ERRATA NOTICE TO THE OFFICIAL STATEMENT

$199,690,000
THE CITY OF SEATTLE, WASHINGTON
MUNICIPAL LIGHT AND POWER IMPROVEMENT AND REFUNDING REVENUE BONDS, 2024

The definition of the Bond Ordinance in the above-referenced Official Statement, dated July 9, 2024, did not reflect the passage of Ordinance 126940 by the City Council on November 21, 2023, amending and restating Ordinance 125460. The following sections in the Official Statement have been updated to include this reference, as shown below.

DESCRIPTION OF THE BONDS—Authorization for the Bonds

The Bonds are to be issued by the City pursuant to the State Constitution, chapters 35.92, 39.46, and 39.53 of the Revised Code of Washington ("RCW"), and the Seattle City Charter. The Bonds are issued pursuant to Ordinance 126939, passed on November 21, 2023 (the "New Money Ordinance"), and Ordinance 126940, passed November 21, 2023, which amended and restated Ordinance 125460, passed on November 20, 2017, as amended by Ordinance 125987, passed on November 25, 2019 (the "Refunding Ordinance," and together with the New Money Ordinance, the "Bond Ordinance"). A summary of the Bond Ordinance is attached to this Official Statement as Appendix A.

APPENDIX A—SUMMARY OF SELECTED DEFINITIONS AND PARITY BOND PROVISIONS IN THE BOND ORDINANCE

This Appendix contains a summary of certain definitions and other provisions of Ordinance 126939 and Ordinance 126940, which ordinance amended and restated Ordinance 125460, as amended by Ordinance 125987 (as amended, the "Refunding Bond Ordinance" and, together with Ordinance 126939, the "Bond Ordinance"). This summary reflects certain amendments to the Refunding Bond Ordinance that took effect as of the first "Parity Covenant Date" and certain amendments to the Refunding Bond Ordinance that took effect as of the Second Parity Covenant Date (both as defined in the Refunding Bond Ordinance), both of which have occurred.

In addition, **APPENDIX B—FORM OF BOND COUNSEL OPINION** has been corrected and the corrected version is attached to this Errata Notice.

Dated July 19, 2024

Stradling Yocca Carlson & Rauth LLP
601 Union Street, Suite 2424
Seattle, WA 98101
206 829 3000
stradlinglaw.com

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington
$199,690,000 Municipal Light and Power Improvement and Refunding Revenue Bonds, 2024

We have served as bond counsel to The City of Seattle, Washington (the "City"), in connection with the issuance of the above referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved with the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued pursuant to the laws of the State of Washington and Ordinance 126939 (the "New Money Ordinance") and Ordinance 126940 (which amended and restated Ordinance 125460, as previously amended by Ordinance 125987) (the "Refunding Ordinance" and, together with the New Money Ordinance, the "Bond Ordinances") to provide the funds (i) to finance certain capital improvements to and conservation programs for the Light System; (ii) to provide for the Reserve Fund Requirement, if necessary, (iii) to refund, on a current basis, a portion of the City's outstanding municipal light and power improvement and refunding revenue bonds, and (iv) to pay the costs of issuing the Bonds and administering the Refunding Plan, all as set forth in the Bond Ordinances.

Reference is made to the Bond Ordinances for the definitions of capitalized terms used and not otherwise defined herein.

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue of the Light System, by money in the Seattle Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund") and by the Municipal Light and Power Bond Reserve Fund (the "Reserve Fund"). The Net Revenue has been pledged to make the required payments into the Parity Bond Fund and the Reserve Fund, which pledge constitutes a charge on the Net Revenue prior and superior to all other charges whatsoever, except reasonable charges for maintenance and operation of the Light System, and except that the Bonds shall have a lien and charge upon such Net Revenue on a parity with the lien and charge of the Outstanding Parity Bonds and any Future Parity Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Ordinances to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of

the Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

As of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;

2. The City has duly authorized and approved the Bond Ordinances and the Bonds have been duly authorized and executed by the City and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Ordinances and other ordinances and resolutions of the City relating thereto;

3. The Bonds constitute valid and binding obligations of the City payable solely out of the Gross Revenues of the Light System (after reasonable charges for maintenance and operation) and money in the Parity Bond Fund and the Reserve Fund, enforceable in accordance with their terms, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and principles of equity if equitable remedies are sought;

4. The Bonds are not general obligations of the City; and

5. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, under existing statutes, regulations, rulings and judicial decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds. We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

OFFICIAL STATEMENT

New Issue **Moody's Rating: Aa2**
Book-Entry Only **S&P Rating: AA**
(See "Other Bond Information—Ratings on the Bonds.")

In the opinion of Stradling Yocca Carlson & Rauth LLP, Seattle, Washington ("Bond Counsel"), under existing statutes, regulations, rulings, and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. See "Legal and Tax Information—Tax Matters" herein with respect to tax consequences relating to the Bonds.

$199,690,000

THE CITY OF SEATTLE, WASHINGTON

MUNICIPAL LIGHT AND POWER IMPROVEMENT AND REFUNDING REVENUE BONDS, 2024

DATED: DATE OF INITIAL DELIVERY **DUE: OCTOBER 1 AS SHOWN ON PAGE i**

The City of Seattle, Washington (the "City"), will issue its Municipal Light and Power Improvement and Refunding Revenue Bonds, 2024 (the "Bonds"), as fully registered bonds under a book-entry only system, registered in the name of the Securities Depository.

The Depository Trust Company, New York, New York ("DTC"), will act as initial Securities Depository for the Bonds. Individual purchases of the Bonds will be made in Book-Entry Form, in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds. Interest on the Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2024. The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the fiscal agent of the State of Washington (currently U.S. Bank Trust Company, National Association), to DTC, which is obligated to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in "Description of the Bonds—Registration and Book-Entry Form" and in Appendix E—Book-Entry Transfer System.

The Bonds are being issued (i) to finance certain capital improvements to and conservation programs for the City's municipal light and power generation, transmission, and distribution system (the "Light System"), (ii) to refund certain obligations of the Light System, and (iii) to pay the administrative costs of issuing the Bonds and the costs of administering the refunding. See "Use of Proceeds."

The Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds—Redemption of Bonds."

The Bonds are issued as Parity Bonds and are a special limited obligation of the City payable from and secured solely by Gross Revenues of the Light System available after payment of Operating and Maintenance Expense ("Net Revenue") and by money in the Parity Bond Fund and the Reserve Fund. The pledge of Net Revenue to pay and secure the Parity Bonds constitutes a lien and charge upon Net Revenue prior and superior to all other charges whatsoever. The Bonds will be issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds. Operating and Maintenance Expense includes the unconditional obligation of the City to make payments under certain power purchase contracts, as more fully described in "Power Resources and Cost of Power—Purchased Power Arrangements." See "Security for the Bonds."

The Bonds do not constitute general obligations of the City, the State of Washington (the "State"), or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged thereto by the Bond Ordinance. Neither the full faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than the Light System, are pledged to the payment of the Bonds.

The Bonds are offered when, as, and if issued, subject to the approving legal opinion of Stradling Yocca Carlson & Rauth LLP, Seattle, Washington, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as Appendix B. Bond Counsel will also act as Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer, on or about July 24, 2024.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: July 9, 2024

The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed by the City to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in Appendix E—Book-Entry Transfer System, which has been obtained from DTC's website, the form of opinion of Bond Counsel attached as Appendix B, or information provided under "Other Bond Information—Municipal Advisor" and "—Purchaser of the Bonds." The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The presentation of certain information, including tables of revenues and expenses, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Light System. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The information set forth in the Seattle City Light Department's *Audited Financial Statements that are included in Appendix C speaks only as of the date of the statements and is subject to revision or restatement in accordance with applicable accounting principles and procedures. The City specifically disclaims any obligation to update this information.*

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and "forward-looking statements." No assurance can be given that the future results shown herein will be achieved, and actual results may differ materially from the forecasts shown. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality, or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement.

The website of the City or any City department or agency is not part of this Official Statement, and investors should not rely on information presented on the City's website, any social media account, or any other internet presence referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website, social media account, or any other internet presence is not incorporated by reference in this Official Statement.

MATURITY SCHEDULE

$199,690,000
THE CITY OF SEATTLE, WASHINGTON
MUNICIPAL LIGHT AND POWER IMPROVEMENT AND REFUNDING REVENUE BONDS, 2024

SERIAL BONDS

Due October 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2025	$ 6,220,000	5.00%	3.100%	102.191	812643 ZM9
2026	6,525,000	5.00%	3.010%	104.175	812643 ZN7
2027	3,005,000	5.00%	3.000%	106.029	812643 ZP2
2028	3,155,000	5.00%	3.000%	107.808	812643 ZQ0
2029	3,310,000	5.00%	2.970%	109.686	812643 ZR8
2030	3,475,000	5.00%	2.980%	111.330	812643 ZS6
2031	3,650,000	5.00%	2.970%	113.045	812643 ZT4
2032	3,835,000	5.00%	2.990%	114.495	812643 ZU1
2033	4,025,000	5.00%	3.000%	115.950	812643 ZV9
2034	4,225,000	5.00%	3.000%	117.437	812643 ZW7
2035	10,085,000	5.00%	3.040% (1)	117.054	812643 ZX5
2036	10,590,000	5.00%	3.080% (1)	116.673	812643 ZY3
2037	4,890,000	5.00%	3.160% (1)	115.914	812643 ZZ0
2038	5,135,000	5.00%	3.210% (1)	115.443	812643 A20
2039	5,395,000	5.00%	3.290% (1)	114.693	812643 A38
2040	5,660,000	5.00%	3.390% (1)	113.765	812643 A46
2041	5,945,000	5.00%	3.480% (1)	112.937	812643 A53
2042	6,245,000	5.00%	3.540% (1)	112.389	812643 A61
2043	6,555,000	5.00%	3.600% (1)	111.844	812643 A79
2044	6,880,000	5.00%	3.650% (1)	111.393	812643 A87
2045	7,225,000	5.00%	3.700% (1)	110.944	812643 A95
2046	7,585,000	5.00%	3.750% (1)	110.496	812643 B29
2047	7,965,000	5.00%	3.820% (1)	109.874	812643 B37
2048	8,365,000	5.00%	3.840% (1)	109.697	812643 B45
2049	8,785,000	5.00%	3.890% (1)	109.256	812643 B52

TERM BONDS

Due October 1	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
2051	$ 18,905,000	5.00%	3.970% (1)	108.555	812643 B78
2054	32,055,000	5.00%	4.020% (1)	108.119	812643 C28

(1) Calculated to the October 1, 2034, par call date.

THE CITY OF SEATTLE

CITY OFFICIALS AND CONSULTANTS

MAYOR AND CITY COUNCIL

Bruce A. Harrell, Mayor — Term Expiration: 2025

Council Member	Term Expiration
Joy Hollingsworth	2027
Robert Kettle	2027
Cathy Moore	2027
Tammy Morales	2027
Sara Nelson	2025
Maritza Rivera	2027
Rob Saka	2027
Dan Strauss	2027
Tanya Woo[(1)]	2024

CITY ADMINISTRATION

Jamie L. Carnell[(2)]	Interim Director of Finance
Ann Davison	City Attorney

SEATTLE CITY LIGHT DEPARTMENT

Dawn Lindell	General Manager and Chief Executive Officer
Michael Haynes	Chief Operating Officer
Jen Chan	Chief of Staff
Siobhan Doherty	Power Supply Officer
Craig Smith	Chief Customer Officer
Andrew Strong	Interim Environmental, Engineering, and Project Delivery Officer
Kirsty Grainger	Chief Financial Officer
DaVonna Johnson	Chief People and Culture Officer

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Seattle, Washington

MUNICIPAL ADVISOR

Piper Sandler & Co.
Seattle, Washington

BOND REGISTRAR

Washington State Fiscal Agent
(currently U.S. Bank Trust Company, National Association)

(1) Council Member Woo was appointed to replace Council Member Teresa Mosqueda, who resigned from the City Council in January 2024.

(2) A hearing of the City Council to consider confirming Ms. Carnell as the City's Director of Finance has been scheduled for July 23, 2024.

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OFFICIAL STATEMENT

$199,690,000

THE CITY OF SEATTLE, WASHINGTON

MUNICIPAL LIGHT AND POWER IMPROVEMENT AND REFUNDING REVENUE BONDS, 2024

INTRODUCTION

The purpose of this Official Statement, which includes the cover, inside cover, and appendices, is to set forth certain information concerning The City of Seattle, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), the Seattle City Light Department (the "Department"), and its municipal light and power generation, transmission, and distribution system (the "Light System"), in connection with the offering of $199,690,000 aggregate principal amount of the City's Municipal Light and Power Improvement and Refunding Revenue Bonds, 2024 (the "Bonds"). This Official Statement contains certain information related to this offering and sale concerning the City, the Bonds, the Light System, and the Department.

Appendix A to this Official Statement is a summary of the Bond Ordinance, as defined below under "Description of the Bonds—Authorization for the Bonds." Appendix B includes the form of legal opinion of Stradling Yocca Carlson & Rauth LLP, Seattle, Washington ("Bond Counsel"). Appendix C contains the audited financial statements of the Department as of and for the fiscal year ended December 31, 2023 (the "2023 Audited Financial Statements"). Appendix D provides demographic and economic information for the City. Appendix E is a description provided on its website by The Depository Trust Company, New York, New York ("DTC"), of DTC procedures for book-entry bonds. Capitalized terms that are not defined herein have the meanings set forth in the Bond Ordinance (defined below).

All of the summaries of provisions of the State Constitution and laws of the State, of ordinances and resolutions of the City, and of other documents contained in this Official Statement are subject to the complete provisions thereof and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the City upon request. A full review should be made of the entire Official Statement. The offering of the Bonds to prospective investors is made only by means of the entire Official Statement.

Certain forecast information provided in this Official Statement was prepared by the Department. Any forecast information speaks only as of the date it was prepared and the reader should exercise caution in relying on such information. Actual results could differ materially

Changes from the Preliminary Official Statement

Since the release of the Preliminary Official Statement for the Bonds, dated June 28, 2024 (the "POS"), the United States and Canada announced, on July 11, 2024, an Agreement in Principle on certain amendments to the Columbia River Treaty described in the POS under the heading "Power Resources and Cost of Power—Purchased Power Arrangements—Columbia River Treaty." The text in that subsection in this Official Statement has been updated to reflect this development.

DESCRIPTION OF THE BONDS

Authorization for the Bonds

The Bonds are to be issued by the City pursuant to the State Constitution, chapters 35.92, 39.46, and 39.53 of the Revised Code of Washington ("RCW"), and the Seattle City Charter. The Bonds are issued pursuant to Ordinance 126939, passed on November 21, 2023 (the "New Money Ordinance"), and Ordinance 125460, passed November 20, 2017, as amended by Ordinance 125987, passed on November 25, 2019 (the "Refunding Ordinance," and together with the New Money Ordinance, the "Bond Ordinance"). A summary of the Bond Ordinance is attached to this Official Statement as Appendix A.

The Bond Ordinance delegates to the Director of the Office of City Finance within the City's Department of Finance and Administrative Services (the "Director of Finance") the authority to execute, on behalf of the City, a certificate of bid award, a pricing certificate (the "Pricing Certificate"), and other documents (collectively, the "Bond Documents") in accordance with the parameters set forth in the Bond Ordinance.

The New Money Ordinance authorizes the issuance of Parity Bonds in a maximum aggregate amount not to exceed $400 million. The authorization under the New Money Ordinance expires December 31, 2026. The new-money portion of the Bonds is the first issuance under this authorization and is in the amount of 180,950,000, leaving $219,050,000 available under this authorization. See "Capital Requirements—Financing Plans." In addition, the City has $164,760,000 remaining under Ordinance 126481, passed by the City Council on November 22, 2021, and expiring on December 31, 2024, and $230,345,000 remaining under Ordinance 126713, passed by the City Council on November 29, 2022, and expiring on December 31, 2025. The City currently has no plans to issue additional bonds under any of these ordinances.

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds will be dated the date of the initial issuance and delivery (the "Issue Date"). The Bonds will mature October 1 in the years and amounts set forth on page i of this Official Statement. Interest on the Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2024, at the rates set forth on page i of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration and Book-Entry Form

Book-Entry Form. The Bonds will be held fully immobilized in Book-Entry Form, registered in the name of the Securities Depository (defined in the Bond Documents as the Depository Trust Company, New York, New York ("DTC"), or any successor thereto) in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar, currently U.S. Bank Trust Company, National Association, in Seattle, Washington (or such other fiscal agent or agents as the State may from time to time designate), will have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding the accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners under the Bond Ordinance (except such notice as is required to be given by the Bond Registrar to the Securities Depository). Registered ownership of a Bond initially held in Book-Entry Form, or any portion thereof, may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor, or (iii) to any person if the Bond is no longer held in Book-Entry Form. For information about DTC and its book-entry system, see Appendix E—Book-Entry Transfer System. The City makes no representation as to the accuracy or completeness of the information in Appendix E obtained from DTC. Purchasers of the Bonds should confirm this information with DTC or its participants.

Termination of Book-Entry System. Upon the resignation of the Securities Depository from its functions as depository, or upon a determination by the Director of Finance to discontinue utilizing the then-current Securities Depository, the Director of Finance may appoint a substitute Securities Depository. If the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or if the Director of Finance determines not to utilize a Securities Depository, then the Bonds will no longer be held in Book-Entry Form and ownership of the Bonds may be transferred only as provided in the Bond Ordinance.

Lost or Stolen Bonds. In case any Bond is lost, stolen, or destroyed, the Bond Registrar may authenticate and deliver a new bond or bonds of like maturity, amount, date, tenor, and effect to the Registered Owner(s) thereof upon the Registered Owner(s)' paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such bond or bonds were actually lost, stolen, or destroyed and of Registered Ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Payment of Bonds

The Bonds will be payable in lawful money of the United States of America on the dates and in the amounts as provided in the Bond Ordinance. Principal of and interest on the Bonds will be payable solely out of the Seattle

Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund"). The Bonds are not general obligations of the City. No Bonds will be subject to acceleration under any circumstances.

Interest on each Bond not held in Book-Entry Form is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City, however, is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not held in Book-Entry Form is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

The Bond Ordinance defines "Record Date," in the case of each interest or principal payment date, as the Bond Registrar's close of business on the 15th day of the month preceding that interest or principal payment date. With regard to redemption of a Bond prior to its maturity, the Record Date means the Bond Registrar's close of business on the day prior to the date on which the Bond Registrar sends the notice of redemption to the Registered Owner(s) of the affected Bonds.

Redemption of Bonds

Optional Redemption. The Bonds maturing on or before October 1, 2034, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on and after October 1, 2035, prior to their stated maturity dates at any time on and after October 1, 2034, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Mandatory Redemption. If not redeemed or purchased at the City's option prior to maturity, the Term Bonds maturing on October 1in the years 2051 and 2054 must be redeemed, at a price equal to 100% of the principal amount to be redeemed, plus accrued interest, on October 1 in the years and Sinking Fund Requirements as follows:

2051 TERM BONDS

Years	Amounts
2050	$9,220,000
2051[(1)]	9,685,000

2054TERM BONDS

Years	Amounts
2052	$10,170,000
2053	10,675,000
2054[(1)]	11,210,000

(1) Maturity.

If the City optionally redeems or purchases a Term Bond prior to maturity, the principal amount of that Term Bond that is so redeemed or purchased (irrespective of its redemption or purchase price) will be credited against the remaining Sinking Fund Requirements for that Term Bond in the manner as directed by the Director of Finance. In the absence of direction by the Director of Finance, credit will be allocated to the remaining Sinking Fund Requirements for that Term Bond on a *pro rata* basis.

Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance will select the maturity or maturities to be redeemed. If less than all of the principal amount of a maturity is to be redeemed, if the Bonds are held in Book-Entry Form, the portion of such maturity to be redeemed will be selected for redemption by the Securities Depository in accordance with the Letter of Representations, and if the Bonds are not then held in Book-Entry Form, the portion of such maturity to be redeemed will be selected by the Bond Registrar using such method of random selection as the Bond Registrar determines.

All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar there will be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same seniority, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

Notice of Redemption; Rescission of Notice

Notice of Redemption. Notice of redemption of the Bonds while registered in the name of the Securities Depository or its nominee will be given in accordance with the Letter of Representations. The City must cause notice of any intended redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register on the Record Date, and that requirement will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Owner of any Bond. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice is rescinded or the Bond or Bonds called are not redeemed when presented pursuant to the call. See "—Registration and Book-Entry Form" and Appendix E.

Rescission of Notice of Redemption. In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is rescinded by the Director of Finance will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

Purchase

The City reserves the right and option to purchase any or all of the Bonds offered for purchase at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Failure to Pay Bonds

If any Bond is not paid when properly presented at its maturity or redemption date, the City will be obligated to pay, solely from the Parity Bond Fund and the other sources pledged in the Bond Ordinance, interest on that Bond at the same rate provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond. See Appendix A—Summary of Bond Ordinance.

Refunding or Defeasance of Bonds

The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal of (including premium, if any) and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan (the "Defeased Bonds"), (ii) to redeem and retire, release, refund, or defease the Defeased Bonds, and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations (defined below) maturing at a time or times and in an amount sufficient (together with known earned income from the investment thereof) to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms, is set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the "Trust Account"), then all right and interest of the Owners of the Defeased Bonds in the covenants of the Bond Ordinance and in the Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter will cease and become void. Such Owners thereafter will have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds will be deemed to be no longer outstanding and the Director of Finance may then apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purpose. Notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner provided for the redemption of Bonds. See "—Notice of Redemption; Rescission of Notice."

The term "Government Obligations" is defined in the Bond Ordinance to mean any government obligation as that term is defined in RCW 39.53.010. In the Pricing Certificate for the Bonds, the City has limited eligibility to the following types of securities (provided that such securities are then permissible under the applicable statute): (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit

Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

USE OF PROCEEDS

Purpose

The Bonds are being issued (i) to finance certain capital improvements to and conservation programs for the Light System, (ii) to refund on a current basis certain obligations of the Light System (described below under "—Refunding Plan," and (iii) to pay the administrative costs of issuing the Bonds and the costs of administering the Refunding Plan.

Sources and Uses of Funds

The proceeds of the Bonds and other available funds will be applied as follows:

SOURCES OF FUNDS	
Par Amount of Bonds	$ 199,690,000
Bond Fund Contribution	283,014
Reoffering Premium	21,910,271
Total Sources of Funds	$ 221,883,285
USES OF FUNDS	
Deposit to Project Fund	$ 200,000,000
Deposit to Escrow Fund	21,128,464
Payment of Costs of Issuance [(1)]	754,820
Total Uses of Funds	$ 221,883,285

(1) Includes legal, financial advisory, and rating agency fees, costs of printing and posting the Official Statement, underwriter's discount, and other administrative costs of issuing the Bonds and the costs of administering the Refunding Plan.

Refunding Plan

A portion of the proceeds of the Bonds will be used to carry out a current refunding of a portion of the City's outstanding Municipal Light and Power Improvement and Refunding Revenue Bonds, 2014 (the "Refunded Bonds"), as shown below, to achieve debt service savings. The Refunded Bonds will be called on the date and at the redemption price shown in the table below.

REFUNDED BONDS

Municipal Light and Power Improvement and Refunding Revenue Bonds, 2014
Dated 11/5/2014

	Maturity	Coupon	Par Amount	Call Date	Call Price	CUSIP
Serial	9/1/2025	5.00%	$ 3,990,000	10/22/2024	100	812643 KP8
	9/1/2026	5.00%	4,190,000	10/22/2024	100	812643 KQ6
	9/1/2035	4.00%	6,200,000	10/22/2024	100	812643 KZ6
	9/1/2036	4.00%	6,445,000	10/22/2024	100	812643 LA0
	Total		$ 20,825,000			

The City will enter into a Refunding Trust Agreement with U.S. Bank Trust Company, National Association., as Refunding Trustee, upon the delivery of the Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. A portion of the proceeds of the Bonds will be deposited with the

Refunding Trustee as money or invested in direct obligations of the United States of America (the "Escrow Securities") that will mature and bear interest at rates sufficient to pay the principal of and accrued interest coming due on the redemption date of the Refunded Bonds.

The money, Escrow Securities (if any), and earnings thereon will be held solely for the benefit of the registered owners of the Refunded Bonds.

The mathematical accuracy of the computations of the adequacy of the money and maturing principal amounts of and interest on the Escrow Securities, if any, to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above will be verified by Causey Demgen & Moore, P.C.

SECURITY FOR THE BONDS

Outstanding Parity Bonds

The Bonds are being issued on a parity basis with the Outstanding Parity Bonds, which currently include 20 series of bonds issued since 2010. See "Department Financial Information—Debt Service Requirements."

OUTSTANDING PARITY BONDS

Series	Original Par Amount	Outstanding Principal as of 7/9/2024
2010A	$ 181,625,000	$ 154,665,000
2010C	13,275,000	13,275,000
2011B	10,000,000	10,000,000
2012A	293,280,000	39,275,000
2012C	43,000,000	43,000,000
2014[(1)]	265,210,000	74,820,000
2015A	171,850,000	90,155,000
2016A	31,870,000	31,870,000
2016B	116,875,000	63,190,000
2016C	160,815,000	119,610,000
2017C	385,530,000	306,795,000
2018A	263,755,000	235,240,000
2019A	210,540,000	192,975,000
2019B	140,275,000	46,165,000
2020A	198,305,000	189,420,000
2021A	259,795,000	234,190,000
2021B[(2)]	100,620,000	100,620,000
2022	257,715,000	220,840,000
2023A	273,625,000	268,805,000
2023B[(2)]	85,840,000	85,840,000
Total	$3,463,800,000	$2,520,750,000

(1) Excludes the Refunded Bonds, which will be refunded with a portion of the proceeds of the Bonds.

(2) Issued as multimodal variable rate bonds.

