



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
Chris Robinson, Superintendent, Tacoma Power
FROM: Ying Hall, Section Manager, Power Utility, Tacoma Power
MEETING DATE: November 15, 2023
DATE: November 9, 2023

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|------------------------------------------------------------------------|-------------------------------------------------------------------|
| <input type="checkbox"/> GP1 – Diversity, Equity, Inclusion, Belonging | <input type="checkbox"/> GP8 – Telecom |
| <input checked="" type="checkbox"/> GP2 – Financial Sustainability | <input type="checkbox"/> GP9 – Economic Development |
| <input checked="" type="checkbox"/> GP3 – Rates | <input type="checkbox"/> GP10 – Government Relations |
| <input type="checkbox"/> GP4 – Stakeholder Engagement | <input type="checkbox"/> GP11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> GP5 – Environmental Leadership | <input type="checkbox"/> GP12 – Employee Relations |
| <input type="checkbox"/> GP6 – Innovation | <input type="checkbox"/> GP13 – Customer Service |
| <input type="checkbox"/> GP7 – Reliability & Resiliency | <input type="checkbox"/> GP14 – Resource Planning |

SUMMARY:

Tacoma Power requests approval by the Public Utility Board to issue up to \$225 million in 2024 Electric System Revenue Bonds (Series 2024) under the delegated authority of the Director of Utilities and the Superintendent of Tacoma Power. This financing transaction includes approximately \$100 million in new money Bonds and up to \$112 million in Refunding Bonds to refund future 2013A and 2013B Bond principal payments.

In order to conduct this bond sale in the most efficient manner, Tacoma Power requests approval for the delegation of authority to conduct this sale in accordance with the delegation parameters summarized below:

Delegation Parameters:

- Bonds may be issued in one or more series between now and December 31, 2024
- All Bonds issued under the Ordinance cannot exceed a total of \$225 million
- The final maturity date of all Bonds cannot be later than January 1, 2054
- The True Interest Cost for all Bonds cannot exceed 6%
- If Bonds are issued to refund the 2013 Bonds, an aggregate savings of 3% must be met
- Bonds may be sold as "Green Bonds"

BACKGROUND:

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets across current and future ratepayers who are the beneficiaries of those assets.

In 2021, Tacoma Power executed a \$150 million interim funding Note Purchase Agreement with Wells Fargo (also known as the "Wells Fargo Agreement") to fund capital improvements. The Wells Fargo Agreement



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allows Tacoma Power to fund capital improvements during the biennium, utilizing variable short-term interest rates. As of November 7, 2023, Tacoma Power has funded \$80 million in capital expenditures with the Wells Fargo Agreement and anticipates funding an additional \$20 million before year-end 2023. The purpose of the new money issuance is to repay the Wells Fargo Agreement used to fund a portion of the capital projects included in the adopted 2021/2022 and 2023/2024 capital budgets. Tacoma Power plans to issue all, or a portion, of the 2024 new money Bonds as “Green Bonds” using Kestrel Verifiers, a third-party verification company.

Tacoma Power also regularly restructures its outstanding debt service when possible to reduce those expenses and ensure that rates remain as low as possible for current and future ratepayers. Tacoma Power has two outstanding 2013 series of bonds (2013A and 2013B), callable as of July 1, 2023, that are being evaluated for refunding in 2024 concurrent with the new money bond issuance. Current market conditions are favorable for refunding the 2013 series of bonds to achieve debt service savings for the utility and its ratepayers. The final refunding amount will be based on market conditions and interest rates when the bonds are priced.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW IT IS TO BE COVERED.

Explain how expenditures are to be covered and if budget modifications are required.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? Choose an item.

ATTACHMENTS: List any attachments (contracts, policies, agreements, etc.).

CONTACT:

Primary Contact: Michelle Brown, Power Financial Planning Supervisor, 253-219-8209

Supervisor's Name: Michelle Rhubright

Presenter (if different from primary contact):

Additional staff requiring a Zoom presentation link: