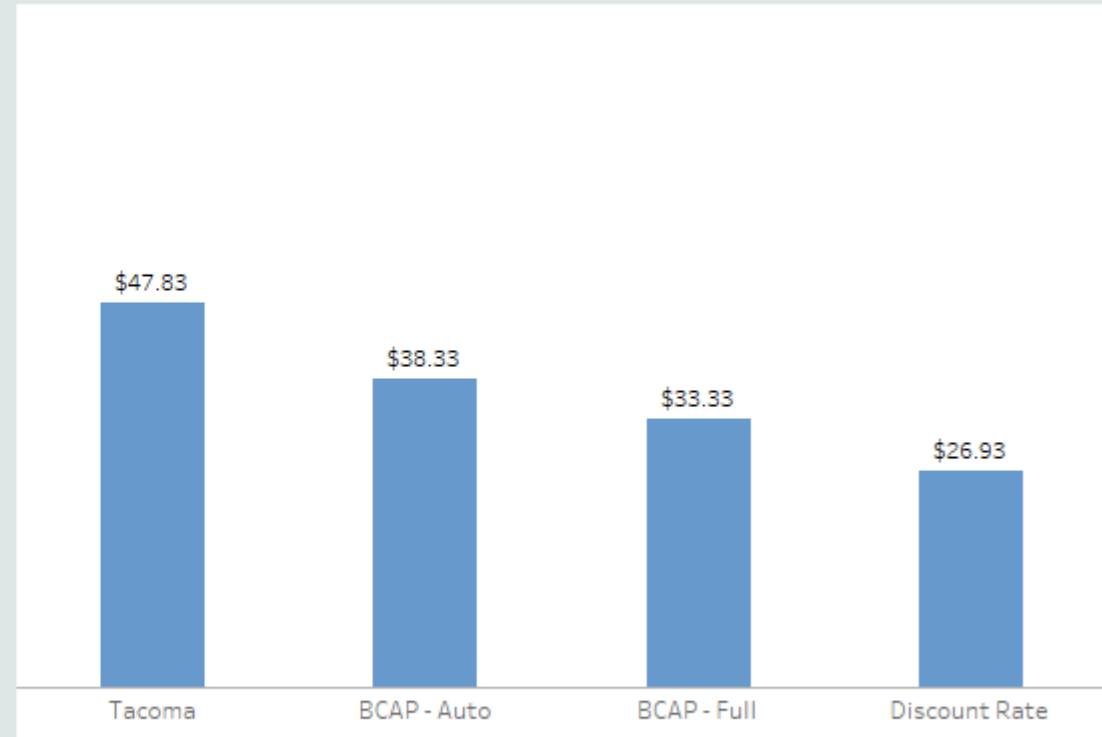
- S&P Credit Opinion, December 2023

2024 Regional Comparison of Average Monthly Bills



This comparison assumes a single family in Tacoma consumes a monthly average of 6 CCF (4,488 gallons) in winter months and 9 CCF (6,732 gallons) in summer months, with a 5/8" meter.

2024 Comparison of Average Monthly Bills with and without TPU Customer Assistance Programs



For BCAP customers, the monthly average is 6 CCF in winter months and 7 CCF in summer months. For Discount Rate customers, the monthly average is 4.22 CCF in winter months and 5.88 CCF in summer months.

Water Service Construction Charges-Update

In addition to retail rates, we have other rates and fees that are paid by new customers, such as developers, to join our system.

Fixed Charges

- **Fixed charges, also commonly referred to as fixed fees, are published rates set in the Tacoma Municipal Code (TMC)**
- **These rates are set prices determined by type of water service**

Time & Materials (T&M)

- **In circumstances where fixed fees are not adequate to cover the actual costs, water service construction charges are based upon actual costs, which are commonly referred to as T&M**

Water Service Construction Charges-Update

In 2019 Water refreshed the fixed fee charges

- **New charges went into effect 1/1/20**
- **Current 5-year schedule goes until 2024**

New team was formed and led by Ryan Cox with staff from Maintenance & Construction, Customer Experience and Financial Stewardship