Pledge of Revenue

The Bonds are issued as Parity Bonds and are a special limited obligation of the City, payable from and secured solely by Gross Revenues of the Light System available after payment of Operating and Maintenance Expense ("Net Revenue") and by money in the Parity Bond Fund and the Municipal Light and Power Bond Reserve Fund (the "Reserve Fund"). The pledge of Net Revenue to pay and secure the Parity Bonds constitutes a lien and charge upon

such Net Revenue prior and superior to all other charges whatsoever. The payments that the City has pledged to pay into the Parity Bond Fund consist of amounts sufficient to pay the Parity Bonds (including principal, sinking fund redemption, redemption premium (if any), and interest) and required payments under Parity Reimbursement Obligations (if any) as such payments become due. The City has additionally pledged to make payments into the Reserve Fund sufficient to satisfy the Reserve Fund Requirement. See "—Reserve Fund and Reserve Fund Requirement" below. The Bonds are issued on a parity with the Outstanding Parity Bonds and all Future Parity Bonds (which term includes Parity Payment Agreements), without regard to date of issuance or authorization and without preference or priority of right or lien with respect to participation of special funds in amounts from Net Revenue for payment thereof.

State law provides that the owner of a bond such as the Parity Bonds, the payment of which is pledged from a special fund, has a claim only against that fund and proportionate amounts of revenue pledged to that fund. Under State law, any bond owner may bring an action to compel a city to set aside and pay into the special fund, such as the Parity Bond Fund, the amount that a city is obligated to set aside and pay therein.

The Bond Ordinance defines "Net Revenue" for any period as Gross Revenues less Operating and Maintenance Expense. "Gross Revenues" include (i) all income, revenues, receipts, and profits derived by the City through the ownership and operation of the Light System, (ii) the proceeds received by the City directly or indirectly from the sale, lease, or other disposition of any of the properties, rights, or facilities of the Light System, (iii) Payment Agreement Receipts to the extent that such receipts are not offset by Payment Agreement Payments, and (iv) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include (i) insurance proceeds compensating the City for the loss of a capital asset, (ii) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues, (iii) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) any gifts, grants, donations, or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations, or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues under the Bond Ordinance, (v) the proceeds of any borrowing for capital improvements (or the refinancing thereof), and (vi) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

"Operating and Maintenance Expense" is defined in the Bond Ordinance to include all reasonable charges incurred by the City in causing the Light System to be operated and maintained in good repair, working order, and condition, including but not limited to all operating expenses under applicable generally accepted accounting principles included in the annual audited financial statements of the Light System, except those specifically excluded. The Bond Ordinance excludes from the definition of Operating and Maintenance Expense (i) extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System, (ii) non-cash expenses relating to a mark-to-market treatment of energy-related contracts, (iii) any costs or expenses (including interest expense) for new construction, replacements, or renewals of Light System property, (iv) Deferred Hydroelectric Project Relicensing Costs, the High Ross Capital Payments, or other similar payments under any agreement for the development or licensing of a capital improvement or asset, under which agreement the City agrees to make periodic payments in respect of its share of the capital expense, (v) any allowance for depreciation, amortization, or similar recognitions of non-cash expense items made for accounting purposes only (including non-cash pension expense), (vi) any taxes levied by or paid to the City (or payments in lieu of taxes) upon the properties or earnings of the Light System, or (vii) any obligation authorized pursuant to ordinance or resolution specifically excluding the payment of such obligation from Operating and Maintenance Expense. Certain contingent payment obligations that are unrelated to debt obligations (such as power purchase agreements or commodity derivative instruments) are permitted to be treated as Operating and Maintenance Expense. See "Power Resources and Cost of Power—Wholesale Energy Risk Management" and "Various Factors Affecting the Electric Utility Industry—Contingent Payment Obligations Unrelated to Debt Obligations."

The complete definitions of the capitalized terms summarized above can be found in Appendix A—Summary of Bond Ordinance.

The Bonds are not secured by a security interest in any physical plant or facility.

The Bonds do not constitute general obligations of the City, the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the State, or any political subdivision of the State not specifically pledged thereto by the Bond Ordinance. Neither the full faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than the Light System, are pledged to the payment of the Bonds.

Priority Expenditure of Gross Revenue; Flow of Funds

The City has covenanted in the Bond Ordinance that all Gross Revenues are to be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

(i) To pay the Operating and Maintenance Expense of the Light System;

(ii) To make all payments into the Parity Bond Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund Requirements and all net payments under Parity Payment Agreements, and to make all payments (if any) required to be made in respect of Parity Reimbursement Obligations, when due;

(iii) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required to be made under Section 15(c)(i)(B) into a special account within the Light Fund for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, and to pay any reimbursement obligations under any Alternate Reserve Security;

(iv) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;

(v) To make all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations, when due;

(vi) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds and the Junior Lien Bonds; and

(vii) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

See "—Parity Payment Agreements" and "—Subordinate Lien Obligations" below.

Rate Covenant

In the Bond Ordinance, the City has covenanted, among other things, to establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts that are required by the Bond Ordinance to be applied to the payment of the principal of and interest on the Parity Bonds (which term includes Parity Payment Agreements, if any) until the Parity Bonds have been paid in full, and to pay all bonds, warrants, and indebtedness for which any revenues of the Light System have been pledged.

The Bond Ordinance does not include a requirement that the City set rates to achieve a specific level of debt service coverage on Parity Bonds over and above the debt service requirements. A coverage test is included as part of the test for issuing Future Parity Bonds. See "Department Financial Information—Financial Policies" and Appendix A—Summary of Bond Ordinance.

Reserve Fund and Reserve Fund Requirement

The City has created and is required to maintain the Reserve Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds (including all net payments due under any Parity Payment Agreements, if any). The Reserve Fund is a pooled reserve. See Appendix A—Summary of Bond Ordinance.

So long as any Parity Bonds (including any Parity Payment Agreements) are outstanding, the City has covenanted to set aside and pay out of Net Revenue, into the Reserve Fund, an amount necessary to provide for the Reserve Fund Requirement within the time and manner required by the Bond Ordinance.

The Bond Ordinance provides that, if the amount in the Reserve Fund is less than the Reserve Fund Requirement (taking into account the method of funding over five years in connection with the issuance of Future Parity Bonds), the City must transfer to the Reserve Fund money in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement within 12 months after the date of such deficiency. The City will transfer such money first from Net Revenue and only thereafter from money in any construction fund or account established with respect to any issue of Parity Bonds, first taking money from the unrestricted portion thereof, then taking money from the restricted portion thereof). If the amount in the Reserve Fund is greater than the Reserve Fund Requirement, then and only then may the City withdraw such excess from the Reserve Fund and deposit such excess in the Light Fund.

The Reserve Fund is held by the City in a "special fund" as that term is used in State law; it is not held by an independent trustee. In the context of bankruptcy proceedings, notwithstanding State law, there can be no assurance that the funds on deposit therein would be held intact for the benefit of holders of the Parity Bonds.

Reserve Fund Requirement. Under the Bond Ordinance, the aggregate Reserve Fund Requirement for all Parity Bonds is equal to the sum of the Reserve Fund Requirements for each issue of Parity Bonds outstanding. The Bond Ordinance permits the City to establish the Reserve Fund Requirement (which may be $0) for each issue of Parity Bonds, including the Bonds, and any Future Parity Bonds in connection with approving the sale of each such issue. Solely for purposes of setting the Reserve Fund Requirement, all series issued pursuant to a common set of Bond Sale Terms are treated as a single "issue."

The Pricing Certificate for the Bonds establishes the Reserve Fund Requirement for the Bonds as an amount equal to the additional amount necessary at the time of issuance to achieve an overall level of funding for the Reserve Fund that is equal to the maximum amount permitted by the Code as a "reasonably required reserve or replacement fund" for the Outstanding Parity Bonds. The incremental amount necessary to meet this requirement as to the Bonds will be calculated based on the debt service requirements for all Parity Bonds that are outstanding as of the Issue Date for the Bonds. Upon the expiration or termination of the Surety Bond, defined below (see "—Method of Satisfying Reserve Fund Requirement" and "—Information Regarding the Surety Bond" below), the Reserve Fund Requirement will be recalculated to exclude the debt service requirements of the multimodal variable rate 2021B Bonds, 2023B Bonds, and any other issue of Future Parity Bonds that is excluded pursuant to the documents authorizing such Future Parity Bonds. See "Department Financial Information—Outstanding Variable Rate Parity Bonds."

The City currently has an Alternate Reserve Security in the form of a surety bond (the "Surety Bond") purchased from Financial Security Assurance, Inc. See "—Method of Satisfying the Reserve Fund Requirement" and "—Information Regarding the Surety Bond" below. Upon the expiration or termination of the Surety Bond (currently scheduled for August 1, 2029), the incremental Reserve Fund Requirements for the 2021B Bonds and 2023B Bonds, if outstanding at that time, will be reduced to $0, resulting in a reduction in the aggregate Reserve Fund Requirement for all Parity Bonds secured by the Reserve Fund. Nonetheless, all Parity Bonds then outstanding (including any series of Parity Bonds for which the incremental Reserve Fund Requirement has been set at $0) will remain secured by the Reserve Fund, despite any resulting reduction in the overall amount of the Reserve Fund Requirement.

Method of Satisfying Reserve Fund Requirement. The Bond Ordinance delegates to the Director of Finance the authority to determine in the Pricing Certificate the method of funding the Reserve Fund Requirement for each issue of the Bonds and for Future Parity Bonds from among the following methods: (i) depositing an amount equal to the Reserve Fund Requirement for that issue of Future Parity Bonds into the Reserve Fund at one time on the Issue Date, (ii) making periodic deposits of Net Revenue (or other legally available funds) so that by five years from the date of

such Future Parity Bonds, there will have been paid into the Reserve Fund an amount which, together with the money already on deposit therein, will be at least equal to the Reserve Fund Requirement for all Parity Bonds outstanding at the end of that five-year period, or (iii) by obtaining one or more Alternate Reserve Securities for specific amounts required to be paid into the Reserve Fund sufficient to satisfy the incremental additional Reserve Fund Requirement.

Under the Bond Ordinance, a surety bond qualifies as an Alternate Reserve Security for purposes of satisfying the Reserve Fund Requirement if the provider's ratings are in one of the top two rating categories at the time the policy is issued. See Appendix A—Summary of Bond Ordinance. The Bond Ordinance does not require that the Reserve Fund be funded with cash or an Alternate Reserve Security if the provider of qualified insurance is subsequently downgraded. See "—Information Regarding the Surety Bond."

The City currently uses an Alternate Reserve Security in the form of a Surety Bond with a policy limit (the "Policy Limit") that is currently $71,527,073 to satisfy a large proportion of the aggregate Reserve Fund Requirement. See "—Information Regarding the Surety Bond." As of July 9, 2024, the remainder of the Reserve Fund Requirement is satisfied by approximately $107,600,000 in cash held in the Reserve Fund.

As of the Issue Date of the Bonds, the aggregate Reserve Fund Requirement will be equal to $170,974,083, which will be satisfied by the cash already on deposit and the Policy Limit of the Surety Bond.

Information Regarding the Surety Bond. The Surety Bond was issued by FSA in 2005; FSA was acquired by Assured Guaranty Corporation in 2009. In 2009, Assured Guaranty Corporation changed the name of its FSA subsidiary to Assured Guaranty Municipal Corporation ("AGM"). The Surety Bond secures all Parity Bonds and Future Parity Bonds (including Parity Payment Agreements) and expires on August 1, 2029.

Whenever the aggregate Reserve Fund Requirement is reduced, the Policy Limit is reduced irrevocably by a like amount. See "—Method of Satisfying Reserve Fund Requirement." The Policy Limit would also be reduced temporarily to the extent of any draw on the Surety Bond. In that event, the Policy Limit would be reinstated (up to the limit in effect prior to the draw) upon reimbursement in accordance with the terms of the City's reimbursement agreement with AGM. The City's reimbursement obligation is subordinate to the City's obligation to pay the principal of and interest on the Parity Bonds.

As of the date hereof, AGM is rated A1 and AA by Moody's Investors Service and S&P Global Ratings, respectively. AGM is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements, and other information with the U.S. Securities and Exchange Commission ("SEC"). Certain SEC filings of AGM are available on the company's website, *www.assuredguaranty.com*. Such reports, proxy statements, and other information may also be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549.

Future Parity Bonds

The City has reserved the right to issue Future Parity Bonds (which term includes Parity Payment Agreements) for any lawful purpose of the City's Light System if the following Parity Conditions are met and complied with as of the issue date of such Future Parity Bonds, or as of the effective date of the Parity Payment Agreement, as appropriate:

(i) No deficiency may then exist in the Parity Bond Fund or in any of the accounts therein; and

(ii) Provision must be made to satisfy the Reserve Fund Requirement for all Parity Bonds then outstanding plus any additional amount required in connection with issuance and sale of the proposed Future Parity Bonds (if any) in accordance with the Bond Ordinance; and

(iii) There must be on file with the City a Parity Certificate, as described below. However, if the proposed Future Parity Bonds (or any portion thereof) are to be issued for the purpose of refunding Outstanding Parity Bonds and the Annual Debt Service on the refunding portion of the proposed Future Parity Bonds is not more than $5,000 greater than the Annual Debt Service on the Parity Bonds to be refunded thereby, then no Parity Certificate is required as to that portion issued for refunding purposes. If the requirements of the preceding sentence are not satisfied, Refunding Parity Bonds may alternatively be issued upon delivery of a Parity Certificate.

A Parity Certificate (if required) may be provided by either the Director of Finance or by a Professional Utility Consultant, as follows:

(i) A Parity Certificate may be prepared by the Director of Finance, demonstrating that the amount of Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed series of Future Parity Bonds (the "Base Period") was not less than 125% of Maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the proposed series of Future Parity Bonds. For the purposes of a Parity Certificate delivered under this provision, the Director of Finance may further adjust Adjusted Net Revenue as described in the Bond Ordinance.

(ii) A Parity Certificate may be prepared by a Professional Utility Consultant, demonstrating that the amount of the Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed series of Future Parity Bonds (the "Base Period") is not less than 125% of the amount of Maximum Annual Debt Service on all Parity Bonds and the proposed Future Parity Bonds in any future calendar year on all Parity Bonds then outstanding and the proposed series of Parity Bonds. For the purposes of a certificate delivered under this provision, Adjusted Net Revenue may be further adjusted by the Professional Utility Consultant as described in the Bond Ordinance.

See Appendix A—Summary of Bond Ordinance.

The Bond Ordinance defines "Adjusted Net Revenue" as Net Revenue, less any deposits into the Rate Stabilization Account ("RSA") and plus any withdrawals from the RSA. See the discussion of the RSA under "Security for the Bonds—Rate Stabilization Account," "Department Financial Information—Financial Policies," and Appendix A—Summary of Bond Ordinance.

In calculating Net Revenue, the Parity Certificate (whether prepared by the Director of Finance or by a Professional Utility Consultant) may include the tax credit subsidy payments the City expects to receive from the federal government in respect to the interest on any tax credit subsidy bonds. See also "Other Considerations—Federal Policy Risk and Other Federal Funding Considerations" for a discussion of the impact of sequestration on federal interest payments for certain Department bonds.

Nothing set forth in the Bond Ordinance prevents the City from issuing Refunding Parity Bonds to refund maturing Parity Bonds of the City for the payment of which money is not otherwise available.

Other Covenants

In the Bond Ordinance, the City has entered into other covenants, including those with respect to the sale or disposition of the Light System and the maintenance and operation of the Light System. See Appendix A—Summary of Bond Ordinance.

Amendments

The Bond Ordinance reserves to the City the right to amend or supplement the Bond Ordinance, in certain cases without the consent of Owners of the Bonds, and in other cases upon the written consent of Owners of certain percentages of the Outstanding Parity Bonds.

Springing Amendments. Ordinance 125460 included certain springing amendments that went into effect on the "Parity Covenant Date," defined in that ordinance as the earlier of the date on which the City has obtained consents of the requisite percentage of Registered Owners of the Parity Bonds then outstanding or the date on which all of certain Outstanding Parity Bonds issued between 2008 and 2015 have been redeemed or defeased. The Parity Covenant Date has occurred and those covenants are now in effect. Subsequently, the City in 2019 adopted an additional set of springing amendments that become effective on the "Second Parity Covenant Date," as defined in Ordinance 125987, which amended Ordinance 125460. The Second Parity Covenant Date has occurred and these covenants are now in place.

See Appendix A—Summary of Bond Ordinance.

Parity Payment Agreements

The City may enter into Parity Payment Agreements that constitute a charge and lien on Net Revenue equal to that of the Parity Bonds. A Parity Payment Agreement is a written contract entered into in connection with an issue of Future Parity Bonds, between the City and a Qualified Counterparty, for the purpose of managing and reducing the City's exposure to fluctuations or levels of interest rates or for other interest rate, investment, asset, or liability management purposes that provides for an exchange of payments based on interest rates, ceilings, or floors on such payments, options on such payments, or any combination thereof or any similar device. The City currently has no Parity Payment Agreements in effect.

"Parity Payment Agreement" is defined in the Bond Ordinance as a Payment Agreement which is entered into in compliance with the Parity Conditions and under which the City's payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure the payment of principal of and interest on Parity Bonds in accordance with the Bond Ordinance. For purposes of determining percentages of ownership of Parity Bonds under the Bond Ordinance, Parity Payment Agreements are deemed to have no principal amount, and any consent or similar rights will be determined only as set forth in the applicable Parity Payment Agreement. The Parity Conditions described above for the issuance of Future Parity Bonds also apply to the City's incurring parity obligations under any Parity Payment Agreements. See Appendix A—Summary of Bond Ordinance.

Rate Stabilization Account

The RSA has been created as a separate account in the Light Fund. The City may at any time deposit in the RSA Net Revenue and any other money received by the Light System and available to be used for this purpose. Thereafter, the City may withdraw any or all of the money from the RSA for inclusion in Adjusted Net Revenue for any applicable year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Adjusted Net Revenue. As of December 31, 2023, the balance in the RSA was $65.8 million. See the discussion of the RSA and the City's current policies under "Department Financial Information—Financial Policies—Rate Stabilization Account" and Appendix A—Summary of Bond Ordinance.

Defaults and Remedies; No Acceleration

Each of the following constitutes an Event of Default with respect to the Bonds:

(i) If a default is made in the payment of the principal of (including Sinking Fund Requirements and any redemption premium thereon) or interest on any Parity Bond when the same become due and payable; or

(ii) If the City defaults in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Parity Bond Documents (except as otherwise provided in the Bond Ordinance or in such Parity Bond Documents) and such default or defaults has continued for a period of six months (the "cure period") after the City has received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or from a Bond Owners' Trustee duly appointed as set forth in the Bond Ordinance) a written notice specifying and demanding the cure of such default. However, if such default is one which cannot be completely remedied within the cure period, it will not be an Event of Default with respect to the Parity Bonds, so long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

In the event of a default, Bond owners would be permitted to pursue remedies available under State law, including the right to bring action against the City to compel the setting aside and payment of the amounts pledged to be paid into the Parity Bond Fund in respect of the then-Outstanding Parity Bonds.

Nothing contained in the Bond Ordinance will, in any event or under any circumstance, be deemed to authorize the acceleration of the maturity of principal on the Bonds, and the remedy of acceleration is expressly denied to the registered owners of the Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Parity Bonds, the registered owners would

be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between registered owners of earlier and later maturing Parity Bonds. In addition, owners of variable rate Parity Bonds may have additional events of default, rights, and remedies under direct purchase or continuing covenant agreements that are not granted to Owners of the Bonds. See "Department Financial Information—Outstanding Variable Rate Parity Bonds."

Upon the Second Parity Covenant Date, bondholders' remedies will be limited as set forth in the springing amendments set forth in Section 24 of the Bond Ordinance. See "—Amendments—Springing Amendments" above and Appendix A—Summary of Bond Ordinance.

Subordinate Lien Obligations

Junior Lien Bonds. In the Bond Ordinance, the City has established a Junior Lien position and has reserved the right to issue Junior Lien Bonds (which term includes Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) or other obligations with a charge or lien upon the Net Revenue subordinate to the payments required to be made from Net Revenue into the Parity Bond Fund and the accounts therein.

There are no currently outstanding Junior Lien Bonds. The City may in the future issue Future Junior Lien Bonds in accordance with a Junior Lien Additional Bonds Test, which would be junior to the Parity Bonds, but prior and superior to all other liens and charges. Junior Lien Bonds may not be subject to acceleration. See Appendix A—Summary of Bond Ordinance.

The Bond Ordinance authorizes the Director of Finance to designate some or all of the total par amount authorized as Junior Lien Bonds. In the Pricing Certificate, all of the Bonds have been designated as Parity Bonds and the City does not intend to issue any of the total par amount of bonds authorized by the Bond Ordinance as Junior Lien Bonds.

Interfund Loans. The City is also authorized to make interfund loans to the Department for Department purposes from the City's common investment portfolio. See "Department Financial Information—City Investment Pool." Repayment by the Department of such interfund loans would be subordinate to any Outstanding Parity Bonds and Junior Lien Bonds.

Other Subordinate Lien Obligations. Nothing set forth in the Bond Ordinance prevents the City from issuing revenue bonds or other obligations that are a charge upon the Net Revenue junior and inferior to the payments required to be made therefrom into the Parity Bond Fund for the payment of the Parity Bonds and subordinate to payments that may be made on Junior Lien Bonds in the future, provided that such subordinate bonds may not be subject to acceleration under any circumstances.

SEATTLE CITY LIGHT DEPARTMENT

Introduction

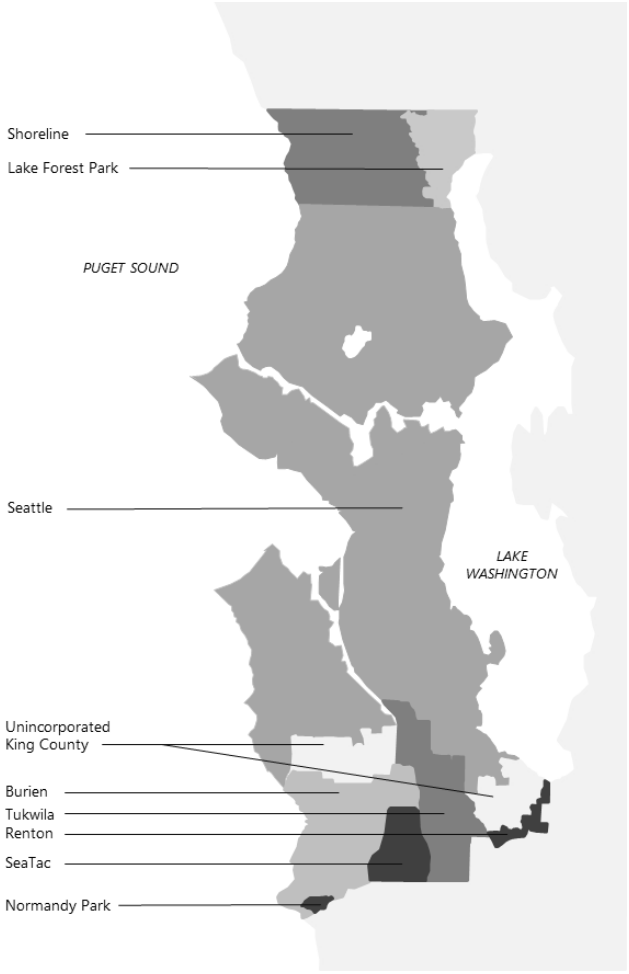
The Department is a municipally-owned electric utility. In 1905, the City began providing its customers with electricity generated by the Cedar Falls Hydroelectric Plant (the "Cedar Falls Project"), which was the first such municipally-owned facility in the nation. By 1910, operational responsibility for the City's electric system had been assigned to the Department. In 1951, the Department purchased from Puget Sound Power and Light Company certain generation, transmission, and distribution facilities serving the City's residents. The Department has operated without competition as the sole retail electricity provider in its service area since the 1951 purchase.

Service Area

The Department's 131-square-mile service area, depicted in the map in Figure 1, consists of all territory within the City plus areas extending three to four miles north and south of the City limits. The growth of the Department's electric load since 1951 has resulted exclusively from development within the service area. The population of the Department's service area is approximately 961,000.

Sales to customers located outside the City's boundaries but within the service area represent approximately 15.5% of retail power sales. See "Department Financial Information—Retail Rates—Rates for Customers Outside the City of Seattle."

FIGURE 1: SEATTLE CITY LIGHT DEPARTMENT'S SERVICE AREA MAP



Source: Seattle City Light Department, Financial Planning Unit

Management

The Department is a department of the City and is subject to ordinances and resolutions adopted by the City Council and approved by the Mayor. The Mayor and City Council approve the Department's budget, set rates, and approve debt issuance, along with other functions set forth in the City Charter. The Department is under the direction of a General Manager and Chief Executive Officer, who is appointed by the Mayor and confirmed by the City Council, subject to reconfirmation every four years.

City of Seattle Ordinance 123256 created, and Ordinance 124740 updated, the City Light Review Panel (the "Review Panel") as an advisory board and specified the professions and qualifications that the members of the Review Panel should have. One is to be an economist, preferably with a background in energy economics or commodity risk management. Another is to be a financial analyst, preferably with a background in financing large capital projects. Five are to represent the Department's customer groups: residential, commercial, industrial, suburban franchise, and low income. These representatives should have knowledge and experience in areas such as the electricity industry, financial planning and budgeting, and navigating City government.

The Mayor and City Council appoint members of the Review Panel, and the term of appointment is generally three years. The Review Panel is charged with reviewing, assessing, and providing feedback on the Department's Strategic

Plan (see "—Strategic Plan"), financial policies, cost allocation, rate design, operational efficiency and other issues requested by the Mayor or City Council, or that the Review Panel believes the Mayor and City Council should consider.

The Department consists of seven operating units: Office of the General Manager, Customer Care and Energy Solutions; Energy Delivery Operations; Power Supply; Environmental, Engineering, and Project Delivery; Financial Services; and People and Culture.

Brief descriptions of the backgrounds of certain key officials of the Department are provided below:

Dawn Lindell, General Manager and Chief Executive Officer, joined the Department in February 2024. Before joining the Department, she served as the General Manager of Burbank Water and Power in California and previously as Senior Vice President and Rocky Mountain Regional Manager for the Western Area Power Administration in Colorado. Ms. Lindell holds a bachelor's degree in chemical engineering from the University of Notre Dame and a master's degree in business administration, with a focus on information technology, from the University of Colorado, Colorado Springs.

