



20 Tacoma Power 20 Annual Financial Report

FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2020
PREPARED BY THE FINANCE DEPARTMENT

TACOMA  POWER
TACOMA PUBLIC UTILITIES

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CITY OF TACOMA

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

Tacoma Power

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Financial Data

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Department of Public Utilities, Power Division (the Division), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Tacoma, Department of Public Utilities, Power Division as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the December 31, 2020, financial statements have been restated to correct an omitted disclosure. Our conclusion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Schedule of Proportionate Share of the Collective OPEB Liability Last 10 Years, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The statistical data, graphs and the superintendent's report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, except for Note 15, as to which the date is August 12, 2021, on our consideration of the City of Tacoma, Department of Public Utilities, Power Division's 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 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 the Division's internal control over financial reporting and compliance.



Tacoma, Washington

May 14, 2021, except for Note 15, as to which the date is August 12, 2021

Management Discussion and Analysis

The following discussion and analysis of Tacoma Power's (Utility) financial performance provides an overview of the financial activities for the years ended December 31, 2020, 2019, and 2018. 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, 2020 and 2019, 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 \$45.0 million or 5.4% in 2020, compared to a decrease of \$31.4 million or 3.6% in 2019.
- Operating revenues decreased \$413,000 or 0.1% in 2020. Operating revenues in 2019 increased \$6.1 million or 1.3% after recording \$10.0 million of wholesale revenues from the rate stabilization account.
- Utility Plant in Service increased \$39.9 million or 1.8% in 2020 and \$49.7 million or 2.3% in 2019.
- Construction work in progress increased \$4.7 million or 12.0% in 2020 and \$5.5 million or 12.4% in 2019.

Overview of Financial Statements

Tacoma Power reported net operating income of \$53.2, \$1.8, and \$66.0 million in 2020, 2019, and 2018, respectively. Operating revenues decreased \$413,000 during 2020 and operating expenses decreased \$51.8 million. For 2019, operating revenues increased \$6.1 million and operating expenses increased \$70.3 million compared to 2018. Tacoma Power reported an increase in net position of \$45.0 million in 2020 compared to a decrease of \$31.4 million in 2019 and an increase of \$33.1 million in 2018.

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

OPERATING RESULTS

(in thousands)

Category	2020	2019	2018	20/19 Increase (Decrease)	19/18 Increase (Decrease)
Operating Revenues	\$ 460,953	\$ 461,366	\$ 455,291	\$ (413)	\$ 6,075
Operating Expenses	407,737	459,565	389,241	(51,828)	70,324
Net Operating Income	53,216	1,801	66,050	51,415	(64,249)
Net Non-Operating Expenses	(6,113)	(10,620)	(11,823)	4,507	1,203
Capital Contributions	5,016	7,807	9,390	(2,791)	(1,583)
BABs and CREBs subsidies	3,725	3,593	3,824	132	(231)
Transfers Out	(36,809)	(33,985)	(34,385)	(2,824)	400
Transfers In	25,938	-	-	25,938	-
Change in Net Position					
Increase (decrease)	\$ 44,973	\$ (31,404)	\$ 33,056	\$ 76,377	\$ (64,460)

MEGAWATT-HOURS BILLED

(in thousands)

Type of Customer	2020	2019	2018	20/19 Increase (Decrease)	19/18 Increase (Decrease)
Residential	1,923	1,903	1,871	20	32
Commercial/General/Industrial	2,687	2,770	2,744	(83)	26
Wholesale	2,327	1,431	2,159	896	(728)
Total	6,937	6,104	6,774	833	(670)

Net Position

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

NET POSITION (in thousands)					
Description	2020	2019	2018	20/19 Increase (Decrease)	19/18 Increase (Decrease)
Net Utility and Non-Utility Plant Special Funds, Current Assets, and Other Assets	\$ 1,098,761	\$ 1,069,914	\$ 1,068,472	\$ 28,847	\$ 1,442
	427,875	368,006	402,793	59,869	(34,787)
Total Assets	1,526,636	1,437,920	1,471,265	88,716	(33,345)
Deferred Outflows	22,628	55,281	20,843	(32,653)	34,438
Total Assets and Deferred Outflows	\$ 1,549,264	\$ 1,493,201	\$ 1,492,108	\$ 56,063	\$ 1,093
Net Position:					
Net Investment in Capital					
Assets	\$ 587,891	\$ 607,518	\$ 602,011	\$ (19,627)	\$ 5,507
Restricted	43,281	36,426	51,758	6,855	(15,332)
Unrestricted	245,828	188,083	209,663	57,745	(21,580)
Total Net Position	877,000	832,027	863,432	44,973	(31,405)
Long-Term Debt	386,222	470,424	461,339	(84,202)	9,085
Other Liabilities	219,201	145,132	92,883	74,069	52,249
Total Liabilities	605,423	615,556	554,222	(10,133)	61,334
Deferred Inflows	66,841	45,618	74,454	21,223	(28,836)
Total Net Position, Liabilities and Deferred Inflows	\$ 1,549,264	\$ 1,493,201	\$ 1,492,108	\$ 56,063	\$ 1,093

Revenues

2020 Compared to 2019

Operating revenues totaled \$461.0 million in 2020 compared to \$461.4 million in 2019, a decrease of \$413,000 or 0.1%. The decrease in operating revenues was primarily due to a decrease in Click! Network Operating Revenue of \$19.3 million. On April 1, 2020, Rainier Connect North, LLC ("Rainier Connect") entered into an Indefeasible Right of Use Agreement and took operational control of the Click! commercial network.

This decrease was offset with an increase in revenues from residential customers of \$4.6 million or 2.5%. There was an approximate overall rate increase of 2% effective July 1, 2020 coupled with an increase in consumption of 13,000 in MWh billed. Wholesale power sales increased \$12.2 million or 25.7% mainly due to an increase in consumption of 896,000 in MWh billed.

In 2020, residential sales accounted for 43.7% of electric revenues, commercial and industrial revenues accounted for 42.5% and wholesale power revenues accounted for 13.8%.

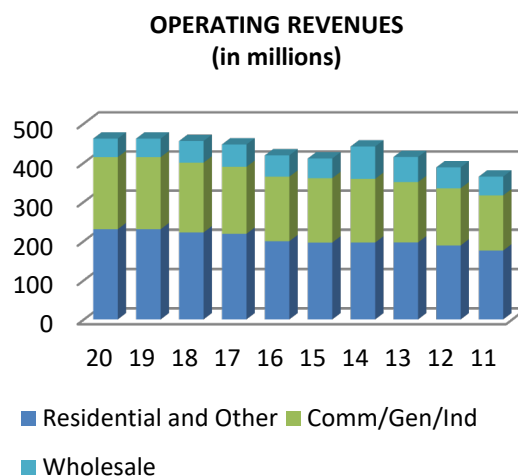
Other Operating Revenues increased \$5.4 million or 28.8%. The increase was primarily due to reimbursement of qualified conservation expenses due to a change in legislation.

2019 Compared to 2018

Operating revenues totaled \$461.4 million in 2019 compared to \$455.3 million in 2018, an increase of \$6.1 million or 1.3%. This was primarily due to an increase in revenues from residential, commercial, general, and industrial customers of \$11.9 million or 3.4%. There was a 2.0% rate increase effective April 1, 2019.

This increase was off-set with a decrease in revenues from wholesale of \$8.1 million or 14.5%. This was due to a decrease in consumption of 728,000 in MWh billed, offset with an increase of \$10.0 million from a transfer from the rate stabilization fund.

In 2019, residential sales accounted for 44.5% of electric revenues, commercial and industrial revenues accounted for 44.1% and wholesale power revenues accounted for 11.4%.



Expenses

2020 Compared to 2019

Total operating expenses decreased \$51.8 million or 11.3% compared to 2019.

Purchased Power decreased \$24.0 million or 14.9%. Purchased Power is the net amount between outside power purchases and outside power generation resales. Compared to 2019, purchased volume and prices have decreased, also the outside power generation resale have increased. The increase in the Division's generation by 57% has contributed to the decrease in purchases and increase in power generation resales. In addition, streamflows into Tacoma Power's system were 110% of average in 2020 compared to 66% of average in 2019.

Generation expenses decreased \$6.6 million or 23.4%. The decrease was primarily due to \$4.1 million decrease in services provided by Washington Department of Fish and Wildlife, and \$622,000 decrease of Pension expense. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Maintenance expenses decreased \$7.6 million or 19.6%. External contract services, primarily includes Kosmos oil seep cleanup accruals, accounted for \$5.9 million of the decrease. Additional information regarding Kosmos oil seep can be found in Note 12. Salaries, Wages, and Pension expense attributed to \$1.6 million of the decrease. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Telecommunications expense decreased \$17.1 million or 76.9% due to the entering into an Indefeasible Right of Use Agreement on April 1, 2020 with Rainier Connect.

Administrative and General expense increased \$3.2 million or 5.6% primarily due to an increase in bad debt expense in relation to aging accounts receivable.

2019 Compared to 2018

Total operating expenses increased \$70.3 million or 18.1% compared to 2018.

Purchased Power increased \$26.5 million or 19.7%. Overall, prices have increased compared to 2018. The regional industry price index shows prices have increased an average of \$4.0/mWh or 13%. Purchase volume was also up because stream flows were down. Other portfolio purchases increased \$17.4 million, Bonneville Power Administration (BPA) slice contract and other portfolio purchases increased \$2.2 million, and renewable energy certificates increased \$1.0 million. The reduction in Energy Conservation Agreement (ECA) credits received were \$7.8 million in 2018 down to \$81,000 in 2019 attributed to the increase of purchased power expenses an amount of \$7.7 million. The ECA credits are available in 2 year allotments beginning October 1 of odd years. In even years, more credits are received than in odd years. These increases were off-set with the decrease of \$1.8 million from BPA contract purchases.

Generation expenses increased \$12.1 million or 74.6%. Services provided by Washington Department of Fish and Wildlife represented \$7.2 million of the increase. Pension expense attributed to \$2.5 million of the increase. Contributions to the Fleet fund for vehicle replacements increased \$850,000 in 2019 while there were no contributions in 2018 based on an analysis of future purchases. Professional services increased \$700,000 due to fish programs. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Transmission expense increased \$3.8 million or 12.9%. Of the total increase, \$2.6 million was due to increases in power purchases, which correlates to increases of transmission of electricity. Pension expense attributed to \$890,000 of the increase. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Distribution expenses increased \$6.8 million or 43.1%. Pension expense attributed to \$6.5 million of the increase. The remaining variance of an increase of \$300,000 was spread across multiple functional accounts and not attributed to a specific event.

Other expenses increased \$5.2 million or 25.9%. Pension expense attributed to \$1.8 million. Assessments from TPU communications accounted for \$1.4 million of the change while \$971,000 is due to an increase of the amortization of deferred conservation costs. Salaries and wages increased \$763,000 and professional services increased \$447,000 primarily due to studies and research projects. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Maintenance expenses increased \$7.8 million or 24.9%. External contract services accounted for \$3.5 million due to the Kosmos oil seep cleanup efforts. Additional information regarding this can be found in Note 12. Pension expense attributed to \$3.1 million of the increase. Fleet vehicle replacement and maintenance costs increased \$498,000. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Administrative and General expenses increased \$13.2 million or 30.2%. Pension expense attributed to \$5.5 million of the increase. Salaries and Wages increased \$6.5 million. There was a \$2.4 million decrease in the amount of administrative and capital costs capitalized in 2019.

Professional services increased \$863,000 and support activities for the advanced metering project increased \$664,000. These increases were off-set with an IBNR claims credit adjustment of \$1.7 million and a decrease in contributions to Self-Insurance Claim Fund of \$1.4 million. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

Non-Operating Revenues (Expenses)

Interest income decreased \$1.5 million in 2020 compared to an increase of \$3.9 million in 2019. The decrease is attributed to market interest rates in 2020 compared to 2019.

CARES grant of \$464,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was received in 2020.

Other revenues decreased \$1.0 million in 2020 primarily due to a reduction in billable services as well as the expenses to support commercial businesses related to CARES Act in 2020.

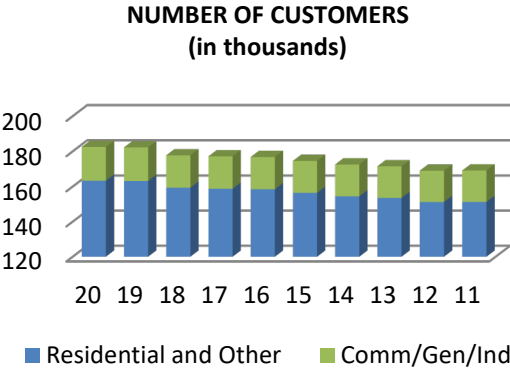
Gain on Sale/Disposal of Capital Assets increased by \$5.8 million in 2020 primarily due to the disposal of the property located in the Frederickson vicinity of unincorporated Pierce County.