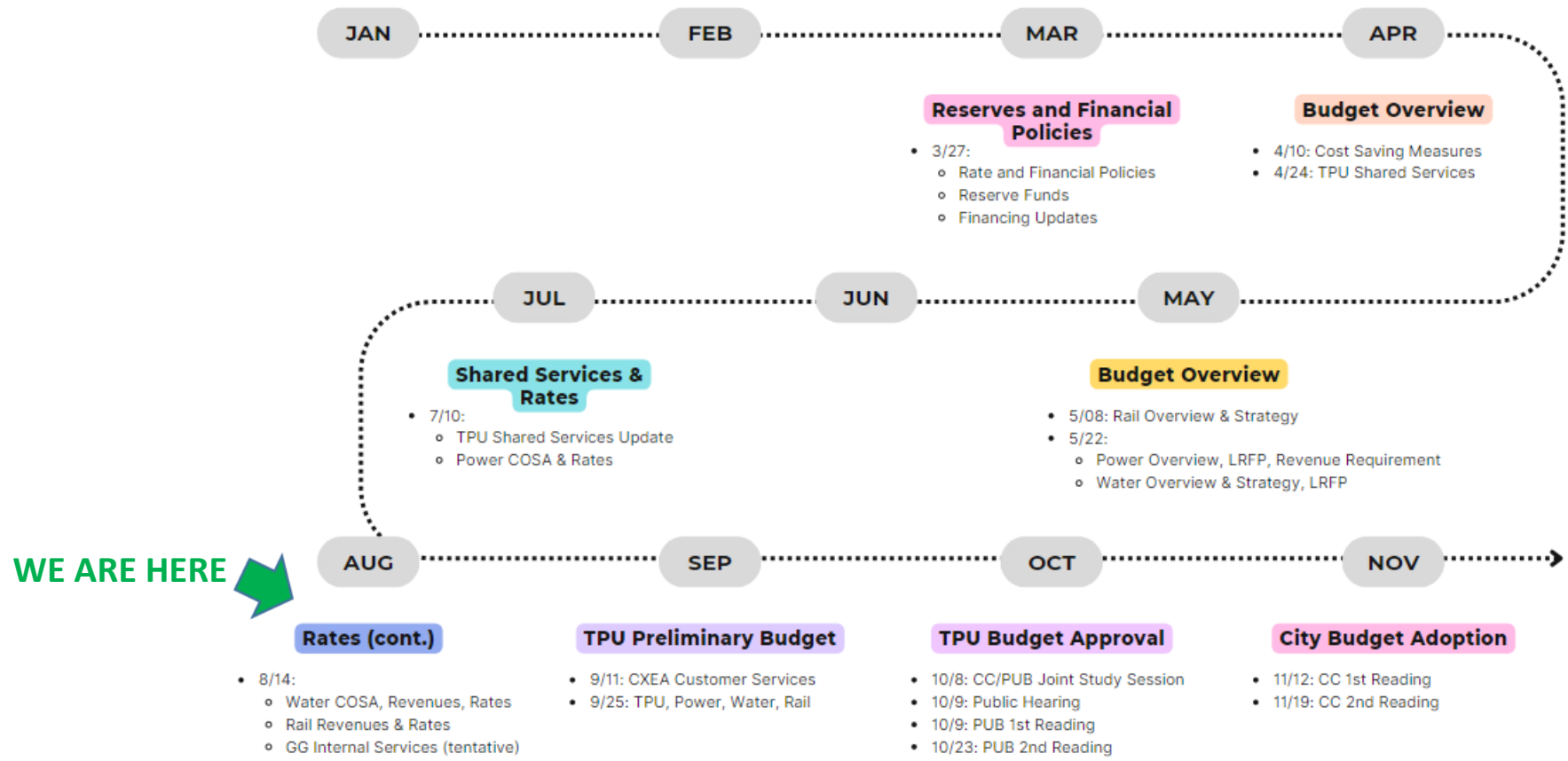
- **Goal was to adjust charges on water service installations to adequately recover expenses**
- **Cap increases to no more than 50% of existing rates for the first year and implemented gradual step increases where applicable**
- **Develop a 5-year schedule indexed to an annual escalation factor of 3%**

Water Service Construction Charges-Update

Responding to Developer and Staff Feedback

- **Added new construction charges for service sizes 1.5" and 2.0"**
 - **Provides pricing certainty to customers**
 - **Less administration than T&Ms**
- **Added "a la carte" options for flagging and paving**
 - **Removes flagging and paving costs from construction charges**
 - **Only customers who need paving and flagging will pay for those services**
- **Reduced the minimum width of Main Charge calculation for Residential zoning from 50 front feet to 20 front feet to align with Home in Tacoma minimum lot width**
- **Improved sequence for Fire-Domestic Combination Meters from application/installation/water quality approval**