Michael Haynes, P.E., Chief Operating Officer, joined the Department in 2000 and previously held the titles of Power Supply Officer, Energy Generation Operations and Engineering Officer, and Director of Power Production. He has an extensive background in hydroelectric power generation and engineering. Prior to joining the Department, he served in program management and engineering roles at HDR, Inc. and Puget Sound Energy. Mr. Haynes holds a bachelor's degree in mechanical engineering from Seattle University.

Jen Chan, *Chief of Staff,* joined the General Manager's Office in May 2019. Prior to joining the Department, she was with the City for more than 20 years in multiple leadership roles on policy, programming, financial, and operational issues ranging from public safety, human services, public health, capital projects, public/private partnerships, and organizational change management. In addition, she served as the founding Associate Director of Operations for a start-up organization aimed at closing the academic achievement gap across the region. Ms. Chan holds a Bachelor of Arts from Tufts University and a master's degree in social work from the University of Washington.

Siobhan Doherty, Power Supply Officer, joined the Department in September 2022 as Power Management Director and was appointed to her current position in May 2024. Prior to joining the Department, she served as the Director of Power Resources at Peninsula Clean Energy and Finance Director at EverCar, and held multiple leadership roles related to project finance, development, and contracting at SunEdison. Ms. Doherty holds a bachelor's degree from Smith College in Government, and a Master of Business Administration with a focus in finance and a Master of Science with a focus on energy policy, both from the University of Michigan, Ann Arbor.

Craig Smith, Chief Customer Officer, joined the Department in 2014 as Conservation Resources Director. He has more than 40 years of experience with the electric utility industry, including serving three years as the CEO of Richard Heath and Associates and six years as Assistant General Manager of Snohomish County Public Utility District. Mr. Smith received a bachelor's degree in urban planning from Antioch College.

Andrew Strong, Interim Environmental, Engineering, and Project Delivery Officer, joined the Department in 2007 and was appointed to his current position in 2023. Prior to this appointment, he held the position of Director of Engineering and Technology Operations and previously served as the Director of Asset Management and Large Projects and as a manager within the Generation and Engineering division. He is a Mechanical Engineer with experience in the general contracting industry, including large building infrastructure within the City of Seattle. Mr. Strong is a graduate of the University of Vermont.

Kirsty Grainger, Chief Financial Officer, has been with the Department since 2007, serving in various roles in Corporate Performance and Finance. Before joining the Department, she worked at Puget Sound Energy and at the pharmaceutical company Eli Lilly. Ms. Grainger holds a bachelor's degree in mathematics from Whitman College and a master's degree in engineering (Economic Systems and Operations Research, now Management Science and Engineering) from Stanford University.

DaVonna Johnson, Chief People and Culture Officer, joined the Department in 2004 and was appointed to her current position in 2009. Prior to her appointment to this position, she served as the Talent Acquisition and Development Manager in Human Resources. Before joining the Department, she worked for the City for five years and has worked in both the public and private sectors. Ms. Johnson has bachelor's and master's degrees in business administration from Washington State University.

Department Employment and Labor Relations

As of February 2024, the Department had approximately 1,800 authorized full-time equivalent positions. Department employees participate in the City's pension plan and other post-employment retirement benefits. See "The City of Seattle—Pension Plans" and "—Other Post-Employment Benefits," and Appendix C—2023 Audited Financial Statements of the Department—Notes 13 and 14.

State law requires municipal agencies to bargain in good faith with the recognized bargaining agents. Approximately 88% of the Department's regular full-time employees are represented by labor unions. Most of the Department's 15 labor unions are part of the Coalition of City Unions (the "Coalition").

The collective bargaining agreement with the IBEW Local 77 Electrical Workers bargaining unit that is specific to the Department expired on January 23, 2023, and was opened for the purposes of negotiations. The Electrical Workers unit agreement has been ratified by union membership and is awaiting approval by City Council. The Material Controller/Apprenticeship bargaining unit members have ratified the agreement and are also awaiting approval by City Council. The Power Marketers bargaining unit also has a tentative agreement which was ratified by the union's membership on May 16, 2024, and is awaiting approval by City Council. The Construction Maintenance Equipment Operator unit agreement has been ratified by union membership and approved by City Council. The IT Professionals unit agreement has been ratified by union membership and approved by City Council.

The collective bargaining agreements for the Coalition and AFSCME, the exclusive bargaining agent for the Department's managers, strategic advisors, and some supervisors, went in effect in April 2024 and were retroactively applied back to January 1, 2023. The collective bargaining agreement for the Machinists expired on January 1, 2023, and Seattle-Local 79 CBA negotiations are ongoing. The Department's non-IBEW Local 77 union contracts are negotiated City-wide through the Seattle Department of Human Resources. See "The City of Seattle—Labor Relations."

Currently, 31% of the Department's workforce is eligible to retire. The Department currently has workforce development programs in place to reduce its attrition risk and retain its current employees. The highest retirement risk is in the skilled trades staff, followed by professional staff. The Department currently maintains a program of 44 college student interns. The Department operates its own apprenticeship program to ensure that it has high voltage workers available to meet the Department's needs. Currently, 69% of the existing skilled trade workers were trained through the Department's apprenticeship program.

In 2014, the Department began a proactive plan to mitigate the high percentage of employees who were reaching retirement eligibility. Over the last ten years, the Department has employed a robust training and succession planning program to prepare the existing workforce for this change. For the previous five years, the Department has maintained an annual 64% internal promotion rate on its hiring processes. This has allowed the Department to mitigate the changes in its workforce while continuing to meet its business needs.

COVID-19 Pandemic

May 11, 2023, marked the official end of the federally declared COVID-19 public health emergency. While retail load has recovered from the initial impact of the pandemic, the Department continues to see extended lead times and material availability challenges for goods such as wires, splicers, connectors, and transformers. The Department does not anticipate supply chain issues will affect its ability to pay future debt service on its outstanding obligations.

The Department experienced a sharp increase in overdue receivables at the beginning of the pandemic. The Department resumed collection activities in September 2022 for customers who had not set up a payment plan or paid their past due balance. See "Department Financial Information—Billing and Collection Processes." Overdue

receivables above a certain age threshold are accounted for in the Allowance for Doubtful Accounts and are included as part of expense for 2023 in the Department's audited financial statements.

Strategic Plan

The City Council adopted Resolution 32056 approving the 2023-2028 Strategic Plan on July 19, 2022. The plan builds on previous plans and identifies five business strategies: (i) Improve the Customer Experience; (ii) Create Our Energy Future; (iii) Develop Workforce and Organizational Agility; (iv) Ensure Future Financial Stewardship and Affordability; and (v) We Power Seattle (providing customers with affordable, reliable, and environmentally responsible energy services).

The Department recently developed a proposed 2025-2030 Strategic Plan which is expected to be voted on by the City Council in August 2024. The business strategies remain the same but both the costs and the assumed rate increases are higher than the most recent adopted 2023-2028 Strategic Plan update. The 2025-2030 proposed Strategic Plan includes rate increases of 5.4% in both 2025 and 2026 and 5.0% in both 2027 and 2028. The 2023-2028 Strategic Plan assumed rate increases of 3.0% in 2025 through 2028. The retail sales forecast supporting the proposed 2025-2030 Strategic Plan predicts gradual growth in energy sales over the planning timeframe with sales increasing 5.1% from 2024-2030. Energy efficiency is expected to continue to partially offset new housing, economic growth, new electric cooling and heating equipment, and electric vehicles. In the longer term, the electrification of buildings and transportation is expected to grow more rapidly, leading to continued growth in customer load. Annual retail sales are expected to grow by approximately 1.3% per year between 2030 and 2040. Cost pressures leading to the higher proposed rate increases include acquiring new energy resources to reliably meet the growing load, relicensing costs for the Skagit project, supporting electrification of buildings and vehicles, and higher material and labor costs. See "Capital Requirements—Financing Plans."

Enterprise Risk and Emergency Response

The Department evaluates and monitors all strategic risks at the enterprise level, including:

EMERGENCY RESPONSE. The Department has an active Emergency Management Program that meets Federal Emergency Management Agency ("FEMA") standards and conducts semi-annual exercises and testing of its emergency response program. The Department's Continuity of Operations Plan defines the Department's program to prepare for and respond to all hazards. It establishes a response organization structure (consistent with the National Incident Management System and Incident Command System structure) designed to enhance coordination with other agencies and improve outage restoration responses. An Incident Management Team, comprised of approximately 150 trained management and staff members, can be activated during any man-made or natural event and serves the function of managing the Department's emergency response activities. The Incident Management Team handled COVID-19-related issues for the Department during the response and recovery periods of the pandemic.

SEISMIC RISKS. Due to the risk of seismic activity in the Puget Sound region and the age of portions of the utility infrastructure, the Department maintains a seismic hazard assessment program for substations and facilities consistent with requirements identified in documents and standards such as the International Building Code. Additionally, the Department attends annual meetings with West Coast utilities such as the Bonneville Power Administration ("BPA"), Pacific Gas and Electric, Southern California Edison, and others where dialogue related to seismic resiliency and policy creates consistency with others in earthquake regions. As upgrades and/or improvements are made to these substations and facilities, appropriate seismic mitigation features are incorporated into the infrastructure. The seismic hazard assessment also includes a method for establishing priorities within the Department's service territory beginning with control centers, substations, and service centers. Similar attention is applied to the generation facilities as part of ongoing Federal Energy Regulatory Commission ("FERC") licensing, inspections, and reporting obligations. Although the Department is making incremental increases to improve the seismic resiliency of the utility, interdependency issues between the Department and other utilities have been largely unaddressed. The Seattle Public Utilities ("SPU") water and wastewater divisions and King County's wastewater treatment division, for example, rely on electric power for their operations, and have standby generators at their critical facilities. Wireless communication also partially relies on the Department's towers, which may be compromised due to landslides. The Department conducts regional exercises to demonstrate the response scenarios for such

events, but there is a need for further discussion between these and other lifeline partners to better understand vulnerabilities and preparedness related to earthquake hazards. In addition, more needs to be done between the City and the various local and regional agencies to coordinate pre-event systems planning.

CYBER SECURITY. Cyber attacks continue to become more sophisticated and are increasingly capable of impacting control systems and components. The Department, working in conjunction with the Seattle Information Technology Department ("Seattle IT"), has instituted a program that includes processes, training, and controls to maintain the reliability of its systems and protect against cyber threats as well as mitigate intrusions and plan for business continuity via data recovery. The Department leverages relationships with numerous local, State, and Federal organizations to maintain awareness of cyber threats, collaborate on mitigation best practices, and protect its systems and services. The City also maintains insurance with coverage for cyber security events. The policy covers all City departments, including the Department. See "The City of Seattle—Cyber Security and Artificial Intelligence."

Work plans specific to the Department are developed to address issues and recommendations to support the cyber security program. The Department's program to protect critical infrastructure also conforms to North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection standards.

FERC/NERC standards regularly evolve and change, with Critical Infrastructure Protection standard requirements some of the most dynamic. The Department has established structured and coordinated processes to ensure Department compliance with all current and evolving standard obligations, even as new infrastructure, systems, or contractual obligations are added. See "Transmission and Distribution—Federal Regulations."

PHYSICAL PLANT SECURITY. The power grid in the Pacific Northwest and the United States faces a range of physical security threats that pose significant risks to its stability and reliability. According to the industry's preeminent clearinghouse, Electricity Information Sharing and Analysis Center (E-ISAC), physical attacks on the U.S. power grid in 2023 rose by 71% compared to 2021 figures and by 20% compared to 2020. E-ISAC predicts the number of serious incidents will continue to rise. Infrastructure vulnerabilities, such as substations, dams, transmission lines, and control centers, are susceptible to physical attacks, sabotage, and acts of terrorism. The Department is actively enhancing physical security measures, implementing robust monitoring and surveillance systems, and fostering collaboration between government agencies and utilities, which are essential steps to mitigate these threats and safeguard the resilience of the power grid in the region and across the country.

DISASTER RECOVERY. The Department has formalized its information technology, business continuity, and disaster recovery program. The Department has built and currently conducts operations from an out-of-region co-located data center, and instituted various iterative processes in support of Departmental resiliency and rapid recoverability.

PROPERTY INSURANCE. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by a property insurance policy. See "The City of Seattle—Risk Management."

POWER RESOURCES AND COST OF POWER

Overview of Resources

The Department has three major power sources: the Boundary Hydroelectric Project (the "Boundary Project"), the Skagit Hydroelectric Project, which includes the Ross, Diablo and Gorge hydroelectric plants (the "Skagit Project"), and a long-term contract with BPA. Together, these three sources provide approximately 101% of the energy needed to meet the Department's retail demand under average water conditions. Under firm water conditions, the Department's owned and contracted resources are sufficient to meet approximately 97.5% of retail sales on an annual basis. Firm water conditions are defined as the lowest water conditions observed for 12 consecutive months during the period 1929 to 2021. The firm period for the Boundary Project and federal dams remarketed by BPA is 1936-

1937; the firm period for the Skagit Project is 1943-1944. The Boundary Project and the Skagit Project together include four large hydroelectric facilities and, combined with two small hydroelectric facilities (the Cedar Falls Project, and the South Fork Tolt River Hydroelectric Project (the "South Fork Tolt Project")), generated approximately 6.2 million megawatt hours ("MWh") of electrical energy in 2023, which was about 56% of the Department's total resources. Like most non-federal hydroelectric projects in the U.S., all of the Department's hydroelectric plants except the Cedar Falls Project are licensed by FERC. See Table 1—Owned and Purchased Power Resources for 2024 and "—Department-Owned Resources—Small Hydro—Cedar Falls Project." Output from the Department's hydroelectric plants can vary significantly from year to year due to the variability in water conditions.

The Department and 15 other public and investor-owned utilities in the Pacific Northwest have agreed to coordinate the operation of their power generation systems through the Pacific Northwest Coordination Agreement (the "Coordination Agreement"), in order to maximize the firm capability and reliability of the coordinated system. The Coordination Agreement went into effect in 1965 and terminates on September 15, 2024. Though members are considering whether to extend the Coordination Agreement, no decisions have been made and no negotiations are currently underway.

On April 1, 2020, the Department entered the California Independent System Operator's ("CAISO") Western Energy Imbalance Market ("EIM"), a real-time wholesale energy trading market that supports integration of renewable resources by enabling participants to buy and sell imbalance energy in response to changes in supply and demand. The Department and the other EIM participants provide load and resource information to CAISO's EIM platform, which automatically finds lower-priced resources to meet demand while managing congestion on transmission lines to maintain grid reliability. It will then dispatch all resources to serve all load at the lowest price, given the availability of supply resources and available transmission.

Table 1 lists the Department's owned and purchased power resources as of March 1, 2024, and gives estimates of output under firm and average water conditions based on historical data. Table 2 provides actual output for power resources, including exchanges and market sales and purchases, for the past five years. Table 3 provides actual payments by the Department for purchased resources. The Department does not assign individual capital or debt service allocations to Department-owned resources and, therefore, does not calculate a comprehensive cost of power for each resource. See "—Wholesale Market Sales and Purchases" for a discussion of the 2023 water year and market prices.

TABLE 1
OWNED AND PURCHASED POWER RESOURCES FOR 2024
(AS OF MARCH 1, 2024)

	Nameplate Capability (MW)	Energy Available Under Firm Water Conditions (MWh)[1]	Energy Available Under Average Water Conditions (MWh)[2]	Year FERC License Expires	Year Contract Expires
Department-Owned Resources					
Boundary Project[3]	1,118	2,674,340	3,182,050	2055	N/A
Skagit Project					
Gorge	207	698,909	867,568	2025	N/A
Diablo	180	583,621	748,801	2025	N/A
Ross	450	556,354	703,996	2025	N/A
Small Hydro Projects[4]	48	N/A	137,788	Varies	N/A
Department's Share of Purchased Resources					
BPA Block	[5]	4,330,813	4,330,813	N/A	2028
Priest Rapids	6	16,552	21,664	2052	2052
CBH [6]	64	N/A	55,674	2030/2032	2022/2026
High Ross [7]	72	310,222	310,246	N/A	2066
Lucky Peak [8]	113	N/A	335,100	2030	2038
Small Renewables [9]	67	N/A	207,297	N/A	Various

(1) Firm water conditions represent the lowest sequence of stream flows experienced in the Pacific Northwest over a historical period of record (1929-2021). The firm energy capability of hydroelectric resources is the amount of electrical energy produced under low water conditions, current operating constraints, generation technology, and availability. Actual water conditions would be expected to be better than firm water conditions about 95% of the time.

(2) Figures in this column represent the average historical amount of electrical energy that would be produced over all of the water conditions in the period 1929-2021.

(3) Amounts are net of the power obligated to Public Utility District No. 1 of Pend Oreille County ("Pend Oreille PUD") under contract between the Department and Pend Oreille PUD. See "—Department-Owned Resources—The Boundary Project."

(4) Includes the Cedar Falls Project (not subject to FERC licensing requirements), and the South Fork Tolt Project (FERC license expires in 2029).

(5) The Department does not own a fixed percentage of nameplate capacity. See "—Purchased Power Arrangements—Bonneville Power Administration." Since October 1, 2017, the Department's long-term contract power purchase from BPA has been only the Block product, which provides a fixed amount of power that varies each month. The purchase is the largest in the winter when the Department's retail requirements are highest.

(6) Columbia Basin Hydropower ("CBH") (formerly Grand Coulee Project Hydroelectric Authority), the Department's 50% share of installed capacity of five hydroelectric plants, has varying FERC license expiration dates from 2022 through 2027. The plants are part of an irrigation project and do not provide capacity in the Department's winter peak period. The first contract, for the R.D. Smith plant, expired on September 1, 2022, and the second contract, for the Eltopia Branch Canal Project, expired on May 1, 2023; together, they accounted for approximately 3% of the Department's purchase from all five CBH projects. The other three contracts expire on January 1, 2025, March 1, 2025, and January 1, 2027.

(7) The Department's contract with British Columbia provides capacity from November through March in an amount equal to 532 MW minus the actual peak capability of the Ross Plant for each week, which varies between 50 megawatts ("MW") and 150 MW depending on water conditions.

(8) The project is part of an irrigation project and does not provide capacity in the Department's winter peak period.

(9) Small renewables include Columbia Ridge Landfill Gas, King County West Point Treatment Plant, and the Condon Wind Facility. See "—Purchased Power Arrangements—Small Renewables." Average output is based on historic performance under each contract.

Sources: Seattle City Light Department

TABLE 2
HISTORICAL ENERGY RESOURCES
(MWh)

	2019	2020	2021	2022	2023
Department-Owned Generation					
Boundary Project	3,307,074	3,576,351	3,211,443	3,712,739	2,851,570
Skagit Hydroelectric Project					
Gorge	832,815	958,211	988,738	989,832	726,576
Diablo	610,968	703,719	847,067	590,907	551,388
Ross	524,516	655,524	823,907	749,013	413,109
Cedar Falls/Newhalem	41,376	81,065	83,424	83,538	25,809
South Fork Tolt	29,624	42,306	54,658	58,716	30,432
Subtotal	5,346,373	6,017,176	6,009,237	6,184,745	4,598,884
Energy Purchases					
Bonneville	4,388,973	4,299,280	4,119,204	3,804,606	4,039,150
Priest Rapids	19,866	25,596	23,601	26,770	19,221
Columbia Basin Hydropower	219,094	258,498	265,850	262,947	249,373
High Ross	307,599	309,960	315,101	305,764	303,454
Lucky Peak	364,089	254,619	221,981	234,067	332,046
Stateline Wind Project[1]	338,452	380,795	360,191	74,161	-
Condon	-	-	-	-	33,437
Columbia Ridge	101,615	102,421	92,937	86,968	78,333
Seasonal and Other Exchange[2]	503,881	541,909	546,914	548,575	536,823
Wholesale Market Purchases[3]	1,028,182	633,111	1,281,656	1,148,487	1,574,433
Subtotal	7,271,751	6,806,189	7,227,435	6,492,345	7,166,270
Total Department Resources	12,618,124	12,823,365	13,236,672	12,677,090	11,765,154
Minus Offsetting Energy Sales					
Firm Energy Sales and Marketing Losses[4]	387,615	505,727	695,102	426,932	187,728
Seasonal and Other Exchange[2]	570,672	497,728	469,277	480,891	574,234
Wholesale Market Sales[5]	2,123,263	2,605,592	2,543,488	1,951,244	1,364,663
Total Net Energy Resources	9,536,574	9,214,318	9,528,805	9,818,023	9,638,529

(1) The Department's power purchase agreement for output from the Stateline Wind Project ("Stateline") expired on December 31, 2021.

(2) Includes exchange contracts with Public Utility District No. 2 of Grant County ("Grant PUD") and the Lucky Peak Project. See "—Purchased Power Arrangements."

(3) Purchases to compensate for low water conditions and to balance loads and resources.

(4) Energy provided to Pend Oreille PUD under an agreement to support the Boundary Project's FERC license. Figures on this line also include incremental transmission losses due to expanded activity in the wholesale market.

(5) Wholesale market sales are highly dependent on regional hydro flows. Regional hydro flows measured at The Dalles Dam on the Columbia River between January and July 2023 were 68% of the average for the overall period 1949 to 2022, and 88% of average in 2019, 97% of average in 2020, 96% of average in 2021, and 91% of average in 2022.

Source: Seattle City Light Department, Accounting Division

TABLE 3
COST OF PURCHASED POWER SUPPLY RESOURCES
($000)

	2019	2020	2021	2022	2023
BPA [1]	$ 159,519	$ 157,658	$ 151,190	$ 102,868	$ 134,438
Priest Rapids	1,793	1,179	1,100	1,374	1,373
Columbia Basin Hydropower	6,012	7,882	8,008	8,449	6,015
High Ross	13,467	13,470	13,126	12,985	13,031
Lucky Peak	8,418	6,711	6,618	7,463	9,457
State Line Wind Project [2]	22,658	26,293	25,198	2,930	-
Condon	-	-	-	-	1,170
Columbia Ridge - Biogas	7,905	7,887	7,237	7,263	5,944
Seasonal and Other Exchange [3]	4,506	9,388	27,518	36,267	34,588
Total	$ 224,278	$ 230,468	$ 239,995	$ 179,599	$ 206,016
Contracted Resources (MWh)	6,243,569	6,173,078	5,945,779	5,343,858	5,591,837
Average Unit Cost (Dollars/MWh) [4]	$ 39.07	$ 39.07	$ 39.36	$ 29.89	$ 33.91

(1) Net of billing credits received from BPA for the South Fork Tolt Project.

(2) The Department's power purchase agreement for output from Stateline expired on December 31, 2021.

(3) Includes exchange contracts with Grant PUD and the Lucky Peak Project. The exchange with Grant PUD delivers the output of some of the CBH projects, which is different and separate from Grant PUD's Priest Rapids Project.

(4) Average cost of purchased power supply resources excluding exchanges and wholesale market purchases.

Source: Seattle City Light Department, Accounting Division

Department-Owned Resources

The Department owns and operates the Boundary Project in northeastern Washington, the Skagit Project in western Washington, and three smaller hydroelectric plants in western Washington: the Newhalem Creek Hydroelectric Project (the "Newhalem Project"), the Cedar Falls Project, and the South Fork Tolt Project.

Dam Safety. The Department's Dam Safety Program oversees the FERC and State regulatory compliance program for protecting life, health, property, and the environment of the Department's regulated projects by implementing and coordinating the Owners Dam Safety Program ("ODSP"). The Chief Dam Safety Engineer/Dam Safety Program Manager responsible for the implementation of the ODSP reports to the Environmental, Engineering, and Project Delivery Officer and the Assistant General Manager. FERC annually issues a letter, signed by the Chief Dam Safety Engineer, reminding the Department of the Department's obligations and responsibilities as the FERC license holder (the "licensee") for the Department's hydropower facilities. The FERC annual letter informs the Department about changes in dam safety regulations and requirements and its responsibilities to ensure that the licensed hydroelectric projects are operated and maintained in compliance with FERC Regulations and the terms and conditions of the Department licenses.

The Department operates, manages, and maintains its dams as safely and effectively as is reasonably possible as required by FERC and the Department's Standard Operating Procedure for the ODSP ("SOP I-604"). As required by FERC, the State Department of Energy ("DOE"), and the Department, SOP I-604 designates a Chief Dam Safety Engineer to oversee the implementation of the dam safety program as annually reviewed by and signed by Department executive team members and the Chief Dam Safety Engineer.

FERC's overhaul of the Part 12 dam safety regulations through a Notice of Proposed Rulemaking was finalized on December 16, 2021, as Docket No. RM20-9-000, Order No. 880. Specifically, the final rule incorporates two tiers of project safety inspections by independent consultants; codifies existing guidance requiring certain licensees to develop owners' dam safety programs and public safety plans; updates existing regulations related to public safety incident

reporting; and makes various minor revisions. The final rule is in effect as of April 2022 and adds four new chapters to the FERC Engineering Guidelines for the Evaluation of Hydropower Projects, including Chapter 15—Supporting Technical Information Document, Chapter 16—Part 12D Program, Chapter 17—Potential Failure Modes Analysis, and Chapter 18—Level 2 Risk Analysis.

The final rule's two-tier inspection structure maintains the existing requirement that independent consultant safety inspections be conducted every five years. However, the required scope of these inspections will alternate between a new, more in-depth comprehensive assessment and a periodic inspection. The comprehensive assessment will include a field inspection and an in-depth assessment of every aspect of a project, including a detailed review of the project's records such as design and construction, engineering analyses, and historical performance; an evaluation of spillway adequacy; and a potential failure mode with a risk analysis. A periodic inspection focuses on the performance of the project over the previous five years, and includes a field inspection, a review of project operations, an in-depth review of monitoring data trends and behavior, and an evaluation of whether any potential failure modes are occurring.

The Department regularly inspects all of its projects to ensure safety, and has current Emergency Action Plans, Public Safety Plans, Dam Safety Surveillance and Monitoring Plans, Physical and Cyber Asset Security Plans, ongoing operations and maintenance ("O&M") and CIP projects, and other common requirements, primarily from Title 18, Part 12, of the Code of Federal Regulations, for all of its dams. FERC requirements apply at the Boundary, Skagit, South Fork Tolt, and Newhalem Creek Projects. The same requirements, which are more rigorous, apply to the Cedar Falls Project under the Department's ODSP, even though it is regulated by the Washington State Department of Ecology ("Ecology"). The Department anticipates increases in O&M and CIP work during the 2025-2030 timeframe for project improvements resulting from recent five-year independent consultant inspection reviews and Level 2 risk assessments for the Boundary, Skagit, Cedar Falls, and South Fork Tolt Projects as informed by recent seismic hazard assessments, focused spillway inspections, detailed appurtenant structures (outlet works, power plants) and gate inspections and analyses, updated Supervisory Control and Data Acquisition systems, and changes in regulatory requirements. The Department also anticipates further work or license requirements resulting from 2022-2023 dam safety audits/assessments, including risk perspectives for evaluating spillway adequacy to include the potential for mis-operations of, failure to operate, blockage of, and debilitating damage to a spillway, as well as the resulting impacts related to reservoir levels; appurtenant structures; organizational structures; and ODSP independent external consultant audit.

The Boundary Project. The Boundary Project is located on the Pend Oreille River in northeastern Washington near the British Columbia and Idaho borders. The plant was placed in service in 1967 and is a significant contributor to the Department's ability to meet its load requirements. The Boundary Project has a current net nameplate capability of 1,118 MW and expected net power output of 3.4 million MWh under average water conditions. The Department delivers up to 68 MW of energy to Pend Oreille PUD. In September 2016, FERC granted the Department's request to amend the FERC license and revise the annual charges due to recent efficiency upgrades to two of the generating units, resulting in an authorized installed capacity of 992 MW. The Department recently submitted an amendment to the license to revise the June 2019 Spill Prevention Control and Counter Measure Plan to include additional information on spare transformers. The Boundary Project provides between 20% and 30% of the Department's total resource requirements and supplied approximately 24% of the Department's total resources in 2023.

The FERC license for the Boundary Project, which was received in 2013, has a 42-year term and incorporates the terms and conditions of a settlement filed by the Department in 2010 (the "Settlement") among the Department, multiple State and federal agencies, a tribal government, several environmental groups, and Pend Oreille PUD. As part of the Settlement, Pend Oreille PUD surrendered its license for the Sullivan Lake Hydroelectric Project to FERC, and the project has been decommissioned. The 2010 Settlement and 2013 license conditions made no material changes to previous operations at the Boundary Project, and operations remain consistent with ensuring the Department's ability to generate electrical energy from the Boundary Project in a manner that follows the Department's need to provide retail service to customers. Pursuant to the Settlement and FERC license conditions, the Department is undertaking various protection, mitigation, and enhancement measures at the Boundary Project and in Sullivan Creek, the primary tributary to the Boundary Reservoir, to provide substantial natural resource benefits. The levelized cost of these measures over the license term is estimated to be less than $5/MWh in 2022 dollars; the total estimated cost in 2022 dollars for the remainder of the license period is $354 million. A portion of the Department's CIP includes

environmental and other improvements to the Boundary Project that meet the requirements of the Settlement and FERC license. See "Capital Requirements."

The Settlement extends the Department's historical commitment to deliver energy to Pend Oreille PUD at the Boundary Project's production cost through the term of the FERC license. In February 2021, the Department and Pend Oreille PUD agreed to modify the delivery for the period 2021 to 2029, at which time they will revisit the delivery. The Settlement and FERC license terms also preserve the Department's operational flexibility at the Boundary Project, including the ability to ramp up or down quickly within the hour in immediate response to customer demand and to assist in regional management of variable renewable energy resources.

In September 2020, the City Council approved an agreement between the Department and Pend Oreille County on impact payments related to the Boundary Project for 2020-2029 that total $29.8 million. The Department paid a total of $19 million over a ten-year period that began in 2010, to Pend Oreille County and other affected local governments and school districts. Pend Oreille County supported FERC's issuance of the license consistent with the Settlement.

As authorized in the High Ross Agreement (described below under "—Skagit Project"), British Columbia Hydro ("B.C. Hydro") increased the reservoir elevation of its Seven Mile Project on the Pend Oreille River in 1988, thereby extending its reservoir across the international border to the tail-race of the Boundary Project. A contract between the City and B.C. Hydro was signed in 1989 to provide energy to the Department in the amount of the encroachment of Seven Mile Reservoir on the Boundary Project concurrent with the High Ross Agreement. In 2022, this encroachment amounted to 0.36% of the Boundary Project's total electrical energy output.

The Department will conduct the FERC-required five-year dam safety inspections at the Boundary Project in 2025 to focus surveillance, monitoring, and prioritized maintenance and/or capital improvements. The dam continues to be safe for operations. The Department will continue to work with FERC and an independent consultant team on future studies and analysis to ensure continued safe operations of the Boundary Project. Daily, weekly, and monthly visual inspections and quarterly manual readings of all instruments are conducted by the Department's dam safety staff. Annual dam safety inspections are performed by FERC and Department staff.

The Boundary Project has multiple objectives including power supply, flood control, recreation, fish and wildlife protection, and other uses. The Hungry Horse Project, operated by the Bureau of Reclamation, stores water during the fall and winter for release in the spring and summer, when it is needed for downstream juvenile fish migration in the lower Columbia River. This can reduce generation at the Boundary Project in the fall and winter, when the region experiences its highest sustained energy demand. The water not released in the fall and winter from reservoirs upstream from the Boundary Project on the Pend Oreille River is released in the spring and summer, when it is sometimes spilled because the Boundary Project does not have sufficient hydraulic capacity to use all the available water for generation. This can reduce the Boundary Project's firm capability under the terms of the Coordination Agreement. Operations at the Albeni Falls Dam, which is managed by the U.S. Army Corps of Engineers (the "Corps"), can ameliorate this loss of winter power due to storage operations at the Hungry Horse Project. Water levels at the Albeni Falls Dam are lowered in the winter each year to provide flood risk management and lower lake levels during the kokanee spawning periods, and for power generation through the winter. See "Environmental Matters—Endangered Species Act" for a discussion of the impact of the Endangered Species Act on the Boundary Project. See "—Purchased Power Arrangements—Columbia River Treaty" for a discussion of potential impacts to Boundary Project operations.

Skagit Project. The Gorge, Diablo, and Ross hydroelectric plants, which comprise the Skagit Project, began operation in 1924, 1936, and 1952, respectively. The Skagit Project is located on a 35-mile stretch of the Skagit River above Newhalem, Washington, approximately 120 miles northeast of Seattle. Power is delivered to the Department's service area via two double-circuit Department-owned 230,000-volt transmission lines. The Ross Plant, located upstream of the other two projects, has a reservoir with usable storage capacity of 1,052,000 acre-feet. Because the Diablo Plant, with usable storage capacity of 50,000 acre-feet, and the Gorge Plant, with usable storage capacity of 6,600 acre-feet, are located downstream from the Ross Dam, their operation is coordinated with water releases from the Ross Reservoir, and the three plants are operated as a single system. The combined nameplate capability of the three plants is 837 MW. Expected power output under average water conditions is 2.5 million MWh. The Skagit Project supplied 14% of the Department's total resources in 2023.

The three Skagit Project developments are licensed as a unit by FERC under a license that expires in 2025. The Department began the relicensing process in 2017, filed a Proposed Study Plan with FERC in December 2020, and filed a Final License Application with FERC on April 28, 2023. See "Environmental Matters—Endangered Species Act—Skagit, Tolt, and Cedar Rivers ESA-Listed Fish." On February 28, 2024, FERC issued a notice accepting the request to delay the issuance of the Ready for Environmental Analysis notice until after December 31, 2024. As a result, a new license is unlikely to be issued prior to 2027. As a condition of the current FERC license (and any annual license extensions issued by FERC), the Department has taken, and under the new FERC license will continue to take, various mitigating actions relating to fisheries, wildlife, erosion control, archaeology, historic preservation, recreation, and visual quality resources. The latest independent safety inspection of the Skagit Project required by the FERC license was completed in 2022, including a semi-quantitative risk analysis, and revealed no significant dam safety issues; the final report was submitted to FERC in July 2022. Daily, weekly, and monthly visual inspections and quarterly manual readings of all instruments are conducted by the Department's dam safety staff. Annual dam safety inspections are performed by FERC and Department staff. Department staff completed five-year inspections at the Skagit Project in 2021 and 2022, with the next five-year inspection scheduled for 2026.

Although the original plans for the Skagit Project included raising the height of Ross Dam by 122.5 feet to maximize the hydroelectric potential of the plant, the Canadian province of British Columbia protested on environmental and other grounds. After a protracted period of litigation and negotiation, an agreement (the "High Ross Agreement") was reached under which British Columbia agreed to provide the Department, for 80 years commencing in 1986, with power equivalent to the planned increase in the output of the Ross Plant in lieu of the Department's construction of the addition in exchange for payments from the City, as described in the following paragraph. The agreement is subject to review by the parties every ten years. The 1998 review did not result in any changes to the agreement. The 2008 review resulted in no changes, and the parties informally agreed to forego the ten-year reviews in the future. Review of or changes to the High Ross Agreement are not likely to occur as part of the current FERC relicensing process.

Under the High Ross Agreement, annual payments are due from the Department to British Columbia representing the estimated debt service costs that would have been incurred had the addition to Ross Dam been constructed and financed with bonds. These amounts included a fixed charge of $21.8 million due annually through 2020. However, since 2000, the Department has deferred $9.1 million of each $21.8 million annual payment and in 2021 started amortizing the deferred portion over 15 years. Payment by the Department to British Columbia of equivalent annual maintenance and operation costs and certain other charges began in 1986 and will continue for 80 years. The power delivered from B.C. Hydro under this agreement amounted to 305,764 MWh in 2022. The Department's contract with British Columbia provides capacity from November through March in an amount equal to 532 MW minus the actual peak capability of the Ross Plant, which fluctuates with reservoir levels and the number of units in service, and from April through October in an amount up to 150 MW minus system losses.

If British Columbia discontinues power deliveries, the High Ross Agreement authorizes the Department to proceed with the originally proposed construction and obligates British Columbia to return to the Department sufficient funds to permit the Department to increase the height of Ross Dam and make other improvements as originally proposed. This obligation has been guaranteed by the federal government of Canada.

In addition, in 2021 and 2022, the Sauk-Suiattle Indian Tribe initiated a series of three lawsuits challenging the operation of the Skagit Project. All three lawsuits have been resolved through settlement of the parties. See "Legal and Tax Information—Other Litigation—Sauk-Suiattle Litigation."

Small Hydro.

CEDAR FALLS PROJECT. The Cedar Falls Project, built in 1905, is located on the Cedar River, approximately 30 miles southeast of Seattle. The Cedar Falls Project was constructed before the adoption of the Federal Water Power Act of 1920 and is not subject to licensing by FERC, making it a State-jurisdictional project under Ecology. Cedar Falls Project power is delivered through an interconnection with Puget Sound Energy. The nameplate capability of the plant is 30 MW. Power production in 2023 at the Cedar Falls Project was 25,809 MWh. As a State-jurisdictional project, the Cedar Falls Project is not required to have independent inspections. However, the Department chose to conduct an independent inspection in 2013 and received the final report on the project in 2014. The 2014 report concluded that the project is suitable for continued safe

and reliable operation, with some recommendations that the Department is implementing. The most recent periodic inspection by the State was conducted in 2020 and concluded that the project was in good condition and safe for operations. The Department conducted the second independent inspection in accordance with the Department SOP I-604 in 2021-2022, including a semi-quantitative risk analysis. See "—Dam Safety." The independent safety inspection report is currently being finalized. No major dam safety issue was identified. Daily, weekly, and monthly visual inspections and drain measurements are performed by the Department and SPU crews. The Cedar River and the South Fork of the Tolt River (discussed below) also contain water facilities that are operated by SPU and comprise a critical part of the City's water supply infrastructure.

NEWHALEM PROJECT. The Newhalem Project is located on Newhalem Creek, a tributary of the Skagit River, and was built in 1921 to supply power for the construction of the Skagit Project. The plant was rebuilt and modernized in 1970. It is operated under a FERC license that expires on January 31, 2027. The plant's power is delivered directly to the Gorge Plant station service bus. The nameplate capability of the plant is 2.3 MW. The Newhalem Project stopped generating power in 2015, due in part to certain repairs associated with the Goodell Creek fire (see "Environmental Matters—Wildfire Risk"), and was intermittently generating power from June 2018 until late 2019. The Department has filed for license surrender. FERC's draft environmental assessment was received on March 29, 2024, and the Department now has direction as to next steps for the license surrender as part of that document. Five-year inspections by FERC are not required of the Newhalem Project, due to its small size and low hazard classification; nonetheless, FERC inspections are conducted approximately every three to six years. In-house review of the project is performed annually.

SOUTH FORK TOLT PROJECT. The South Fork Tolt Project is located approximately 30 miles east of Seattle on the south fork of the Tolt River and was placed in commercial operation in 1995. The South Fork Tolt Project operates under a 40-year FERC license that expires in 2029. The process for renewing the FERC license began in 2022; the Pre-Application Document was filed with FERC on April 15, 2024, and the final application for relicense is expected to be filed in 2027, with a new FERC license expected to be issued in 2029. The nameplate capability of the installed single turbine unit is 16 MW. Power production at the South Fork Tolt Project was 30,432 MWh in 2023. To reduce its cost of power from the South Fork Tolt Project, the Department entered into a Billing Credits Generation Agreement with BPA in 1993, under which BPA makes payments to the Department that have the effect of making the cost of power from the South Fork Tolt Project approximately equal to the cost of equivalent power from BPA. This agreement expires in 2028. Payments to the Department under the agreement commenced in 1996 and amounted to $3.7 million in 2023. Without this agreement, the cost of power would still be relatively low, as all project debt has been paid off and the only expenses are associated with operations and capital refurbishment.

The last FERC five-year independent dam safety inspection was completed in 2023 and concluded that the South Fork Tolt Project was safe for continued operation. This 2023 independent dam safety inspection was a comprehensive assessment that includes an in-depth review of the project's safety and a Level 2 risk analysis according to the new FERC regulations. The 2018 annual inspection of the South Fork Tolt Project included a Special Spillway Inspection as required by FERC due to the 2017 incident at the Oroville Dam in California. The Department reviewed the 2018 inspection results and initiated additional assessments in 2019 and 2020 to make changes to operations, maintenance, or inspections, as appropriate. An options evaluation study for spillway improvement is being finalized. Structural modification of the spillway structure is anticipated in the next five years to improve its performance for the very large flood events with remote likelihood. Daily, weekly, and monthly visual inspections and manual readings of all instruments are conducted by SPU dam safety staff. Annual dam safety inspections are performed by FERC, the Department, and SPU staff. See "—Dam Safety."

Purchased Power Arrangements

In 2023, the Department purchased approximately 61% of its total resources from other utilities and energy suppliers in the region, including BPA, under long-term purchase contracts. Some of these contracts obligate the Department to pay its share of the costs of the generating facilities providing the power, including debt service on bonds issued to finance construction, whether or not it receives any power. The Department treats payment of such costs as part of its

purchased power expense and includes such costs in its operating and maintenance expenses. See "Security for the Bonds—Pledge of Revenue."

The Department regularly purchases power under the WSPP Inc. (formerly Western Systems Power Pool) Agreement and the Power Sales Agreement with BPA, described below under "Bonneville Power Administration." Some of those agreements include an obligation on the part of the Department to post collateral contingent upon the occurrence or nonoccurrence of certain future events, such as future credit ratings or payment defaults. The Department also has entered into, and may in the future enter into, agreements that include an obligation on the part of the Department to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events that are beyond the control of the Department. Such contingent obligations are permitted to be characterized as maintenance and operation charges and would be payable from Gross Revenues of the Department prior to the payment of Parity Bond debt service.

Bonneville Power Administration. BPA markets power from the Federal Columbia River Power System (the "Federal System"), comprised of 31 federal hydroelectric projects, several non-federally-owned hydroelectric and thermal projects in the Pacific Northwest region, and various contractual rights. Currently, for Federal Fiscal Year ("FFY") 2023, under low water conditions, approximately 6,667 average annual megawatts are available annually for sale, at BPA's cost-based rate to preference customers, including the Department. One average annual megawatt ("aMW") is the number of megawatt hours of electric energy used, transmitted, or provided over the course of a year and is equal to 8,760 MWh. The federal hydroelectric projects are built and operated by the U.S. Bureau of Reclamation and the Corps, and are located primarily in the Columbia River basin. The Federal System currently produces more than 33% of the electric power consumed in the region. BPA's transmission system includes more than 15,000 circuit miles of transmission lines and provides about 75% of the high-voltage bulk transmission capacity in the Pacific Northwest. Its service area covers more than 300,000 square miles and has a population of about 12 million.

Federal law requires BPA to meet certain firm loads in the Pacific Northwest placed on BPA by contract by various preference customers. BPA sells electric power at cost-based wholesale rates to more than 125 utility, industrial, and governmental customers in the Pacific Northwest. In its wholesale power sales, BPA is required by law to give preference to consumer- or publicly-owned utilities and to customers in the Pacific Northwest region.

The Department's Power Sales Agreement with BPA provides for purchases of power by the Department over the 17-year period ending October 1, 2028. BPA and all preference customers, including the Department, are in active discussions about the next power sales contracts. As part of its "Provider of Choice" process, BPA gathered customer feedback in 2023 and published its draft policy on July 20, 2023. Comments were taken through October 13, 2023, and BPA finalized the policy for the next contract in March 2024. BPA will then implement the policy through new contracts expected to be signed by December 2025.

Power is delivered in two products: a shaped block product ("Block"), which is power provided in pre-determined amounts at pre-determined times, and a slice of the system product ("Slice"), which is a proportionate amount of power if, as, and when generated by the Federal System. Until October 1, 2017, the Department's Slice and Block deliveries were approximately equal on an annual basis. Effective October 1, 2017, the Department exercised an option under the Power Sales Agreement to switch to 100% Block. The Department's BPA purchase for 2024 is 473 aMW, which will vary from a high of 840 aMW in heavy load hours in January 2024 to a low of zero aMW in June 2024.

Under the BPA contract, the amount of power that BPA's preference customers (including the Department) may purchase under BPA's cost-based rate (the "Tier 1 Rate") is limited to an amount equal to the generating output of the current Federal System, with some limited amounts of augmentation. Any incremental purchases by preference customers from BPA above this base amount of power would be purchased at a different rate (the "Tier 2 Rate"), reflecting the incremental cost to BPA of obtaining additional power to meet such incremental load. Each preference customer's right to purchase power at Tier 1 Rates is based in part on the proportion that its net requirements bore to all preference customers' net requirements placed on BPA in a defined period prior to FFY 2011. The Department currently purchases all of the power it receives under the BPA contract at the Tier 1 Rate. The Department determined not to purchase additional energy from BPA through the contract period 2025-2028.

BPA Rates. BPA is required by federal law to recover all of its costs through the power and transmission rates it charges its customers. BPA's average net cost for Tier 1 power will be approximately $35.00 per MWh through September 30, 2025, excluding delivery charges and without a financial reserves policy ("FRP") surcharge. In 2019, BPA finalized a policy setting minimum and maximum financial reserves by business line and agency-wide. The policy includes mechanisms to increase revenue collection if reserves fall below the minimum and to use reserves should they accumulate above the maximum. In October 2022, BPA announced it would settle Power and Transmission rates for the consolidated power and transmission rate proceeding for FY 2024-2025 ("BP-24") holding most rates constant from 2022-2023. See "Department Financial Information—Retail Rates—Automatic BPA Rate Pass-Through."

There are many factors that have impacted and could impact BPA's cost of service and rates, including federal legislation, BPA's obligations regarding its outstanding federal debt, number of customers, water conditions, fish and other environmental regulations, capital needs of the Federal System, outcome of various litigation, regional transmission issues, natural gas prices, and the economy. See "Department Financial Information—Retail Rates—Automatic BPA Rate Pass-Through."

Energy Northwest. The City is a member of Energy Northwest, a municipal corporation and joint operating agency organized under State law, whose members currently include 27 public utility districts and cities within the State. Energy Northwest has the authority to acquire, construct, and operate plants, works, and facilities for the generation and transmission of electric power.

Energy Northwest was originally engaged in the construction of five nuclear generating facilities (Projects 1 through 5), only one of which (Columbia Generating Station, formerly Project 2) was placed in commercial operation, in 1984. Construction of the others was terminated in the 1980s and 1990s. The Department, Energy Northwest, and BPA entered into separate Net Billing Agreements with respect to Projects 1 and 3 and the Columbia Generating Station (the "Net Billed Projects"), under which the Department purchased a share of the Net Billed Projects from Energy Northwest and assigned that share to BPA. The Department's share of each is as follows: 8.605% of Project 1, 7.193% of the Columbia Generating Station, and 7.206% of Project 3.

Under the Net Billing Agreements, the Department is obligated to pay Energy Northwest its share of the total annual costs of the Net Billed Projects, including debt service on approximately $5.2 billion of bonds outstanding (as of September 30, 2023) on the Net Billed Projects, and accept assignment of the shares of defaulting participants, subject to a cap of 25% of the Department's share. BPA is obligated to credit the Department the same amount of the Department's share (plus any assigned shares) under any power sales agreement between BPA and the Department. These obligations exist regardless of the status, operability, or output of the Net Billed Projects. To the extent that BPA cannot credit the Department because the Department's obligations under a power sales agreement are not sufficient to allow BPA to credit the Department its full share, BPA is obligated, after certain assignment procedures, to pay the uncredited and unassigned amount to the Department, subject to available appropriations.

In 2006, Energy Northwest and BPA executed agreements with respect to the Net Billed Projects (the "Direct Pay Agreements") pursuant to which BPA agreed to pay directly to Energy Northwest all costs (including the debt service on the outstanding bonds) for the Net Billed Projects, including the Department's share. Since 2006, this has resulted in no payments by or credits to the Department under the Net Billing Agreements. If BPA fails to make a payment or the parties terminate the Direct Pay Agreements, the original obligations of the Net Billing Agreements would resume. BPA has always met all of its obligations to Energy Northwest.

Columbia River Treaty. The U.S. and Canada entered into the 1964 Columbia River Treaty (the "Treaty") to increase reservoir capacity in the Canadian reaches of the Columbia River basin for the purposes of power generation and flood control. Although the Treaty does not expire under its own terms, either the U.S. or Canada may elect to terminate it by providing not less than ten years' notice. The Treaty impacts stream flow and power generation in the Columbia River and some of its tributaries. The Treaty's computation of energy benefits that result from the Canadian improvements to upstream storage is of particular interest to utilities because it creates an energy return obligation (the "Canadian Entitlement") for U.S. operators of Columbia River dams, including BPA. Treaty modernization (described further below) could impact energy received under the Department's BPA and Priest Rapids Project

contracts, as well as stream flows and generation at the Boundary Project. See "—Bonneville Power Administration" and "—Priest Rapids Project" and "—Department-Owned Resources—The Boundary Project."

In 2013, the United States Entity (which is comprised of BPA and the Corps) sent a final regional recommendation concerning the future of the Treaty to the U.S. Department of State (the "State Department"), which includes modernizing the Treaty to more fairly reflect the distribution of operational benefits between the U.S. and Canada, to ensure that flood risk management and other key river uses are preserved, and to address key ecosystem functions in a way that complements the significant investments made since 1964 to protect Columbia River basin fish and wildlife. The Department has been an active participant in the United States Entity's regional review process leading up to the final regional recommendation and supports that recommendation.

On July 11, 2024, both the U.S. and Canada announced they had reached an Agreement in Principle ("AIP") to modernize the terms of the Treaty for the next 20 years. The long-anticipated AIP outlines a modified Treaty that will require the parties to continue coordinated operations of reservoir storage space in Canada to optimize hydropower generation, provide for the U.S. to purchase Canadian reservoir storage for preplanned flood-risk management, significantly reduce U.S. obligations to return Canadian Entitlement energy, and add new mutually beneficial transmission and ecosystem benefits. Negotiators for the U.S. and Canada in collaboration with affected Tribes and First Nations are actively engaged in working through the AIP implementation details. Certain agreements to reduce Canadian Entitlement energy and capacity obligations are expected to become effective on or about August 1, 2024. The remaining issues will be negotiated over the next year or more, and must ultimately be memorialized in a Treaty amendment that must be ratified by the U.S. and Canadian federal governments. The precise implications of the Treaty amendments will remain unknown until the details of the amendments are finalized and the Department cannot predict if or when ratification of the Treaty amendments by both federal governments may occur.

Priest Rapids Project. Under two agreements effective through 2052, the Department purchases a portion of the output of the Priest Rapids Project. The Department is currently obligated to purchase 6.14% of the Priest Rapids Project's output after Grant PUD meets its retail load. As Grant PUD's retail load increases, less electrical energy is available for the Department. The Department currently receives about 2 aMW from these contracts. The Department also receives a portion of the revenues from an auction of 30% of the Priest Rapids Project's power, totaling $3.8 million per year in 2024. Under the contracts, the Department is responsible for its percentage share of the costs of the Priest Rapids Project, including debt service on bonds issued to finance improvements to the Priest Rapids Project. In 2024, the Department will pay approximately $0.8 million to receive the estimated $3.8 million in auction revenue. Additionally, for 2025, the Department exercised its Meaningful Priority election and bought an additional 1.7% share of the Priest Rapids Project.

Columbia Basin Hydropower (formerly Grand Coulee Project Hydroelectric Authority). The Department, in conjunction with the City of Tacoma Department of Public Utilities, Light Division ("Tacoma Power"), has power purchase agreements with three Columbia River basin irrigation districts for the acquisition of power from five hydroelectric plants under 40-year contracts expiring between 2022 and 2027. These plants, which utilize water released during the irrigation season, are located along irrigation canals in eastern Washington. The plants generate power only in the summer and thus have no winter peak capability. Plant output and costs are shared equally between the Department and Tacoma Power. In 2023, the Department received 249,373 MWh from the projects. The Department currently expects to let the remaining contracts expire.

High Ross Agreement. See "—Department-Owned Resources—Skagit Project."

