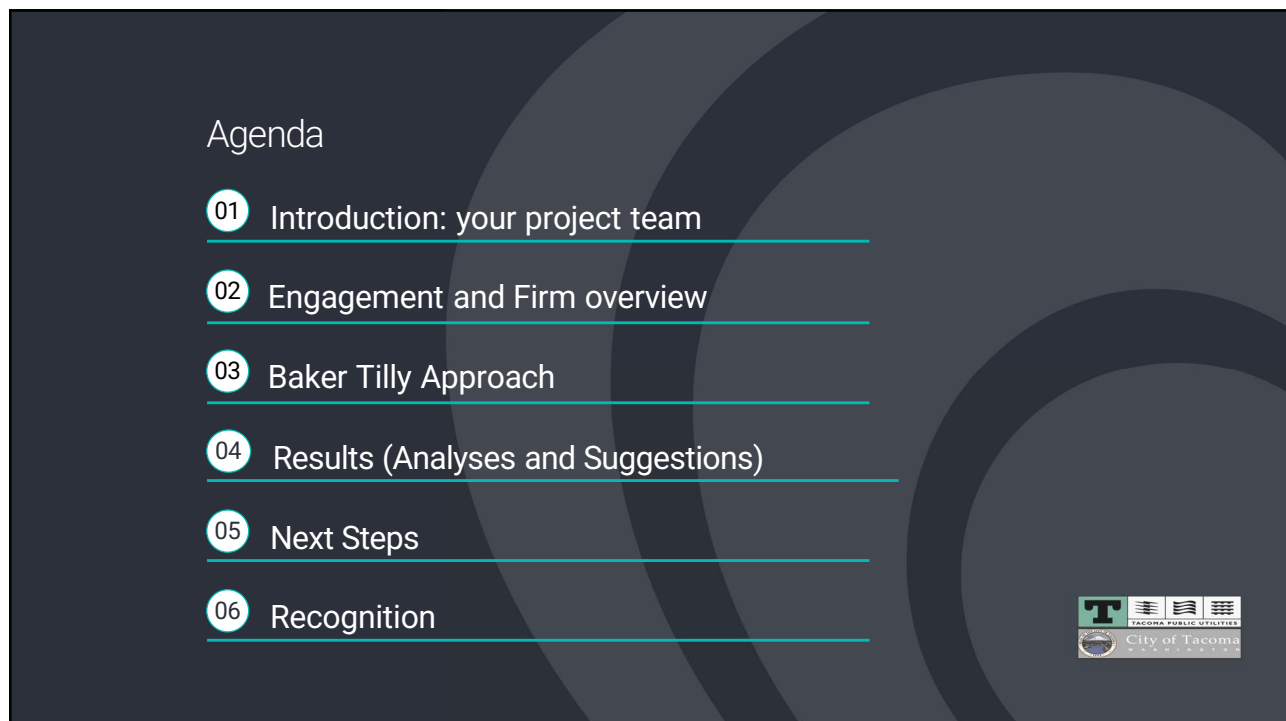




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## Special Thanks

### Steering Committee

**Victoria Woodards**, Mayor City of Tacoma  
**John Hines**, Council Member (Council Chair)  
**Joe Bushnell**, Council Member  
**John O'Loughlin**, TPU Board Member  
**William Bridges**, TPU Board Member

### Project Team

**Jackie Flowers**, Executive Director Utilities  
**Andy Cherullo**, Finance Director City of Tacoma  
**Bill Fosbre**, City Attorney (RETIRED)  
**Jim Sant**, Deputy Utility Director (RETIRED)

### Other Assistance

**Charleen Jacobs**, Executive Assistant to Director of Utilities  
**Nicole Emery**, Assistant to the Mayor  
**Rosheida Myers**, Executive Assistant to City Manager  
**Alex Yoon**, Deputy Director Utilities