Budget and Rates Timeline

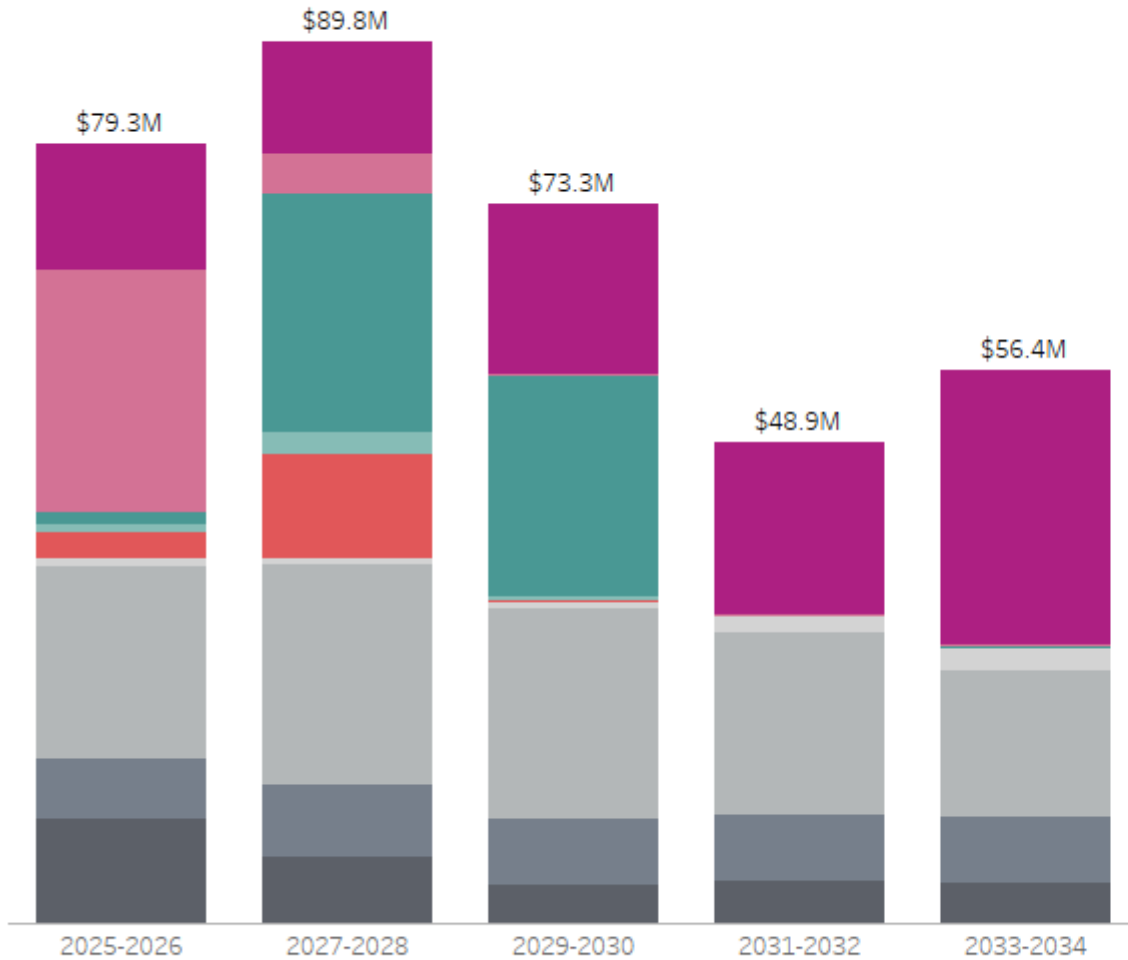




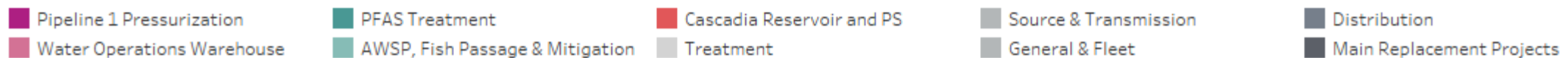
Appendix

2025-2026 Capital Improvement Plan (CIP)

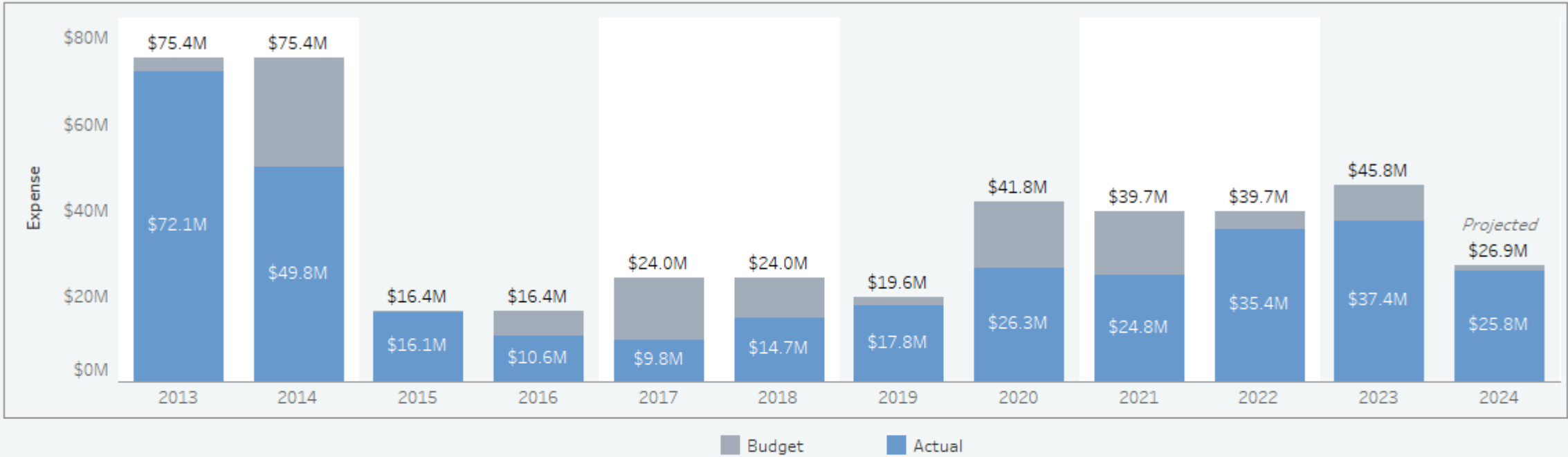
2025-2026 Capital Improvement Plan (Proposed)



| | 2025-2026 | 2027-2028 | 2029-2030 | 2031-2032 | 2033-2034 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Pipeline 1 Pressurization | \$12.8M | \$11.5M | \$17.5M | \$17.5M | \$28.1M |
| Water Operations Warehouse | \$24.7M | \$4.0M | \$0.0M | \$0.0M | \$0.2M |
| PFAS Treatment | \$1.3M | \$24.3M | \$22.5M | \$0.0M | \$0.0M |
| AWSP, Fish Passage & Mitigation | \$0.7M | \$2.4M | \$0.4M | \$0.0M | \$0.0M |
| Cascadia Reservoir and PS | \$2.7M | \$10.6M | \$0.0M | \$0.0M | \$0.0M |
| Treatment | \$0.7M | \$0.7M | \$0.9M | \$1.7M | \$2.4M |
| Source & Transmission | \$3.4M | \$11.1M | \$13.9M | \$7.3M | \$8.7M |
| General & Fleet | \$16.3M | \$11.2M | \$7.5M | \$11.3M | \$6.2M |
| Distribution | \$6.0M | \$7.3M | \$6.9M | \$6.9M | \$6.9M |
| Main Replacement Projects | \$10.7M | \$6.8M | \$3.8M | \$4.2M | \$4.0M |
| Grand Total | \$79.3M | \$89.8M | \$73.3M | \$48.9M | \$56.4M |