Transfers

In 2020, Transfers increased \$23.1 million due to an increase of \$25.9 million in Transfer from/ (to) Other Funds, offset by an increase of \$2.8 million in Gross Earning tax. Transfer from/ (to) Other Funds increased due to the transfers from the Fleet Services Fund. See Note 7 Fleet Services Fund for further discussion.

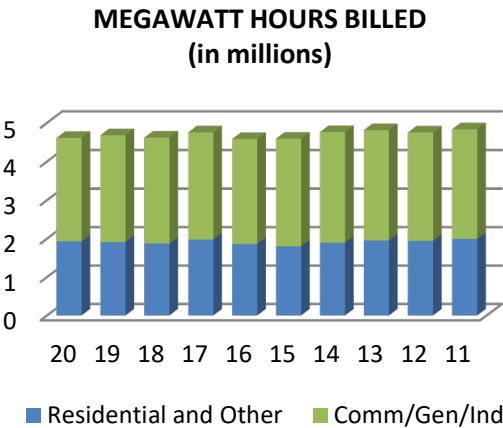
Customer Counts

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 2020 is 182,526 compared to 182,234 in 2019 and 177,723 in 2018.



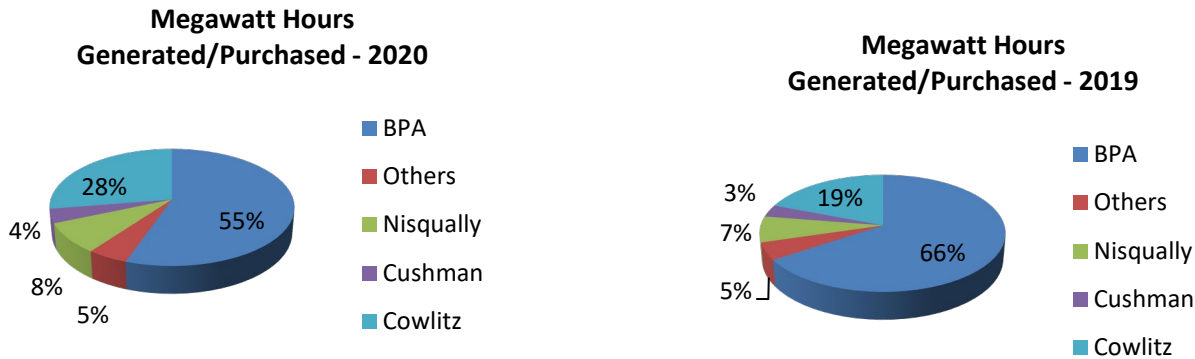
Megawatt-hours Billed

Megawatt-hours billed to residential and other customers increased 1.0% in 2020 and commercial / general / industrial billings decreased 3.0%. Wholesale power billed in 2020 was 2,326,504 megawatt-hours compared to 1,430,766 in 2019, an increase of 895,738 megawatt-hours or 62.6%.



Sources of Power

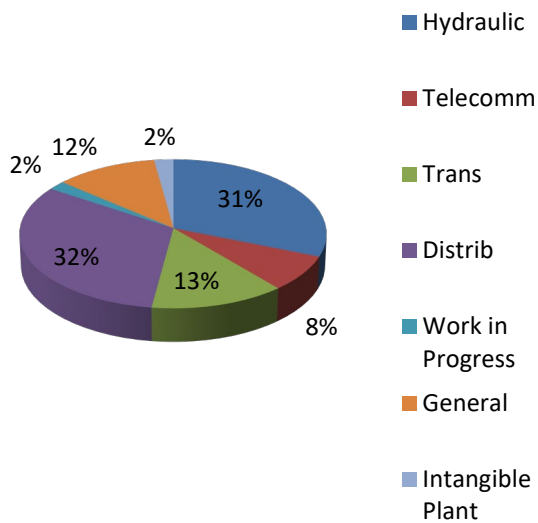
Tacoma Power's total resources for power supply to serve its retail and wholesale customers for the last two years are shown in the following graphs.



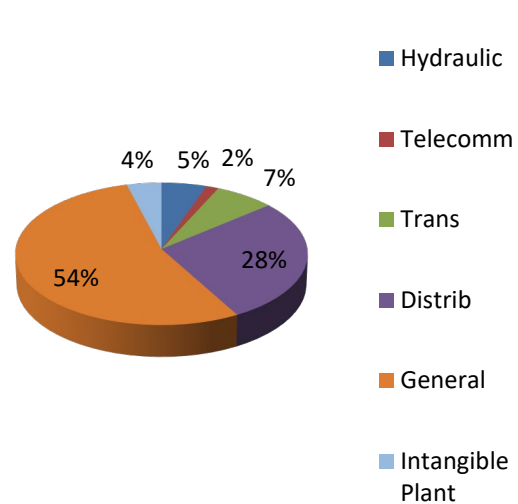
Utility Plant and Plant Additions

Tacoma Power has \$2.2 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.

2020 UTILITY PLANT



2020 PLANT ADDITIONS

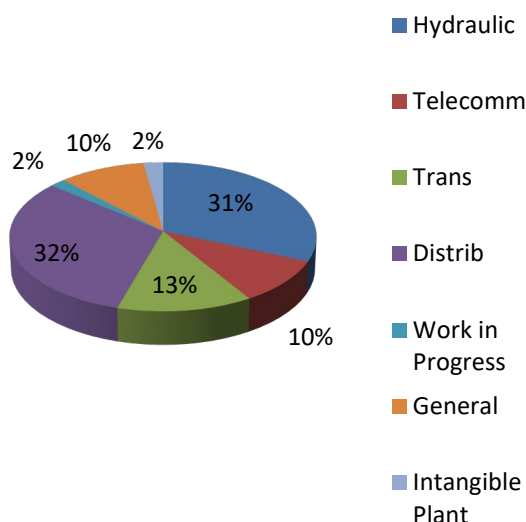


Additions to Intangible Plant in 2020 were \$4.2 million, which primarily included Multi Protocol Label Switching software and Outage communication software. Additions to Hydraulic Plant in 2020 were \$5.5 million, which mainly included the Cowlitz Trout Hatchery Water Treatment Modernization, Cushman Number 2 Spillway Gate Remote Operation and Cowlitz Fish Release Site Development.

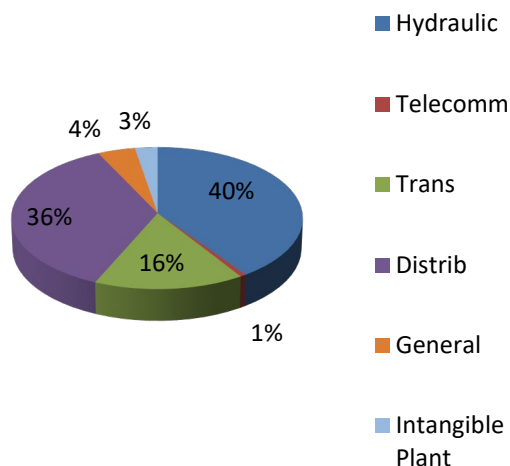
Transmission additions were \$7.2 million, which included addition and replacement programs for overhead, substations, transmission, protection and controls, and transmission line uprating. Distribution additions were \$29.0 million, which included addition and replacement programs for overhead distribution, new services, distribution transformers, underground distribution, road related additions and replacements, distribution substation, East F Street feeder and the Advanced meter project.

Regional Transmission additions were \$162,000, which included Energy Management System software. Additions to General Plant were \$56.0 million, of which \$46.3 million were fleet assets transferred from Fleet Services Fund, the remaining additions were mainly Land Mobile Radio for the Lacamas Site, and Multi Protocol Label Switching hardware. Click! additions were \$1.5 million, which included hybrid fiber coax plant extensions.

2019 UTILITY PLANT



2019 PLANT ADDITIONS



Additions to Intangible Plant in 2019 were \$1.5 million, which primarily included an Operational Analytics platform and land easements. Additions to Hydraulic Plant in 2019 were \$22.0 million, which mainly included the Cowlitz Falls fish passage - North shore collector and fish facility.

Transmission additions were \$7.8 million, which included the Henderson Bay tower replacement, addition and replacement programs for overhead, substations, and road related additions and replacements. Distribution additions were \$19.8 million, which included addition and replacement programs for new services, overhead distribution, distribution transformers, pole and cable, road related additions and replacements, and meters and devices.

Regional Transmission additions were \$737,000, which included a capital lease for Mason County dark fiber. Additions to General Plant were \$2.4 million, which included the main campus data center and voice solutions system. Click! additions were \$343,000, which included hybrid fiber coax plant extensions.

Net Utility Plant (in thousands)				20/19 Increase (Decrease)	19/18 Increase (Decrease)
	2020	2019	2018		
Intangible Plant	\$ 29,919	\$ 31,529	\$ 31,705	\$ (1,610)	\$ (176)
Hydraulic Plant	458,433	463,126	450,965	(4,693)	12,161
Transmission Facilities	139,384	140,702	140,163	(1,318)	539
Distribution Facilities	317,037	303,253	298,738	13,784	4,515
General Plant	90,498	68,890	73,329	21,608	(4,439)
Telecommunications Plant	19,599	23,207	28,862	(3,608)	(5,655)
Construction Work in Progress	43,709	39,025	44,528	4,684	(5,503)
Total Net Utility Plant	\$ 1,098,579	\$ 1,069,732	\$ 1,068,290	\$ 28,847	\$ 1,442

Additional information on Tacoma Power's capital assets can be found in Note 4 of the financial statements.

Debt Administration

At December 31, 2020 Tacoma Power had outstanding revenue bonds of \$373.6 million, a reduction of \$9.4 million compared to 2019. In September and December 2020 Tacoma Power took a draw of \$26.0 million and \$30.0 million, respectively, on the line of credit agreement with Wells Fargo.

At December 31, 2019 Tacoma Power had outstanding revenue bonds of \$382.9 million, a reduction of \$10.1 million compared to 2018. In December 2019 Tacoma Power took a draw of \$20.0 million on the line of credit agreement with Wells Fargo.

On May 21, 2020, Tacoma Power entered into a 2-year Note Purchase Agreement with KeyBank in the amount of \$100 million, of which no draws were outstanding as of December 31, 2020.

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 5 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 2020, principal and interest were covered 4.39 times compared to 2.17 times in 2019 and 4.27 times in 2018.

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 reliable, 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.

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Financial Statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS	DECEMBER 31,	
	2020	2019
UTILITY PLANT		
In Service, at Original Cost	\$2,209,267,388	\$2,169,402,278
Less - Accumulated Depreciation	(1,154,396,863)	(1,138,696,062)
Total	1,054,870,525	1,030,706,216
Construction Work in Progress	43,708,641	39,025,402
Net Utility Plant	1,098,579,166	1,069,731,618
NON-UTILITY PROPERTY	182,051	182,051
SPECIAL FUNDS		
Construction Funds	9,074,413	12,396,513
Debt Service Funds	17,080,055	19,209,180
Special Bond Reserve Funds	4,997,639	4,997,639
Wynoochee Reserve Funds	2,776,056	2,708,016
Fish and Wildlife Reserves	25,845,694	24,353,391
Total Special Funds	59,773,857	63,664,739
CURRENT ASSETS		
Operating Funds Cash and Equity in		
Pooled Investments	232,705,864	177,470,619
Accounts Receivable	30,952,991	25,039,956
(Net of Allowance for Doubtful Accounts of \$7,999,444 in 2020 and \$2,129,304 in 2019)		
Accrued Unbilled Revenue	32,019,820	32,547,727
Materials and Supplies	7,311,448	6,741,527
Prepayments and Other	13,718,562	12,722,559
Total Current Assets	316,708,685	254,522,388
OTHER ASSETS		
Regulatory Asset - Conservation		
(Net of Amortization of \$59,307,098 in 2020 and \$50,078,665 in 2019)	42,020,106	47,422,185
Net Pension Asset	7,189,022	-
Conservation Loans Receivable	2,182,253	2,396,282
Total Other Assets	51,391,381	49,818,467
Total Assets	1,526,635,140	1,437,919,263
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow for Pensions	21,328,424	54,329,250
Deferred Outflow for OPEB	1,299,989	952,121
Total Deferred Outflows	22,628,413	55,281,371
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$1,549,263,553	\$1,493,200,634

The accompanying notes are an integral part of these financial statements

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	DECEMBER 31,	
	2020	2019
NET POSITION		
Net Investment in Capital Assets	\$587,890,855	\$607,518,246
Restricted for:		
Wynoochee Reserve Funds	2,776,056	2,708,016
Fish and Wildlife Reserves	25,845,694	24,353,391
Debt Service Funds	7,470,000	9,365,000
Net Pension Asset	7,189,022	-
Unrestricted	245,828,320	188,082,675
Total Net Position	876,999,947	832,027,328
LONG-TERM DEBT		
Revenue Bonds	386,222,415	395,174,575
Revolving Line of Credit	-	75,250,000
Total Long-Term Debt	386,222,415	470,424,575
CURRENT LIABILITIES		
Current Portion of Revenue Bonds and Revolving Line of Credit	138,720,000	9,365,000
Taxes and Other Payables	20,189,963	22,498,931
Purchased Power Payable	11,079,413	16,945,864
Salaries, Wages and Compensated Absences Payable	5,121,187	4,032,111
Interest Payable	9,610,055	9,844,180
Unearned Revenue	1,423,374	2,517,742
Customers' Deposits	6,285,819	2,801,939
Accrued Environmental Liability	400,000	5,258,322
Total Current Liabilities	192,829,811	73,264,089
LONG-TERM LIABILITIES		
Long Term Accrued Compensated Absences	12,104,741	10,242,961
Net Pension Liability	-	45,902,976
Net OPEB Liability	10,972,398	10,562,836
Pension Withdrawal Liability	256,560	256,560
Other Long Term Liabilities	3,036,730	4,901,456
Total Long Term Liabilities	26,370,429	71,866,789
 Total Liabilities	 605,422,655	 615,555,453
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow for Pensions	27,395,943	6,031,613
Deferred Inflow for OPEB	1,445,008	1,586,240
Rate Stabilization	38,000,000	38,000,000
Total Deferred Inflows	66,840,951	45,617,853
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	\$1,549,263,553	\$1,493,200,634

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2020	2019
OPERATING REVENUES		
Sales of Electric Energy	\$430,538,416	\$417,066,344
Other Operating Revenue	24,211,850	18,801,890
Click! Network Operating Revenue	6,202,935	25,498,262
Total Operating Revenue	460,953,201	461,366,496
OPERATING EXPENSES		
Operations		
Purchased and Interchanged Power	137,081,542	161,088,947
Generation	21,720,288	28,362,445
Transmission	35,020,729	33,183,358
Distribution	21,446,075	22,584,269
Other	26,271,964	25,362,190
Maintenance	31,339,603	38,979,938
Telecommunications Expense	5,134,281	22,264,464
Administrative and General	60,067,993	56,899,927
Depreciation	48,123,728	48,700,270
Taxes	21,530,739	22,139,736
Total Operating Expenses	407,736,942	459,565,544
Net Operating Income	53,216,259	1,800,952
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	6,064,525	7,607,143
CARES Grant	463,718	-
Contribution to Family Need	(500,000)	(500,000)
Other	775,093	1,795,633
Gain on Sale/Disposal of Capital Assets	5,841,184	-
Interest on Long-Term Debt	(20,239,404)	(21,072,882)
Amortization of Debt Premium	1,482,160	1,549,892
Total Non-Operating Expenses	(6,112,724)	(10,620,214)
Net Income (Loss) Before Capital Contributions and Transfers	47,103,535	(8,819,262)
Capital Contributions		
Cash	4,796,109	7,450,252
Donated Capital Assets	219,271	356,918
BABs and CREBs Interest Subsidies	3,725,269	3,592,789
Transfers		
City of Tacoma Gross Earnings Tax	(36,809,285)	(33,985,153)
Transfers from/(to) Other Funds	25,937,720	-
CHANGE IN NET POSITION	44,972,619	(31,404,456)
TOTAL NET POSITION - BEGINNING OF YEAR	832,027,328	863,431,784
TOTAL NET POSITION - END OF YEAR	\$876,999,947	\$832,027,328

The accompanying notes are an integral part of these financial statements

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City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$ 455,443,608	\$ 458,060,153
Cash Paid to Suppliers	(218,162,178)	(245,373,795)
Cash Paid to Employees	(123,592,523)	(123,866,405)
Taxes Paid	(20,367,518)	(22,398,667)
Cash from Conservation Loans	214,029	237,136
Net Cash from Operating Activities	93,535,418	66,658,422
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(36,809,285)	(33,985,153)
Transfer to/from Other Funds	7,186,764	-
Cares Grant Received	463,718	-
Transfer to Family Need Fund	(500,000)	(500,000)
Net Cash from Non-Capital Financing Activities	(29,658,803)	(34,485,153)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(62,840,400)	(49,346,998)
Proceeds from sales of capital assets	10,376,384	-
Proceeds from Issuance of Long-Term Debt and LOC	56,000,000	20,000,000
Principal Payments on Long-Term Debt and LOC	(9,365,000)	(10,095,000)
Interest Paid	(20,473,529)	(21,294,291)
BABs and CREBs Interest Subsidies	3,725,269	3,592,789
Contributions in Aid of Construction (Cash)	4,796,109	7,450,252
Other Long-Term Liabilities	(1,864,727)	(870,327)
Net Cash from Capital and Related Financing Activities	(19,645,894)	(50,563,575)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	6,064,525	7,607,143
Other Non-Op Revenues and Deductions	1,049,117	1,795,633
Net Cash from Investing Activities	7,113,642	9,402,776
Net Change in Cash and Equity in Pooled Investments	51,344,363	(8,987,530)
Cash and Equity in Pooled Investments at January 1	241,135,358	250,122,888
Cash and Equity in Pooled Investments at December 31	\$292,479,721	\$241,135,358

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2020	2019
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$53,216,259	\$1,800,952
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	48,123,728	48,700,270
Amortization of Regulatory Assets	9,228,433	9,204,526
Pension Expenses (Credits)	1,273,158	6,601,898
Net OPEB Expenses (Credits)	(79,538)	(176,822)
Pension Withdrawal Expense	-	256,560
Accrued Environmental Expense	(4,858,322)	5,258,322
Estimated Employee Payout	-	1,136,386
Rate Stabilization	-	(10,000,000)
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Accrued Unbilled Revenue	(5,385,128)	6,693,657
Conservation Loans Receivable	214,029	237,136
Interfund Receivables	-	1,845,652
Materials and Supplies, and Other	(1,536,525)	(2,231,681)
Taxes and Other Payables	(3,402,608)	(2,516,246)
Purchased Power Payable	(5,866,451)	4,423,355
Salaries, Wages and Compensated Absences Payable	1,089,076	572,389
Long Term Accrued Compensated Absences	1,861,780	421,006
Customers' Deposits	3,483,880	93,931
Regulatory Asset - Conservation	(3,826,353)	(5,455,596)
Interfund Payables	-	(207,273)
Total Adjustments	40,319,159	64,857,470
Net Cash from Operating Activities	\$93,535,418	\$66,658,422
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$59,773,857	\$63,664,739
Cash and Equity in Pooled Investments in Operating Funds	232,705,864	177,470,619
Cash and Equity in Pooled Investments at December 31	\$292,479,721	\$241,135,358
Noncash Investing, Capital, and Financing activities		
Donated fixed assets	\$219,271	\$356,918
Fixed assets transferred from/(to) Other Funds	\$18,750,956	-

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power

Notes to Financial Statements
Years Ended December 31, 2020 and 2019

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 Financial Report (Annual Report) 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 and telecommunication infrastructure. Tacoma Power serves approximately 183,000 retail customers and has 918 employees. Tacoma Power is organized into six business units: Generation, Power Management, Transmission and Distribution, Rates, Planning and Analysis, Click! Network, 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.

CLICK! NETWORK plans, constructs, operates and maintains a hybrid fiber coaxial (HFC) telecommunications network that supports the operation of Tacoma Power's electrical transmission and distribution system, provides retail cable TV and wholesale high-speed Internet services to residential and business customers, and data transport services to retail customers. On April 1, 2020, Rainier Connect North, LLC ("Rainier Connect") entered into an Indefeasible Right of Use Agreement and took operational control of the Click! commercial network.

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 under the accrual basis of accounting in accordance with generally accepted accounting principles (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 2020, the Division implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective for reporting periods beginning after June 15, 2018, and later. Where applicable the Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 95.

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. 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.

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, 2020 and 2019, 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 Treasures LGIP is authorized by RCW 43.250. The LGIP is operated like a 2A7 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 and customer deposits. In 2018, four sub-funds for each fish and wildlife FERC license requirement were established. In 2019, a new construction sub-fund was established related to the Wells Fargo line of credit.

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, which is included in accounts receivable as of December 31, 2020, and 2019.

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.

REGULATORY ASSET CONSERVATION - The Division has deferred conservation costs to be charged to future periods matching the time when the revenues and expenses 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 AND DEPRECIATION - 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 is recorded using a straight-line composite method based on 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

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 VALUATION - 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.

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.

(*) When the federal Families First Coronavirus Response Act (FFCRA) legislation was enacted on April 1, 2020, and communicated to employees, an updated Emergency Leave Guidance Document was also provided. One of the changes made was in the "Other City Leave" section relating to employees being able to exceed the Personal Time Off (PTO) and Vacation maximum accrual caps by up to 20% through December 31, 2020. Thereafter, employees have 90 calendar days to use the excess leave accruals or they will be forfeited. 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.

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.

TAXES - The City charges the Division a Gross Earnings Tax at the rate of 7.5% on electrical revenues and broadband revenues and 8.0% on cable television revenues. On Tacoma cable television revenues only, the City also charges the Division a franchise fee of 5.0% and a Public, Educational and Government access television (P.E.G.) fee of 1.0%. 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 including cable television revenues, as well as 0.484% for Wholesaling and Broadcasting 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".

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 in the United States of America 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, allowance for doubtful accounts, accrued compensated absences, depreciation, OPEB, pension, self-insurance liabilities 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. The Family Need program is administered by the Metropolitan Development Council and Pierce County Community Services which identify and certify the eligibility of Tacoma Power customers for the program.

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 INVESTMENTS MEASURED AT FAIR VALUE

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

- **Level 1** - Level 1 inputs are quoted (adjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement data. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- **Level 2** - Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- **Level 3** - Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data.

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Data regarding the City's investments, valued and categorized according to the above outlined levels, is below:

	As of 12/31/2020	Level 1	Level 2	Level 3
Securities				
U.S. Treasury Securities	\$ 371,578,276	\$ -	\$ 371,578,276	\$ -
U.S. Agency Securities	491,827,203	-	491,827,203	-
Supranational Securities	10,065,910	-	10,065,910	-
Municipal Bonds	11,664,518	-	11,664,518	-
Corporate Securities	62,803,670	-	62,803,670	-
	<u>\$ 947,939,577</u>	<u>\$ -</u>	<u>\$ 947,939,577</u>	<u>\$ -</u>

	As of 12/31/2019	Level 1	Level 2	Level 3
Securities				
U.S. Treasury Securities	\$ 394,034,439	\$ -	\$ 394,034,439	\$ -
U.S. Agency Securities	449,502,580	-	449,502,580	-
Supranational Securities	20,035,790	-	20,035,790	-
Municipal Bonds	17,764,606	-	17,764,606	-
Corporate Securities	63,736,264	-	63,736,264	-
	<u>\$ 945,073,679</u>	<u>\$ -</u>	<u>\$ 945,073,679</u>	<u>\$ -</u>

Tacoma Power's share of the City investments shown in the table above is 25.05% and 22.33% for 2020 and 2019, respectively.