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3

3

#### INTRODUCTION

### Intentionally selected team

*Senior-level, experienced industry professionals to collaborate with the City*



**Caitlin Humrickhouse**  
 Managing Director, MPA



**Andy Belknap**  
 Managing Director



**Rory Vale**  
 Consulting Manager



**Megan Miles**  
 Senior Consultant



**Woody Battle**  
 Senior Consultant



**Elliot Hallett**  
 Consultant



4

Ten-Year Management Review

# Baker Tilly U.S., LLP

## Public Sector Experience



**4,000 public sector clients**



**90+ years of industry experience**



**Serving clients nationwide**

**Washington local presence**

**2,900+**  
Washington clients

**Location**  
in Seattle

**30+ years**  
of experience serving area clients

**100+**  
professionals in Washington



Baker Tilly office locations



5

TEN YEAR MANAGEMENT REVIEW


## Executive Summary

Baker Tilly conducted a comprehensive review of the City of Tacoma's Public Utility (TPU) as dictated by the City Charter ([Section 4.15, Powers and Duties of Utilities Board](#)). Each division: Tacoma Power, Tacoma Water and Tacoma Rail as well as the operations of supporting general government services were reviewed resulting in several suggestions for TPU across a wide spectrum addressing:


- Diversity, Equity and Inclusion (DEI) initiatives
- Implementation of succession planning efforts
- Human Resources functions
- Safety
- Project Management

Benchmarking against peers yielded a favorable picture of TPU across all service lines in affordability and ratemaking as well as other notable areas:

- Competitive average monthly residential water bills of \$41.00, surpassing the American Water Works Association (AWWA) benchmarks
- Strategic planning for the WestRock plant closure along with risk modeling
- Rated among the top 30 power utilities, as measured by the American Public Power Association (APPA) with a notable low likelihood of outages and swift outage restoration



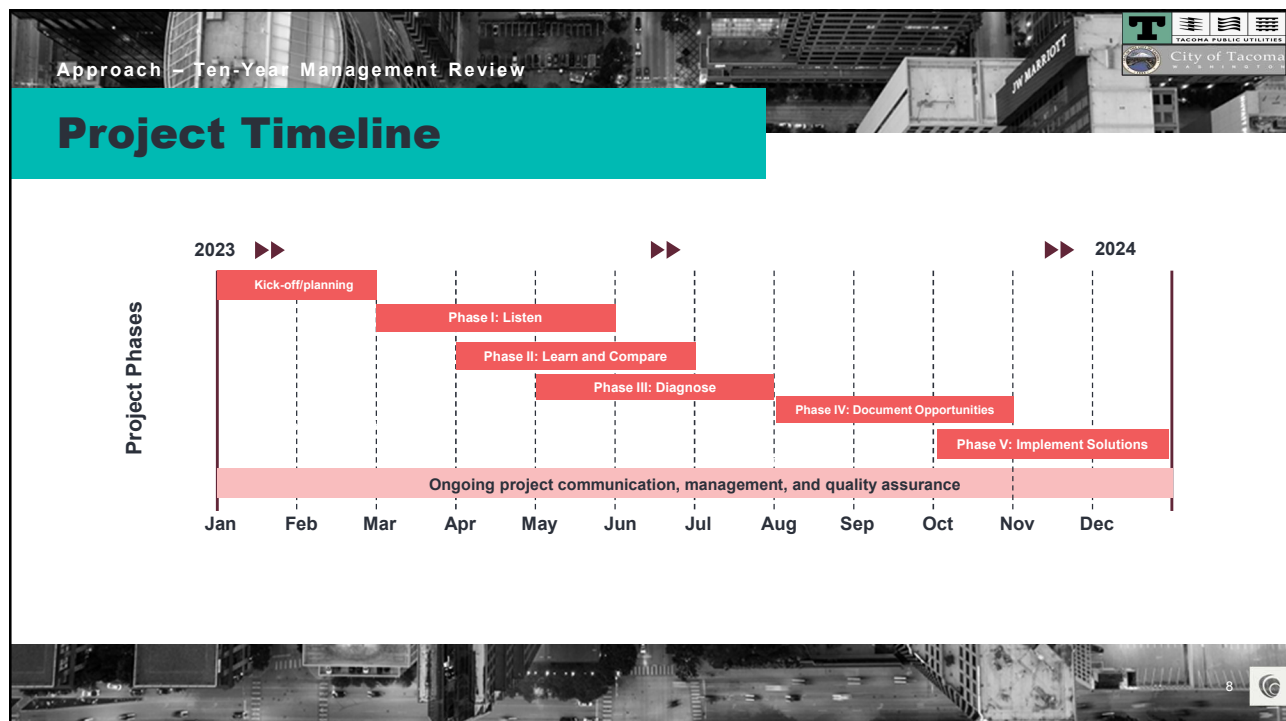
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8