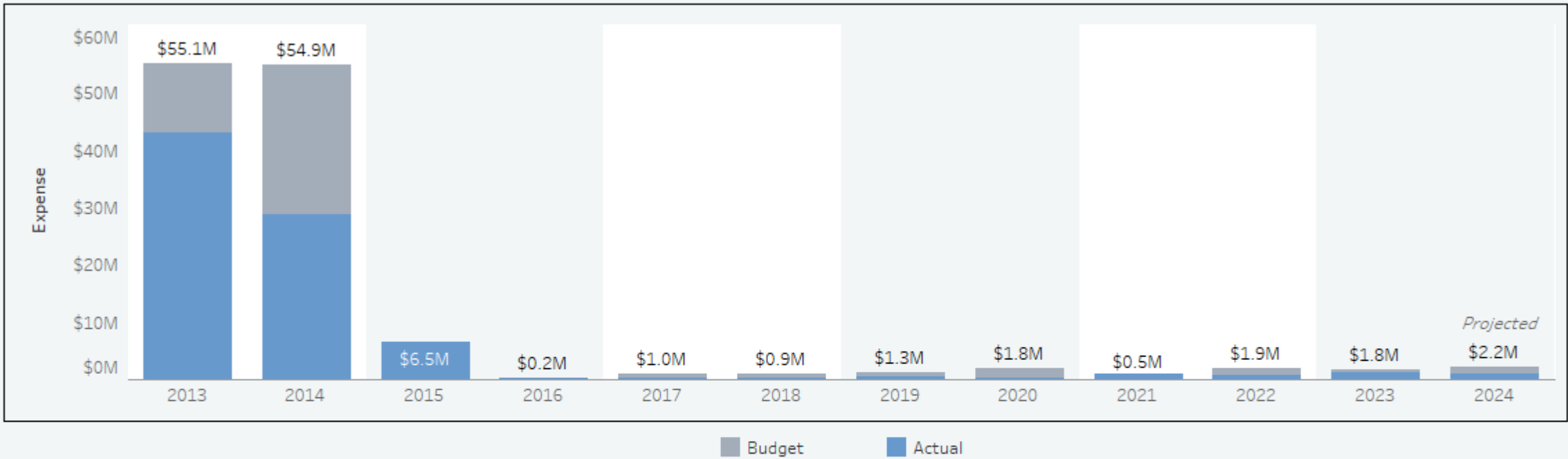
Tacoma Capital Trending



| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Budget | \$75.4M | \$75.4M | \$16.4M | \$16.4M | \$24.0M | \$24.0M | \$19.6M | \$41.8M | \$39.7M | \$39.7M | \$45.8M | \$26.9M |
| Actual | \$72.1M | \$49.8M | \$16.1M | \$10.6M | \$9.8M | \$14.7M | \$17.8M | \$26.3M | \$24.8M | \$35.4M | \$37.4M | \$25.8M |
| Variance \$ | \$3.3M | \$25.6M | \$0.3M | \$5.9M | \$14.2M | \$9.4M | \$1.8M | \$15.5M | \$14.8M | \$4.3M | \$8.4M | \$1.1M |
| Variance % | 4.4% | 34.0% | 2.0% | 35.7% | 59.3% | 39.0% | 9.2% | 37.2% | 37.4% | 10.8% | 18.4% | 4.0% |

Budgeted expenses has an average increase of 5.0% per year, while actual expenses has an averaged increase of about 1.8% per year.

RWSS Capital Trending



| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------|---------|---------|--------|--------|--------|--------|--------|--------|----------|--------|--------|--------|
| Budget | \$55.1M | \$54.9M | \$6.6M | \$0.2M | \$1.0M | \$0.9M | \$1.3M | \$1.8M | \$0.5M | \$1.9M | \$1.8M | \$2.2M |
| Actual | \$43.1M | \$28.8M | \$6.5M | \$0.2M | \$0.3M | \$0.3M | \$0.5M | \$0.2M | \$0.9M | \$0.8M | \$1.1M | \$1.0M |
| Variance \$ | \$12.0M | \$26.1M | \$0.1M | \$0.0M | \$0.7M | \$0.6M | \$0.9M | \$1.7M | (\$0.3M) | \$1.1M | \$0.7M | \$1.1M |
| Variance % | 21.7% | 47.5% | 1.5% | 6.7% | 73.4% | 69.6% | 64.7% | 91.7% | -60.0% | 59.5% | 39.0% | 52.3% |

Tacoma's share of the 2nd Diversion is approximately 41.7%. Expenses in 2013-2016 include the Green River Filtration Facility. Since 2017, budgeted expenses for the RWSS have been relatively low.