Lucky Peak. The Lucky Peak Hydroelectric Power Plant ("Lucky Peak") was developed by three Idaho irrigation districts and one Oregon irrigation district (the "Districts"). Since it began operation in 1988, the Department has purchased all the power generated by Lucky Peak in exchange for payment of costs associated with the plant and royalty payments to the Districts. The Department also signed a transmission services agreement with Idaho Power Company ("Idaho Power") to provide for transmission of power from Lucky Peak to a point of interconnection with the BPA transmission system. The FERC license for Lucky Peak expires in 2030. The plant is located on the Boise River, approximately ten miles southeast of Boise, Idaho, at the Lucky Peak Dam and Reservoir. Power generation was 332,046 MWh in 2023. The nameplate capacity is 113 MW, but the plant operates only during the irrigation season, so it provides no peak capacity during the Department's winter peak period.

Since 2007, the Department has entered into agreements to exchange the entire output of the Lucky Peak project for a fixed amount of firm winter energy. For 2024, the Department elected to take the Lucky Peak project output and deliver the energy to load or market the resource itself. The project output is not being exchanged with a counterparty. The Department is considering seasonal exchange of the output in the future.

Stateline Wind Project (Expired). Pursuant to an agreement effective from 2002 through 2021, the Department purchased wind-generated power and associated renewable energy credits ("RECs") from Stateline in eastern Washington and Oregon. The purchases contributed to the Department's I-937 compliance to date. See "—Washington's Renewable Portfolio Standard and Regulatory Compliance (Climate Commitment Act, Initiative 937, and CETA)."

The contract ended in 2021, and the Department will no longer purchase power from Stateline. However, the Department agreed to buy RECs from Stateline for the period 2022-2026, which will extend the I-937 compliance component of the project.

Small Renewables.

COLUMBIA RIDGE LANDFILL GAS. In 2009, the Department began taking delivery from Columbia Ridge, located in Arlington, Oregon, under a 20-year agreement. The plant, which has a nameplate capacity of 6.4 MW and generates an average of 50,500 MWh per year, burns methane produced by the decomposition of solid waste in the landfill. Waste Management Renewable Energy ("WMRE") is the developer, owner, and operator of the project. The Department has firm transmission for project output to the Department's retail load. WMRE added approximately 6.0 MW of additional generation in summer 2014, and the Department is buying the output from the expansion under contract. The Department received 78,333 MWh of power under the Columbia Ridge purchase contracts in 2023.

KING COUNTY WEST POINT TREATMENT PLANT. In 2010, the Department executed a power purchase agreement with King County (the "County") for the output of a cogeneration plant at the West Point Wastewater Treatment Facility in Seattle, which began commercial operation in 2014. The 4.6 MW plant is providing about 2 aMW of electrical energy and associated renewable energy credits. The contract has specific prices and annual escalation and extends until 2034.

CONDON WIND FACILITY. The Condon Wind Facility is a 49.8 MW wind project in Gilliam County, Oregon. AES Corporation, an American utility and power generation company, built the facility in 2001; in 2014 Allete, a publicly held energy company that invests in renewable energy transmission infrastructure, bought the facility and currently owns and operates it. The Department has been buying 100% of the output since October 2022, and finalized a five-year purchase contract in May 2023 (effective June 1, 2023). Average annual output is expected to be about 95,000 MWh, and the facility will help the Department diversify its supply portfolio and meet reliability and clean energy goals. The Department received 33,427 MWh of power under the Condon Wind Facility purchase contracts in 2023.

The Department has embarked on a renewables power purchase program to establish power purchase agreements with solar and wind (and other renewables) power generators. In 2024, the Department executed two power purchase agreements for the Renewable Plus program, which enables large nonresidential customers to purchase renewable resources and associated RECs on a long-term subscription basis. One or more new agreements are expected in the coming years for load service.

Wholesale Market Sales and Purchases

The Department has historically bought and sold power in wholesale power markets to balance its loads and resources. The amount of wholesale power purchased or sold has varied with water conditions and with changes in the Department's loads and firm resource base. On an annual basis, the Department expects to be a net seller of power in the wholesale market, even under adverse water conditions. See "—Integrated Resource Plan." Market sales are the highest during the spring and early summer, when river flows and runoff are the highest. Market sales are the lowest, and the Department may purchase power, in the late summer and early fall, when river flows and runoff are the lowest.

In 2023, hydro flows were below average on the Pend Oreille River and Skagit River, where the Department's primary generation hydro facilities are located. The hydro flows at the Boundary Project and Ross Dam were 70% and 73% of the historical average, respectively. The average revenue per MWh realized from surplus sales in 2023 was $50.29/MWh. Net wholesale revenue in 2023 was negative $68.3 million, significantly lower than the budgeted amount of $40 million. As of May 14, 2024, net wholesale revenue for 2024 is forecast to be negative $10.1 million, $55.1 million below the budgeted amount of $45 million. This variance will be transferred from the RSA. See "Department Financial Information—Management Discussion of Historical Operating Results 2019-2023," "—Expectations for 2024 Operating Results," and "—Financial Policies—Rate Stabilization Account."

Table 4 displays the Department's purchases and sales of power in the wholesale market over the 2019-2023 period.

TABLE 4
SUMMARY OF WHOLESALE MARKET SALES AND PURCHASES

	2019	2020	2021	2022	2023
Cost of Wholesale Purchases ($000)[1]	$ 41,839	$ 15,753	$ 52,258	$ 90,546	$ 136,923
Wholesale Market Purchases (MWh in 000s)[2]	1,028	633	1,282	1,148	1,574
Average Cost ($/MWh)	$ 40.70	$ 24.89	$ 40.76	$ 78.87	$ 86.99
Revenue from Sales ($000)[1]	$ 57,307	$ 63,434	$ 89,822	$ 103,671	$ 68,649
Wholesale Market Sales (MWh in 000s)[2]	2,123	2,606	2,543	1,951	1,365
Average Revenue ($/MWh)	$ 26.99	$ 24.34	$ 35.32	$ 53.14	$ 50.29
Net Wholesale Revenue ($000) [1]	$ 15,468	$ 47,681	$ 37,564	$ 13,125	$ (68,274)
Sales Net of Purchases (MWh in 000s)[2]	1,095	1,973	1,261	803	(209)

(1) Shown as gross, prior to netting of bookouts. Audited financial statements are shown net of bookouts (only short-term bookouts netted against purchases while both short-term and long-term bookouts netted against sales). Bookouts occur when energy is financially settled net without physical delivery, upon agreement among the counterparties, because sales and purchases were separately transacted for delivery at the same time and point of delivery.

(2) On April 1, 2020, the Department entered the CAISO EIM. Since the EIM is not a traditional bilateral market, MWh volume statistics are currently unavailable and not reported in this table. If the MWh volumes were included, the average cost and average revenue per MWh would be lower than presented.

Source: Seattle City Light Department, Accounting Division

Wholesale Energy Risk Management

The Department sells its surplus power in the wholesale power markets, and the revenue generated is used to offset costs that would otherwise be borne by the Department's retail ratepayers. The Department's wholesale energy marketing activities are managed by its Power Management Division, and the Department's risk management activities are carried out by its Risk Oversight Division. Additionally, the Department's Risk Oversight Council ("ROC") serves as the primary body with the authority and responsibility for overseeing and implementing the Department's Wholesale Energy Risk Management ("WERM") Policy and leading the Department's energy risk management efforts. ROC is comprised of four voting and three non-voting members. The three voting members are the Director of Risk Oversight (Chair), Chief Financial Officer (Acting-Chair), and the Power Supply Officer. Each has a single vote. The three non-voting members are the Director of Power Management, Manager of Power Marketing, and Risk Oversight Strategic Advisor. ROC meets at least twice per month to review recent events in the wholesale power markets and the Department's market positions, exposures, WERM Policy compliance, and portfolio-balancing strategies and plans.

Under the WERM Policy, the Department has the authority to enter into agreements to manage various risks associated with power transactions as long as any agreements are not purely speculative and can be tied to managing an

underlying power purchase, asset, or price risk. The Department has not entered into any hedging agreements under an International Swaps and Derivatives Master Agreement. However, the Department does enter into certain forward purchase and sale of electricity contracts that meet the Governmental Accounting Standards Board ("GASB") definition of a "derivative instrument," and they are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. See Appendix C—2023 Audited Financial Statements of the Department—Note 19.

Energy Market Risk. For the Department, energy market risk is the risk of adverse water conditions and fluctuations in the price of wholesale electricity. Factors that contribute to energy market risk include regional planned and unplanned generation plant outages, transmission constraints or disruptions, the number of active creditworthy market participants willing to transact, and environmental regulations that influence the availability of generation resources.

To limit energy risk exposure, the Department is not authorized to buy or sell physical energy and associated products in the wholesale energy market more than 60 months prior to the hour of delivery. For longer-term transactions, City Council approval is required. The Department's principal objective is to ensure that the Department meets retail customer demand in a way that generates additional value from its generation portfolio, with due consideration of risk. Risk tolerance levels are documented in the WERM Procedures document.

The Department's exposure to variable output from its hydroelectric resources and market price risk is managed by the Director of Power Management under the supervision of the Energy Innovation and Resources Officer, with oversight and approval from ROC. The Department engages in market transactions to meet its load obligations and to realize earnings from surplus energy resources. Except for limited intraday and day-ahead transactions, to take advantage of the ability to store water at certain generating facilities to meet operational obligations, the Department does not take speculative market positions in anticipation of generating revenue.

While the Department's revenue from wholesale energy market sales and reliance on such revenues has been declining, the Department continues to emphasize the management of risks associated with such activities with the same vigor. Policies, procedures, and processes have been established to manage, control, and monitor these risks and ensure proper segregation of duties.

Credit Risk. If a counterparty fails to perform on its contractual obligation, the Department may find it necessary to procure or sell electricity at current market prices, which may be unfavorable compared to the contract price. If a counterparty fails to pay its obligation in a timely manner, this has an impact on the Department's revenue and cash flow. As with market risk, the Department has policies and procedures in place to mitigate credit risk.

Wholesale counterparties are assigned credit limits based on evaluations of their financial condition, including consideration of liquidity, cash flow, credit ratings, and other indicators from debt and capital markets as deemed appropriate. Credit limits are also used to manage counterparty concentration risk. There is potential for the concentration of credit risk related to geographic location, as a large number of counterparties with which the Department transacts are in the western U.S. This concentration of counterparties and of geographic location may impact the Department's overall exposure to credit risk, either positively or negatively, because counterparties may be similarly affected by changes in conditions.

Credit limits, exposures, and credit quality are actively monitored. Despite such efforts, defaults by counterparties may occur. The Department's risk policies and some of its contracts require either party to post collateral if certain conditions occur. Posted collateral may be in the form of cash or letters of credit and may represent prepayment or credit exposure assurance. The Department is not currently posting collateral under any of its contracts and does not expect to do so.

Washington's Renewable Portfolio Standard and Regulatory Compliance (Climate Commitment Act, Initiative 937, and CETA)

Climate Commitment Act. The Department must comply with the Climate Commitment Act of 2021 ("CCA"), which requires reductions in greenhouse gas emissions from most sectors of the economy, including the electric utility sector, beginning in 2023. Electric power entities, including the Department, will receive no-cost allowances from the State which can be used to meet their compliance obligations; the first compliance period is 2023 to 2026. Ecology allocates

the no-cost allowances and may make adjustments. The Department will have a compliance obligation when it imports or receives power from emitting sources or when the specific generating source cannot be documented. The CCA requires reductions in greenhouse gas emissions to 45% below 1990 levels by 2030 and further reductions after that, to 95% below 1990 levels by 2050.

I-937. I-937, also referred to as the Energy Independence Act, was approved by State voters in 2006. Under I-937, utilities such as the Department with more than 25,000 retail customers in the State are required to serve certain percentages of retail load with eligible renewable resources and/or purchase equivalent quantities of RECs. This requirement increased over time: 3% of load by January 1, 2012, 9% by January 1, 2016, and 15% by January 1, 2020. I-937 also requires utilities to pursue all available conservation that is cost-effective, reliable, and feasible, and imposes deadlines for meeting conservation targets. The law specifies what types of renewable generation are eligible to meet the renewable portfolio standard. Existing hydropower is not considered a renewable resource, but incremental hydropower is considered renewable if it is the result of efficiency improvements completed after March 30, 1999, and meets other qualifications. The Department considers I-937 during the preparation of its Integrated Resource Plan ("IRP"), as discussed further below, and the potential for cost-effective, reliable, and feasible conservation measures that could be derived from more efficient energy use by customers and by the Department's production and distribution facilities.

I-937 allows for alternative compliance options if a utility has no load growth or if the utility reaches a cost cap on spending for eligible resources. For the period in which the Department has no load growth as defined by I-937, it used the no load growth compliance option. The Department used the no load growth compliance option from 2019 through 2023. For 2024, the Department anticipates that it will no longer qualify for the no load growth alternative compliance option and will comply with I-937 with the more standard compliance requirement of securing at least 15% of its resource needs with Renewable Energy Credits from qualifying resource types.

Clean Energy Transformation Act. Enacted in 2019, the Clean Energy Transformation Act ("CETA") sets additional milestones for reaching 100% renewable or non-emitting electricity supply by 2045. On February 1, 2022, the City Council adopted Resolution 32040 approving the Department's preliminary clean energy implementation plan setting its own targets for energy efficiency, demand response, and renewable energy. By 2025, utilities must eliminate coal-fired electricity from their supply purchases. By 2030, utilities must supply energy from 100% greenhouse gas-neutral resources, allowing for the use of RECs. The 2030 milestone specifies that at least 80% of retail sales must be met with generation sources that do not emit greenhouse gases and remaining sources of greenhouse gas emissions must be offset with energy transformation projects or RECs. By 2045, utilities must supply State customers with electricity that is 100% renewable or non-emitting. CETA includes provisions to study the effects of these goals on cost and reliability, and provides off-ramps and alternative compliance means at various points. CETA also requires utilities to provide an equitable transition to cleaner energy through consideration of the energy and non-energy impact of resource decisions. The Department itself owns no coal-fired resources (the 2025 milestone) and is well positioned to meet the 2030 requirements, given its low carbon energy portfolio. Over the next several years, the Department expects to develop strategies to meet the 2045 goal.

Conservation

The Department measures energy conservation results in terms of cost, amount, and duration of savings using regionally and nationally recognized methods. In 2023, the Department achieved 8.4 aMW (70,388 MWh) of energy savings from completed projects, which cost the Department $29.2 million in incentives and expenditures associated with the delivery of the energy savings. Total savings in place in 2023 amounted to approximately 155.91 aMW (1,365,761 MWh), representing approximately 15% of the Department's total retail sales in 2023. The Department's retail load has been declining since 2011, due in part to its robust conservation program. See "Department Financial Information—Management Discussion of Historical Operating Results 2019-2023."

Under I-937, the Department is required to establish two-year conservation targets. For the 2024-2025 biennium, the I-937 total energy savings target is 18.0 aMW.

The Department's Customer Energy Solutions Division has a long-standing relationship with BPA. Through various contractual agreements over a 30-year period, BPA has provided funding for energy conservation activities, including $8.7 million for energy conservation activities over FFY 2022 and 2023, which will fund approximately 15% of the

Department's total energy savings delivered during this time period. In addition to the current funding, BPA is providing technical assistance for industrial projects and offering regional conservation programs to the Department.

Integrated Resource Plan

The Department's IRP evaluates a range of resource portfolios that are designed to meet its future resource needs in compliance with State statutory and regulatory requirements. The IRP is one planning tool used by the Department and is informed by the utility's Strategic Plan and Demand Side Management Potential Assessment. The full IRP process is completed every four years, with a partial update (known as a Progress Report) completed halfway through each period every two years that addresses changes in customers' power needs, existing power supply, and assumptions on new energy resource technologies to help inform resource decisions. A key objective of the IRP is to ensure that long-term customer demand can be met with sufficient dependable resources under variable hydro and weather conditions. The IRP preferred resource portfolio is selected after being evaluated against four criteria: reliability, cost, environmental impact, and risk.

The Department's last IRP was approved by the City Council and filed with the Department of Commerce ("Commerce") by the deadline of September 1, 2022. The 2022 IRP indicated a need for the Department to acquire new resources to meet growing customer load. Work on the 2024 IRP Progress Report is currently underway and will be filed with Commerce by September 1, 2024. The Department's next IRP will be due to Commerce by September 1, 2026.

In 2020, the Department updated its evaluation framework to better account for CETA and the impacts of climate change, energy efficiency, and clean technology advancements on the regional resource mix. The new IRP framework helps the Department stay ahead of these fundamental changes in regional generation. The new framework has provided advancement in analyses that align the Department's resource strategy with its evolving conservation, demand response, distribution system and transportation, and building electrification plans, with improvements to the evaluation of climate change and electrification scenarios. The effort also benefited from the use of analysis and data from an Electrification Assessment, performed by the Department in collaboration with the Electric Power Research Institute and published in late 2021. As the energy market continues to evolve, the Department is continuing to evaluate and upgrade the analytical tools it uses to complete the IRP.

TRANSMISSION AND DISTRIBUTION

Introduction

The Department owns transmission facilities for the delivery of energy from the Skagit Project to the Department's service area. The Department also owns transmission lines interconnecting the Boundary and Cedar Falls Projects to other utilities' transmission systems that allow delivery to the Department's customers or to wholesale markets. See "—Transmission Contracts—Transmission Arrangements with BPA" and "—Other Transmission Contracts." In addition, the Department has entered into contracts with BPA and others to provide additional transmission capacity for the Boundary Project and all contracted resources that require transmission. These owned facilities and contracted transmission capacity provide the Department with sufficient capacity for meeting its projected winter peak load and delivering the maximum output from all remote resources.

Department-Owned Transmission

The Department owns and operates 667 miles of transmission facilities. The principal transmission lines are the generation interconnection lines transmitting power from the Skagit Project to the Department's service area. Other important facilities include the tie lines connecting the Boundary, South Fork Tolt, and Cedar Falls Projects with BPA's and Puget Sound Energy's transmission grid and transmission within the Department's service area.

In 1994, the Department signed an agreement with BPA for the acquisition of ownership rights to one-thirtieth (160 MW at full rating) of the transmission capability over BPA's share of the Third AC Intertie, which connects the Pacific Northwest with California. The benefits from this investment include avoidance of BPA's transmission charges associated with power sales and the ability to conduct exchanges over the Intertie and enter into long-term firm contracts with out-of-State utilities.

Transmission Contracts

Transmission Arrangements with BPA. The bulk of the Department's remote generation (the Boundary Project, BPA products, and other long-term contracts) and other market transactions utilize BPA's point-to-point ("PTP") transmission service agreement. See "Power Resources and Cost of Power—Department-Owned Resources—The Boundary Project." The agreement with BPA provides the Department with 1,962 MW of transmission capacity through 2025. In 2019, BPA changed its tariff implementation practices for PTP, resulting in the Department determining the need to request to add 279 MW of transmission capacity to the 1,962 MW of existing transmission capacity, for a total of 2,241 MW. The Department has the right to extend the current terms, and plans to negotiate a suitable extension prior to 2025. This capacity amount ensures that the Department can deliver the maximum output of the Boundary Project and the BPA purchase contract to its customers. Effective October 1, 2021, BPA raised its PTP transmission and other associated rates by a cumulative 6.2% for the rate period FFY 2022-2023. In October 2022, BPA announced a settlement for transmission rates for the BP-24 period holding the major rates steady from 2022-2023. The new transmission costs, along with power costs, will be used in the BPA pass-through calculation. See "Power Resources and Cost of Power—Purchased Power Arrangements—Bonneville Power Administration" and "Departmental Financial Information—Retail Rates."

The Department has a "multiple-to-multiple" transmission service contract with BPA that is expiring on October 1, 2024. Under the open access transmission tariff ("OATT"), the Department has the right to continue to take transmission service from BPA when its contract expires, rolls over, or is renewed. The Department and BPA are currently working through some differences about how the rollovers should occur. Those differences may go to arbitration. Regardless of the outcome, the Department expects to continue to provide reliable, affordable service using BPA transmission.

Power supplied to the Department by B.C. Hydro under the High Ross Agreement is transmitted over BPA's lines under a separate PTP transmission service agreement extending through 2035. This agreement has been assigned to Powerex Corporation, a British Columbia corporation tasked with carrying out certain responsibilities of B.C. Hydro with respect to the High Ross Agreement, including the delivery of High Ross power. Under the provisions of the transmission assignment agreement, Powerex pays BPA directly for all costs associated with the High Ross PTP contract. See "Power Resources and Cost of Power—Department-Owned Resources—Skagit Project."

Other Transmission Contracts. The Department transmits power under contracts with Idaho Power for the transmission of power from Lucky Peak, with Avista and Grant PUD for transmission of power from Columbia Basin Hydropower, with Puget Sound Energy for transmission of power from the Cedar Falls and South Fork Tolt Projects, and with other utilities.

The Department may require additional purchases of transmission in the future to accommodate the delivery of power from additional resource acquisitions to the Department's retail customers. The Department may purchase short-term and/or non-firm transmission for its sales of power in the wholesale market and may sell excess transmission that is not needed to serve load and balance resources.

NorthernGrid (Formerly ColumbiaGrid)

ColumbiaGrid, formed in 2006 by a group of investor-owned and public utilities, including the Department, and BPA, currently provides inter-utility regional transmission planning services to its members in the Pacific Northwest. ColumbiaGrid is not a Regional Transmission Organization under FERC policies but provides services on a bilateral, contractual basis. ColumbiaGrid's planning role enables the Department to meet federal requirements for regional transmission planning.

As of January 1, 2020, the members of the ColumbiaGrid, along with several additional public and private electric utilities in the Pacific Northwest, transitioned to a new organization called the NorthernGrid, creating a single stakeholder forum for transmission planning in the region. The new organization's goals include collaborating on transmission-related matters relevant to the Pacific Northwest and Intermountain region and facilitating FERC transmission planning compliance, including economic studies and cost allocation.

Open Access Transmission Services

The Department is committed to offering comparable open access transmission service. In 2009, the City Council approved legislation authorizing the Department to implement and administer an OATT. In October 2020, the City Council approved a revised OATT, which included updated rates, terms, and conditions. Although the Department provides wholesale transmission service under several legacy, bilateral agreements, no party is currently receiving service under the Department's OATT.

Retail Service

The Department owns, operates, and maintains overhead and underground transmission and distribution facilities within its 131-square-mile service territory. The Looped Radial distribution system consists of 2,331 miles of overhead and underground wiring. The Looped Radial design consists of single feeder providing electrical energy to customers. The Department operates 16 major substations throughout the service area, which supply power to the distribution system's primary feeders and ultimately to the Department's retail customers. Customers in the downtown Seattle, University District, and First Hill neighborhoods are served by a more reliable multiple-feeder Network Distribution design system. The Network Distribution system consists of 348 miles of 13 kilovolt ("kV") and 26 kV underground wiring.

Operation and Maintenance

The Department updates its load forecast periodically to track changes in electricity consumption throughout the distribution system. Based on this forecast, the Department makes provisions and recommendations for capacity projects related to transmission, substation, telecommunications, and distribution facilities to serve the system loads.

The Department's System Control Center controls hydroelectric power operations and monitors delivery of power to the service area. Staff use a real-time Energy Management System that provides information about loads and resources to the power dispatchers so they can properly balance load and resources and respond to system disturbances.

The Department is in the process of updating its Outage Management System, which is designed to improve operational efficiencies and provide timely information to the dispatchers and customers while operations staff are responding to service interruptions. The Department maintains a work and asset management system, the foundational technology for an asset management practice, to assist in work scheduling and asset cost tracking and act as a data repository. This system is currently planned for replacement by 2026.

The Department inspects the vaults through which transmission lines run, and maintenance programs have been established for steel lattice tower and monopole transmission equipment. The Department conducts periodic inspections and maintenance on batteries that supply control power to protection systems for certain higher capacity transmission lines. Protective relays are tested and maintained on a periodic basis to satisfy NERC requirements.

Pole Maintenance. The Department maintains nearly 92,000 wood poles in its service area. Since 2009, the Department has inspected the wood poles and replaced 12,000 of them between 2010 and 2019. In April 2019, an incident occurred involving the simultaneous failure of a section of 26 wood poles during a high wind event. The Department engaged an engineering firm to conduct an independent review of the incident and identify potential causes of the failure. A final report was published in November 2019. Some of the key recommendations included a narrowing of the rating criteria and establishment of a program for the rapid replacement of the aging wood poles in the service area. Subsequently, the Accelerated Pole Replacement Program was launched to help replace 6,000 pole backlogs and continue to identify replacement and rehabilitation candidates through the new test and treatment program. Wood pole maintenance is an ongoing program.

Underground Cable Replacement. The Underground Cable Replacement program is an ongoing system-wide reliability-improvement program. The Cable Replacement program began in 2013 and since then has installed nearly 25 miles of new duct systems as a start to the larger program of replacing the approximately 300 miles of the remaining old direct buried cables over the next 30 years.

Federal Regulations

The Department's Regulatory Affairs Office ("Regulatory Affairs") manages the Department's regulatory programs associated with transmission and wholesale sale of power. Regulatory Affairs ensures compliance, oversees regulatory interactions, and advises on orders, policies, or rules proposed by a regulatory agency. The Department's largest oversight program concerns bulk power system reliability, with moderate programs for other pertinent regulatory areas. The Director of Regulatory Affairs, who also serves as the Chief Compliance Officer, reports to the Chief Financial Officer and has direct access to the General Manager and Chief Executive Officer. Regulatory Affairs functions independently of the Department's operating divisions.

Reliability Compliance Program. Because the Department owns, operates, and uses the bulk power system, Section 215 of the Federal Power Act requires the Department to comply with electric reliability standards. The objective of the Department's reliability compliance program is to achieve and maintain compliance with FERC reliability standards, foster a culture of compliance, and enable reliable, secure, and efficient electric system operations. The Electric Reliability Compliance Program Policy documents the Department's regulatory compliance program for FERC reliability standards, providing the framework and key elements of the Department's Compliance Program and describing the responsibilities of the Department's officers and employees. The program incorporates a compliance framework of five interdependent elements, including policies and operating procedures, communication and training, assessment, processes for addressing and remedying compliance concerns, and periodic operating division review, and is designed to ensure compliance and prevent, detect, and correct non-compliance.