## Approach – Ten-Year Management Review

**Analysis by the numbers****20,000+**datapoints  
reviewed**100+**Fieldwork  
conversations**23**Comparable  
organizations  
contacted**240**Client documents  
reviewed

9

9

## Approach – Ten-Year Management Review

**Comparable Search**

Division	STEP ONE	STEP TWO	STEP THREE	STEP FOUR
Tacoma Power	Identified industry data from <b>American Public Power Association (APPA)</b> best practices reporting.	Identified the closest entities to Tacoma Power as to narrow the possible comparable. a) <b>Net Generation</b> in megawatt-hours b) <b>Electric Revenues</b> from sales to ultimate customers and sales from resale c) <b>'Electric Customers' (ultimate customers) served</b> d) <b>'Megawatt-hour Sales'</b> to ultimate customers and sales from resale	Established additional attributes to screen the remaining closely comparable public power organizations. a) <b>Region</b> – Isolated for Central-West, West, or Pacific-Northwest for proximity to TPUs operating region. Regional representation considered geography, climate, and general regulatory conditions associated with the region. b) <b>Structure</b> – Isolated for organizations operating as a city department or similar. c) <b>Relationship with Bonneville Power Authority</b> (ideally a BPA slice customer). d) <b>Excluded:</b> Public utility districts (PUDs), Investor own utilities (IOUs). <b>Added back PUDs per Steering Committee.</b>	<b>Selected final comparables among the remaining organizations that passed the exclusion criteria.</b>
Tacoma Water	Identified the <b>American Water Works Association (AWWA)</b> Utility Benchmarking Reporting.	Determined criteria for selection of comparable organizations among narrowed group. a) <b>Region</b> – Focused on Pacific-Northwest and Central-west entities for proximity to TPU operating region. b) <b>Population size</b> c) <b>Service Type</b> – A mix of residential and commercial. d) <b>External factors</b> – Including snowpack water source, Environmental Regulations.	Utilized key performance indicator (KPIs) metrics to determine final comparable. a) <b>Meter reads per meter</b> b) <b>Frequency of meter reads</b> c) <b>Water revenues (thousands)</b> d) <b>Customers serviced</b> e) <b>Water produced per employee</b> f) <b>O&amp;M/dollars spent per account</b>	<b>We confirmed selections with Project Committee for consideration of TPU specific circumstances.</b>

10

## Approach – Ten-Year Management Review



## Comparable Search (continued)

Division	STEP ONE	STEP TWO	STEP THREE	STEP FOUR	STEP FIVE
<b>Tacoma Public Utilities (Org-Wide)</b>	Researched credible industry organizations from AWWA and APPA. Reviewed the comparables already identified for TPU's subdivisions (Power, Water, and Rail).	Criteria a. <b>Region</b> – Focused on Pacific-Northwest, Northwest entities for proximity to TPU operating region. b. <b>Population size</b> c. <b>Service Type</b> – Mix of residential and commercial. d. <b>Environmental Federal and State regulations.</b> e. <b>Relationship with Bonneville Power Authority (BPA).</b> f. <b>Majority hydro generated power.</b>	Broadened our search to include: a. <b>Large customer service component.</b> b. <b>Exclusively U.S. public utilities</b> c. <b>Entities that provided non-traditional additional services</b> (cable, internet, etc.).	Final organizations selected for comparison were then selected on operational, organizational, and financial factors. a. <b>Operational</b> – Use of AML, use of shared Customer Services, Split of Sewer/Wastewater, number of plants/treatment facilities and total capital. b. <b>Organizational</b> – Organizational structure, FTE count, breakdown of departments and contracted services. c. <b>Financial</b> – Total revenues, total accounts, number of customers, revenues per operation and wholesale sale.	<b>The final comparable list was selected among the remaining organizations that passed the exclusion criteria and were most like TPU.</b>  <b>We confirmed selections with Project Committee for consideration of TPU specific circumstances.</b>
<b>Tacoma Rail</b>	<p>Tacoma Rail is quite unique as a public sector operation. Rail is rarely found as a public utility under the purview of municipal operations.</p> <ul style="list-style-type: none"> <li>• <b>Directly identified</b> three cities that <b>own and operate a rail division</b> (Madison, IN; Prineville, OR; and Columbia, MO). These organizations lacked information.</li> <li>• <b>Criteria</b> – Region (preference for Pacific-Northwest, West coast and Northeast), Logistics provider (BNSF, Union, Pacific, Genesee, Wyoming, etc.), Class type, Number of operating miles, Tariff rates/contracts, Customer costs, Annual budgets, First-mile and last-mile operations.</li> <li>• <b>Few matched these criteria.</b> Baker Tilly reassessed the best approach.</li> </ul> <p><u>Ultimately, Baker Tilly, the Project Committee, and Steering Committee, agreed to conduct a qualitative analysis of Tacoma Rail, instead of peer-to-peer benchmarking, due to lack of significantly comparable Rail operations.</u></p>				

