



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

**2025 Short-Term Funding Products
RFP Specification No. TP24-0307F**

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 5:00 p.m. (Pacific Time), January 13, 2025. The answers to the questions received are provided below and posted to the City of Tacoma Services Solicitations website at [Services Solicitations - City of Tacoma](#). This information IS NOT considered an addendum. Respondents should consider this information when submitting their proposals. Please note that questions of a similar scope or nature have been combined to avoid repetitive responses.

Question 1: Section IX. Terms and Conditions states that bank proposers must have long-term ratings at least equivalent to A3 and A- from at least two national recognized credit rating agencies. Would Tacoma Power consider removing the hard ratings qualification and make it a consideration of evaluating the response instead?

Answer 1: No, Tacoma Power will not waive the rating standards noted in the RFP as a minimum requirement and will factor in ratings as part of proposal evaluation.

Question 2: Could you please provide the anticipated draw-down schedule for the capital spending that Tacoma Power intends to debt finance? It appears that \$52 million would be immediately used to reimburse Tacoma Power for prior capital spending, but could you provide the draw down schedule for how the remaining \$138 million is planned to be spent between closing and the end of 2026?

Answer 2: Tacoma Power historically used its former revolving credit facility for short-term borrowing costs and would take out the facility with long-term bonds when the facility was fully drawn. For the period of 2020 through 2024, the former facility had an average annual balance of approximately \$56 million.

Tacoma Power's projected funding sources for new and ongoing projects for fiscal years 2025, 2026, 2027 and 2028 is below (note that Tacoma Power has a December 31st fiscal year end date). Please note that the table below is preliminary, projected funding sources are subject to change. If Tacoma Power obtains a short-term facility rather than issues long-term bonds, Tacoma Power would 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.

FY Funding Sources	2025	2026	2027	2028
Debt Financed	\$68,894,000	\$68,894,000	\$47,160,164	\$47,160,164
Rate Financed	\$42,327,000	\$42,327,000	\$47,017,307	\$47,017,307
Total*	\$111,221,000	\$111,221,000	\$94,177,471	\$94,177,470

*Totals may not sum due to rounding.

Question 3: Please confirm the City has covenanted in the Bond Ordinance(s) that it will not issue additional indebtedness of the Power System which is secured by a pledge of and lien on Revenues of the Power System that is superior to the Senior Electric Revenue Bonds?

Answer 3: Per the Master Bond Ordinance, Tacoma has covenanted that it shall not authorize the creation of any pledge prior to the pledge afforded by the Master Ordinance to the Senior Electric Revenue bonds without the consent of the owner of each such Parity Bond affected thereby.

Question 4: Could you please provide any amendments or proposed amendments to the Master Subordinate Ordinance.

Answer 4: Tacoma Power is not currently contemplating any amendments to the Master Subordinate Ordinance. The Master Subordinate Ordinance has not been amended since it became effective in 2015; provided, it has been supplemented through supplemental ordinances adopted in connection with each series of subordinate lien obligations.

Question 5: Please confirm that the labor agreement for the Tacoma Power unions was approved by the Board and City Council? If so, what is the length of the new agreement?

Answer 5: Tacoma Power management and labor unions are still negotiating the labor agreement for IBEW Local 483.

Question 6: Can you please provide an update on the renewal of the BPA contract? The 2024 IRP recommended signing a new contract with the BPA by December 2025, does Tacoma Power anticipate meeting that target? If not, can you provide an updated timeline? Additionally, in the event that the agreement is not renewed, what are the alternative sources or strategies being considered for procuring power to ensure a seamless transition and continued reliability in power supply?

Answer 6: Things are progressing well with Tacoma Power staff and executives heavily involved in collaborative negotiations of both the new rate design and product options under the post-2028 BPA contract. Tacoma Power anticipates Bonneville to offer a Slice/Block product and we are also working with Bonneville to have a load-following option in the new contract. The BPA timeline for Provider of Choice contract signing is located here: [Provider of Choice - Bonneville Power Administration](#). We will provide notice to Bonneville of Tacoma Power's product choice by 6/1/25, and then BPA works internally to develop contracts over the

next several months. In accordance with our IRP, a BPA contract is the most prudent option and least cost power supply given our preference rights under the Northwest Power Act for Tacoma Power to meet its load obligations. Since we can buy preference power from Bonneville, we are on track to sign the BPA contract by 12/5/2025.

Question 7: Can you please provide an indication of how Tier 1 / Tier 2 rates under the BPA proposed rate structure would impact the Division's operational/financial performance?

Answer 7: Tier 1 rates will remain low based upon the Federal Hydro system and Tier 2 rates will be based upon the cost of incremental resources (i.e. the marginal cost of purchasing a new resource). As a Provider of Choice, our Slice/Block product ratio will remain constant at 50%/50%, maintaining our financial performance status quo, but lowering our overall hydro risk. It is unlikely that Tacoma Power would select a Tier 2 option of a flat annual block of power, but instead elect to invest in non-federal resources.

Question 8: Can you please quantify the approximate annual cost of meeting the State of Washington REC requirements in FY26-FY29?

Projected Tacoma Power REC Requirement			
2026	2027	2028	2029
\$ 4,924,092	\$ 5,226,888	\$ 5,586,912	\$ 5,348,660

Answer 8:

Question 9: Can you please clarify if the internal financial policies of minimum debt service coverage ratios of 1.5x/1.8x include Subordinated debt service?

Answer 9: The Tacoma Power Electric Rate and Financial Policy includes subordinate debt service.

Question 10: Please confirm there are no cross-default, guarantees or other such provisions governing the obligations of each Division of Tacoma Public Utilities as it relates to the other Division's obligations.

Answer 10: Confirmed with respect to its debt obligations.

Question 11: Please confirm whether this will be a tax-exempt facility?

Answer 11: Confirmed; it is anticipated that it will be a tax-exempt obligation.