Regulatory Affairs conducts assessments on both a regular and periodic basis. Assessments may be performed internally or by external consultants. Regulatory Affairs deploys a risk assessment to determine when a periodic assessment should occur and to determine which FERC reliability standards to evaluate. Risk criteria include regulation complexity or novelty, similar or recurring patterns of Department noncompliance, or material change in Department infrastructure, practices, and/or personnel. Regular assessments occur triennially and annually. Regulatory Affairs engages a consultant to perform the triennial assessment for both due diligence and independence, and to aid Department preparation for its regulatory compliance audit. Annual assessments occur as part of the Department's self-certification process. Finally, periodic assessments include evaluation of Department compliance associated with regulatory and operational change.

The Western Electricity Coordinating Council ("WECC") audits the Department triennially; its last audit occurred over a two-week period from September 25, 2023, to October 6, 2023. WECC performed a combined audit and reviewed Cyber Security/Critical Infrastructure Protection and Operations and Planning standards. WECC audited Department compliance for nine standards and 15 individual requirements. This is an overall reduction, as compared to previous Department audits, and reflects WECC's assessment of the Department's relative compliance and reliability risk. The Department experienced a successful audit, with one instance of potential noncompliance, which the Department fully mitigated before the end of the audit.

Federal Energy Market Legislation. Section 222 of the Federal Power Act prohibits electric energy market manipulation. The catalyst for these regulations was the market manipulation associated with the 2000-2001 Western energy crisis. The regulations and rules broadly apply to and affect municipal utilities such as the Department. The Department requires annual training for employees with responsibilities associated with the purchase and sale of energy and transmission, finance/risk management, and regulatory compliance.

Federal legislation allows the Commodity Futures Trading Commission to regulate clearing and exchange requirements for the purchase and sale of commodity derivatives, including energy derivatives, which legislation affects entities that transact with municipal utilities.

Historical Sales

Residential customers make up roughly one-third of total customer sales. Retail power sales in the Department's service area are most affected by economic growth and weather conditions, mainly temperature. Annual peak load occurs in the winter season, due to the use of electricity for residential space heating. Short winter days also increase the consumption of power for both residential and nonresidential lighting. Increased load on hot summer days is due to nonresidential air conditioning. Summer peak load is well below winter peak load.

Table 5 shows that the number of residential and non-residential customers has been increasing during the last five years, at an average annual growth rate of 1.7%. Retail energy sales largely varied with weather between 2019 and 2023. Retail energy sales dropped just over 5% in 2020 due to the COVID-19 pandemic-related public health measures and the related economic recession, rebounded just over 5% in 2021 as the economy began recovering from the pandemic, and increased almost 3% in 2022 due to colder than normal temperatures during the heating season and warmer than normal temperatures during the cooling season. In 2023, retail sales decreased around 3% due primarily to milder weather. On a weather-adjusted basis, retail sales have been relatively flat during 2021-2023. Peak system demand for the period 2019-2023 was 1,917 MW in December 2022, compared to the record peak load of 2,055 MW recorded in December 1990 due to unusually cold weather.

TABLE 5
RETAIL CUSTOMER ACCOUNTS, ENERGY SALES, AND ENERGY REQUIREMENTS

	2019	2020	2021	2022	2023
Average Number of Customer Accounts					
Residential	419,601	426,359	433,686	441,926	451,055
Non-Residential	50,779	51,219	51,469	51,737	52,166
Total Customer Accounts	470,380	477,577	485,155	493,663	503,221
Energy Sales (MWh)[1]					
Residential	3,091,019	3,192,877	3,320,729	3,334,209	3,158,610
Non-Residential	6,030,940	5,446,010	5,757,653	5,983,684	5,881,456
Total Energy Sales	9,121,959	8,638,887	9,078,382	9,317,893	9,040,066
Peak Demand (MW)	1,806	1,757	1,896	1,917	1,794
Energy Requirements (MWh)					
Total Energy Sales	9,121,959	8,638,887	9,078,382	9,317,893	9,040,066
Energy used in Operation	26,962	26,203	26,537	27,466	26,797
System Losses[2]	387,653	549,228	423,886	472,664	571,666
Total Energy Requirements[3]	9,536,574	9,214,318	9,528,805	9,818,023	9,638,529

(1) Amounts include an allocation for the net change in unbilled revenues.

(2) Includes transmission and distribution losses.

(3) Firm energy required in the Department's service area.

Source: Seattle City Light Department, Accounting Division

Largest Customers

Table 6 provides a list of the Department's ten largest customers in 2023.

TABLE 6
TOP TEN CUSTOMERS

Customer	Customer Profile	Annual Dollars Billed	% Total Retail Revenue
University of Washington	Higher Education	$ 33,039,431	3.2%
Nucor Corporation	Steel Manufacturer	29,399,009	2.8%
Amazon	Technology Company	21,145,445	2.0%
Boeing	Airplane Manufacturer	17,291,656	1.7%
Sabey Corporation	Data Center	14,849,315	1.4%
King County	Government	14,449,144	1.4%
City of Seattle[(1)]	Government	11,503,296	1.1%
2001 Sixth LLC	Data Center	10,975,012	1.1%
US Government	Government	8,294,341	0.8%
Seattle Children's	Hospital/Research	7,249,796	0.7%
		$ 168,196,445	16.3%

(1) Includes street lighting, which covers both the costs to provide electricity to street lights and the costs to install, service, repair, and replace street lights.

Source: Seattle City Light Department, Finance Division

Financial Policies

In 2010, the City Council established revised financial policies and additional parameters for the RSA within the Light Fund. The financial policies include three main elements: (i) additional parameters for the funding, operation, and expenditure of amounts in the RSA, together with the creation of automatic rate surcharges to replenish the RSA, (ii) a rate-setting guideline to maintain debt service coverage, and (iii) a requirement for revenue funding a portion of the Department's capital program. Each provision is discussed in greater detail below.

Rate Stabilization Account. The RSA is drawn down to supplement revenues when surplus power sales revenues are below the budgeted amount (due to low water or lower wholesale prices, for example), and deposits are made to the RSA if surplus power sales exceed expectations. The financial policies specify the target size of the RSA between $100 million and $125 million and authorize the collection of a temporary automatic surcharge on electric rates in the event the RSA drops to $75 million or below. Pursuant to City ordinance, the Department is required to take action to bring the RSA balance down to $110 million if, at any time, the balance exceeds $125 million. See "—Retail Rates—Rate Setting" and "Security for the Bonds—Rate Stabilization Account."

The RSA has been in use since January 1, 2011. In 2021, the number of surcharge thresholds was reduced from three to two and lowered to $75 million and $50 million, and the frequency of review of the surcharges was changed to being evaluated twice a year as opposed to quarterly, as shown in Table 7. The March 2023 RSA balance fell below $50 million, triggering a 4% surcharge effective June 1, 2023. However, Ordinance 126819 authorized the Department to make one or more discretionary transfers in 2023 and canceled the June 2023 surcharge implementation. A $30 million transfer from the operating account to the RSA was completed in May 2023, an additional $30 million transfer was made to the RSA in August 2023, and a final $40 million transfer was made in December 2023. The RSA balance at the end of September 2023 was $28.5 million, triggering a 4.0% surcharge, which was implemented January 1, 2024. The RSA balance at the end of 2023 was $65.8 million. The 4.0% RSA surcharge is expected to remain in effect through all of 2024. See "Department Financial Information—Expectations for 2024 Operating Results."

TABLE 7
AUTOMATIC SURCHARGES

RSA Balance	Action
Less than or equal to $75 million but greater than $50 million	Automatic 2.0% surcharge
Less than or equal to $50 million but greater than $25 million	Automatic 4.0% surcharge
Less than or equal to $25 million	City Council must initiate rate review within 30 days and determine actions to replenish RSA to $100 million within 24 months

The Adopted Net Wholesale Revenue ("NWR") RSA planning values have generally been trending downward since the RSA was implemented to transition to less dependence on sales of surplus wholesale power that aligns with lower expected net wholesale volumes and market prices. The Adopted 2024 NWR RSA planning value is $45 million. The proposed 2025-2030 Strategic Plan assumes the NWR budget will decrease to $25 million to reset for current market conditions and then gradually increase over time to account for possible new resource acquisitions. See "Seattle City Light Department—Strategic Plan."

Debt Service Coverage. The Department's financial policies require setting rates designed to achieve a debt service coverage ratio (Net Revenue divided by Debt Service) of 1.80x based on the annual Department budget. See Table 12—Historical Debt Service Coverage. The Bond Ordinance requires that gross revenues be sufficient to pay the Department's maintenance and operation expenses and provide for the payments required to be made into the Parity Bond Fund.

Funding of Capital Improvement Program. The Department's policy is to fund its Capital Improvement Program ("CIP") so that on average, over the term of any given six-year CIP, approximately 40% of the expenditures will be funded with cash from operations, including contributions to fund connections or extensions. The percentage of cash from operations available to fund the CIP in a given year varies, depending on the Department's revenues and expenses. The Department intends to use cash from operations that was previously identified to be used for capital purposes for the retirement of outstanding debt. Cash from operations utilized for this purpose will be included toward meeting the target of 40% of CIP funding from cash from operations. See "Capital Requirements—Financing Plans."

Liquidity. While not a formally adopted financial policy, the Department established in the Adopted 2023-2028 Strategic Plan a planning target for a minimum balance of cash on hand equal to 130 days of operating expenses. In the proposed 2025-2030 Strategic Plan, the target is increased to 150 days of operating expenses. As of December 31, 2023, the Department's cash balance equaled 140 days of operating expenses. See "Seattle City Light Department—Strategic Plan."

Leverage. While not a formally adopted financial policy, the Department also included a leverage target in the proposed 2025-2030 Strategic Plan. The target is maintaining a debt-to-fixed asset ratio of under 60%. The debt-to-fixed asset ratio as of December 31, 2023 was 57.5%. See "Seattle City Light Department—Strategic Plan."

City Investment Pool

The Treasury Services Division of the Office of City Finance within the Department of Finance and Administrative Services invests the Department's funds. See "The City of Seattle—Investments" and Appendix C—2023 Audited Financial Statements of the Department—Note 5. The City's Director of Finance is authorized to make loans to individual funds participating in the City's common investment portfolio (the "Investment Pool"), including the Light Fund, by carrying such funds in a negative cash position for a period of up to 90 days, or for a longer period upon approval by the City Council by ordinance, to the extent such loans can be supported prudently by the Investment Pool and the borrowing fund is reasonably expected to be able to repay the loan. Such loans bear interest at the Investment Pool's rate of return. Currently there are no Investment Pool loans to the Department. See "The City of Seattle—Investments—Interfund Loans."

Taxation and Intergovernmental Payments

The Department pays a utility tax to the City equal to 6% of Gross Revenues from retail sales, less certain adjustments. The proceeds of this tax are deposited into the City's General Fund. The City Charter does not permit the Department to pay taxes to the City's General Fund "until ample provision has been made for the servicing of the debts and obligations of the utility and for necessary betterments and replacements for the current year." A State public utility tax is paid at a rate of 3.8734% of Gross Revenues from sales within the State, less certain adjustments.

Certain contractual payments are made to Pend Oreille and Whatcom Counties for services rendered by these jurisdictions where the Department has generating facilities. In addition, under the terms of franchise agreements with several suburban cities, the Department makes monthly payments to the cities of Shoreline, Burien, Lake Forest Park, SeaTac, and Tukwila (the "Franchise Cities") in amounts ranging from 4% to 6% of the revenue from rates charged to customers residing in those cities. A new franchise agreement with the County for the unincorporated service area became effective in 2023 and consists of payments to the County of 8% of retail revenue from respective County customers. The Department also passes through municipal utility taxes of 2% to Lake Forest Park and 6% to Normandy Park. See "—Retail Rates—Rates for Customers Outside the City of Seattle." The Department incorporates expected payments to the suburban cities into the retail rates that it charges retail customers residing in those cities. See "—Retail Rates."

Retail Rates

Rate Setting. The City Council has exclusive jurisdiction with respect to establishing and revising the Department's retail rates. State law requires that rates be fair, nondiscriminatory, and fixed to produce revenue that is adequate to pay operation and maintenance expenses of the Department and to meet all debt service requirements payable from such revenue. In its retail rate-setting capacity, the City Council is not subject to control by the Washington Utilities and Transportation Commission, but it is subject to certain rate-making provisions of the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Department has never been cited for failing to comply with PURPA, and believes that it is operating in compliance with PURPA's requirements.

Since 1980, the City Council has conducted periodic reviews of the Department's rate levels and rate structure, normally at intervals of two or three years. In the course of its rate reviews, the City Council holds public meetings to consider the Department's proposed operating budget, capital improvements plan, load forecast, and resource plans. Based on these planning documents, as approved by the City Council, the Department's staff estimates the Department's revenue requirements and develops a rate proposal that is expected to produce the required amount of revenue and will allocate the revenue requirement among the various rate classes in accordance with adopted City policies. The City Council makes final decisions regarding rates through passage of a rate ordinance.

The current rate-setting objectives recommended by the Review Panel include maintaining transparency so that customers easily understand what services they are paying for, establishing rates sufficient to meet the annual revenue requirement, maintaining cost-based rates that are stable and predictable, encouraging the efficient use of resources needed to provide electrical service, designing rates that reflect the City's Climate Action Plan with the goal of decarbonization, maintaining affordable rates for all customers including discounted rates for qualified low-income residential customers, and providing for customer choice in rates and billing options to reflect the diversity of customers' energy needs and interest. On September 26, 2022, the City Council passed Ordinance 126677 approving average rate increases of 4.5% in 2023 and 2024. This rate ordinance includes optional time-of-use rates for residential and small and medium general service customers and commercial charging rates. However, time-of-use rates will not be available to customers until sometime in 2025 when the utility will have the technology solutions in place to support a full implementation of the pricing program. The ordinance also introduces daily base service charges for the commercial classes in 2023. The proposed 2025-2030 Strategic Plan assumes average rate increases of 5.4% in 2025 and 2026. See "Seattle City Light Department—Strategic Plan."

Automatic BPA Rate Pass-Through. The City Council passed an ordinance in 2001 that allows the Department to pass through to its customers the financial impact of any increase or decrease in rates charged by BPA. The Department uses forecast values for future BPA costs when it sets retail rates. When final BPA rates/costs are adopted, any differences in costs are passed through to the Department's customers via a per-kWh credit or charge. These rate changes take effect without passage of a new ordinance by the City Council. The ordinance was amended by City

Council ordinance in 2013 to clarify that the pass-through applies to both power and transmission rate changes. A BPA passthrough equivalent to 1.1% of retail rates was implemented January 1, 2024. The passthrough is associated with higher BPA purchased power costs associated with a 10.8% increase in purchase volumes. See "Power Resources and Cost of Power—Purchased Power Arrangements."

Rates for Customers Outside the City of Seattle. The Department provides electric service to the residents and businesses in the Franchise Cities and unincorporated parts of the County under individual franchise agreements. The agreements grant the Department a non-exclusive franchise to operate within the right-of-way owned by the Franchise Cities and the County, and establish terms and conditions under which the Department works with the Franchise Cities and the County on a variety of related issues, including but not limited to rates as established by the City Council, fees, and operational requirements. Rates for Department customers in the Franchise Cities and unincorporated parts of the County are up to 8% higher than rates for customers located within the Seattle city limits to account for higher costs associated with the franchise agreements. The exact rate difference varies and depends on the terms of each franchise agreement.

Fifteen-year franchise agreements are currently in place for four Franchise Cities. Recently renewed agreements expire in 2029 (Shoreline) and 2030 (Lake Forest Park, SeaTac, and Burien). The Department has a ten-year franchise agreement with the County that was finalized in 2022. The franchise agreement with Tukwila expired in March 2018, and services are continuing under the expired agreement until a new agreement is executed. The Department is currently negotiating a franchise agreement with the City of Normandy Park for the small area served by the Department in that city. See "—Taxation and Intergovernmental Payments." The franchise cities (including unincorporated King County) represent approximately 99% of the Department's retail power sales outside the City but within the service area.

The franchise agreements include provisions for payment for service levels that exceed the standard levels normally provided by the Department. The Department currently collects revenue from customers in Shoreline and Burien to reimburse the capital costs of seven completed undergrounding projects: five in Shoreline and two in Burien. These undergrounding charges will be in effect for approximately 25 years, or until the Department has been reimbursed with interest for the capital cost of the projects.

The Department's service area also includes small portions of the cities of Normandy Park and Renton, which represent less than 1% of sales outside the City's boundaries. The Department passes through utility taxes on behalf of the cities of Lake Forest Park (2%) and Normandy Park (6%).

Voluntary Green Power Program. Pursuant to State law, since 2002 the Department has provided customers the option of making voluntary payments to fund new renewable resources. Currently, there is one voluntary green power program for residential and non-residential customers, Green Up, which allows customers to purchase green power at a retail price of $10 per MWh. Green Up revenues are used to acquire RECs, to administer and market the program, and to invest in new local solar projects with a community benefit. Residential and non-residential customers may participate by purchasing as many blocks of 100 kWh for $1 as they choose or by matching their billed electricity consumption at the percentage of their choosing. Customers may also purchase RECs separately from their bill, for example, to earn LEED (Leadership in Energy and Environmental Design) credits, or to purchase green power for events. As of December 31, 2023, 9,153 customers participated in Green Up through payments on their bills. Green Up revenue in 2023 totaled approximately $802,000. REC purchases on behalf of Green Up customers totaled approximately 80,000 MWh in 2023. Green Up is certified and annually audited by Green-e, a clean energy certification program offered by the non-profit Center for Resource Solutions.

Historical Rates. The following table provides a summary of historical base rate increases, RSA surcharges, and BPA pass-throughs in place between 2014 and 2024.

TABLE 8
RATE CHANGES, 2014-2024

Effective Date	Percent Change	Type
January 1, 2014	5.6%	Base Rate Increase
January 1, 2015	4.2%	Base Rate Increase
October 1, 2015	1.0%	BPA Pass-Through
January 1, 2016	4.9%	Base Rate Increase
August 1, 2016[(1)]	1.5%	RSA Surcharge
January 1, 2017	5.6%	Base Rate Increase
October 1, 2017	-1.6%	BPA Pass-Through
January 1, 2018	5.6%	Base Rate Increase
January 1, 2019	5.8%	Base Rate Increase
November 1, 2019	-1.9%	BPA Pass-Through
November 1, 2019[(1)]	1.5%	RSA Surcharge Increase
January 1, 2020	5.5%	Base Rate Increase
April 1, 2021[(2)]	-3.0%	RSA Surcharge Decrease
April 1, 2021[(3)]	3.0%	Base Rate Increase
January 1, 2022	3.9%	Base Rate Increase
January 1, 2022	-1.8%	BPA Pass-Through
January 1, 2023	4.5%	Base Rate Increase
January 1, 2024	4.5%	Base Rate Increase
January 1, 2024	1.1%	BPA Pass-Through
January 1, 2024[(1)]	4.0%	RSA Surcharge

(1) Temporary surcharge effective until the quarter-end RSA balance is $100 million or more. See "Financial Policies—Rate Stabilization Account."

(2) The 3% temporary RSA surcharge was removed on April 1, 2021.

(3) Base rates were increased by 3% on April 1, 2021.

The total anticipated average retail rate increase for January 1, 2024, reflecting the adopted 2024 rate of 4.5%, a 4.0% RSA surcharge, and a 1.1% BPA passthrough, is approximately 9.6% cumulatively. See "Financial Policies—Rate Stabilization Account."

Rate and Bill Comparisons. Table 9 shows average rates and bills paid by the various customer classes, and Table 10 compares annual amounts paid by the Department's customers and the customers of neighboring utilities. The Department's rates are competitive within the Puget Sound region and among large cities in the United States, according to a comparison of the largest 25 cities based on the Edison Electric Institute Summer 2023 Typical Bills and Average Rates Report and direct survey.

TABLE 9
AVERAGE RATE IN CENTS PER KWH AND MONTHLY BILLS
(AS OF MARCH 15, 2024)

	Average Revenue in Cents per kWh							Average Monthly Bills ($)						
	City Standard	City Network[1]	Burien, King County, SeaTac & Shoreline	Lake Forest Park	Tukwila	Normandy Park	Suburban[2]	City Standard	City Network[1]	Burien, King County, SeaTac & Shoreline	Lake Forest Park	Tukwila	Normandy Park	Suburban[2]
Residential														
500 kWh per month	14.7	[3]	16.5	16.5	16.4	16.3	15.3	74	[3]	83	83	82	81	77
1,000 kWh per month	14.2		16.0	16.0	15.9	15.8	14.8	142		160	160	159	158	148
2,000 kWh per month	14.0		15.7	15.7	15.6	15.5	14.6	279		314	315	312	310	291
Small General Service														
10,000 kWh per month (40kW)	12.0	[3]	12.7	12.7	12.6	12.5	11.7	1,196	[3]	1,268	1,268	1,261	1,249	1,174
Medium General Service														
20,000 kWh per month (60kW)	11.0	14.1	11.8	11.9	11.8		11.0	2,194	2,821	2,368	2,371	2,361		2,194
200,000 kWh per month (500kW)	10.4	13.2	11.3	11.3	11.2		10.4	20,865	26,490	22,525	22,550	22,455		20,865
Large General Service														
400,000 kWh per month (1,000kW)	10.5	12.5	11.4	11.4	11.3		10.5	42,144	50,116	45,509	45,432	45,356		42,144
1,800,000 kWh per month (5,000kW)	10.5	12.7	11.4	11.4	11.3		10.5	189,592	228,234	204,729	204,379	204,039		189,592
High Demand General Service														
6,000,000 kWh per month (20,000kW)	10.1	[4]	[4]	[4]	10.9	[4]	[4]	604,855	[4]	[4]	[4]	651,577	[4]	[4]
18,000,000 kWh per month (60,000kW)	10.0				10.8			1,807,047				1,946,633		

(1) City Network includes Medium and Large General Service customers in downtown Seattle that are served by an underground, interconnected distribution network, which provides a higher level of reliability than typical radial distribution. City Network's higher rates reflect the higher costs of building and maintaining this type of distribution service.

(2) All jurisdictions outside the City of Seattle, except the cities of Burien, Lake Forest Park, SeaTac, Shoreline, Tukwila, Normandy Park, and unincorporated King County.

(3) Residential and Small General Service customers receiving City Network service are charged City standard rates.

(4) All High Demand General Service customers are located in Seattle or Tukwila.

(5) Normandy Park only has Residential and Small General Service customers in the Department's service territory.

Source: Seattle City Light Department, Finance Division

TABLE 10
ANNUAL BILL COMPARISONS WITH OTHER PUGET SOUND UTILITIES
(AS OF MARCH 15, 2024)

Monthly Use		Seattle	Puget Sound	Snohomish	Tacoma
kWh	kW	City Light ($) [1]	Energy ($) [2]	County PUD ($) [3]	Power ($) [4]
Residential					
100		254	251	205	404
500		884	872	839	805
1,000		1,708	1,650	1,451	1,306
3,000		5,000	4,758	3,895	3,312
Small General Service					
300	1	600	608	568	645
3,000	10	4,427	4,912	3,659	3,322
12,000	40	17,182	19,259	13,962	12,246
Medium General Service					
150,000	500	196,043	249,235	173,820	162,059
200,000	500	250,380	304,291	217,386	196,867
360,000	900	451,367	546,615	391,192	353,566
Large General Service					
300,000	1,000	396,080	497,083	347,511	323,124
1,000,000	5,000	1,397,887	1,929,307	1,301,384	882,348
2,500,000	7,500	3,189,073	3,994,386	2,823,332	1,861,770
High Demand General Service					
6,000,000	20,000	7,258,262	9,915,305	6,947,792	5,624,355
18,000,000	60,000	21,684,566	29,743,139	20,843,120	16,730,787
24,000,000	60,000	27,726,518	36,349,856	26,071,040	23,505,826
Last Rate Change		01/01/2024	03/01/24	04/01/2024	04/01/2024

(1) The Department's rates include municipal taxes.

(2) Puget Sound Energy's Large Demand General Service is compared to the Department's Medium, Large, and High Demand General Service. Bills are adjusted by 6% to reflect city taxes.

(3) Snohomish PUD's General Service, Medium Load, is compared to the Department's Medium, Large, and High Demand General Service. Bills are adjusted by 6% to reflect the City of Everett's utility tax rate.

(4) Tacoma Power's Small General Service is compared to the Department's Small General Service. Its General Service is compared to the Department's Medium General Service and Large General Serve 1,000 kW. The High Voltage General Service rate is used for the 5,000 kW and 7,500 kW example. The New Large Load Electric rate is used to compare to the Department's High Demand General Service rate. Electric rates include municipal taxes.

Source: Seattle City Light Department, Finance Division

Billing and Collection Processes

The Department and SPU share the same billing system to generate utility bills. The SPU Contact Center serves as the primary point of contact for both the Department and SPU customer inquiries. SPU staffs a walk-in center for in-person inquiries on behalf of both utilities. The City's Information Technology Department ("ITD") provides technical support for the billing system and other customer information system applications for the Department and SPU. The Department currently bills the majority of its residential customers and some small commercial customers bi-monthly and all other customers monthly. All bills are due within 21 days of receipt.

The Department has established various payment programs for its customers, including a levelized payment program (to allow for monthly payments) and an Automatic Bill Payment program. The majority of the customers on the levelized payment program are billed bi-monthly; however, they have an option of paying half of the bi-monthly amount by the bill due date and the other half the following month. An exception is made when a customer is enrolled in both the levelized payment plan and the automatic bill payment program, in which case all of the billed amount is drafted from the customer's bank account by the bill due date.

If the customer is not able to pay the entire amount of the billed charges by the due date, the Department allows the customer to make a payment plan. Customers also have the option to make payments by mail, over the phone, or in person, to make one-time payments online, or to sign up for recurring automatic online payments using debit/credit cards or bank account information.

Post-pandemic, walk-in payment centers and customer service counters have been reopened to the public. The Department is currently offering short-term and long-term payment plans to assist customers as collections activities have resumed. Short-term payment plans currently require a 25% down payment and the balance to be paid within 60 days. For a limited time, the Department is offering long-term payment plans for residential and commercial customers. Residential customers can enter into a long-term payment plan with a duration of up to three years; small/medium commercial customers with a duration of up to two years, and the largest commercial customers up to one year.

During the pandemic and the moratorium on electricity disconnects, the Department proactively sent letters and emails to delinquent customers encouraging them to reach out to the Department to address their debt. These outreach efforts educated customers on available payment plans, financial assistance programs, and the Utility Discount Program ("UDP"). Customers also received this information when they called the Contact Center along with information on local non-profits, and external federal agencies for further assistance. Post-pandemic, these options are still communicated and are available to income-eligible customers.

Income-eligible customers can apply to the UDP, which would provide a 60% discount on their electric rates. Eligibility is based on household size and a gross household income that is at or below 70% of the State's median income. Applicants must submit an application along with income documentation to apply.

For a period of time during the pandemic, the Department and SPU allowed customers to self-certify that they met household and household income eligibility to participate in the UDP. However, customers were required to provide proof of identification and income six months from applying. If a customer's household size and gross household income met the requirements, the customer would be able to continue to receive the discount for two years (three years for seniors). Before the discounted benefit expires, customers receive an email reminder, or a postcard for those customers who do not have email access, requesting them to recertify their household and income information to make sure they still meet the qualifications of the program. If a customer fails to recertify their information, they are removed from the UDP and billed at regular rates. The self-certification process in no longer being offered.

The Department also has programs that provide financial assistance to customers with past due/delinquent accounts. The Department has an Emergency Bill Assistance Program that can assist income eligible customers with up to $600 towards their electric debt in 2024. Eligibility is based on household size and a gross household income that is at or below 80% of the State's median income. Customers can access these funds once a calendar year. However, if they have children in the home under the age of 18, they can access these funds twice a calendar year for a total of up to $1,320 for 2024. For 2022 and 2023, the Department allowed income-eligible customers to access these funds twice in a calendar year even if they did not have children in the home under the age of 18. Lastly, the Department has a program called Project Share, which uses customer-donated funds to assist income-eligible customers with up to $250 towards their delinquent debt. Eligibility is the same as for the Emergency Bill Assistance Program.

On April 3, 2020, the Department suspended charging late fees to its customers. The late fee represented 1% of a customer's past due balance and was assessed each billing period that has past due debt. On May 25, 2022, the City Council extended the late-fee waiver through June 2023, after which time late fees were to resume being charged to customers. Due to the constraints of internal processes, late fees were reinstated effective May 10, 2024.

The total balance of residential and commercial accounts overdue for more than 30 days significantly increased as a result of the COVID-19 pandemic from $19.5 million at the end of 2019 (pre-pandemic) to $48.5 million as of March 2022. As of March 2023, balances overdue for more than 30 days were $40.4 million ($26.8 million residential/ $13.6 million commercial). As of March 2024, balances overdue for more than 30 days remain roughly on par with totals seen in recent years, at $47.0 million ($32.5 million residential/$14.6 million commercial). The Department expects overdue balances to decline in the future due to the reinstatement of late fees and a more comprehensive disconnect program.

As permitted by State law, the Department's collection policy provides for disconnection of power for nonpayment of amounts due to the Department. The Department had not disconnected any customers for nonpayment since August 2016, as it was migrating to a new billing system. The Department had begun taking steps towards resuming disconnections during the fourth quarter of 2019 with the intention of resuming in 2020. However, the COVID-19 pandemic began and on March 10, 2020, the Mayor issued Executive Order 2020-03, which prohibited disconnections, among other measures. The Executive Order expired on April 15, 2022. The Department resumed its collections activities, including disconnections for its residential customers, in August 2022. With Advanced Meter Infrastructure ("AMI") technology, the Department is able to conduct residential electric disconnections and reconnections remotely. The Department is in the process of resuming disconnections for its delinquent commercial customers, as these disconnections and reconnections will still need to occur manually in the field.

Historical Operating Results 2019-2023

Table 11 presents information on operating results for the period 2019-2023, along with revenue available for debt service. Revenue available for debt service is then used in Table 12 to calculate the debt service coverage ratio in each of those years.

The financial statements of the Department as of and for the fiscal year ended December 31, 2023, included herein as Appendix E, have been audited by Baker Tilly US, LLP ("Baker Tilly"), independent accountants, as stated in its report appearing herein. The City has not requested that Baker Tilly provide consent for inclusion of its audited financial statements in this Official Statement, and neither the City's independent auditors nor the State Auditor nor any other independent accountants have compiled, examined, or performed any procedures with respect to this Official Statement or any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information, and they assume no responsibility for, and disclaim any association with, this Official Statement and such information.

TABLE 11

SUMMARY OF HISTORICAL OPERATING RESULTS

($000)

	2019	2020	2021	2022	2023
OPERATING REVENUES:					
Retail power revenues	$ 938,871	$ 926,678	$ 964,254	$1,021,455	$1,033,702
Short-term wholesale power revenues	43,223	51,322	66,284	97,661	56,235
Other power-related revenues [1][2]	52,183	40,790	59,298	76,590	71,070
Transfers from/(to) rate stabilization account [3]	22,771	(22,706)	(2,546)	24,407	9,211
Other operating revenues	22,376	19,682	21,687	18,502	20,692
Total Operating Revenues	$1,079,424	$1,015,766	$1,108,977	$1,238,615	$1,190,910
OPERATING EXPENSES:					
Long-term purchased power—BPA and other	$ 215,934	$ 216,635	$ 207,544	$ 150,542	$ 175,401
Short-term wholesale power purchases	34,292	10,049	38,479	86,168	124,509
Other power expenses[2]	74,369	72,500	95,210	111,874	101,884
Transmission [4]	52,450	54,582	55,668	61,078	68,232
Distribution	60,433	56,319	67,971	73,233	84,418
Customer service	33,680	58,606	50,826	42,352	59,841
Conservation	33,377	33,301	28,857	26,347	26,416
Administrative and general	122,853	127,299	97,054	96,604	140,834
Taxes	100,072	101,242	101,478	119,028	112,389
Depreciation and amortization	145,809	149,785	148,590	156,773	159,459
Total Operating Expenses	$ 873,269	$ 880,318	$ 891,677	$ 923,999	$1,053,383
Net Operating Revenue [5]	$ 206,155	$ 135,448	$ 217,300	$ 314,616	$ 137,527
Adjustments to Net Operating Revenue [6]					
City Taxes [7]	$ 58,431	$ 57,567	$ 53,614	$ 66,750	$ 57,616
Depreciation and amortization	145,809	149,785	148,590	156,773	159,459
operating and maintenance expenses [8]	30,824	32,476	47,079	49,818	38,356
Pension adjustment [9]	8,815	(4,091)	(27,370)	(31,530)	4,759
BPA Conservation Augmentation/Agreement revenue [10]	(2,143)	(2,392)	(2,572)	(2,677)	(2,873)
Investment income [11]	10,731	10,756	8,703	12,132	18,956
Non-cash expenses [12]	1,005	3,383	4,401	1,408	0
Other [13]	3,028	3,403	(729)	993	(1,284)
Total Adjustments	$ 256,501	$ 250,887	$ 231,716	$ 253,667	$ 274,989
Net Revenue Available for Debt Service	$ 462,656	$ 386,335	$ 449,016	$ 568,283	$ 412,516

NOTES TO TABLE:

(1) Includes conservation and renewable credits under the power sales contract with BPA, the recognition of payments from BPA for the purchase of conservation savings, revenue from deliveries of power to Pend Oreille PUD pursuant to the Boundary Project's FERC license, and other energy credits.

(2) Includes significant activity for the valuation of energy delivered under seasonal exchanges, basis sales, and other power exchange contracts. Energy exchanges have both revenue and expense components.

(3) Transfers from/(to) the RSA in accordance with Ordinance 123260, primarily to address fluctuations in surplus power sales.

(4) Net of revenue from the short-term sale of excess transmission capacity.

(5) Operating income per audited financial statements.

(6) Significant non-cash transactions are adjusted from Net Operating Revenue to calculate Revenue Available for Debt Service. Furthermore, some types of revenue in addition to Operating Revenue are included to calculate Revenue Available for Debt Service. These adjustments are listed in the remaining lines in this table, and are unaudited.

(7) City taxes are included as an adjustment to Net Operating Revenue when determining Net Revenue Available for Debt Service because the lien of such taxes on revenue is junior to debt service in accordance with the Bond Ordinance.

(8) The majority of the depreciation and amortization (non-cash) expenses included in Operating and Maintenance Expense are for amortization of conservation expenses that are recognized over a 20-year period.

(9) Pension expense is the amount recorded for compliance with GASB Statement No. 68, implemented in 2015, a non-cash item. Pension contributions are the Department's cash contributions to the Seattle City Employees' Retirement System.

(10) Payments received for conservation measures are initially recorded as unearned revenue. The adjustment represents the amount of revenue amortized and recognized over future periods for financial reporting, a non-cash transaction.

(11) Investment income is not included in Total Revenue in this table; therefore, an adjustment is made to Net Operating Revenue, consisting primarily of interest earnings from the City's cash pool and interest receipts from suburban underground charges. This amount excludes unrealized gains and losses, which are non-cash adjustments.

(12) Effective 2018, includes adjustment for GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in addition to claim expenses and capital project expenditures from prior years that were determined not to be capital expenditures. The Department stopped making these adjustments in 2023.

(13) Includes proceeds from sale of properties, principal receipts from suburban underground charges from local jurisdictions, and miscellaneous items.

Note: 2021 was restated due to the implementation of GASB Statement No. 87, Leases. This is a non-cash adjustment, therefore the 2021 financial results presented in Table 11 remained unchanged.

Source: Audited Financials through Net Operating Revenue; the remainder is unaudited information; Seattle City Light Department, Accounting Division

Historical Debt Service Coverage. The Bond Ordinance does not define a "coverage requirement" beyond what is necessary to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts required to be applied to the payment of debt service on the Outstanding Parity Bonds, to pay into the Junior Lien Debt Service Fund the amounts (if any) required to be paid into that fund in respect of outstanding Junior Lien Bonds, and to pay all other indebtedness to which revenues of the Light System have been pledged. See "Security for the Bonds—Rate Covenant" and Appendix A—Summary of Bond Ordinance. The Department's financial policies require the Department to set electric rates designed to achieve a debt service coverage ratio of 1.80x, based on the annual Department budget. The test for the issuance of Future Parity Bonds requires delivery of a Parity Certificate demonstrating coverage of Net Revenue equal to 125% of Maximum Annual Debt Service on all Parity Bonds then outstanding plus the proposed series of Future Parity Bonds, with certain permitted adjustments. See "Security for the Bonds—Future Parity Bonds" and Appendix A—Summary of Bond Ordinance,.

Historically, the ordinances authorizing bonds have not provided a definition for the phrases describing operating and maintenance expense as used in those ordinances in the definitions of Net Revenue, the rate covenant, and the Parity Conditions. Nonetheless, the Department has historically calculated the operating expenses for these purposes in accordance with applicable Generally Accepted Accounting Principles ("GAAP"). For purposes of clarification, beginning in 2017 ordinances authorizing the issuance of Parity Bonds, including the Bond Ordinance, have adopted a definition for the term "Operating and Maintenance Expense" that is consistent with its historical practice. See Appendix A—Summary of Bond Ordinance.

The debt service coverage calculations set forth in Table 12 are intended to reflect compliance with the rate covenant and the Future Parity Bond covenant contained in the Bond Ordinance and described under "Security for the Bonds" and for no other purpose. Such calculations reflect the application of non-recurring or extraordinary accounting transactions permitted under the Bond Ordinance and GAAP.

In providing a rating on the Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology, which may not reflect the provisions of the Bond Ordinance. See "Other Bond Information—Ratings on the Bonds." The City makes no representation as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any bond covenants or the availability of particular revenues for the payment of debt service, or for any other purpose.

TABLE 12
HISTORICAL DEBT SERVICE COVERAGE
($000)

	2019	2020	2021	2022	2023
Net Revenue Available for Debt Service	$462,656	$386,335	$449,016	$568,283	$412,516
Debt Service on Parity Bonds[(1)]	220,785	223,000	216,307	224,246	236,529
Debt Service Ratios-Times Covered on Parity Bonds [(2)]	2.10	1.73	2.08	2.53	1.74

(1) Net of federal subsidy payments. See "Other Considerations—Federal Policy Risk and Other Federal Funding Considerations."

(2) Net Revenue Available for Debt Service (see Table 11) divided by Debt Service on Parity Bonds.

Source: Seattle City Light Department, Accounting Division

Management Discussion of Historical Operating Results 2019-2023

This section provides a discussion of operating results for the period 2019-2023, based on information in Tables 11 and 12, and an expanded discussion for the period 2022-2023, based on a summary of the Management's Discussion and Analysis included in Appendix C—2023 Audited Financial Statements of the Department.

Summary 2019-2023. Retail revenues increased from $938.9 million in 2019 to $1,033.7 million in 2023, primarily due to the Department's average system rate increases during this period (see "—Retail Rates"). This increase in retail revenues also reflects the increase in the number of customers, from 470,380 in 2019 to 503,221 in 2023, an increase of 7.0%.

Net wholesale revenue (excluding book-outs) varied during this period, ranging from a high of $47.7 million in 2020 to a negative of $68.3 million in 2023. This variability is primarily due to fluctuations in hydro volumes, wholesale power market prices, and retail load.

The RSA has been in place since January 1, 2011. An RSA rate surcharge of 1.5% went into effect on August 1, 2016, as the RSA balance dropped below $90.0 million at the end of June 2016. An additional RSA rate surcharge of 1.5% was imposed effective November 1, 2019, because the RSA balance fell below the next trigger level of $80.0 million at the end of the third quarter. These surcharges were removed on March 31, 2021. In 2023, actual net wholesale revenue was $108.3 million less than the $40.0 million adopted planning value.

Debt service on Parity Bonds has increased from $220.8 million in 2019 to $236.5 million in 2023. Debt service coverage ranged from a high of 2.53x in 2022 to a low of 1.73x in 2020. See Table 12. The Department's financial policies require the Department to set electric rates designed to achieve a debt service coverage ratio of 1.80x, based on the Department's annual budget. Table 12 shows that, over the past five years, the Department has achieved this level of coverage except in 2020 and 2023.

The majority of the changes in the Department's billed retail sales during 2019-2023 is attributed to impacts of weather. On a weather-adjusted basis, retail sales have been relatively flat, showing only a small gradual decline over

this time period. The number of customers has been growing significantly, but the use per customer has been declining because of efficiencies including LED lighting, appliance standards, and improved building standards.

Operating Revenues—2023 vs. 2022. Retail revenues in 2023 were $1,033.7 million, which was $12.2 million or 1.2% higher than in 2022. A retail rate increase of approximately 4.5% on average became effective on January 1, 2023. The revenue impact of higher retail rates was partially offset by lower sales, primarily reflective of milder weather in 2023. The number of retail customers totaled 503,221 in 2023, a 1.9% increase over 2022.

Net wholesale revenue was negative $68.3 million in 2023, a decrease of $81.4 million from 2022. This shortfall reflects very low hydro generation owing to dry conditions exacerbated by higher-than-expected retail sales increasing the need to purchase power on the wholesale market at very high market prices. Wholesale power sales were $56.2 million in 2023, a decrease of $41.5 million from 2022, and wholesale power purchases increased by $38.3 million to $124.5 million.

Other power-related revenues, including valuation of power exchanges, decreased by $5.4 million in 2023 to $71.1 million. Other power-related purchases, including valuation of power exchanges, decreased by $3.5 million to $34.8 million in 2023, resulting in net other power-related revenues of $36.3 million in 2023, a net decrease of $1.9 million or 5.0% from net other power-related revenues of $38.2 million in 2022.

In 2023, net transfers from the RSA unearned revenue account were $109.2 million. The $109.2 million transfer reflects a true-up from the previous year, as well as an estimate for the December transfer (which was trued up in January 2024). This transfer was partially offset by a total of $100.0 million transferred to the RSA from operating cash in 2023 ($30.0 million in May, $30.0 million in August, and $40.0 million in December) in accordance with Ordinance 126819, which authorizes discretionary transfers to prevent the RSA from being depleted. The Ordinance also postponed a June 1, 2023, surcharge that was triggered based on the end March RSA balance, per the RSA rules. However, this set of transfers was not sufficient to avoid a further RSA surcharge, which was triggered at the end of September 2023, and as a result, a 4.0% surcharge was implemented on January 1, 2024. The RSA balance was $65.8 million at the end of 2023. See "—Financial Policies—Rate Stabilization Account."

Revenues from other sources increased by $2.1 million in 2023, totaling $20.7 million.

Operating Expenses—2023 vs. 2022. In 2023, long-term purchased power (BPA and other) increased by $24.9 million to $175.4 million. Other power expenses, including generation, power exchanges, and other totaled $101.9 million, which was $10.0 million lower than in 2022 due to the lower generation costs and the lower market prices related to non-monetary transactions, partially offset by an increase in miscellaneous other power costs. Transmission expenses, including wheeling, were $68.2 million in 2023, representing an increase of $7.1 million from 2022 due to the higher O&M costs for the Department's transmission system and higher BPA wheeling costs. Distribution expenses of $84.4 million in 2023 represented an increase of $11.2 million over 2022 due to less labor being charged to capital work, higher vacancy-driven overtime, and increased cost of supplies.

Other operating and maintenance expenses for customer service, conservation, and administrative and general, totaled $227.0 million in 2023, an increase of $61.7 million over 2022. Customer service of $59.8 million increased by $17.4 million over 2022 due to a higher bad debt expense of $11.8 million and various other costs of $5.6 million related to continued strong post-pandemic pick up on normal operations. Administrative and general expenses of $140.8 million in 2023 increased by $44.2 million compared to 2022 primarily due to an increased GASB 68 pension expense of $36.3 million and an increase in general expense of $7.8 million. Conservation expenses of $26.4 million in 2023 increased by $0.1 million from 2022.

Taxes in 2023 decreased by $6.6 million, primarily due to a tax refund received from the City.

Depreciation and amortization at $159.5 million increased by $2.7 million.

Net Operating Revenue—2023 vs. 2022. Net operating revenue in 2023 was $137.6 million, which was $177.1 million lower than in 2022. Although not included in Table 11, changes in nonoperating revenues and expenses provide additional information on the financial condition of the Department. Nonoperating revenue increased by $43.1 million in 2023 over 2022 due to the increased GASB 31 fair value adjustment of $37.3 million; higher interest income of

$6.9 million partially offset by lower noncapital grants, net, $0.9 million, and other, $0.2 million. Nonoperating expenses increased by $2.8 million year-over-year due to higher interest resulting from the increased bonds balance at the end of 2023, $5.6 million, offset by higher refunding gain amortization, $2.8 million.

Capital contributions and grants decreased by $5.3 million mainly due to reduced activity in time and materials jobs and joint use.

Expectations for 2024 Operating Results

As of May 14, 2024, the Department's projected 2024 debt service coverage ratio is expected to be 2.0x, exceeding the City Council-adopted financial policy target of 1.80x. Net income for 2024 is expected to be approximately $179 million.

Retail revenue for 2024 is currently expected to be very close to planned levels. Long-term purchased power costs are also expected to end the year close to planned levels. Non-purchased power operating expenses are forecast to end the year about $8 million above planned levels, mostly reflective of higher labor costs. As of May 14, 2024, net wholesale revenue at year-end is expected to be negative $10.1 million, which would be $55.1 million below the budgeted amount of $45 million. Factors contributing to the lower net wholesale revenue include sustained high wholesale prices and significantly lower than normal generation at the Department's generating facilities. As of May 14, 2024, inflows for the calendar year 2024 at the Skagit Project were expected to be below normal, at 80% of the historical average, and inflows at the Boundary Project were also expected to be below normal, at 69% of the historical average.

As described above, significantly lower net wholesale revenue in 2023 resulted in the RSA balance decreasing significantly in 2023 despite $100 million in discretionary transfers into the RSA. The 4.0% RSA surcharge implemented on January 1, 2024, is expected to bring in $44.2 million in additional retail revenue in 2024, of which $39.9 million will be transferred into the RSA after taxes. Despite the RSA surcharge revenue, the RSA balance is expected to decrease over the course of the year from $65.8 million on December 31, 2023, to a forecasted total of $44.6 million on December 31, 2024. See "—Financial Policies—Rate Stabilization Account."

Debt Service Requirements

As of July 9, 2024, the principal amount of Outstanding Parity Bonds (excluding the Bonds and including the Refunded Bonds, which are expected to be defeased on July 24, 2024) totaled $2,541,575,000. Principal and interest payments due on the Department's Outstanding Parity Bonds as of July 9, 2024, adjusted to include the Bonds and exclude the Refunded Bonds, are shown in Table 13. See "Capital Requirements—Financing Plans" for a discussion of the Department's future financing plans.

Outstanding Variable Rate Parity Bonds

As of July 9, 2024, the City has $186,460,000 in principal amount of variable rate Parity Bonds outstanding, consisting of $100,620,000 Municipal Light and Power Refunding Revenue Bonds, 2021, Series B (SIFMA Index), and $85,840,000 Municipal Light and Power Refunding Revenue Bonds, 2023B (Variable Rate Demand Bonds). The outstanding variable rate Parity Bonds are included as part of the total principal amount of Outstanding Parity Bonds shown in Table 13.

Subordinate Obligations

In the Bond Ordinance, the City has established a Junior Lien position and has reserved the right to issue Junior Lien Bonds (which term includes Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) in the future under certain conditions set forth in the Bond Ordinance. There are no currently outstanding Junior Lien Bonds. See "Security for the Bonds—Subordinate Lien Obligations."

TABLE 13
DEBT SERVICE REQUIREMENTS
(AS OF JULY 9, 2024, ADJUSTED FOR THE ISSUANCE OF THE BONDS)

	Outstanding Parity Bonds[1]			The Bonds			Total Parity Bonds		
Year	Principal	Interest[2]	Total	Principal	Interest	Total	Principal	Interest	Total
2024[3]	$ 37,520,000	$ 37,446,907	$ 74,966,907	$ -	$ 1,858,226	$ 1,858,226	$ 37,520,000	$ 39,305,133	$ 76,825,133
2025	118,800,000	110,315,975	229,115,975	6,220,000	9,984,500	16,204,500	125,020,000	120,300,475	245,320,475
2026	116,210,000	104,626,154	220,836,154	6,525,000	9,673,500	16,198,500	122,735,000	114,299,654	237,034,654
2027	99,540,000	99,032,353	198,572,353	3,005,000	9,347,250	12,352,250	102,545,000	108,379,603	210,924,603
2028	103,190,000	93,973,456	197,163,456	3,155,000	9,197,000	12,352,000	106,345,000	103,170,456	209,515,456
2029	99,450,000	89,218,485	188,668,485	3,310,000	9,039,250	12,349,250	102,760,000	98,257,735	201,017,735
2030	84,705,000	84,771,472	169,476,472	3,475,000	8,873,750	12,348,750	88,180,000	93,645,222	181,825,222
2031	87,220,000	80,313,606	167,533,606	3,650,000	8,700,000	12,350,000	90,870,000	89,013,606	179,883,606
2032	90,885,000	76,210,077	167,095,077	3,835,000	8,517,500	12,352,500	94,720,000	84,727,577	179,447,577
2033	95,855,000	72,433,956	168,288,956	4,025,000	8,325,750	12,350,750	99,880,000	80,759,706	180,639,706
2034	97,945,000	68,166,680	166,111,680	4,225,000	8,124,500	12,349,500	102,170,000	76,291,180	178,461,180
2035	96,895,000	63,855,238	160,750,238	10,085,000	7,913,250	17,998,250	106,980,000	71,768,488	178,748,488
2036	106,825,000	59,393,890	166,218,890	10,590,000	7,409,000	17,999,000	117,415,000	66,802,890	184,217,890
2037	104,295,000	54,650,110	158,945,110	4,890,000	6,879,500	11,769,500	109,185,000	61,529,610	170,714,610
2038	109,975,000	49,817,162	159,792,162	5,135,000	6,635,000	11,770,000	115,110,000	56,452,162	171,562,162
2039	114,350,000	45,089,244	159,439,244	5,395,000	6,378,250	11,773,250	119,745,000	51,467,494	171,212,494
2040	118,930,000	40,065,985	158,995,985	5,660,000	6,108,500	11,768,500	124,590,000	46,174,485	170,764,485
2041	109,685,000	35,229,209	144,914,209	5,945,000	5,825,500	11,770,500	115,630,000	41,054,709	156,684,709
2042	97,580,000	30,921,659	128,501,659	6,245,000	5,528,250	11,773,250	103,825,000	36,449,909	140,274,909
2043	101,745,000	26,765,442	128,510,442	6,555,000	5,216,000	11,771,000	108,300,000	31,981,442	140,281,442
2044	96,380,000	22,430,404	118,810,404	6,880,000	4,888,250	11,768,250	103,260,000	27,318,654	130,578,654
2045	91,340,000	18,295,925	109,635,925	7,225,000	4,544,250	11,769,250	98,565,000	22,840,175	121,405,175
2046	79,470,000	14,690,821	94,160,821	7,585,000	4,183,000	11,768,000	87,055,000	18,873,821	105,928,821
2047	69,515,000	11,237,550	80,752,550	7,965,000	3,803,750	11,768,750	77,480,000	15,041,300	92,521,300
2048	58,025,000	8,149,400	66,174,400	8,365,000	3,405,500	11,770,500	66,390,000	11,554,900	77,944,900
2049	45,065,000	5,817,475	50,882,475	8,785,000	2,987,250	11,772,250	53,850,000	8,804,725	62,654,725
2050	33,330,000	4,034,875	37,364,875	9,220,000	2,548,000	11,768,000	42,550,000	6,582,875	49,132,875
2051	27,870,000	2,514,775	30,384,775	9,685,000	2,087,000	11,772,000	37,555,000	4,601,775	42,156,775
2052	19,575,000	1,203,750	20,778,750	10,170,000	1,602,750	11,772,750	29,745,000	2,806,500	32,551,500
2053	8,580,000	214,500	8,794,500	10,675,000	1,094,250	11,769,250	19,255,000	1,308,750	20,563,750
2054	-	-	-	11,210,000	560,500	11,770,500	11,210,000	560,500	11,770,500
Total	$ 2,520,750,000	$ 1,410,886,534	$ 3,931,636,534	$ 199,690,000	$ 181,238,976	$ 380,928,976	$ 2,720,440,000	$ 1,592,125,510	$ 4,312,565,510

(1) Excludes the Refunded Bonds, which are expected to be defeased on July 24, 2024.