11

## Approach – Ten-Year Management Review

## Final Comparable Organizations

Organization-wide	Tacoma Power	Tacoma Water
Colorado Springs Utilities, CO	Imperial Irrigation District, CA	Seattle Public Utilities, Seattle Water, WA
Tallahassee Utilities, FL	Seattle City and Light, WA	Portland Water Bureau, WA
Huntsville Utilities, AL	Snohomish Public Utility District, WA	Metro Vancouver, Water Services, BC
Los Angeles Department of Water and Power, CA		Tualatin Valley Water District, OR
Seattle Public Utilities, WA		

Tacoma Rail	
Pacific Harbor Line, CA	Port of Coos Bay, OR
New Orleans Public Belt, LA	Port of Little Rock, AK
Puget Sound & Pacific, WA	Tell City River Port, IN
Western New York & Pennsylvania Railroad, NY	Hancock County Port & Harbor, MS
Port of Long Beach, CA	The Port of Greater Baton Rouge, LA
City of Columbia, Columbia Terminal Railroad, MO	

TPU is sufficiently unique. Our selected comparable organizations were not intended to be identical, but rather closely comparable for KPI purposes.

Additionally, rail is a relatively uncommon public utility which generally falls outside the scope of city operations. Obtaining comparable benchmarks considered this scarcity.

Based on this, our team, along with the TPU leadership, determined that a qualitative approach would be taken.



12

# Organization-wide (TPU) Suggestions



13

Report Suggestion #1



## Finalize an Organization-wide Strategic Plan

### Observation

TPU completed several phases in the development of an organization-wide Strategic Plan. The process began in late 2022 segmented into four phases: Prepare, Design, Build and Implement

To-date, the Prepare and Design Phases have been completed:

Prepare Phase: Project and communication plan, employee and customer survey and analysis of survey results

- Design Phase: Final Mission Statement, Final list of values and definitions, SWOT Analysis

### Suggestion

A final Strategic Plan should be finalized using the phased general timeline and include:

- Finalized Mission and Vision statements with defined goals and objectives. Earmarked dollars within the budget to execute on the Strategic Plan
- Internal communication plan including change management and an external communication plan for TPU customers

Timeline for Implementation: 12 – 18 Months; Priority: **HIGH**

14



14



Report Suggestion #2



## Continue developing DEI initiatives and programming

### Observation

While positive steps are being taken, continued efforts to addressing barriers and improving inclusivity by increasing dedicated full-time resources for DEI initiatives and aligning efforts to establish organization-wide equity goals are needed.

### Suggestion

Measurable positive changes will take time and requires buy-in at TPU's leadership level. We recommend:

- Active executive sponsor participation to ensure investment and direct access of DEI efforts to leadership
- Ongoing emphasis of taskforce diversity representation to champion efforts at all levels, considering the task force make-up of varying position seniority, cultures, disabilities, religions, race, age, gender and sexual orientation representation
- Intentionally create opportunities to expand task force involvement or program effort contribution to build new champions and expand awareness

**Timeline for Implementation: 6 – 12 Months; Priority: HIGH**

15

15

Report Suggestion #3



## Begin the process of succession planning

### Observation

Succession planning efforts are needed across all divisions and levels of TPU.