NOTE 4 UTILITY PLANT

A summary of the balances and changes in utility plant for 2020 and 2019 follows:

	Balance December 31, 2019	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2020
Intangible Plant	\$ 48,897,147	\$ 155,329	\$ (4,200,000)	\$ 4,087,669	\$ 48,940,145
Hydraulic Production Plant	694,909,088	-	-	5,515,005	700,424,093
Transmission Plant	256,357,176	-	(2,327,604)	7,189,129	261,218,701
Distribution Plant	700,514,016	63,942	(3,188,120)	28,944,026	726,333,864
Regional Transmission	37,418,930	-	-	161,936	37,580,866
General Plant	217,102,411	-	(13,079,312)	55,967,441	259,990,540
Telecommunications Plant	214,203,510	-	(40,955,531)	1,531,200	174,779,179
Total Utility Plant in Service	2,169,402,278	219,271	(63,750,567)	103,396,406	2,209,267,388
Less Accumulated Depreciation	(1,138,696,062)	(48,123,728)	58,941,343	(26,518,416)	(1,154,396,863)
	1,030,706,216	(47,904,457)	(4,809,224)	76,877,990	1,054,870,525
Construction Work In Progress	39,025,402	70,323,662	-	(65,640,423)	43,708,641
Net Utility Plant	<u>\$ 1,069,731,618</u>	<u>\$ 22,419,205</u>	<u>\$ (4,809,224)</u>	<u>\$ 11,237,567</u>	<u>\$ 1,098,579,166</u>

	December 31, 2018	Additions	Retirements	Transfers & Adjustments	December 31, 2019
Intangible Plant	\$ 47,603,690	\$ 264,098	\$ (167,771)	\$ 1,197,130	\$ 48,897,147
Hydraulic Production Plant	672,886,997	-	-	22,022,091	694,909,088
Transmission Plant	249,226,983	-	(652,550)	7,782,743	256,357,176
Distribution Plant	684,450,628	92,820	(3,779,137)	19,749,705	700,514,016
Regional Transmissio	36,681,877	-	-	737,053	37,418,930
General Plant	214,684,012	-	-	2,418,399	217,102,411
Telecommunications Plant	214,207,985	-	(347,332)	342,857	214,203,510
Total Utility Plant in Service	2,119,742,172	356,918	(4,946,790)	54,249,978	2,169,402,278
Less Accumulated Depreciation	(1,095,980,097)	(48,700,270)	4,779,019	1,205,286	(1,138,696,062)
	1,023,762,075	(48,343,352)	(167,771)	55,455,264	1,030,706,216
Construction Work In Progress	44,527,965	52,529,779	-	(58,032,342)	39,025,402
Net Utility Plant	<u>\$ 1,068,290,040</u>	<u>\$ 4,186,427</u>	<u>\$ (167,771)</u>	<u>\$ (2,577,078)</u>	<u>\$ 1,069,731,618</u>

Total Utility Plant in Service includes non-depreciable assets of \$73,452,865 for 2020 and \$77,433,718 for 2019.

Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. \$18.8 million of net book value in assets (net between cost of \$46.3 million and accumulated depreciation of \$27.5 million) was transferred to the Division in 2020.

NOTE 5 LONG-TERM DEBT

Tacoma Power's long-term debt is primarily for capital improvements. Long-term liability activity for the years ended December 31, 2020 and December 31, 2019, was as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Revenue Bonds	\$ 382,940,000	\$ -	\$ (9,365,000)	\$ 373,575,000	\$ 7,470,000
Plus: Unamortized Premium	21,599,575	-	(1,482,160)	20,117,415	-
Net Revenue Bonds	404,539,575	-	(10,847,160)	393,692,415	7,470,000
Line of Credit	75,250,000	56,000,000	-	131,250,000	131,250,000
Total Long-Term Debt	<u>\$ 479,789,575</u>	<u>\$ 56,000,000</u>	<u>\$ (10,847,160)</u>	<u>\$ 524,942,415</u>	<u>\$ 138,720,000</u>
	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Revenue Bonds	\$ 393,035,000	\$ -	\$ (10,095,000)	\$ 382,940,000	\$ 9,365,000
Plus: Unamortized Premium	23,149,467	-	(1,549,892)	21,599,575	-
Net Revenue Bonds	416,184,467	-	(11,644,892)	404,539,575	9,365,000
Line of Credit	55,250,000	20,000,000	-	75,250,000	-
Total Long-Term Debt	<u>\$ 471,434,467</u>	<u>\$ 20,000,000</u>	<u>\$ (11,644,892)</u>	<u>\$ 479,789,575</u>	<u>\$ 9,365,000</u>

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

	<u>2020</u>	<u>2019</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 \$7,470,000 to \$14,310,000 from 2021 to 2042. Original Issue: \$181,610,000 Current Portion: \$7,470,000	96,125,000	105,490,000
2013B Refunding Bonds, with interest rates ranging from 3.05% to 5.0%, due in yearly installments of \$3,795,000 to \$5,155,000 from 2022 to 2030. Original Issue: \$35,620,000 Current Portion: \$0	35,620,000	35,620,000
2017 Revenue Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments of \$2,150,000 to \$5,225,000 from 2022 to 2047. Original Issue: \$70,575,000 Current Portion: \$0	70,575,000	70,575,000
	373,575,000	382,940,000
Unamortized premium	20,117,415	21,599,575
Current Portion of Revenue Bond Debt	(7,470,000)	(9,365,000)
Long-term Portion of Revenue Bond Debt	386,222,415	395,174,575
Revolving Line of Credit	-	75,250,000
Total Long Term Debt	<u>\$ 386,222,415</u>	<u>\$ 470,424,575</u>

In 2015 Tacoma Power entered into a \$100.0 million line-of-credit agreement with Wells Fargo for working capital. A second amendment was executed in December 2019 to increase the line-of-credit to \$150.0 million and to extend the line of credit, which will mature in December 2021. Each advance will bear interest based on the one month London Interbank Offered Rate (LIBOR). On December 31, 2020, LIBOR was 0.14388%. Each advance is secured by Revenues as set forth in the Note Ordinance.

As of December 31, 2020, scheduled principal maturities on the bonds and interest payments are as follows:

Notes to the Financial Statements (continued)

	Principal	Interest
2021	\$ 7,470,000	\$ 19,035,860
2022	5,945,000	18,702,985
2023	6,240,000	18,398,360
2024	6,555,000	18,078,485
2025	6,885,000	17,785,336
2026-2030	54,705,000	80,540,438
2031-2035	147,070,000	53,267,713
2036-2040	78,135,000	21,624,575
2041-2045	50,320,000	5,570,900
2046-2047	10,250,000	414,000
	<u>\$ 373,575,000</u>	<u>\$ 253,418,652</u>

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, 2020 and 2019.

As of December 31, 2020, the following outstanding bonds were considered defeased in substance:

<u>Issue</u>	<u>Amount</u>
2013 Electric System Revenue Refunding Bonds, Series A	\$4,551,313

These refunded bonds constitute a contingent liability of Tacoma Power only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

NOTE 6 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 420,955 and 405,408 kilowatts per hour for 2020 and 2019, respectively. Charges for the BPA purchased power were approximately \$117.2 million and \$125.2 million for 2020 and 2019, respectively, and are based on the total amount of energy delivered and the monthly peak power demand.

Tacoma Power entered into an Energy Conservation Agreement (ECA) with BPA in 2009. Under this agreement, funds are collected in wholesale power rates to support regional energy efficiency programs. As utilities implement conservation programs and activities, BPA reimburses these funds per program specifications. In 2019, Tacoma Power recovered \$80,699 through the ECA which was included in Purchased and Interchanged Power expense. In 2020, Tacoma Power recovered \$5.0 million through the ECA and updated its classification to include ECA reimbursement in Other Operating Revenues. Receipt of these funds is cyclical, resulting in a greater amount recovered in the even years of Tacoma Power's biennium.

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, 2020, 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	258,513 mWh	26,687 mWh
Megawatt Capacity	-	5 mW
Operating Costs	\$ 4,055,575	\$449,192
Incentive Payments	\$ 3,663,336	-
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 original license for the Priest Rapids Project was issued on November 4, 1955 and expired on October 31, 2005. Since then, the Project had operated under annual licenses. 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 2020 and 2019 were \$7,881,973 and \$6,011,912, respectively, for Columbia Basin Hydropower, however, proceeds under the contract exceeded expenses in 2020 and 2019 for Grant County PUD - Priest Rapids resulting in a gain of \$449,192 and \$41,537, 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. 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, 2020, Tacoma Power had forward sales contracts totaling \$8.8 million dollars extending out to March 2021 with a fair market value of \$6.6 million. These contracts meet the normal purchase normal sales scope exception for derivative reporting under GASB 53.

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>2020</u> (in kWh)	<u>2019</u> (in kWh)
Secondary Sales	(2,322,146,000)	(1,427,974,000)
Portfolio Purchases	466,274,000	876,792,000
Miscellaneous Exchanges	(1,536,000)	(671,000)
Other	(13,825,000)	(7,248,000)
Net Interchange	<u>(1,871,233,000)</u>	<u>(559,101,000)</u>

NOTE 7 FLEET SERVICES FUND

The Department of Public Utilities has established a Fleet Services Fund to perform scheduled maintenance, repair and replacement of Department vehicles and related equipment.

Tacoma Power pays the Fleet Services Fund for its use of the vehicles and equipment to cover fleet operating expenses. Payments made by Tacoma Power in 2020 and 2019 were \$6,887,880 and \$7,569,589, respectively.

Fleet Services' management makes an annual assessment of the capital replacement reserve balance for appropriate funding levels. It is the Fund's policy to maintain the Fund's maximum balance at a level that will provide adequate purchasing power for a three-year cycle. The solvency of the Replacement Fund allowed Fleet Services to return a portion of interest earned on fund investments for the year to their customers. In 2020 and 2019, Fleet Services returned 75% of the interest earned to Tacoma Power's replacement fund. The amount of the refund was \$105,540 and \$152,101 for 2020 and 2019, respectively, which was used to offset the corresponding year's fleet expenses.

Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. \$7.1 million of unspent capital fund contributed to Fleet from Power and \$18.8 million of net book value in assets (net between cost of \$46.3 million and accumulated depreciation of \$27.5 million) were transferred to Power in 2020. Fleet Services Fund maintains the purchasing and maintenance responsibilities.

NOTE 8 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 \$1.0 million in 2020 and 2019. Assets in the Self-Insurance Fund total \$10.2 million which exceeds accrued and incurred but not reported liabilities. 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 retirement plans. The coverage also provides a Government Crime policy with a \$1.0 million limit and \$75,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.0 million per occurrence and an additional \$250,000 of total loss in excess of the self-insured retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. Coverage also has a Cybersecurity policy with a limit of \$5.0 million.

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 that applies to the buildings and contents while a deductible of \$10,000 per vehicle applies to motor vehicles. Coverage also provides a Wrongful Acts Liability policy with a limit of \$1.25 million for each wrongful act and a \$2.5 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 with a \$1.5 million retention. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

NOTE 9 WESTERN METAL INDUSTRY PENSION FUND

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

Information was unavailable to determine if an actuarial liability exists for the City in 2020, however, the Plan was in "critical" status in the Plan Year beginning January 1, 2019. The Plan fell into critical status following the 2009 Plan Year and was certified as "critical" in 2010. In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan's funded status. The Trustees have adopted the "free look" rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement. On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 General Unit. Contained in this agreement was a call for cessation of the participation in the Western Metal Industry Pension Fund (WMIPF). The contributions submitted for the December 31, 2019, payroll were the final contributions made on behalf of

the employees in this unit. As of December 31, , 2020, there were no employees participating in the plan nor were there any contributions made.

Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2020. The contribution rates for 2019 by classification were as follows:

Classification	January 1, 2019 - December 31, 2019
Fabrication Welder	6.21% of gross pay
Machinist	6.36% of gross pay

There was no contribution in 2020. In 2019, the Division contributed \$32,191.

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. The City's obligation is to pay, in full, the payroll withholdings to the system.

At this time, WMIPF has not provided a withdrawal liability estimate. The City utilized employee data from 2017, the last year in which all units were actively contributing to WMIPF to estimate the City's withdrawal liability. The Division has recognized a liability in the amount of \$256,560 as of December 31, 2020, and 2019.

NOTE 10 TACOMA EMPLOYEES' RETIREMENT SYSTEM FUND (TERS)

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available Annual Report that includes financial statements and required supplementary information and may be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS Annual Report may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

Administration of The System - The "Tacoma Employees' Retirement System" is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as, certain employees of the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, are also members.

The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are: the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

The breakdown of membership as of December 31, 2019 (measurement date) is as follows:

Retirees and beneficiaries currently receiving benefits	2,617
Terminated vested and other terminated participants	745
Active members:	
City of Tacoma	2,791
Pierce Transit	9
South Sound 911	2
Tacoma-Pierce County Health Department	274
Total active members	<u>3,076</u>
Total membership	<u><u>6,438</u></u>

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 41.54 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, 2019
Valuation Date	January 1, 2020
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"> • Level percent • Open periods • 25 year amortization period • 3.75% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.75%
Salary Increases	Varies by service
Investment Rate of Return	7.00%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	RP-2014 Mortality for Employees, Healthy and Disabled Annuitants. Generational improvements with projection scale based on Social Security Administration Data.

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, 2020, valuation date and December 31, 2019, the measurement date. Therefore, no adjustments were needed from the January 1, 2020, actuarial valuation date to the calculated liabilities as of December 31, 2019, measurement date for reporting date of December 31, 2020. There were no changes between the January 1, 2019, and January 1, 2020, valuation dates.

At its June 8, 2017 meeting, the TERS Board approved updates to the service purchase factors and optional form factors effective January 1, 2018. The Board also approved updated factors for use in converting member contributions with interest into the unmodified benefit form for comparison to the service retirement benefit. This change was effective January 1, 2020.

