



**City of Tacoma
Department of Public Utilities - Tacoma Power**

**Short-Term Funding Products
RFP Specification No. RP21-0477F**

QUESTIONS and ANSWERS

All interested parties had the opportunity to submit questions in writing to Frank Perdue and Josepha Miller of Montague DeRose and Associates, by 12:00 p.m. (Pacific Time), April 5, 2021. The answers to the questions received are provided below and posted to the City's website at www.TacomaPurchasing.org. This information IS NOT considered an addendum. Respondents should consider this information when submitting their proposals.

Question 1: Is the interest on this credit facility taxable or tax-exempt? If it is currently taxable, could there be a tax-exempt component?

Answer 1: This facility would be tax-exempt similar to Tacoma Power's current Series 2015A Note Purchase Agreement. The details of the 2015A Note can be found at Tacoma Power's investor relations website below:

<https://www.mytpu.org/about-tpu/investors/tacoma-power-investor-information/official-statements/>

Question 2: Please provide the estimated Closing Date for the facility.

Answer 2: Tacoma Power expects to close this facility on or around September 8, 2021.

Question 3: Is the plan to maintain the KeyBank credit facility in addition to this proposed credit facility?

Answer 3: Yes, Tacoma Power would maintain the KeyBank credit facility at least until its expiration date of May 21, 2022. While the Keybank credit facility can be utilized for any operating purpose deemed necessary, Tacoma Power entered into the Keybank credit facility primarily to provide general credit and bolster its liquidity position. Tacoma Power does not currently anticipate drawing on this facility. The details of the Keybank credit facility can be found at Tacoma Power's investor relations website below:

<https://www.mytpu.org/about-tpu/investors/tacoma-power-investor-information/official-statements/>

Question 4: In the Non-Collusion Declaration, there are noted Addendum's #1 to #5. We can't find what this is referring to?

Answer 4: No Addenda for this RFP have been issued to date. Should an Addendum be issued for this RFP, responders should initial next to the respective Addendum number at the bottom of the Signature Page/Non-Collusion Declaration to acknowledge that said Addendum was received. If no Addenda are issued in connection with this RFP, responders should leave the Addendum acknowledgement spaces blank at the bottom of the Signature Page.

Question 5: Please provide the Master Subordinate Ordinance/Note Ordinance or a link to these documents.

Answer 5: The Master Subordinate Ordinance can be found at the below link:

<https://www.mytpu.org/wp-content/uploads/Ordinance-No-28295-Master-Subordinate-Bond-Ordinance.pdf>

The most recent Ordinance authorizing the extension of, and an increase to, the Electric System Subordinate Revenue Note, Series 2015A can be found at the below link:

<https://cityoftacoma.legistar.com/LegislationDetail.aspx?ID=4162398&GUID=FC634DEC-6AB8-4129-88B6-E8B7362CAA82&Options=&Search=>

Question 6: What is historical usage and planned usage of the line/facility?

Answer 6: Tacoma Power uses this facility for short-term borrowing costs and typically takes out the facility with long-term bonds when the facility is fully drawn. For the period of 2016 through 2020, the current facility had an average annual balance of approximately \$60,000,000.

Tacoma Power's projected funding sources for new and ongoing projects for the period 2021-2026 is below. Tacoma Power expects to rely upon the short-term facility for its debt financed capital plan and then, when necessary, will issue long-term revenue bonds in an amount sufficient to repay the short-term facility for these previous capital expenditures. Please note that the below is preliminary, projected funding sources are subject to change.

Tacoma Power

Projected Funding Sources for New and Ongoing Projects for the Period 2021-2026

Funding Sources	2021/22	2023/24	2025/2026
Debt Financed	89,661,000	78,542,500	82,112,200
Rate Financed	60,237,000	78,542,500	82,112,200
Total Capital Program	\$149,898,000	\$157,085,000	\$164,224,400

Question 7: How much is currently available in the rate stabilization fund and, at this time, are any draws expected for 2021?

Answer 7: There is \$38 million available in the Rate Stabilization Fund and Tacoma Power does not expect to utilize this fund in 2021.

Question 8: Please comment on any impacts related to COVID-19, specifically:

- Did you have any material impacts on Revenue/Operations resulting from Covid-19?

- Do you have any material financial exposure to any counterparties that have been (or expect to be) significantly impacted by Covid-19 (i.e. customers, suppliers, creditors, business partners, etc.)?
- Have you experienced any delays in revenue collections?

Answer 8: Tacoma Power experienced slightly lower retail revenues in 2020 than initially budgeted, as a result of COVID-19 related reductions in commercial energy usage. These lower retail sales were mostly offset by higher wholesale revenues, due to both average inflows into Tacoma Power's hydro projects and the fact that Tacoma Power budgets based on adverse conditions. Revenue-funded capital was also significantly below budget, so Tacoma Power ended the year better than budget overall.

None of Tacoma Power's larger customers have shut down in response to COVID-19. A few process-line industrial customers reduced the intermingling of staff to maintain social distancing requirements and keep their workforce healthy, which curtailed their operations. Tacoma Power is in contact with its largest customers and is actively identifying programs that may assist them during this economic downturn. Tacoma Power continues to analyze financial scenarios based on the potential effects of the pandemic on their operations and power usage. As part of our long-range financial planning process, Tacoma Power models the potential loss of a large customer as a scenario.

To see the impact of the moratorium due to COVID-19, please see slide 29 in the What's Changed section of our 2021 Draft Long-Range Financial Plan at this link:

<http://mytpu.org/tpwr-lrfp-draft-2021>

Question 9: Please discuss the anticipated potential impact, if any, of COVID-19 in 2021.

Answer 9: Based on Tacoma Power's experience from the last three recessions, we have analyzed load and financial impacts using moderate and severe recession scenarios. These different stress scenarios are included in Tacoma Power's Long-Range Financial Plan (LRFP). Tacoma Power is in the process of finalizing the 2021 Tacoma Power LRFP and have included a new scenario that incorporates the impact of a second-wave recession from a prolonged pandemic. Please see slide 105 in the Scenario Analysis section of our 2021 Draft Long-Range Financial Plan at the below link:

<http://mytpu.org/tpwr-lrfp-draft-2021>

Question 10: Please provide the most recent rate study.

Answer 10: Our most recent rate study was performed in 2018 for the 2019/2020 biennium and can be found at the below link:

<https://www.mytpu.org/wp-content/uploads/Tacoma-Power-Rate-Design-2019-2020.pdf>

Due to the pandemic, Tacoma Power did not perform a full Cost of Service Analysis during the 2021/2022 rate and budget process. Instead, the Tacoma Public Utility Board and City Council approved the application of system average rate increases (1.5% in 2021 and 2% in 2022) equally to all classes.

Question 11: Please provide customer concentration analysis.

Answer 11: The link below details the Tacoma Power customer concentration in 2015 and the most recent concentration in the draft 2021 LRFP:
<https://www.mytpu.org/wp-content/uploads/Tacoma-Power-Investor-Makeup.pdf>

Question 12: Do current Note Purchase Agreements contain Most Favored Nations clauses?

Answer 12: No, Tacoma Power's current Note Purchase Agreements do not contain Most Favored Nations clauses. Details of the two Note Purchase Agreements can be found at Tacoma's investor relations website below:

<https://www.mytpu.org/about-tpu/investors/tacoma-power-investor-information/official-statements/>

Question 13: In reviewing interim November 2020 financials, we see a Transfer In of \$15.8mm – please provide information on that item.

Answer 13: The fleet vehicles and equipment of the operating divisions of Tacoma Public Utilities were previously recorded as assets of the TPU Fleet Services Fund, which purchases and maintains Tacoma Power's Fleet. Ordinance No. 28688 established that the fleet assets of Tacoma Power, Water and Rail would be transferred to the divisions that funded them. The \$15.8 million transfer represents the transfer of the net book value of Tacoma Power's fleet assets from Fleet Services to Tacoma Power. Future fleet purchases will be funded by the operating divisions and will be assets on each division's books.

Question 14: Please provide explanation for minimum 3-year term out, and whether you would consider proposals with a term out less than 3 years?

Answer 14: Tacoma Power's current bank agreements have term out provisions of at least three years and will not consider a proposal with a term out period of less than three years, as indicated in Section IX. Terms and Conditions of the RFP.

Question 15: The link to the draft Long Range Financial Plan included in the RFP takes you to a document dated August 2020. Is there a more current or updated LRFP you can provide?

Answer 15: Yes, please use the below link for the draft 2021 LRFP dated as of April 2021:

<http://mytpu.org/tpwr-lrfp-draft-2021>

This new draft 2021 LRFP has actual financial results through December 2020 as well as two additional pages (one new page which discusses the Board's new strategic directives on financial stability and rates and another new page which describes Tacoma Power's Energy Risk Management Program). Note that this is the same document linked in the answers to Questions 8 and 9 above.