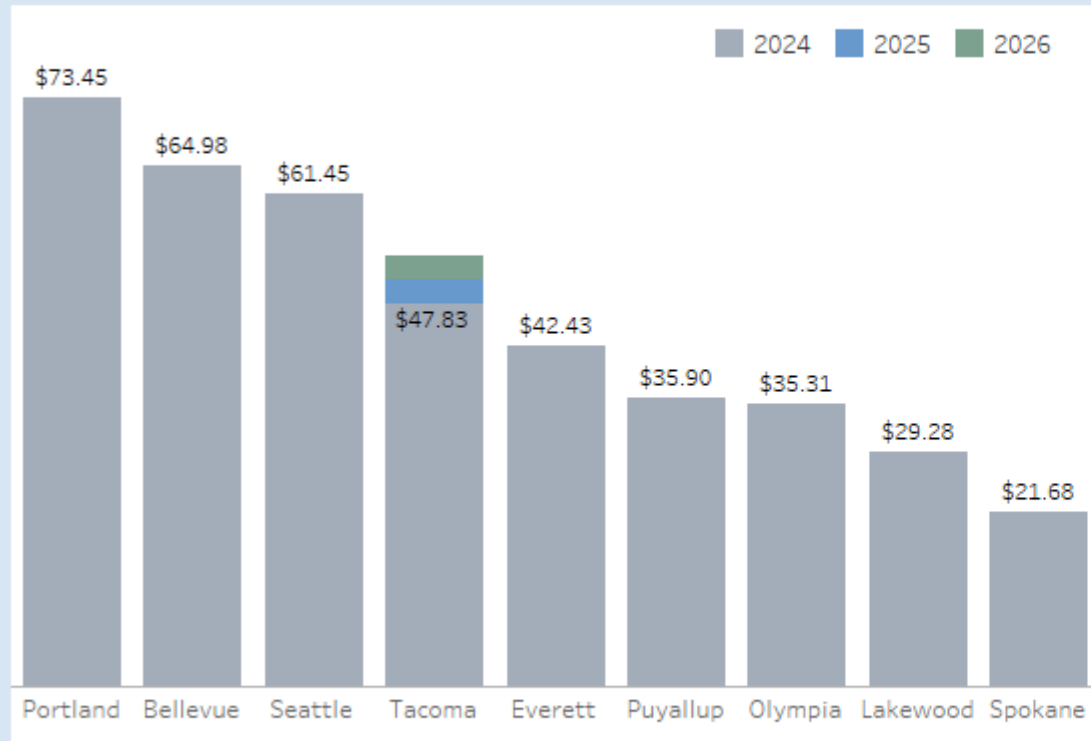
Fixed, Variable Adjustments by Class

| Customer Class | Annual | 2025 | | 2026 | |
|----------------|---------|--------|----------|--------|----------|
| | Average | Fixed* | Variable | Fixed* | Variable |
| Residential | 6.2% | 6.5% | 7.1% | 6.5% | 7.2% |
| Commercial | 6.9% | 6.5% | 7.6% | 6.5% | 7.6% |
| Large Volume | 9.0% | 6.5% | 9.1% | 6.5% | 9.1% |
| Irrigation | 6.4% | 0.0% | 6.4% | 0.0% | 6.4% |
| Private Fire | 7.6% | 7.6% | 0.0% | 7.6% | 0.0% |
| Wholesale | 9.0% | 6.5% | 10.6% | 6.5% | 10.6% |