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, 2019. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated March 2016.

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	1.46%
US Bank/ Leveraged Loans	3.0%	2.69%
US Long Government Bonds	3.0%	1.69%
High Yield Bonds	6.0%	3.08%
Emerging Market Debt	5.0%	3.31%
Global Equity	34.5%	5.07%
Private Real Estate	10.0%	3.84%
Private Equity	10.0%	9.47%
Master Limited Partnerships	4.0%	3.98%
Timber	1.5%	4.00%
Infrastructure	2.0%	4.79%
Agriculture	1.5%	4.49%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		1.65%
Portfolio Arithmetic Real Mean Return		4.23%
Portfolio Median Nominal Geometric Return		6.54%
Portfolio Standard Deviation		9.81%
Long-Term Expected Rate of Return, net of investment expenses		7.00%

Sensitivity Analysis - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 7%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower, 6%, or 1 percentage point higher, 8%, than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$76,939,538	\$(7,189,022)	\$ (77,495,734)

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (3,612,890)	\$ 6,294,479
Changes of assumptions	-	3,969,517
Net Difference Between Projected and Actual Earnings	(23,778,049)	-
Changes in Employer Proportion	(5,004)	465
Contributions Made Subsequent to the Measurement Date	-	11,063,963
Total	<u>\$ (27,395,943)</u>	<u>\$ 21,328,424</u>

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:

2021	\$ (5,311,285)
2022	(4,385,011)
2023	2,153,490
2024	(10,265,586)
2025	676,910
	<u>\$ (17,131,482)</u>

At December 31, 2020, the Division reported a pension asset of \$7,189,022 for its proportionate share of the total System, compared to a pension liability of \$45,902,976 at December 31, 2019. The proportionate share of the Power Division is 38.64% of total System's pension liability as of December 31, 2020, and 39.23% as of December 31, 2019. The proportionate share was based on the actual contributions for the year as of December 31, 2020 and 2019.

NOTE 11 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, 2019 for non-LEOFF 1 members includes 3,525 active participants, 171 retirees and surviving spouses, and 139 spouses of current retirees. The membership as of January 1, 2020 for LEOFF 1 members includes 1 active participant and 370 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, 2019 for non-LEOFF 1 members and January 1, 2020 for 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, 2019. This is the date as of which the total OPEB liability is determined. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2020.

Subsequent to the January 1, 2019, valuation date for non-LEOFF 1 members, H.R. 1865 Further Consolidated Appropriations Act of 2020 was passed into Law on December 20, 2019. This law repealed the excise tax completely and removed the Health Insurer Fee permanently beginning in 2021. The total OPEB liability as of the December 31, 2019, measurement date reflects this change.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2019, and January 1, 2020, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2019
Census Date:	January 1, 2019
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: 2.74% for pay-as-you-go funding

Medical Cost Trend:	2019	9.10%
	2020	6.00%
	2021	5.50%
	2030	5.00%
	2040	5.10%
	2050	5.10%
	2060	5.00%

Note that the trend for year 2019 reflects the percent by which 2020 medical costs are expected to exceed 2019 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.30% in 2073 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase. The trends above do not reflect increases in costs due to the excise tax.

Economic Assumptions -

Discount Rate (Liabilities): 2.74%

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 2.74% from 4.10%. 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, 2020, the Division reported a liability of \$10,972,398 for its proportionate share of the collective total OPEB liability of \$208.4 million, compared to \$10,562,836 at December 31, 2019. The OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2020. At December 31, 2019, the participating Division's proportion was 5.17498% as compared to 5.26451% at December 31, 2020. For the year ended December 31, 2020, the participating Division recognized an OPEB credit of \$79,538.

At December 31, 2020, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (160,656)	\$ 1,902
Changes of assumptions	(670,372)	543,438
Changes in Employer Proportion	(548,708)	240,034
Differences in Contributions	(65,272)	24,409
Contributions Made Subsequent to the Measurement Date	-	490,206
Total	\$ (1,445,008)	\$ 1,299,989

The Division reported \$490,206 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (147,913)
2022	(147,913)
2023	(147,913)
2024	(231,139)
2025	33,285
Thereafter	6,368
	<u>\$ (635,225)</u>

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

The following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 2.74%, 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, 1.74%, or one percentage point higher, 3.74%, than the current rate.

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Net OPEB liability	\$ 12,428,135	\$ 10,972,398	\$ 9,758,974

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

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 5.00%	Current Trend Rates 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 9,707,905	\$ 10,972,398	\$ 12,472,940

NOTE 12 COMMITMENTS AND CONTINGENCIES

Capital Improvements - The financial requirement for Tacoma Power's 2019/2020 biennial Capital Improvement Program is approximately \$149.7 million. As of December 31, 2020, the remaining financial requirement for the 2019/2020 biennial Capital budget was approximately \$52.7 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 with the Department of Ecology towards a remedial investigation of the site and has recognized a liability in the amount of \$400,000 as the known cost for the site investigation progress in 2021.

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 13 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the deadly new virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City and the Division took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. Other actions the City took in response to COVID-19

included, but are not limited to, the following: instituted telework for all non-frontline service staff, health screening for employees reporting to City facilities, implemented an Emergency Leave Program for employees impacted by COVID-19, provided additional funding for Rental Assistance programs, and provided additional funding for utility bill assistance. The City and the Division will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

In 2020, the Division received \$464,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), of which \$377,000 was used to support small business for business interruptions, and \$87,000 was used for COVID-19 related expenses.

NOTE 14 SUBSEQUENT EVENTS

On March 11, 2021, the American Rescue Plan Act ("ARPA") was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City anticipates receiving approximately \$63.0 million in ARPA assistance. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

While the full impact of the COVID-19 pandemic on the City, the Division and the regional economy is currently uncertain, the City and the Division currently believe that the measures they have taken will help mitigate its anticipated revenue shortfall. The City and the Division, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City and the Division. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the full financial impact.

NOTE 15 RESTATEMENT

The previously issued financial statements as of December 31, 2020, have been updated for the omitted required disclosure in accordance with requirements of GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placement*. This omission did not impact any other financial statement amounts or disclosure items in the previously issued financial statements.

On May 21, 2020, Tacoma Power entered into a two-year taxable \$100 million Note Purchase Agreement with KeyBank National Association (Note) for general liquidity purposes. Each advance is secured by Revenues as set forth in the Note Ordinance and will bear interest based on the one-month LIBOR. No advances were made on the Note in 2020 and entire balance of \$100 million was available as of December 31, 2020.

Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years*

	As of Measurement Date December 31,					
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	38.64%	39.23%	39.43%	39.50%	39.47%	39.80%
Employer's proportion share of net pension liability (asset)	\$ (7,189,022)	\$45,902,976	(\$15,506,238)	\$36,687,245	\$34,177,293	(\$3,823,476)
Employer's covered payroll (1)	\$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)	-6.92%	46.78%	-16.29%	40.01%	36.72%	-4.11%
Plan fiduciary net position as a percentage the total pension liability	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Schedule of Contributions Last 10 Fiscal Years*

	Fiscal Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$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	(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	\$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	10.64%	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,			
	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	5.26%	5.17%	5.56%	5.48%
Employer's proportion share of collective OPEB liability	\$10,972,398	\$10,562,836	\$12,272,355	\$11,471,098
Employer's covered-employee payroll**	\$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	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, 2020

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 2.74% from 4.10%. The actuarial cost method is the individual entry age normal 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

	2020	2019	2018	2017 (As Restated)
STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS				
Utility Plant - Net	\$1,098,579,166	\$1,069,731,618	\$1,068,290,040	\$1,037,776,028
Special and Other Assets	111,347,289	113,665,257	120,789,034	81,257,489
Current Assets	316,708,685	254,522,388	282,186,074	276,486,000
Total Assets	1,526,635,140	1,437,919,263	1,471,265,148	1,395,519,517
Deferred Outflows	22,628,413	55,281,371	20,842,914	38,820,632
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,549,263,553	1,493,200,634	1,492,108,062	1,434,340,149
NET POSITION	876,999,947	832,027,328	863,431,784	830,375,494
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	386,222,415	470,424,575	461,339,467	417,800,137
Current Liabilities	192,829,811	73,264,089	66,566,861	68,841,615
Long-Term Liabilities	26,370,429	71,866,789	26,315,935	61,418,039
Total Liabilities	605,422,655	615,555,453	554,222,263	548,059,791
Deferred Inflows	66,840,951	45,617,853	74,454,015	55,904,864
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$1,549,263,553	\$1,493,200,634	\$1,492,108,062	\$1,434,340,149
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
Residential	\$186,622,420	\$182,002,242	\$175,979,684	\$169,583,337
Commercial	28,587,971	29,724,195	29,248,620	29,133,553
General	130,529,532	130,604,401	125,399,026	119,704,634
Contract Industrial	23,962,855	23,730,505	23,494,502	22,278,802
Bulk Power	59,615,216	47,420,681	55,486,697	57,062,247
Unbilled	(527,907)	1,816,954	29,348	2,114,131
Other	1,748,329	1,767,366	1,755,243	1,754,802
Total Electric Revenues	430,538,416	417,066,344	411,393,120	401,631,506
Other Operating Revenue	30,414,785	44,300,152	43,898,363	44,711,899
Total Operating Revenues	460,953,201	461,366,496	455,291,483	446,343,405
OPERATING EXPENSES				
Operation and Maintenance	338,082,475	388,725,538	313,885,614	325,018,197
Taxes	21,530,739	22,139,736	21,486,970	20,755,847
Depreciation	48,123,728	48,700,270	53,869,012	57,231,313
Total Operating Expenses	407,736,942	459,565,544	389,241,596	403,005,357
NET OPERATING INCOME	53,216,259	1,800,952	66,049,887	43,338,048
NON-OPERATING REVENUES (EXPENSES)				
Other Income and Expense (Net)	7,079,995	1,795,633	1,776,333	(1,534,389)
Interest Earned on Investments	6,064,525	7,607,143	3,719,705	2,251,477
Interest Charges (Net)	(18,757,244)	(19,522,990)	(17,219,276)	(14,076,794)
Contributions to Family Need	(500,000)	(500,000)	(100,000)	(100,000)
Net Income Before Contributions, Transfers & Extraordinary Items	47,103,535	(8,819,262)	54,226,649	29,878,342
Total Capital Contributions	8,740,649	11,399,959	13,214,597	12,643,334
Transfers In/Out	(10,871,565)	(33,985,153)	(34,384,956)	(34,141,875)
CHANGE IN NET POSITION	\$44,972,619	(\$31,404,456)	\$33,056,290	\$8,379,801

In accordance with Governmental Accounting Standards Board Statement No65 both 2012 and 2011 were restated for comparative purposes.

2016	2015	2014	2013	2012	2011
\$1,033,409,064	\$1,002,810,874	\$978,885,275	\$959,885,269	\$954,141,423	\$944,969,878
95,903,332	125,203,792	160,778,160	213,192,582	154,745,677	196,860,001
289,162,319	267,460,091	365,173,352	328,974,357	333,694,736	313,457,995
1,418,474,715	1,395,474,757	1,504,836,787	1,502,052,208	1,442,581,836	1,455,287,874
39,469,454	10,977,517	8,026,229	15,941,231	7,848,910	8,213,239
1,457,944,169	1,406,452,274	1,512,863,016	1,517,993,439	1,450,430,746	1,463,501,113
82,199,569,278	825,933,297	822,803,061	799,078,660	779,206,485	762,944,507
457,601,726	441,928,130	530,580,510	564,960,765	518,251,959	563,718,608
70,165,746	63,906,544	86,776,174	82,905,132	84,070,814	82,861,816
5,789,302,121	22,647,914	24,703,271	23,048,882	20,901,488	17,976,182
6,317,069,593	528,482,588	642,059,955	670,914,779	623,224,261	664,556,606
50,287,983	52,036,389	48,000,000	48,000,000	48,000,000	36,000,000
\$88,566,926,854	\$1,406,452,274	\$1,512,863,016	\$1,517,993,439	\$1,450,430,746	\$1,463,501,113
\$154,091,270	\$149,195,092	\$150,972,050	\$149,662,791	\$141,236,063	\$136,944,688
27,703,400	26,956,059	26,594,512	25,110,481	23,499,735	22,324,063
115,600,650	116,053,999	114,718,365	109,046,936	103,586,233	99,958,156
21,462,712	21,356,911	21,150,771	19,804,613	18,870,807	18,341,067
54,506,535	50,380,147	82,796,740	64,210,259	53,532,081	48,118,090
(840,477)	677,091	(666,187)	1,651,808	4,615,802	369,424
1,725,200	1,643,756	1,609,143	1,562,082	1,558,268	1,373,168
374,249,290	366,263,055	397,175,394	371,048,970	346,898,989	327,428,656
44,365,098	44,363,160	44,070,713	43,413,115	40,983,752	36,895,939
418,614,388	410,626,215	441,246,107	414,462,085	387,882,741	364,324,595
312,790,388	299,200,704	294,741,044	276,558,723	267,457,626	247,409,057
19,727,313	19,993,833	19,276,216	19,562,858	17,494,729	16,970,015
55,702,297	57,381,578	59,156,228	56,397,306	57,842,109	56,555,538
388,219,998	376,576,115	373,173,488	352,518,887	342,794,464	320,934,610
30,394,390	34,050,100	68,072,619	61,943,198	45,088,277	43,389,985
1,555,659	(1,923,329)	(728,908)	(252,363)	3,055,848	1,226,132
2,405,144	1,796,071	3,780,834	1,899,829	5,835,775	8,444,683
(16,196,734)	(19,428,673)	(27,290,021)	(25,688,219)	(22,859,967)	(21,917,623)
(480,000)	(480,000)	(900,000)	(900,000)	(450,000)	(450,000)
17,678,459	14,014,169	42,934,524	37,002,445	30,669,933	30,693,177
8,846,216	9,383,844	7,788,292	8,839,960	9,480,111	14,222,934
(30,462,279)	(24,969,422)	(26,998,415)	(25,970,230)	(23,888,066)	(23,913,077)
(\$3,937,604)	(\$1,571,409)	\$23,724,401	\$19,872,175	\$16,261,978	\$21,003,034