- A potential large number of vacancies is a possibility due to a significant portion of the TPU workforce approaching retirement age.
- A loss of institutional knowledge can be further exacerbated by this similar issue facing General Government.

### Suggestion

Create a succession and workforce plan with a 5-year assessment of critical positions and a prioritization of resources for skill and qualification development. An 8 step framework should be followed:

- Step 1: Conduct a retirement eligibility analysis and validate critical positions
- Steps 2 and 3: Validate critical positions and prioritize the list to 10-15% of total positions within TPU
- Step 4: Select an appropriate competency model for TPU
- Steps 5 and 6: 9-box rubric
- Steps 7 and 8: Incorporate skills and leadership training and align the compensation and benefit strategy

**Timeline for Implementation: 6 – 18 Months; Priority: HIGH**

16

16



Report Suggestion #5



## Update onboarding procedures and communication to staff

### Observation

According to the U.S. Bureau of Labor Statistics, the average time-to-hire for the utilities sector is 119 days.

- TPU is adequately filling positions of need in 87.26 days, as of 2022.

Despite the faster than average filling of positions, the perception of delayed communications from HR seems to be creating roadblocks for TPU hiring managers.

### Suggestion

Enhance communication channels with hiring managers to address the perceived delayed communications while streamlining the time-to-fill process and making improvements to onboarding procedures.

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

17



17

Report Suggestion #4



## Continue to progress on the potential upgrades to the IT infrastructure

### Observation

The current IT/OT infrastructure across the City is a potential driver of outdated and insufficient technology resources available to TPU. TPU's system is outdated, lacks system operability and contains numerous manual links.

- Customers must access multiple external customer interfaces separately for Environmental Services, Water and Power.
- The City is currently reviewing a customer services (CIC) replacement and looking at potential solutions.
- The City's SAP NOW Program includes a recommendation for CIC replacement to SAP Customer experience.

### Suggestion

An RFP should be developed for a comprehensive City-wide IT solution that includes all necessary modules and capabilities for both the General Government's use and TPU's use. This solution should include a CIC replacement suitable for TPU.

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

18



18

Report Suggestion #6



## Communicate safety reporting structures to ensure staff are aligned

### Observation

Interviewees expressed frustration with how safety information designed by the City may not match the requested safety needs of TPU employees.

There's a desire to implement consistent policies, procedures, and trainings across all levels of the organization to enhance an alignment to safety measures that foster a common goal and promote a culture of safety.

### Suggestion

- The City and TPU require a Safety Department with one centralized lead position to be cost effective, provide quality service and alleviate redundancies in policy construction and contract agreements.
- Safety Department staff representing the City and divisions of TPU should align goals, initiate one approval process for contracts, streamline policies and procedures and coordinate risk management efforts.

Timeline for Implementation: 0 – 6 Months; Priority: **HIGH**

19



19

Report Suggestion #7



## Develop comprehensive project management processes and procedures

### Observation

The perception emerged indicating a potential deficiency in the emphasis placed on organization-wide project management, change management, and project team support within TPU.

Tacoma Power have documented comprehensive project management policies, while Tacoma Water and Tacoma Rail focus on the initiation phase of project management or rely on activity knowledge and past experience.

### Suggestion

- Collaborate to create division-specific manuals, enhancing operational differences.
- Developing and refining project management policies will improve access/cost effectiveness, responsiveness, and accountability.

Timeline for Implementation: 0 – 6 Months; Priority: **HIGH**

20



20

Report Suggestion #8



## Review service level agreements to enhance operational effectiveness

### Observation

There is uncertainty in contacting the relevant parties and understanding processes.

The lack of clarity on roles, responsibilities, and overall accountability are potentially impacting service quality, efficiency and timeliness.

### Suggestion

- Review and update service level agreements to promote accountability, reliability, and clear communication in shared service relationships.
- Conduct regular leadership meetings to facilitate open communication and comprehensively evaluate service delivery.
- Proactively align departments with division and organizational goals, enabling swift identification of areas for improvement.

