APPROVED 6/10/26

MINUTES
City of Tacoma
Public Utility Board Study Session
May 27, 2026
3:00 p.m.

Chair O'Loughlin called the Public Utility Board study session to order at 3:00 p.m. in the third-floor conference room (LT1) of the Public Utilities Administration Building.

Present: John O'Loughlin; Elly Claus-McGahan; Anita Gallagher; William Bridges; Devin Hampton

<u>Tacoma Power: Integrated Resource Plan</u>

Rachel Clark, Integrated Resource Planning Mgr, described the Integrated Resource Plan (IRP) as a plan for providing reliable and low-cost power in an uncertain future. It is required by RCW 19.280 and is updated every two years. The last IRP was completed in 2024, and the current one is due September 1, 2026. Advertising for the community input channels were shared. Affordability was the topic of most interest in the IRP community survey. An overview of the power supply was then provided. Multiple studies of power supply in the northwest project that the region will not have enough supply to meet demand within the next five years due to: growth in electricity demand from vehicle electrification, building electrification, and data centers; resource retirements; speed at which new resources are being built is not keeping pace with need; and low water years. An analysis of the IRP process was then reviewed. It begins with a needs assessment and analysis/selection of a strategy, and these feed into an action plan. Major uncertainties include the weather, customer demand, resource capabilities, and changes to the larger grid. The summary of the needs assessment: there is not an imminent need for additional energy resources; we will likely need additional capacity resources to maintain ability to meet high load events during drought years starting in the late 2030s or early 2040s; we would need additional energy and capacity resources to meet growth from a steep acceleration of electrification; we would need additional energy and capacity resources to meet demand from new large industrial loads; there is time to prepare. Preliminary recommendations and findings on resource options: acquire all energy efficiency identified as cost-effective; ramp up demand response efforts to manage peak demand; develop strategy to prepare for intermittent capacity risks during generator rebuilds; conduct further analysis on opportunities for adding hydro capacity; research battery storage capacity alternative that complies with 2045 carbon-free requirements.

Tacoma Power: Budget and Rates – Revenue Needs and System Average Rates
Michelle Brown, Financial Planning Mgr, and Chris Robinson, Power Supt, provided the information in this presentation. Risks include climate change, customer demand volatility, wholesale power market volatility, economic cycles and inflation, policy or regulatory changes, and seismic/adverse events. Compared to the last biennium, revenue assumptions are lower and expense assumptions are higher. Graphical representations of retail sales and forecasts; determination of recommend average rates; revenue shortfall comparison; and rate progression since last biennium were detailed. Graphical representations of recommended and not recommended options for rate increase options were detailed. Residential bill and price comparisons with peer utilities was then shared. In summary, in 2025 Power worked to reduce costs and limit FTEs while prioritizing needs of new programs such as Markets+, hydro project relicensing, and automated distribution mgt system. Increased personnel expenses and lower anticipated wholesale revenues have resulted in a $160M revenue gap. Continued practice of levelizing new expenses over 10 years deemed to be longer prudent given size of the revenue gap. The result is a sustained base case high rate increases over 10 years, potential for very high increases. Higher rate increases in 2027/28 would better align revenues with higher near-term expenses and decrease likelihood of higher rate increases afterword. Tacoma Power's proposed rate increases are in line with other peer utilities. Board discussion about the rate options presented and which to present to JBLM for the military protocol were discussed; a range for options B and C will be presented during the military protocol and staff will bring back two cost of service analyses.

2026 Q1 Financial Outlook and Performance Metrics
Power: Michelle Brown, Financial Planning Mgr, reviewed the 2025/2026 biennium summary of financial outlook. The forecast for total revenue is $63.9M less than budget and the forecast for total expenditures is $77.6M less than budget. Graphical representations of 2025/2026 electric retail revenue and gross wholesale revenues were detailed. Ms. Brown then detailed the last biennium forecast versus budget, capital budget, capital projects above $5M, and projected liquidity balance.

Water: Haley Falk, Water Financial Services Asst. Division Mgr, reviewed the 2025/2026 biennium summary of outlook. The forecast for total revenue is $7.2M over budget. The forecast for operating expenditures is $8.3M under budget. Graphical representations of billed revenue and billed demand were detailed. Ms. Falk then detailed the last biennium forecast versus budget, capital budget, capital projects above $5M, and projected liquidity balance.

Rail: Dan McCabe, Asst. Rail Supt, reported that the forecast for total revenues is $4.1M above budget. The forecast for total expenditures is $1.7 below budget. Graphical representations of rail volumes, intermodal volumes, commercial volumes, last biennium forecast versus budget, and biennium cash projection were detailed.

Performance Metrics: Ebony Peebles, Sr. Business Services Mgr, reviewed the performance metrics dashboard for the first quarter of 2026. Q1 performance is favorable across all metrics. Power's outage durations are shorter; Power's O&M metric reflects the updated benchmark; Water's O&M metric is higher due to including costs previously excluded; Safety incidents are down across all three divisions; and call center response times were impacted by the SAP upgrade, system downtime, and unplanned absences.

Adjournment

The study session was adjourned at 5:46 p.m.

Approved:

John O'Loughlin, Chair | Anita Gallagher, Secretary