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

	2020	2019	2018	2017
MWh Available				
Generated				
Nisqually	562,674	387,967	538,674	631,627
Cushman	259,101	180,935	292,553	377,366
Cowlitz	1,838,319	1,034,672	1,556,232	2,138,980
Wynoochee	29,756	13,734	26,071	34,103
Hood Street	3,617	3,543	2,892	3,282
Grant Net Actual	-	-	-	-
Tacoma's Share of Priest Rapids	26,687	21,140	26,974	27,440
Tacoma's Share of GCPHA	258,513	220,240	241,233	228,781
Total Generated	2,978,667	1,862,231	2,684,629	3,441,579
Purchased	3,697,665	3,551,373	3,980,124	4,023,330
Interchange - Net	(1,871,233)	(559,101)	(1,804,434)	(2,458,785)
Losses - Net	2,743	2,367	5,073	27,919
Total System Load	4,807,842	4,856,870	4,865,392	5,034,043
MWh Billed				
Residential and Other	1,932,973	1,913,582	1,871,796	1,975,096
Commercial/General/Industrial	2,677,791	2,759,606	2,743,659	2,777,190
Total Firm MWh Billed	4,610,764	4,673,188	4,615,455	4,752,286
MWh Available Over MWh Billed (Causes: Timing differences, internal use, and losses other than those reflected above)	197,078	183,682	249,937	281,757
Percent of Power Generated	61.95%	38.34%	55.18%	68.37%
Average Load Factor	61.19%	59.00%	60.20%	57.27%
Average Number of Billings	182,526	182,234	177,723	177,153
Maximum Hourly Energy Load				
MWh	894	939	922	997
Date	1/14/20	2/7/19	2/23/18	1/5/17
Time	1900 hr	0800 hr	0800 hr	0800 hr
Maximum Daily Energy Load				
MWh	18,856	19,052	19,318	20,525
Date	1/14/20	2/6/19	2/23/18	1/5/17
Minimum Hourly Energy Load				
MWh	315	307	329	350
Date	7/6/20	9/8/19	6/7/18	7/2/17
Time	0600 hr	0500 hr	0400 hr	0600 hr
Minimum Daily Energy Load				
MWh	9,501	9,911	10,208	10,315
Date	7/6/20	9/8/19	9/2/18	6/4/17
Average Hourly Energy Load	547	554	555	571

2016	2015	2014	2013	2012	2011
630,483	511,592	635,121	572,932	699,104	663,345
507,618	272,457	358,509	239,528	261,735	410,723
1,989,438	1,630,130	2,111,686	1,792,975	2,322,875	2,157,106
37,209	12,680	14,272	24,404	38,149	35,692
2,942	1,889	2,281	3,503	4,029	3,313
-	-	(2,018)	(3,279)	(3,285)	-
26,975	25,360	22,733	34,846	37,355	34,417
253,625	258,679	272,846	254,570	255,564	237,794
3,448,290	2,712,787	3,415,430	2,919,479	3,615,526	3,542,390
3,807,370	3,674,140	3,845,666	3,756,763	4,167,263	3,799,037
(2,438,369)	(1,569,981)	(2,339,277)	(1,665,811)	(2,814,479)	(2,266,720)
(8,870)	10,340	14,057	7,398	20,718	(8,112)
4,808,421	4,827,286	4,935,876	5,017,829	4,989,028	5,066,595
1,855,706	1,801,114	1,890,970	1,950,829	1,935,518	1,997,714
2,771,822	2,786,233	2,838,966	2,855,932	2,812,769	2,838,424
4,627,528	4,587,347	4,729,936	4,806,761	4,748,287	4,836,138
180,893	239,939	205,940	211,068	240,741	230,457
71.71%	56.20%	69.20%	58.18%	72.47%	69.92%
60.02%	62.71%	55.31%	54.18%	61.47%	58.86%
176,784	174,562	172,531	171,506	169,012	169,123
913	877	1,016	980	924	931
12/17/16	12/31/15	2/6/14	12/9/13	1/16/12	1/3/11
0900 hr	0900 hr	0800 hr	0800 hr	1800 hr	0800 hr
19,641	18,675	21,686	21,172	19,100	18,788
12/17/16	12/31/15	2/6/14	12/09/13	1/16/12	1/11/11
351	354	348	349	340	310
7/5/16	6/21/15	7/6/14	9/8/13	9/19/12	7/5/11
0400 hr	0600 hr	0600 hr	0500 hr	0400 hr	0400 hr
10,110	10,262	10,221	10,379	10,160	9,171
9/4/16	5/24/15	7/5/14	7/4/13	9/2/12	7/3/11
548	550	562	572	566	548

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Gross Generation Report
December 31, 2020 and December 31, 2019

	YEAR ENDED		2020 OVER (UNDER)	PERCENT CHANGE
	Dec 31 2020	Dec 31 2019	2019	
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross				
Generated - LaGrande	350,596,000	244,931,000	105,665,000	43.1%
Generated - Alder	212,078,000	143,036,000	69,042,000	48.3%
TOTAL NISQUALLY	562,674,000	387,967,000	174,707,000	45.0%
Generated - Cushman No 1	105,245,000	76,366,000	28,879,000	37.8%
Generated - Cushman No 2	153,856,000	104,569,000	49,287,000	47.1%
TOTAL CUSHMAN	259,101,000	180,935,000	78,166,000	43.2%
Generated - Mossyrock	1,111,716,000	584,779,000	526,937,000	90.1%
Generated - Mayfield	726,603,000	449,893,000	276,710,000	61.5%
TOTAL COWLITZ	1,838,319,000	1,034,672,000	803,647,000	77.7%
Generated - Wynoochee	29,756,000	13,734,000	16,022,000	116.7%
Generated - Hood Street	3,617,100	3,543,483	73,617	2.1%
Tacoma's Share of Priest Rapids	26,687,000	21,140,000	5,547,000	26.2%
Tacoma's Share of GCPHA	258,513,000	220,240,000	38,273,000	17.4%
TOTAL KWH GENERATED - TACOMA SYSTEM	2,978,667,100	1,862,231,483	1,116,435,617	60.0%
Purchased Power				
BPA Slice Contract	2,277,980,000	2,029,003,000	248,977,000	12.3%
BPA Block Contract	1,419,685,000	1,522,370,000	(102,685,000)	-6.7%
Interchange Net	(1,871,233,000)	(559,101,000)	(1,312,132,000)	234.7%
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED	4,805,099,100	4,854,503,483	(49,404,383)	-1.0%
Losses	34,968,534	33,249,761	1,718,773	5.2%
Baldi Replacement	1,779,561	288,097	1,491,464	517.7%
Ketron	312,500	278,263	34,237	12.3%
NT PC Mutuals Schedules	(32,187,000)	(32,094,000)	(93,000)	0.3%
PC Mutual Inadvertent	(2,130,800)	644,308	(2,775,108)	-430.7%
TACOMA SYSTEM FIRM LOAD	4,807,841,895	4,856,869,912	(49,028,017)	-1.0%
PIERCE COUNTY MUTUAL LOAD	1,475,829,000	1,487,202,000	(11,373,000)	-0.8%
KWH BILLED				
Residential Sales	1,915,481,786	1,895,538,014	19,943,773	1.1%
Commercial Sales	306,418,459	320,727,113	(14,308,654)	-4.5%
General	1,872,369,457	1,942,122,720	(69,753,263)	-3.6%
Contract Industrial	499,003,392	496,756,020	2,247,372	0.5%
Public Street and Highway Lighting	9,974,469	10,496,260	(521,791)	-5.0%
Sales to Other Electric Utilities	7,516,800	7,548,300	(31,500)	-0.4%
TOTAL FIRM	4,610,764,363	4,673,188,427	(62,424,064)	-1.3%
Bulk Power Sales	2,326,504,000	1,430,766,000	895,738,000	62.6%
TOTAL KWH BILLED	6,937,268,363	6,103,954,427	833,313,936	13.7%

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Debt Service Requirements
December 31, 2020

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$7,470,000	\$19,035,860	\$26,505,860
2022	5,945,000	18,702,985	24,647,985
2023	6,240,000	18,398,360	24,638,360
2024	6,555,000	18,078,485	24,633,485
2025	6,885,000	17,785,336	24,670,336
2026	7,135,000	17,517,281	24,652,281
2027	24,185,000	16,696,362	40,881,362
2028	7,420,000	15,828,723	23,248,723
2029	7,785,000	15,448,598	23,233,598
2030	8,180,000	15,049,474	23,229,474
2031	27,310,000	14,054,213	41,364,213
2032	28,335,000	12,435,509	40,770,509
2033	29,335,000	10,732,501	40,067,501
2034	30,460,000	8,948,818	39,408,818
2035	31,630,000	7,096,672	38,726,672
2036	14,165,000	5,799,025	19,964,025
2037	14,870,000	5,073,150	19,943,150
2038	15,615,000	4,311,025	19,926,025
2039	16,395,000	3,574,375	19,969,375
2040	17,090,000	2,867,000	19,957,000
2041	17,810,000	2,129,425	19,939,425
2042	18,565,000	1,360,375	19,925,375
2043	4,470,000	878,400	5,348,400
2044	4,645,000	696,100	5,341,100
2045	4,830,000	506,600	5,336,600
2046	5,025,000	309,500	5,334,500
2047	5,225,000	104,500	5,329,500
	<u>\$373,575,000</u>	<u>\$253,418,652</u>	<u>\$626,993,652</u>

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

	2020	2019	2018	2017 (As Restated)	2016
Total Income	\$476,791,233	\$473,776,579	\$464,467,429	\$450,627,829	\$425,755,909
Less: Operating Exp	359,613,214	410,865,274	335,372,584	345,774,044	332,517,701
Income Available for Debt Service	<u>\$117,178,019</u>	<u>\$62,911,305</u>	<u>\$129,094,845</u>	<u>\$104,853,785</u>	<u>\$93,238,208</u>
Bond Redemption	\$7,470,000	\$9,365,000	\$10,095,000	\$11,575,000	\$12,730,000
Bond Interest	<u>19,220,110</u>	<u>19,688,360</u>	<u>20,143,110</u>	<u>18,949,910</u>	<u>19,025,810</u>
Debt Service Payable on All Debt	\$26,690,110	\$29,053,360	\$30,238,110	\$30,524,910	\$31,755,810
Times Debt Service Covered	4.39	2.17	4.27	3.44	2.94

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Resources
As of December 31, 2020

GENERATING FACILITIES	GENERATING UNITS	AGGREGATE NAME PLATE RATING (kW)	APPROX. RATED 4-YR. AVERAGE ANNUAL OUTPUT (1,000 kWh)
Hydro:			
Alder	2	50,000	208,410
LaGrande	5	64,000	338,334
Cushman No 1	2	43,200	130,686
Cushman No 2	3	81,000	208,921
Mayfield	4	162,000	688,643
Mossyrock	2	300,000	991,095
Wynoochee	1	12,800	27,779
Total Hydro		713,000	2,593,868

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 BILLINGS	AVERAGE HOURLY ENERGY (kW)
Residential	162,367	1.343
Incidental	16,666	2.099
General	2,552	106.638
Public Streets and Highways	941	1.210
Total System	182,526	2.880
Circuit Miles of Transmission Lines		
115 kV		308
230 kV		44
Circuit Miles of Distribution Lines		
Overhead		1,172
Underground		862

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
Taxes and Employee Welfare Contributions
For the Year 2020

FEDERAL

Power Social Security (FICA)	\$7,554,271	
Total		\$7,554,271

STATE OF WASHINGTON

Retail Sales and Use Taxes	3,154,930	
Power Utilities and Business Operations Tax	14,896,106	
Power State Employment Security	176,072	
Total		18,227,107

COUNTY

Lewis County - In Lieu of Taxes	1,693,757	
Mason County - In Lieu of Taxes	203,335	
Pierce County School Support - Eatonville	7,000	
White Pass School Support	131,587	
Mossyrock School Support	114,303	
Morton School Support	3,212	
Lewis County Fire Protection District	11,063	
Pierce County Fire Protection District	21,396	
Pierce County Drainage District	72,202	
Thurston County	2,432	
Total		2,260,287

MUNICIPALITIES

City of Tacoma Power Gross Earnings Tax	36,330,606	
Click!Network Gross Earnings Tax/Franchise Fees	722,152	
City of Fife Power Franchise Fee	1,352,189	
City of University Place Power Franchise Fee	1,270,060	
City of Lakewood Power Franchise Fee	1,204,366	
City of Fircrest Power Franchise Fee	291,051	
City of Steilacoom Power Franchise Fee	6,182	
Total		41,176,606
TOTAL TAXES		\$69,218,271

Taxes as a % of Operating Revenues of \$460,953,201 15.02%

EMPLOYEE WELFARE CONTRIBUTIONS

Power Industrial Insurance and Medical Aid	\$705,946	
Power City of Tacoma Pension Fund	10,861,864	
Power Medical/Life Insurance	16,163,522	
TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		\$27,731,331

City of Tacoma, Washington
Department of Public Utilities
Tacoma Power
2020 Electric Rates
(Based on 2020 rate schedules)

RATE PER MONTH

Schedule A-1 - Residential Service

Customer Charge	\$17.30 per month
Customer Charge (for collectively metered apartments)	\$14.15 per month
Energy (all energy measured in kilowatt-hours)	\$0.045351 per kWh
Delivery (all energy delivered in kilowatt-hours)	\$0.035353 per kWh

Schedule A-2 - Low-Income/Elderly/Handicapped Residential Service

Seventy percent (70%) of the monthly bill as
calculated under Section 12.06.160 of the official
Code of the City of Tacoma, known as RESIDENTIAL SERVICE -
SCHEDULE A-1

Schedule B - Small General Service

Customer Charge	\$23.50 per month
Customer Charge (for unmetered services)	\$18.30 per month
Energy (all energy measured in kilowatt-hours)	\$0.044616 per kWh
Delivery (all energy delivered in kilowatt-hours)	\$0.035207 per kWh

Schedule G - General Service

Customer Charge	\$80.00 per month
Energy (all energy measured in kilowatt-hours)	\$0.049961 per kWh
Delivery (all kilowatts of Billing Demand delivered)	\$8.51 per kW

Schedule HVG - High Voltage General Service

Customer Charge	\$1,690.00 per month
Energy (all energy measured in kilowatt-hours)	\$0.044175 per kWh
Delivery (all kilowatts of Billing Demand delivered)	\$5.03 per kW

Other schedules also now in effect are:

CP - Contract Industrial Service (major industrial power use -
written contract required)

H-1 - Street Lighting and Traffic Signal Service

H-2 - Private Off-Street Lighting Service

H-3 - Street Lighting Service

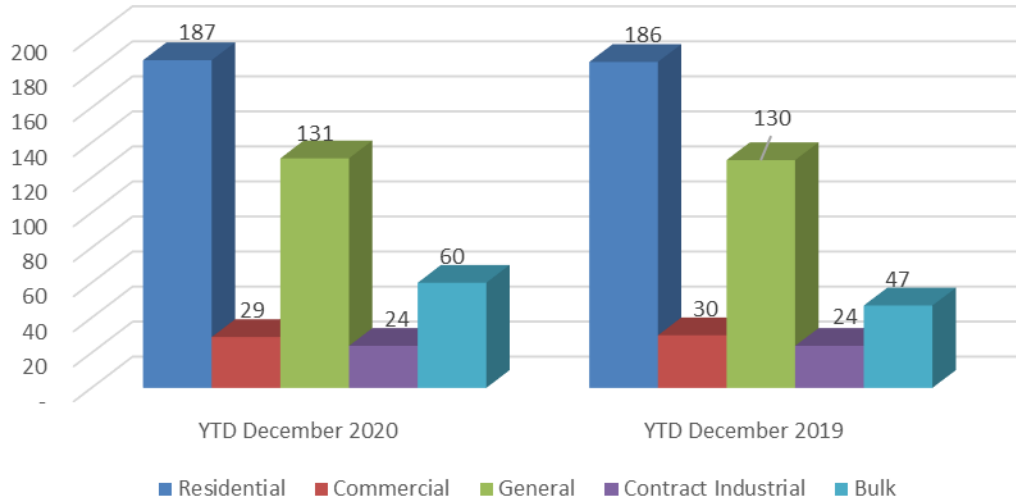
FC - Electric Vehicle Fast Charge

Electric rates were established by Ordinance No. 28665
and became effective July 1, 2020.

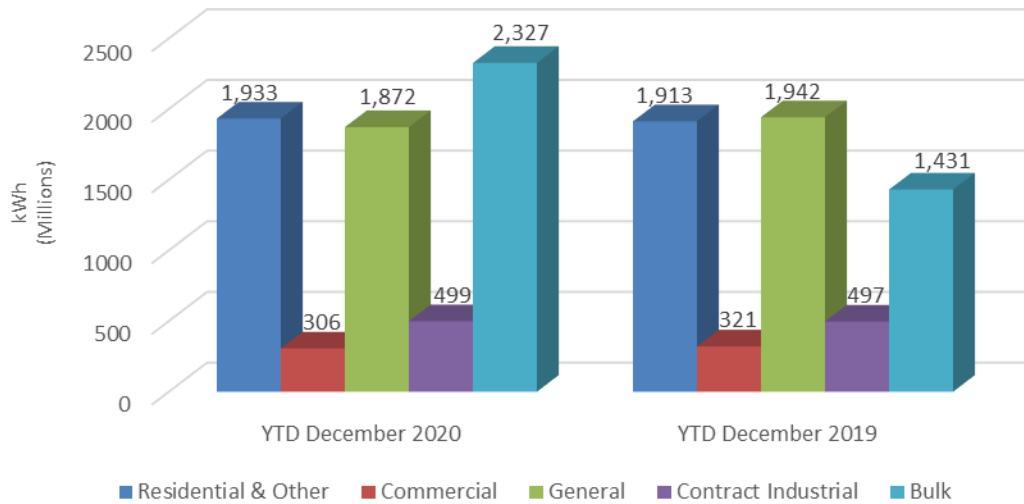
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Graphs

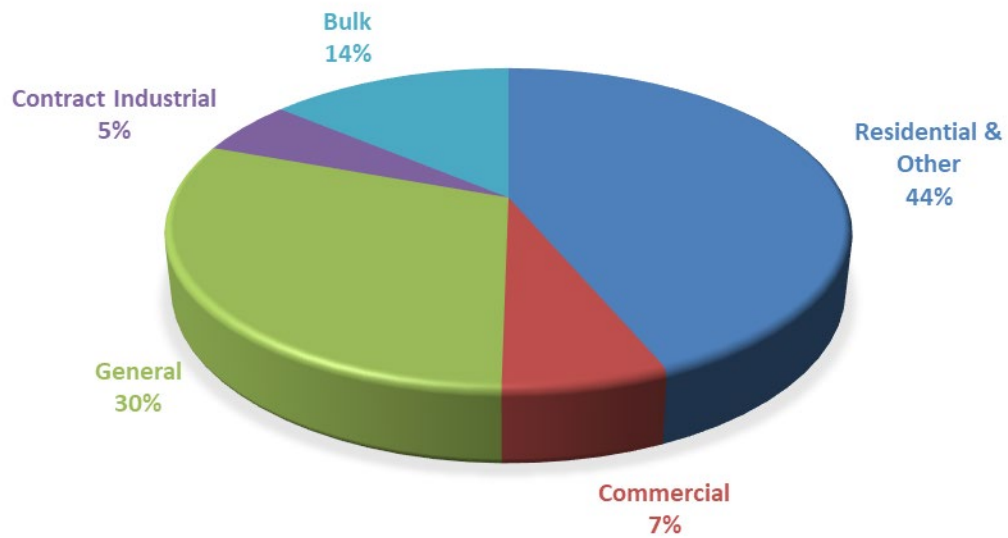
Sales of Electric Energy Year to Date - December 2020 & 2019



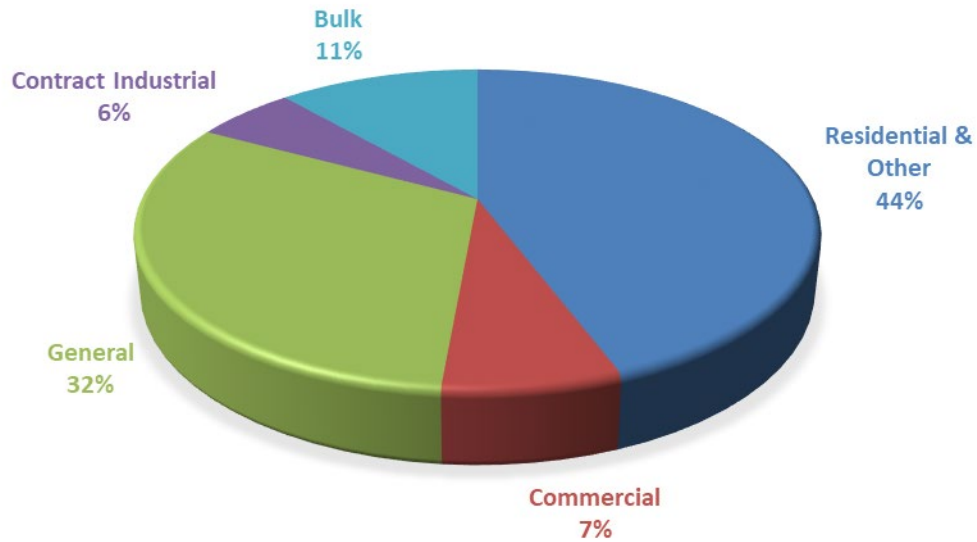
Total Power Billed Year to Date - December 2020 & 2019