Timeline for Implementation: 0 – 6 Months; Priority: **HIGH**

21



21

Report Suggestion #9



## Leverage benchmarking results for organization-wide change

### Observation

- The Utility is retaining talent at a higher rate than its peers and most national averages for the considered trades (best in class).
- Areas for concern are in customer service and non-represented power personnel retention.
- TPU shows a higher OSHA incident rate than its peers, while certain divisions outperform their peers.

### Suggestion

- Establishing plans for service area growth to target new services, large employers, and expand TPU's customer base.
- Enhance safety and incident prevention through additional personnel, resources, and planning emphasis.

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

22



22

# Tacoma Power Suggestions



23

Tacoma Power Suggestions – Ten-Year Management Review

## About Tacoma Power

- Tacoma Power's **880 personnel**, serve over **182,000 residential, commercial, and industrial customers** across Washington State 55 percent inside City limits and 45 percent outside City limits.
- Power generation:** the Cowlitz River Project, Nisqually River Project, Wynoochee River Project, and Cushman Hydroelectric Project hydroelectric dams.
- Tacoma Power's revenue** constitutes the majority of TPU's revenues.
  - Tacoma Power has a 2023-2024 biennium budget of \$1.091B.
  - Tacoma Power's total fixed assets are estimated over \$1.0B
- Credit Rating:** The division maintains an AA- credit rating.
- Tacoma Power buys electricity from a number of providers including **Bonneville Power Authority (BPA)**. Power generation (internal) include:

- Hydroelectricity: **80.38%**
- Wind: **9.81%**
- Nuclear: **5.72%**
- Unspecified: **2.09%**

- Solar: **1.2%**  
 Geothermal: **0.31%**  
 Biogas: **0.28%**  
 Biomass: **0.21%**



24



24

Report Suggestion #10



## Maintain and improve Tacoma Power service reliability

### Observation

- Tacoma Power is consistently reliable when compared to like-peers on key industry reliability metrics energy loss percentage; system load factor; System Average Interruption Duration Index (SAIDI); and System Average Interruption Frequency Index (SAIFI).
- Potential for improvement regarding customer satisfaction. Low customer satisfaction ratings and customer call resolution times support this finding, as tracked internally by Tacoma Power.

### Suggestion

- Continue to enhance Tacoma Power's customer experience practices and reporting.
- Work is currently being done by reimagining customer services as traditional customer service functions including:
  - Incorporating all customer facing groups under one customer services touch point,
  - Leveraging experiential best practices, operating approaches, and technologies.
- Consider adopting new technologies to better monitor and maintain reliability like unmanned aircraft systems (UAS).

Timeline for Implementation: ONGOING; Priority: **HIGH**

25

25

Report Suggestion #11



## Maintain and improve Tacoma Power operational safety

### Observation

- Tacoma Power performed poorly regarding employee safety in recent quarters and an OSHA total-reported-incident-rate (TRIR) recorded as 3.16%.
- Poor safety can negatively impact morale, reduce revenues, reduce productivity, and cause reputational damage.
- However, TPU has been actively working to increase safety reporting as part of its effort to enhance its safe work culture and further achieve safety-based awards from APPA.

### Suggestion

- We suggest implementing power operational audits, increased equipment management practices, and further emphasizing safety culture.
- Multiple efforts are currently underway to improve safety working culture from a management buy-in lens; this is a positive safety development.

Tacoma Power can benefit from coordinating with the City of Tacoma Safety Department and resources.

Timeline for Implementation: ONGOING; Priority: **HIGH**

26

26

Report Suggestion #12



## Mitigate from external power industry risks

### Observation

- Tacoma Power navigates significant external risks (see report for various risks).
- Multiple incidents contributed to service disruptions for Tacoma Power and other local service providers in recent years.
- Tacoma Power personnel cited concerns for safety such as increased public aggressor encounters in the recent past.

### Suggestion

- Manage with recognition of the increasingly dangerous and criminal forces targeting public power.
- Planning additional scenarios and reporting on the vulnerability score of Tacoma Power's operation.
- Example: Score year-over-year capturing various risk factors.