***Does not include adjustments to Public Fire Protection**

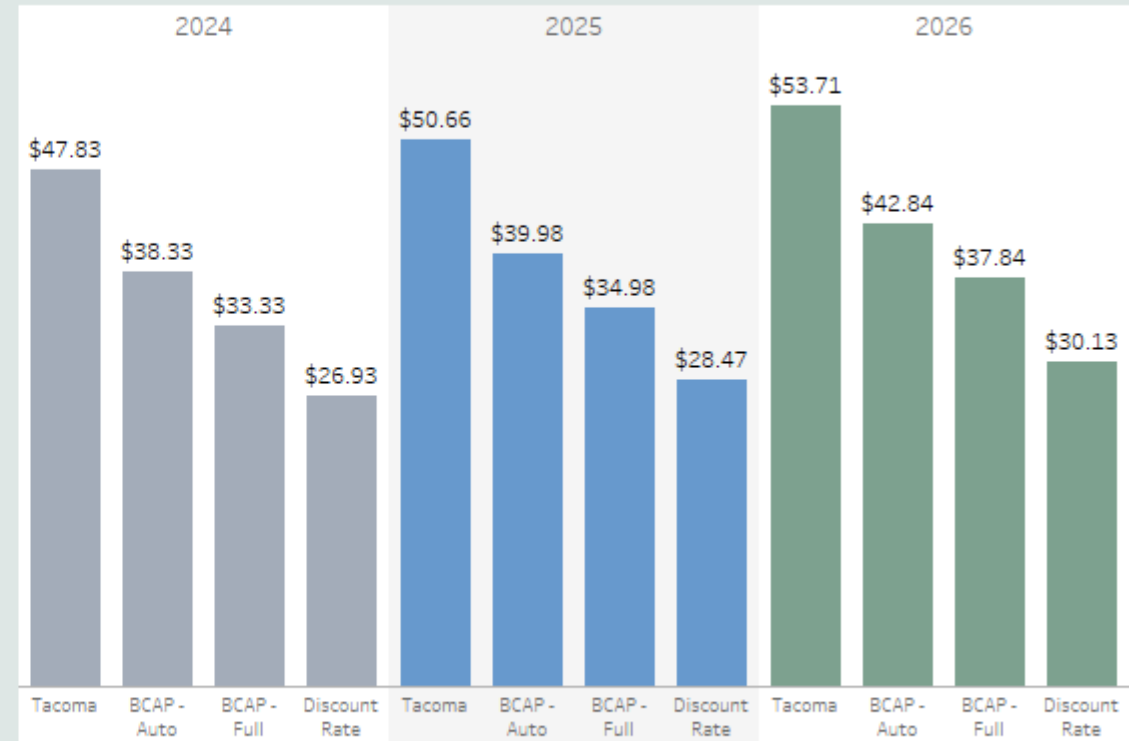
2025 & 2026 Residential Rate Comparison and Assistance Profile

Regional Comparison of Average Monthly Bills



This comparison assumes a single family in Tacoma consumes a monthly average of 6 CCF (4,488 gallons) in winter months and 9 CCF (6,732 gallons) in summer months, with a 5/8" meter.

Comparison of Average Monthly Bills with and without TPU Customer Assistance Programs



For BCAP customers, the monthly average is 6 CCF in winter months and 7 CCF in summer months. For Discount Rate customers, the monthly average is 4.22 CCF in winter months and 5.88 CCF in summer months.

Water Services Construction Charges

Proposed Fixed Fee Adjustment Ala Carte 1.0" and Under

Escalation 3%

| | 2024 TMC Rate | 2025 | 2026 | 2027 | 2028 | 2029 |
|----------------------------------|---------------|----------|----------|----------|----------|----------|
| 3/4" Service Stub | \$ 1,040 | \$ 825 | \$ 850 | \$ 875 | \$ 900 | \$ 925 |
| 5/8" Meter, Yoke & Box | \$ 530 | \$ 650 | \$ 675 | \$ 700 | \$ 725 | \$ 750 |
| 5/8" Meter Only | \$ 230 | \$ 325 | \$ 350 | \$ 375 | \$ 400 | \$ 425 |
| 3/4" Service with 5/8" Meter | \$ 3,660 | \$ 4,225 | \$ 4,350 | \$ 4,475 | \$ 4,600 | \$ 4,750 |
| 1" Service with 5/8" Meter | \$ 4,460 | \$ 4,275 | \$ 4,400 | \$ 4,525 | \$ 4,650 | \$ 4,800 |
| 1" Service with 3/4" Meter | \$ 4,670 | \$ 4,300 | \$ 4,425 | \$ 4,550 | \$ 4,675 | \$ 4,825 |
| 1" Service with 1" Meter | \$ 4,760 | \$ 4,325 | \$ 4,450 | \$ 4,575 | \$ 4,700 | \$ 4,850 |
| 1" Service Stub | \$ 1,100 | \$ 1,475 | \$ 1,525 | \$ 1,575 | \$ 1,625 | \$ 1,675 |
| 3/4" Meter, Yoke & Box | \$ 890 | \$ 900 | \$ 925 | \$ 950 | \$ 975 | \$ 1,000 |
| 3/4" Meter Only | \$ 660 | \$ 400 | \$ 400 | \$ 425 | \$ 425 | \$ 450 |
| Meter Exchange from 5/8" to 3/4" | \$ 790 | \$ 775 | \$ 800 | \$ 825 | \$ 850 | \$ 875 |
| Meter Exchange from 3/4" to 5/8" | \$ 370 | \$ 550 | \$ 650 | \$ 700 | \$ 750 | \$ 825 |
| Meter Exchange from 1" to 5/8" | \$ 230 | \$ 325 | \$ 450 | \$ 575 | \$ 700 | \$ 825 |
| Meter Exchange from 5/8" to 1" | \$ 790 | \$ 800 | \$ 825 | \$ 850 | \$ 875 | \$ 900 |
| Meter Exchange from 3/4" to 1" | \$ 790 | \$ 800 | \$ 825 | \$ 850 | \$ 875 | \$ 900 |
| Meter Exchange from 1" to 3/4" | \$ 230 | \$ 325 | \$ 375 | \$ 425 | \$ 475 | \$ 575 |
| 1" Meter Only | \$ 560 | \$ 575 | \$ 600 | \$ 625 | \$ 650 | \$ 675 |
| 1" Meter, Yoke & Box | \$ 1,360 | \$ 1,375 | \$ 1,425 | \$ 1,475 | \$ 1,525 | \$ 1,575 |

Paving Ala Carte
Flagging Ala Carte

| | | | | | |
|--|----------|----------|----------|----------|----------|
| | \$ 2,925 | \$ 3,025 | \$ 3,125 | \$ 3,225 | \$ 3,325 |
| | \$ 900 | \$ 925 | \$ 950 | \$ 975 | \$ 1,000 |

Water Services Construction Charges

Proposed Fixed Fee Adjustment Ala Carte 1.5" and Over

Escalation 3%

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| 2.0" Stub | \$ 4,075 | \$ 4,200 | \$ 4,325 | \$ 4,450 | \$ 4,575 |
| 2.0" Service with 5/8" Meter | \$ 8,525 | \$ 8,775 | \$ 9,050 | \$ 9,325 | \$ 9,600 |
| 2.0" Service with 1" Meter | \$ 9,400 | \$ 9,675 | \$ 9,975 | \$ 10,275 | \$ 10,575 |
| 2.0" Service with 1.5" Meter | \$ 9,750 | \$ 10,050 | \$ 10,350 | \$ 10,650 | \$ 10,975 |
| 2.0" Service with 2.0" Meter | \$ 10,100 | \$ 10,400 | \$ 10,700 | \$ 11,025 | \$ 11,350 |
| Meter Exchange from 2.0" to 1.5" | \$ 1,275 | \$ 1,325 | \$ 1,375 | \$ 1,425 | \$ 1,475 |
| Meter Exchange from 1" to 2.0" | \$ 2,325 | \$ 2,400 | \$ 2,475 | \$ 2,550 | \$ 2,625 |
| Meter Exchange from 1.5" to 1" | \$ 1,275 | \$ 1,325 | \$ 1,375 | \$ 1,425 | \$ 1,475 |
| Meter Exchange from 1.5" to 2.0" | \$ 2,325 | \$ 2,400 | \$ 2,475 | \$ 2,550 | \$ 2,625 |
| Meter Exchange from 2.0" to 3/4" | \$ 1,275 | \$ 1,325 | \$ 1,375 | \$ 1,425 | \$ 1,475 |
| Meter Exchange from 2.0" to 5/8" | \$ 1,275 | \$ 1,325 | \$ 1,375 | \$ 1,425 | \$ 1,475 |
| Meter Exchange from 5/8" to 1.5" | \$ 2,325 | \$ 2,400 | \$ 2,475 | \$ 2,550 | \$ 2,625 |
| 1.5" Meter Only | \$ 825 | \$ 850 | \$ 875 | \$ 900 | \$ 925 |
| 2.0" Meter Only | \$ 1,450 | \$ 1,500 | \$ 1,550 | \$ 1,600 | \$ 1,650 |

| | | | | | |
|--------------------|----------|----------|----------|----------|----------|
| Paving Ala Carte | \$ 2,925 | \$ 3,025 | \$ 3,125 | \$ 3,225 | \$ 3,325 |
| Flagging Ala Carte | \$ 900 | \$ 925 | \$ 950 | \$ 975 | \$ 1,000 |