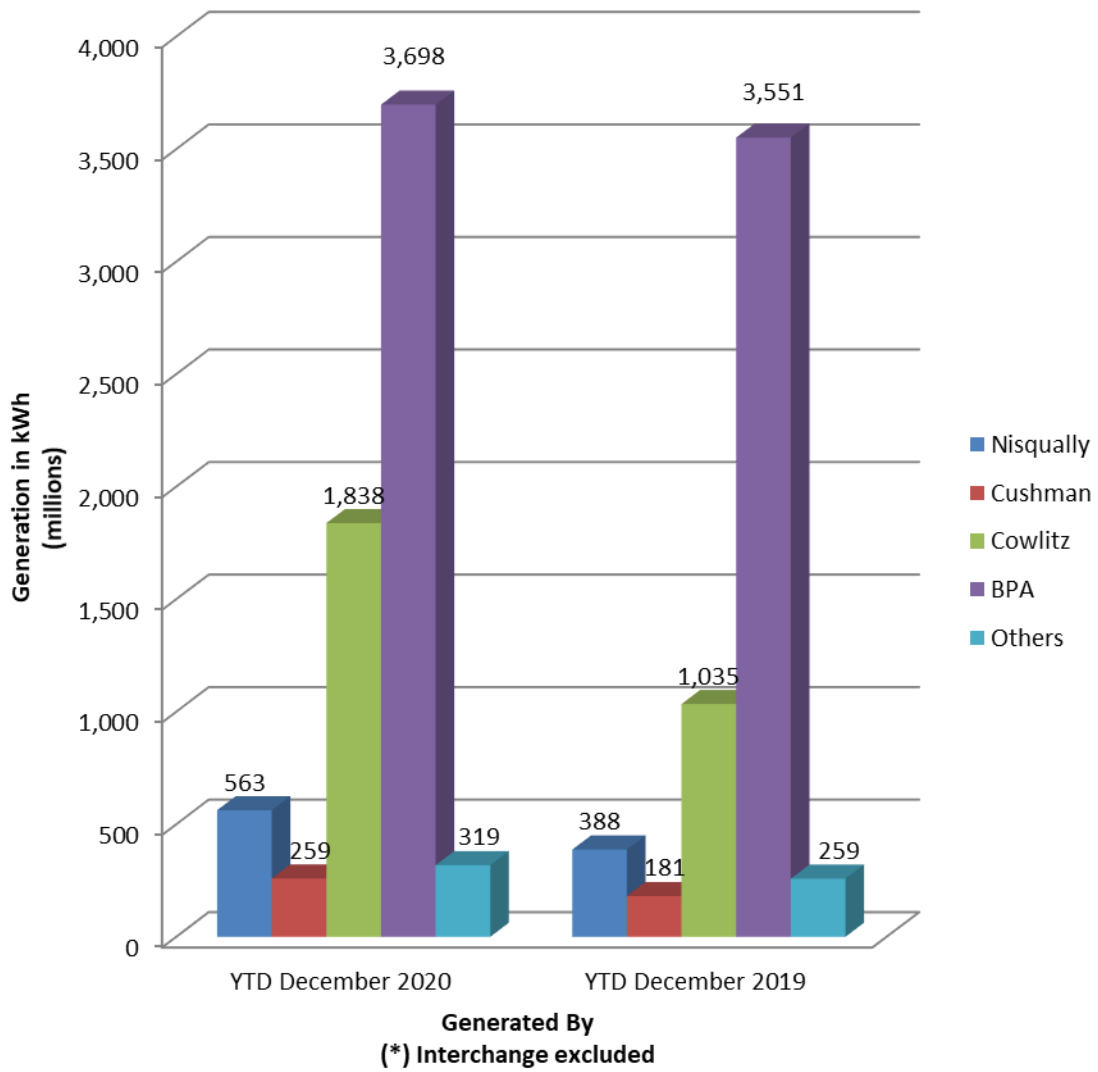
**SALES OF ELECTRIC ENERGY
YEAR TO DATE - DECEMBER 2020 (\$430,538,416)**



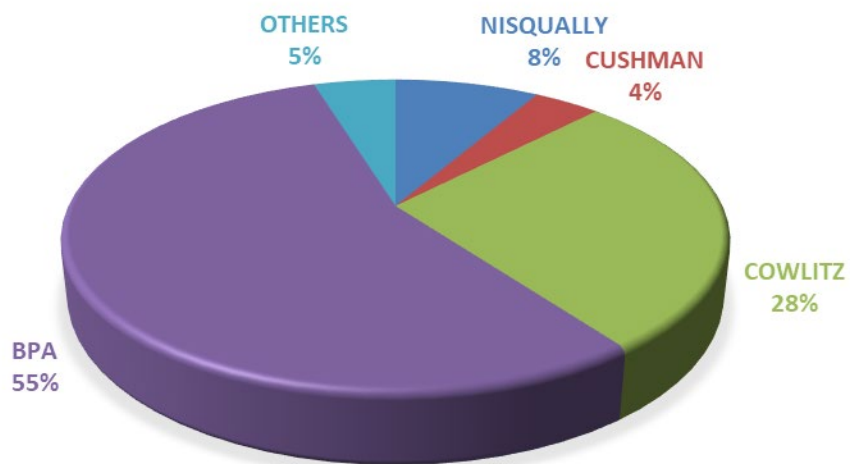
**SALES OF ELECTRIC ENERGY
YEAR TO DATE - DECEMBER 2019 (\$417,066,344)**



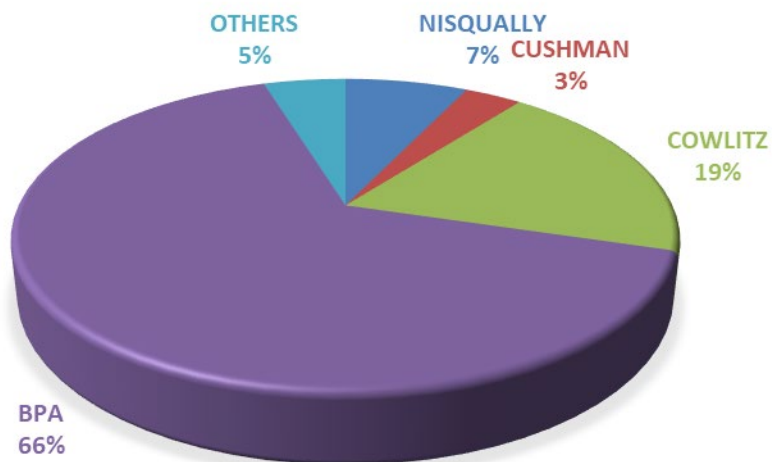
Power Sources (*) Year to Date December 2020 & 2019



POWER SOURCES (*)
YEAR TO DATE - DECEMBER 2020

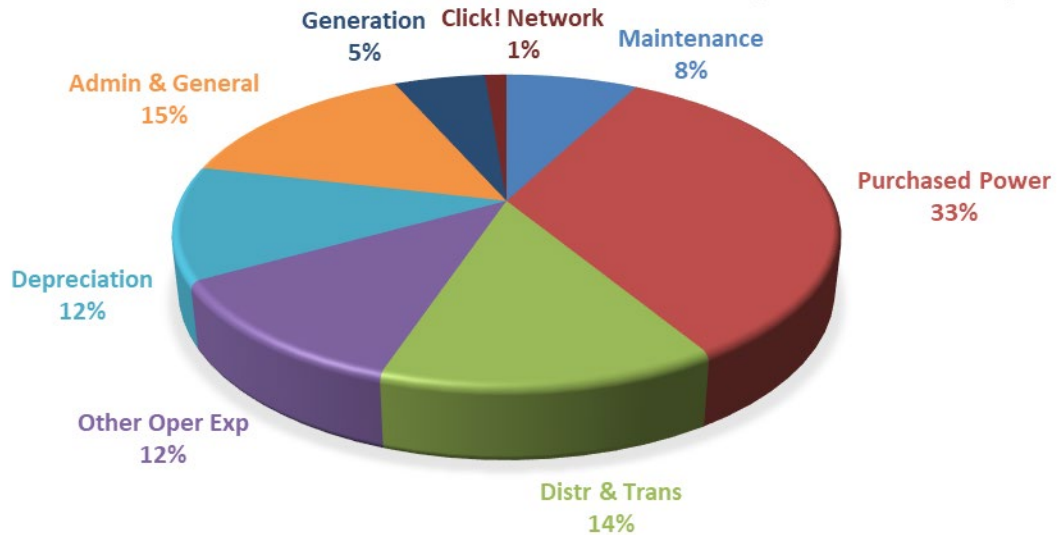


POWER SOURCES (*)
YEAR TO DATE - DECEMBER 2019

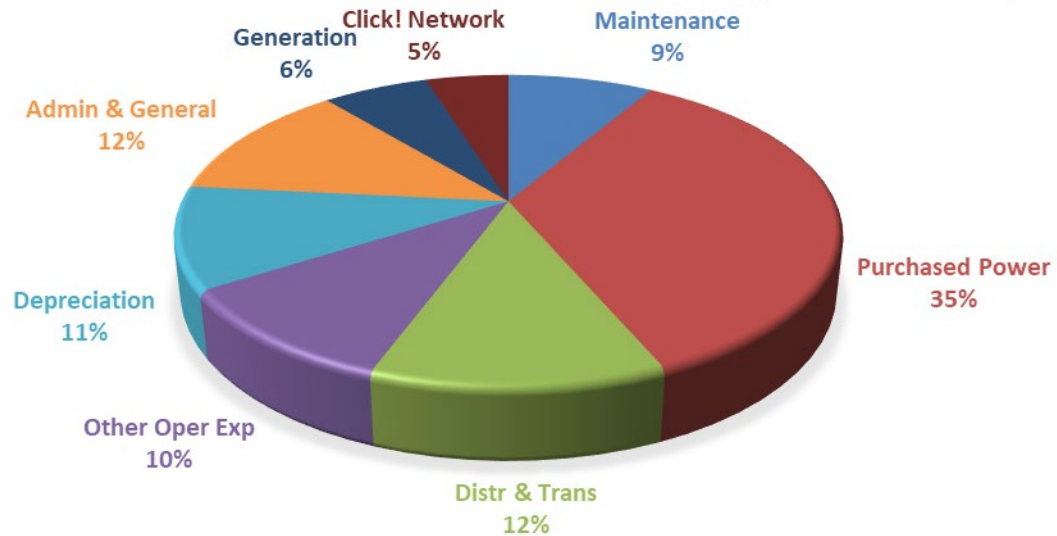


(*) Interchange excluded

TOTAL OPERATING EXPENSES *
YEAR TO DATE - DECEMBER 2020 (\$407,736,942)

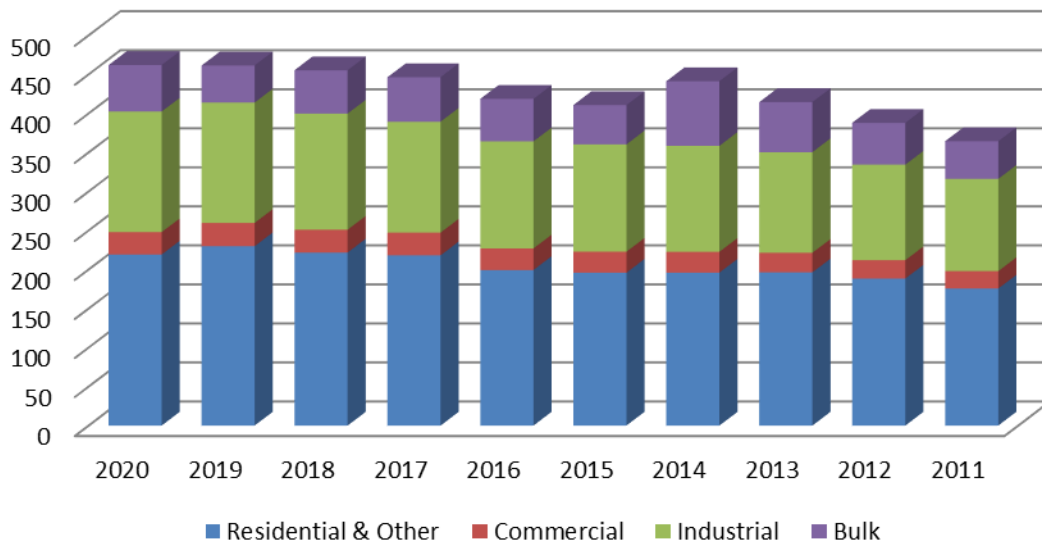


TOTAL OPERATING EXPENSES *
YEAR TO DATE - DECEMBER 2019 (\$459,565,544)

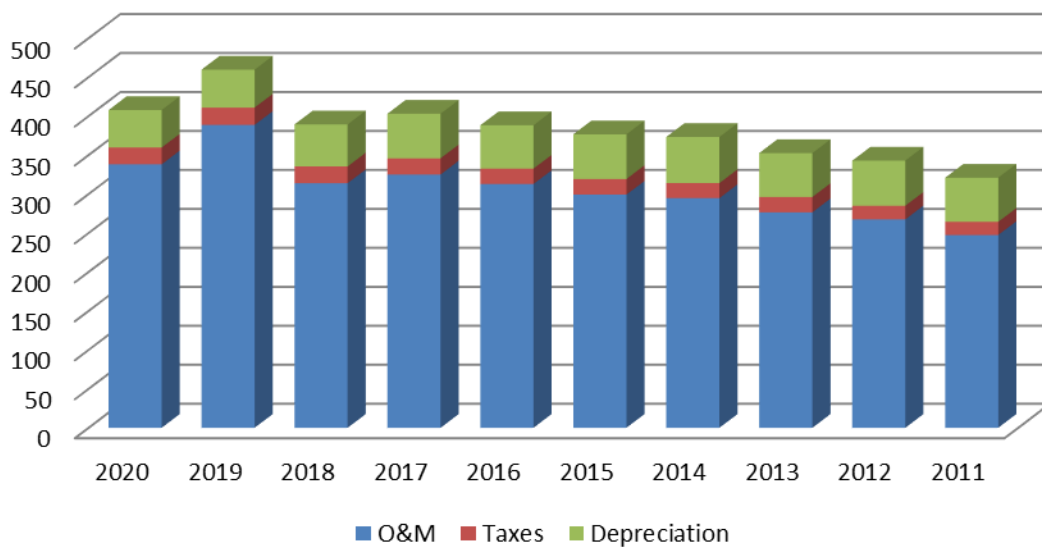


* City Gross Earnings Taxes are not included in Total Operating Expenses.

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.