Timeline for Implementation: 0 – 6 Months; Priority: **HIGH**

27

27

Report Suggestion #13



## Maintain and Improve Tacoma Power affordability and financial indicators

### Observation

- Tacoma Power is affordable and outperforms in multiple rate areas including.
  - Power supply expense per kWh (\$) and
  - Average Monthly Bill for Residential Customer (\$)
- Customer assistance through the BCAP program, in particular, increases the affordability of Tacoma Power for qualifying customers significantly.

**SEE REPORT FOR PEER BENCHMARK TABLE**

### Suggestion

- Maintain and improve financial indicators reducing O&M expenses and updating O&M expense reporting:
  - **In Response to this suggestion, Tacoma Power provided Management Responses**
- Approval authorities at the TPU Board and the City Council can benefit from more information on industry practices and rate setting items that other utilities use.

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

28

28

Report Suggestion #13



## Maintain and Improve Tacoma Power affordability and financial indicators (continued)

#	Baker Tilly Analysis	Management Responses
1	Used the APPA Non-production O&M Cost Per Retail Customer Ratio	Recommend Distribution O&M Costs Per Retail Customer Ratio
2	Used the APPA Current Ratio	Recommend Debt Service Coverage Ratio instead of APPA's Current Ratio
3	Used the APPA Times Interest Earned Ratio	Recommend Debt Service Coverage Ratio instead of APPA's Times Interest Earned Ratio

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

29



29

# Tacoma Water Suggestions



30





## About Tacoma Water

- Tacoma Water serves 101,791 residential customers inside and outside City limits covering Pierce and King Counties: 61% within City limits, 39% outside of City limits
- Customer base: 6,945 commercial and industrial customers
- 1,428 miles of water mains

### 2021 Water Statistics:

- Water usage: Total Annual use of 6,898,443,886 gallons
  - Average Annual use per household: 64,418 gallons
  - Average monthly bill per household: about \$41/month
- Water supply and storage
  - 150 million gallons per day from the Green River
  - 40 million gallons per day from local wells
  - 67.6 million gallons stored in the McMillin Reservoir
  - 69.9 million gallons in additional reservoirs and standpipes

### 2023-2024 Biennium Budget:

- Operating Revenue: \$216M

**Credit Rating:** The division maintains an AA+ credit rating

31



31



## Improve the safety culture of Tacoma Water

### Observation:

Safety within TPU and Tacoma Water is a focus of leadership and middle managers. Some improvements could be made to achieve a lower incident rate.

- OSHA recordable incident rate, or the Total Recordable Incident Rate (TRIR) was recorded at 5.5 for the most recent reporting quarter (FY23 Q1), the same rate as FY22.
- This rate had remained above the benchmarked rolling 5-year average of around 5 from the Bureau of Labor Statistics (BLS) for four of the last five years.
- The 2022 AWWA Utility Benchmarking Performance Management for Water and Wastewater Report reported a median TRIR of 3.3.

### Suggestion

Tacoma Water should continue to implement its safety measures and look to improve the safety culture within the division.

**Timeline for Implementation: 0 – 6 Months; Priority: HIGH**

32



32

# Tacoma Rail Suggestions



33

Tacoma Rail Suggestions – Ten-Year Management Review

## About Tacoma Rail

- Tacoma Rail is 100% self-supported, does not receive taxpayer subsidy, and provides 8% of its gross earnings to the City's general fund and 1.5% to the state of Washington.
- Unlike their City and Tacoma Power and Water colleagues, Tacoma Rail employees are not eligible for the Tacoma's Employees' Retirement System but instead enroll in the Railroad Retirement Act

### Positives of short-line and municipally owned railroads

- The ability to offer competitive rates while providing fast and high-quality service. The Tacoma Rail Rate Policy details Rail's rate objectives and policies.
- Tend to have excellent retail freight providers and receive high ratings in customer service because of their streamlined operations.
- Serve as links to the Class I carriers that can ship freight to distant locations.

### Labor Shortages

The rail industry is having a challenging time attracting and retaining employees, resulting in severe labor shortages across the country.

- TPU's latest Rail employee census indicated seven budgeted FTEs (6.31%) currently unfilled out of their division of 111 employees.
- Stipulations from Rail's six collective bargaining agreements allow a significant percentage of personnel to be entitled to contributions from the City for deferred compensation. This is a unique benefit to publicly owned railroads.

34



34

Report Suggestion #15



## Continue making railroad safety improvements aligned with the Federal Railroad Administration

### Observation

- Over 95% of rail-related fatalities are trespassers or grade-crossing users. The combined fatalities for 2022 increased by 4% from 2021.
- Overall, the accident rate is down 28% since 2000, and the last decade was the safest ever.
- Tacoma Rail was a recipient of the Jake Award, recognizing small railroads that have achieved notable safety milestones.

### Suggestion

- Continue to develop a strong safety culture by training supervisors and employees in leadership positions to act as role models for all Rail staff.
- An approach that could be made is through a coaching/mentoring model.

Timeline for Implementation: 6 – 12 Months; Priority: **HIGH**

35

35

Report Suggestion #16



## Continue researching ways to evolve TPU's locomotive servicing offerings

### Observation

Tacoma Rail conducts switching services for 52 customers and is projecting \$32.1 million in 2023-2024 revenues from switching and miscellaneous services.

Class III short-line and regional railroads have many benefits for shippers in comparison to Class I, among them are:

- Competitive rates when connecting to multiple Class I carriers.
- Providing links to smaller communities and companies.

### Suggestion

- Diversify customer base and business ventures.
- Strengthen existing partnerships with Class 1 railroads.
- Recognizing the value of managing smaller customers and switching services.

Timeline for Implementation: 0 – 24 Months; Priority: **MEDIUM**

36

36

# Ten Year Management Review Results

Analysis Results and Suggestions for Improvement



37

Results – Ten-Year Management Review

## Business and retail customer survey analysis

### Business Customer Survey

- In 2023, TPU's business performance dropped, drawing similar comparisons to rankings in 2017 moving from the top ranking nationally among electric and electric-gas combo utilities in 13 out of 19 measures to only 2 out of 18.
- This cannot be easily attributed to linear factors. Possible reasons for these changes include the COVID-19 moratoriums on disconnections, along with Federal and State financial support. It is important to highlight that customers were not subject to disconnection for nonpayment throughout 2020-2022. In 2023, delinquency collection/disconnect was resumed.

### Residential Customer Survey

- An analysis spanning from 2019 to 2021 reveals that ratings remained consistently less favorable among web survey respondents compared to those participating in phone surveys in 2022.
- TPU ranked top 10 in 14/17 categories by phone vs. 2/17 by web response, we believe this can be attributed to mode effect.



38



38



## Financial health and APPA ratio analysis

### Tacoma Power Financial Observation - APPA financial ratios

- Several performance ratios are not aligned with industry benchmarks and should be monitored:
  - Total non-production operating and maintenance (O&M) expense per retail customers ratio
  - Retail customers per meter reader ratio
  - Distribution O&M expense per circuit mile ratio
  - Customer accounting, service, and sales expense per retail customer ratio
  - Net income per revenue dollar ratio

### Tacoma Water Financial Observation - Loss of WestRock Paper Revenues

- WestRock was the **largest single water customer** for Tacoma Water, purchasing approximately \$25M of water and power annually and one-third of Tacoma Water daily water demand.
- **Tacoma Water has long known of the risks** of a potential WestRock departure.
- Tacoma Water in coordination with TPU and City leaders **planned to increase rates** as the best course of action if WestRock demand and revenues fell.

39



39



## Management Review Conclusion

- TPU is dedicated to delivering exceptional customer service and driving innovation, in line with peers and industry best practices.
- Baker Tilly did not identify any cause for serious concern within the TPU operation, and asserts the Utility is highly diligent and effective when coordinating services for constituents and managing significant public assets and personnel.
- The suggestions provided within the report will enhance TPU's existing position as a leader in the industry and continue to serve its residents and customers through operational and organizational effectiveness.

40



40

# Discussion

41

## Thank You

**Please contact the Baker Tilly Development and Community Advisory (DCA) team with your future inquiries. We look forward to working with you.**

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42