(2) Reflects taxable rates on bonds issued as taxable bonds with a federal subsidy, but does not reflect the interest credit associated with those bonds. For a description of the effect of federal sequestration on these direct-pay tax credit bonds, see "Other Considerations—Federal Policy Risk and Other Federal Funding Considerations." See "Capital Requirements—Financing Plans." Assumes interest rate of 4.00% on variable rate bonds, per the Department's financial plan.

(3) Reflects outstanding debt service as of July 9, 2024.

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CAPITAL REQUIREMENTS

The Department owns, maintains, and operates a multi-billion-dollar physical plant that includes power generation hydroelectric plants, transmission lines, distribution system, substations, and other utility assets. The Department's CIP is the vehicle for repairing, upgrading, and expanding this infrastructure. Every year during its annual budget process, the City adopts a six-year CIP, which outlines anticipated investments over that time frame. The Department's CIP is a part of the City's CIP. This section describes the adopted 2024-2029 CIP and other capital requirements that the Department intends to implement over the six-year period. Any amounts listed for specific projects are for expenses expected to occur only during the six-year period and may not represent the total cost of the project.

Central Utility/General Plant

These expenses are related to general plant and include investments in non-electrical system assets including buildings and facilities, such as the North and South Service Centers, and investments in office-related computer equipment and furniture, centralized billing and customer service systems, information and communications systems, vehicle fleets, and transportation electrification projects. Over the six-year planning period, the largest expenditures are expected for replacement of fleet equipment ($60.9 million), office furniture and equipment ($48.5 million), transportation electrification projects ($34.4 million), and new technology for the modernization of the grid and to ensure the improvement of operational technology ($29.2 million).

Distribution

Distribution plant includes substations, poles, wires and cables, transformers, manholes, vaults, ducts, and other electrical equipment and infrastructure needed to deliver power from the substation to the customer connection at home or business in both network and non-network areas. Over the six-year planning period, the largest projects are expected to be replacement of overhead ($269.4 million, of which the Accelerated Pole Replacement Program is $192.1 million) and underground equipment ($158.5 million), distribution system replacement ($157.2 million), overhead and underground service connection work for Medium General Service customers ($144.8 million), network systems to enhance reliability and provide sufficient service capacity ($118.0 million), network service for specific electrical and civil facilities for new services and increased loads ($116.3 million), and pole preparation for the attachment of communication infrastructure owned by other entities ($108.8 million).

External Projects

These projects include work related to requests from local jurisdictions such as relocating infrastructure for transportation projects, maintaining and upgrading the streetlight system, and various undergrounding work. Over the six-year planning period, the largest projects are expected to be the ongoing public and private street lighting projects ($56.5 million), the relocation of streetlights due to transportation projects ($44.9 million), overhead and underground relocation of electrical lines to accommodate transportation projects ($39.6 million), and the LED streetlight conversion program ($21.9 million).

Power Supply

Power supply includes generation facilities used to produce electricity. Typical assets are reservoirs, dams, waterways, waterwheels, turbines, generators, and accessory electrical equipment. A large percentage of generation investment is dedicated to core Department functions that maintain or add to generation infrastructure and ensure system reliability and power availability to customers, including the Department's generator and turbine runner rebuild program. Over the six-year planning period, the largest projects are expected to be ongoing energy efficiency programs ($187.7 million), license mitigation at the Boundary Project ($101.4 million), environmental claims for clean-up and remediation work on Department-owned and non-owned properties ($71.3 million), minor capital improvement projects at the Skagit facilities ($39.3 million), project overhauls for Gorge U 21-24 ($37.7 million), and the Tolt relicensing ($24.8 million).

Transmission

Transmission plant includes poles, towers, and conductors used to carry electricity from generation facilities to substations. Over the six-year planning period, the largest projects are expected to be transmission tower refurbishment ($20.7 million) and transmission reliability ($15.6 million), and the transmission line inductors ($8.2 million).

Conservation

Conservation programs offer financial incentives (such as rebates, discounts, and loans) to customers who produce energy savings by installing approved energy-saving equipment or weatherization measures or by designing a building to exceed energy code requirements. Program costs include program administration, audits, and inspections, and the costs of designing and installing energy savings measures. The current expenditure level is expected to achieve approximately 50.8 aMW of cumulative annual energy savings (an average of 8.5 aMW annual achievement per year) between 2024 and 2029.

High Ross Agreement Payment Amortization

The City Council directed the Department to amortize a portion of the annual payment to British Columbia under the High Ross Agreement. The Department paid British Columbia $21.8 million each year from 2000 through 2020; $9.1 million of the annual payment was deferred and paid with bond proceeds, and $12.7 million was recognized as an expense. From 2021 through 2035, the remaining balance of deferred costs will be amortized. The deferred portion of the payments to B.C. Hydro was capitalized and therefore treated as a component of capital requirements. See "Power Resources and Cost of Power—Department-Owned Resources—Skagit Project" for a discussion of the High Ross Agreement.

Relicensing, Mitigation, and Other Costs

In addition to including capital expenditures for environmental mitigation in the CIP, the Department capitalizes expenditures for mitigation measures (referred to as other capitalized expenditures) similar to those included in the CIP; however, these expenditures differ in that they are for measures on land or structures belonging to entities other than the Department and involve payments to the owners. Recipients of these payments include a variety of nonprofit organizations and governmental agencies with which the Department has entered into contracts for environmental mitigation pursuant to the terms of relicensing settlement agreements. The Department also defers environmental remediation expenditures, most of which are related to the Duwamish Waterway cleanup activities. See "Environmental Matters—Contaminated Site Liability." Other deferred costs include City and State taxes on suburban undergrounding to match the timing of the repayment by customers of the Franchise Cities.

Adopted CIP and Conservation and Other Capital Requirements

The Department does not as a matter of course make public projections as to future sales, earnings, or other results. However, the Department has prepared the prospective financial information set forth in Table 14 to provide readers of this Official Statement information related to projected capital expenditures of the Department. This information was not prepared with a view toward securities disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Department, the information was based on reasonable information available to the Department as of June 28, 2024, reflects the best currently available estimates and judgments as of such date, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future capital expenditures of the Department. However, this information reflects only the information and assumptions made as of the date it was prepared, is not fact, and should not be relied upon as being necessarily indicative of future results. Potential purchasers of the Bonds and the readers of this Official Statement are cautioned not to place undue reliance on the prospective information.

TABLE 14
CAPITAL IMPROVEMENT AND CONSERVATION PROGRAMS AND OTHER CAPITAL REQUIREMENTS
($million)

	2024	2025	2026	2027	2028	2029	Total
Uses of Funds							
Central Utility Projects	$ 55.7	$ 36.0	$ 28.7	$ 27.8	$ 24.5	$ 24.4	$ 197.1
Distribution	204.2	209.6	216.9	215.4	217.5	235.5	1,299.0
External Projects	25.7	23.7	24.2	26.0	23.8	19.8	143.2
Power Supply	70.9	84.3	82.3	85.0	86.9	99.4	508.8
Transmission	20.8	10.9	7.4	6.2	6.3	5.4	57.0
Conservation[1]	28.6	28.9	29.4	29.4	30.1	30.8	177.2
Other Capital Costs[2]	6.0	6.2	6.3	7.3	4.6	6.6	36.8
Total Funds Required/CIP	$ 411.9	$ 399.5	$ 395.2	$ 397.0	$ 393.7	$ 421.8	$ 2,419.1
Sources of Funds							
Cash from Operating Account[3]	$ 158.8	$ 132.8	$ 140.3	$ 174.5	$ 185.9	$ 187.5	$ 979.8
Cash from Contributions	59.6	43.1	42.3	43.6	45.7	49.4	283.6
Cash from Bond Sale[4]	193.6	223.6	212.7	178.9	162.0	184.9	1,155.7
Total Funds Available	$ 411.9	$ 399.5	$ 395.2	$ 397.0	$ 393.7	$ 421.8	$ 2,419.1

(1) The City Council passed resolutions authorizing the debt financing and/or deferral of certain costs in accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Programmatic conservation costs are amortized to expense over 20 years. See "Power Resources and Cost of Power—Department-Owned Resources." Includes relicensing, mitigation, toxic cleanup, and other costs such as City and State taxes on suburban undergrounding. These costs are deferred and amortized to expense over the respective project license period or other relevant period.

(2) Includes environmental mitigation and toxic cleanup costs.

(3) Includes funds that will be utilized for debt retirement.

(4) Net of planned optional debt retirements. Net of expected reserve fund contributions and issuance costs.

Source: Seattle City Light Department, Finance Division

Financing Plans

Adopted Capital Requirements. The City's adopted CIP reflects capital requirements of $2,419.1 million from 2024 through 2029 which are expected to be financed through a combination of cash from operations, contributions in aid of construction, capital grants, and the proceeds of the Bonds and Future Parity Bonds. To date, the Department has not received a significant amount of State or federal funding for its capital program, but the Department will continue to pursue such funding opportunities in the future. The Department projects that bond proceeds will fund approximately 55% of the net capital requirements (total funds required less contributions) over the period 2024-2029, with the remaining 45% funded by cash from operations. This is in compliance with the Department's policy target to fund approximately 40% of its capital improvements over the term of its six-year CIP using cash from operations. See "Department Financial Information—Financial Policies." The City expects to issue additional Parity Bonds in an aggregate principal amount of approximately $225 million in the second half of 2025.

Future Capital Requirements. The proposed 2025-2030 Strategic Plan assumes that capital requirements will increase significantly above currently adopted levels. The 2024-2029 capital requirements in the proposed Strategic Plan are assumed to be $2,806.0 million. The higher costs are driven by projected hydro relicensing costs, supporting electrification of buildings and vehicles, and increasing labor and material costs. The proposed Strategic Plan still meets the capital funding target of greater than 40% capital funding from cash from operations.

ENVIRONMENTAL MATTERS

Impact of Environmental Matters

The Department manages its legal obligations for environmental protection through programs that are expected to produce compliance with regulations. Although the Department cannot predict the outcome or effect of the matters described in this section, the Department does not expect that any of these matters will affect adversely the ability of the City to pay the principal of and interest on the Bonds.

Routine operations in connection with the generation and delivery of electric power are regulated by federal, state, and local laws that prescribe standards, work practices, and training requirements, requiring extensive documentation to ensure the protection of the environment and human health. Noncompliance creates the potential for violations that can result in civil and criminal penalties and substantial fines. Some of these laws also impose strict liability for environmentally damaging releases, including costs of investigation and cleanup, damages, restoration, and the costs of agency oversight and enforcement.

Waste Management and Disposal Issues

Department operations generate a variety of wastes, including dangerous wastes. The Department's efforts have reduced recurrent waste generation and disposal costs, and the Department maintains those reduced levels. The Department promotes compliance with federal and State dangerous waste regulations through use of operations manuals, staff training, and periodic internal inspections or audits. Besides the dangerous waste regulations, internal inspections are used to monitor compliance with other laws, including the Toxic Substances Control Act, Clean Water Act, and Underground Storage Tank regulations.

Contaminated Site Liability

As of December 31, 2023, the Department had recorded environmental liability amounts net of recoveries of $103.1 million under the GASB reporting requirements. This amount is evaluated semi-annually and is subject to adjustment based on future developments.

No assurances can be given that other contaminated sites do not exist or will not be discovered in the future. The Department's policy has been to undertake voluntary cleanup or ordered actions when contamination is discovered during regular maintenance and construction.

Lower Duwamish Waterway. In 2001, the U.S. Environmental Protection Agency ("EPA") listed the Lower Duwamish Waterway as a Superfund site. A Remedial Investigation and Feasibility Study ("RI/FS") was completed in 2012 pursuant to an Administrative Settlement Agreement Order on Consent entered into by the City, the County, the Port of Seattle, and The Boeing Company. EPA issued its Record of Decision in 2014, estimating the cost of its selected approach to be $342 million, with a seven-year construction period beginning in 2022. The cost was estimated in 2014 dollars as if the entire seven years of work took place in that year. Given that construction is not scheduled to begin until late 2024, the costs will be greater than the EPA estimate. EPA recently updated its estimate of the cost to implement the remedy to account for inflation. As of the date of this Official Statement, the estimate is $668 million; the Department's ultimate liability is indeterminate. Design work for the upper third of the waterway has been done. Pre-design work for the middle reach is in process. The City has been participating in a confidential, voluntary allocation process among parties that may be liable for some of the cleanup costs. That process was finished in 2022; however, settlement negotiations among the allocation parties are ongoing. In January 2023, EPA issued Special Notice Letters to five parties, including the City. Since then, the City and other parties have been negotiating the terms of a Consent Decree with EPA and Ecology. The Consent Decree will govern all remaining remedial actions. The Department and SPU have been sharing the City's portion of costs for the Lower Duwamish Waterway work and will continue to do so. See Appendix C—2023 Audited Financial Statements of the Department—Note 15.

Harbor Island—East Waterway. The East Waterway was designated as a Superfund site in 2001 as an operable unit of the overall Harbor Island Superfund Site, which was listed by EPA in 1983. Current potentially responsible parties include the City, the Port of Seattle, the County, and Seattle Iron & Metals Corporation ("SIMC"). Potential Department liability derives from Department transformers sold to SIMC, from which contaminants are thought to have drained into the waterway. EPA approved the Remedial Investigation report in January 2014 and the final Feasibility Study in 2019. EPA released the Proposed Plan in April 2023. Ongoing work is estimated to cost the City

approximately $616,000 for 2024, of which approximately $348,000 is legal costs. Although clean-up construction timing and cost estimates won't be known until EPA identifies a preferred remedy, the final feasibility study has identified a range of costs ($246 million to $411 million) on which the current cleanup estimate is based. On May 29, 2024, EPA released an Interim Record of Decision with the concurrence of DOE setting out interim remedial remedies with an estimated cost of approximately $401 million. The City's ultimate liability, and the proportion of cleanup costs to be borne by the Department, are indeterminate. See Appendix C—2023 Audited Financial Statements of the Department—Note 15.

Georgetown Steam Plant. The Department signed an order with Ecology to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Department's property known as the Georgetown Steam Plant, and the King County Airport. The draft RI report was submitted to Ecology in June 2016. In 2022, Ecology notified the potentially responsible parties that Perfluoroalkyl and Polyfluoroalkyl Substances ("PFAS") were determined to be hazardous substances under the Model Toxics Control Act and additional investigation was necessary to address these potential contaminants. Current activities include negotiations with Ecology to determine the scope and schedule for the PFAS investigation as well as incorporation of the PFAS report into the RI report. The FS process will begin following approval of the RI, which may not occur until after the PFAS investigation is complete. The schedule for the PFAS investigation is unclear at this time. Ecology has not approved the RI, and the timing for completion of the FS is unknown. The Department completed interim actions at the Georgetown Steam Plant property in 2012. See Appendix C—2023 Audited Financial Statements of the Department—Note 15.

In 2020, the Department, Seattle Parks and Recreation, and the Seattle Department of Transportation teamed up to develop an off-leash pet area and bicycle/pedestrian trail in the Georgetown and South Park communities, specifically on a portion of the North Boeing Field/Georgetown Steam Plant ("GTSP") Remedial Investigation site that was previously remediated due to the presence of the former GTSP Flume. Investigations to characterize any residual contamination in this area have been completed. Bid documents are being prepared, and remediation and construction activities are anticipated to occur sometime in 2025.

Ecology notified the City that it is a Potentially Liable Party for contamination on the property where the GTSP Pump Station is located. Authority over that property was previously transferred to the Parks Department but the Department retained responsibility for any contamination there. Ecology is expected to issue an administrative order to the City and possibly to other parties to perform a remedial investigation.

Skagit Project. The Department signed an Administrative Settlement Agreement Order on Consent (the "Agreement") with the National Park Service ("NPS") to perform removal actions under the Superfund program at three sites located within the North Cascades National Park Complex, Ross Lake National Recreation Area, in Whatcom County. Specifically, under the Agreement, the Department will conduct Non Time-Critical Removal Actions ("NTCRA") on the Newhalem Penstock Site and the Diablo Dry Dock facility, and a Time-Critical Removal Action at the Ladder Creek Settling Tank. All three sites house facilities that were formerly or are currently operated by the Department, but on NPS land. The removal actions are therefore being performed under the Superfund program with NPS as the lead agency. The Removal Action at the Ladder Creek site is complete except for long-term monitoring of vegetation restoration. The Engineering Evaluation and Cost Analysis ("EE/CA") portion of the Newhalem Penstock NTCRA is final and determined no further action is required at that site. The EE/CA for the Diablo Dry Dock facility NTCRA is underway. Total expenditures for the three Skagit sites as of April 30, 2023, were approximately $1.22 million. Estimated costs for cleanup at the Dry Dock facility are $1.3 million.

Endangered Species Act

The Endangered Species Act ("ESA") is administered by the U.S. Fish and Wildlife Service ("USFWS") and the National Oceanic and Atmospheric Administration ("NOAA"). Recovery plans for ESA-listed fish affect Department operations and power purchases.

Columbia and Snake River Biological Opinions. The three federal action agencies responsible for operating the Federal System—the Corps, the Bureau of Reclamation, and BPA—have been engaged in ESA Section 7 consultation for many years. As a result of litigation, NOAA Fisheries has been required to develop a series of Biological Opinions that provide the basis for the species recovery plans that NOAA has developed for the Columbia and Snake River fisheries. These recovery plans seek to protect and recover listed species including salmon, steelhead, Bull Trout, and

sturgeon by regulating stream flow and other aspects of hydropower operations in the watersheds. The Biological Opinion for the 14 dams in the Federal System has been the subject of ongoing litigation in U.S. District Court (Oregon). Most recently, the U.S. District Court rejected the federal government's recovery plan for Columbia River salmon and steelhead in an opinion and order filed in 2016. The court remanded the 2014 Biological Opinion completed by NOAA Fisheries, but left it in place so that ongoing recovery actions could continue, while ordering NOAA to complete a new Biological Opinion by the end of 2018. NOAA Fisheries issued a new Biological Opinion in March 2019 that carries forward a number of reasonable and prudent measures from previous biological opinions and a new spill operation agreement that was developed by Washington and Oregon and the Nez Perce Tribe. The court order also required an updated Environmental Impact Statement ("EIS") for Columbia River Systems Operations ("CRSO"). The Final CRSO EIS was published on July 31, 2020, by the Corps, the Bureau of Reclamation, and BPA, and a new Biological Opinion was produced by NOAA Fisheries following the final determination of the Preferred Alternative. The Department reviewed and commented in consideration of how operations resulting from it may affect the price and supply of power that the Department purchases from BPA and Grant PUD and ESA-listed species recovery, and revisions were noted in the Final CRSO EIS that addressed some of the Department's concerns, particularly on the data sources used in the power analysis. See "Power Resources and Costs of Power—Purchased Power Arrangements."

On September 21, 2023, the federal government (including the Bureau of Reclamation, USFWS, NOAA Fisheries, the Corps, and BPA) announced an agreement with the Confederated Tribes of the Colville Reservation, the Coeur d'Alene Tribe, and the Spokane Tribe of Indians to fund actions to restore salmon populations in the Upper Columbia River Basin. The funding includes $200 million from BPA over 20 years and $8 million from the U.S. Department of the Interior over two years to advance a Tribally-led implementation plan to test the feasibility of and ultimately to reintroduce salmon in blocked habitats in the Upper Basin. The Tribes have agreed not to sue the federal government for the 20-year period while restoration studies and actions are performed and evaluated for effectiveness in a phased approach to reintroduction.

To better address species-recovery needs and increase abundance of the 27 stocks of salmon and steelhead throughout the Columbia Basin, the governors of Washington, Oregon, Idaho, and Montana committed in 2020 to pursuing a collaborative framework working with federal partners, co-manager tribes, and interested stakeholders to advance the goals of the Columbia Basin Partnership Task Force and the measures identified in the most recent Biological Opinion. The Partnership understood that implementation of strategies and actions to achieve the goals would occur within existing management structures administered by the sovereign entities, and that continued regional interaction through a collaborative process would be a constructive, science-based effort to develop those strategies and actions. The outcome of this process is recognized now as the Columbia Basin Collaborative. Within this collaborative structure a series of topic-specific work groups were established following a nomination call in 2022. Topic-specific work groups include the following: estuary habitat, tributary habitat, hydropower (mainstem), blocked areas, harvest, hatchery, and predation. The work groups presented recommendations for actions to the Science Integration/Recommendations Group ("I/RG") in late 2024. The Science I/RG is considering impacts from all threat categories at a distinct population segments/evolutionarily significant units ("DPS/ESU") level analysis and working to prioritize actions for implementation. Work group recommendations are still under consideration in 2024. The Department participated in the development of tributary habitat recommendations to the I/RG, recognizing need for consistent local level implementation of protective regulations with impetus towards net ecological gain.

On September 27, 2023, President Biden issued the "Memorandum on Restoring Healthy and Abundant Salmon, Steelhead, and Other Native Fish Populations in the Columbia River Basin," outlining federal actions expected by agencies to "to carry out the requirement of the Pacific Northwest Electric Power Planning and Conservation Act (Public Law 96-501) to operate, manage, and regulate the Columbia River System to adequately protect, mitigate, and enhance fish and wildlife affected by the Federal dams in the Basin in a manner that provides equitable treatment for fish and wildlife with the other purposes for which the Federal dams are managed and operated." This memorandum was followed in December 2023 by the administration's announcement of an historic agreement to work in partnership with tribes and states in the Pacific Northwest to restore wild salmon populations, expand tribally-sponsored clean energy production, and provide stability for communities that depend on the Columbia River System for agriculture, energy, recreation, and transportation. This historic agreement was signed on February 23, 2024, by President Biden, confirming the partnership commitment among the four Tribal Sovereign Nations (Umatilla, Nez Perce, Yakama, and Warm Springs), the states of Washington and Oregon, and the federal government. How actions precipitated from this

agreement are to be integrated with other ongoing efforts in the basin, such as the work of the Columbia Basin Collaborative, is not yet clear and the Department is tracking developments.

The Department's power generation at the Boundary Project is affected by operations at federal dams/storage reservoirs upstream of Boundary Dam. Fish and wildlife protection under the ESA is a factor in the operations of upstream dams. See "Power Resources and Cost of Power—Overview of Resources." Any new recovery plan or Biological Opinion issued by NOAA can result in changes in flows at federal projects that could have an impact on the Boundary Project. For a discussion of additional environmental issues and the Boundary project, see "Power Resources and Cost of Power—Department-Owned Resources—The Boundary Project."

Recovery efforts for Bull Trout affect the cost of operations at the Boundary Project, but not power generation. The 2013 FERC license for the Boundary Project requires the Department to enhance the habitat for Bull Trout and suppress non-native trout. See "Power Resources and Cost of Power—Department-Owned Resources."

Skagit, Tolt, and Cedar Rivers ESA-Listed Fish. ESA fish listings that may affect Department operations in western Washington include Bull Trout, Chinook Salmon, and steelhead. Bull Trout was listed as a threatened species by the USFWS in 1999. The Skagit River populations of Bull Trout are among the healthiest in the U.S. due to excellent habitat, cold water, and abundant food supply. A healthy Bull Trout population is also found in Chester Morse Lake, in the Cedar River in the vicinity of the Cedar Falls Project. Incidental observations of Bull Trout have occurred in the mainstream and two forks of the Tolt River downstream of the South Fork Tolt Project.

The Skagit River within and downstream of the Skagit Project is listed as Critical Habitat for Bull Trout by the USFWS, as are the major tributaries to the three project reservoirs. The Cedar River and its reservoir are excluded from the Critical Habitat designations for this species because of the adoption of the Cedar River Habitat Conservation Plan. The Tolt River is excluded from the Critical Habitat designation for Bull Trout.

Bull Trout populations in the Skagit Project reservoirs are healthy and robust, and studies continue to improve the Department's understanding of reservoir population abundance. Introduction of anadromous salmon or steelhead into Skagit Project reservoirs and their potential viability above the dams continues to be evaluated under the current relicensing effort. The scope of studies to evaluate potential effects of introduction and factors potentially limiting viability is under negotiation in settlement discussions. In contrast, while Bull Trout populations have remained relatively large in the river and its tributaries downstream of the reservoirs, there has been a general decline in spawning ground escapements across all indexed tributaries in the Skagit since a peak in 2014. This trend continued in 2022 and appears to be regional, with similar trends observed in the nearby Stillaguamish and Skykomish systems.

A final recovery plan for Bull Trout was released by the USFWS in 2015. Recent Bull Trout trend data across all core populations are being considered in the ongoing USFWS five-year status review of the species initiated in 2020; the Department is actively participating. The USFWS presently considers the lower and upper Skagit River as Bull Trout "strongholds" because of the large and diverse Bull Trout populations present in these core areas. This evaluation is unlikely to change in the upcoming status review, as Skagit populations remain the most robust in the recovery domain, despite the concerning downward trend seen in spawning ground surveys in tributaries below the Skagit dams. Climate change, which can greatly affect streamflow intensities, represents a significant threat to the populations throughout the recovery domain, including the Skagit core populations as it is thought to be a major source of redd (nest) scour.

Chinook Salmon in Puget Sound were listed as threatened by NOAA Fisheries in 1999, and are present in the Skagit, Cedar, and Tolt Rivers downstream of the Department's hydroelectric facilities. These river reaches were designated as Critical Habitat for Chinook Salmon by NOAA Fisheries. The Skagit River continues to support the largest population of Chinook Salmon in Puget Sound, averaging about 22% of the total adult escapement of all Chinook spawning in Puget Sound rivers from 1985 to 2017. Chinook Salmon populations increased to 30-year-high levels on the Skagit River from 2004 through 2006, declined below long-term average levels from 2007 through 2011, returned to average levels between 2012 and 2014, and then increased to above average levels in 2015 and 2016. Skagit Chinook Salmon populations dropped to average levels in 2017 and below average levels in 2018. Data for 2021 and 2022 are yet to be released, but a recent Departmental analysis using data published by the Puget Sound Partnership and sourced originally from the Pacific Fisheries Management Council ("PFMC") indicated that about 43% of all wild Chinook salmon returning to the Puget Sound are spawning in the reach of the Skagit River regulated by the Skagit Project, and these numbers, while exhibiting year-to-year variations and not meeting recovery goals, continue to show

a slight increasing trend, despite region-wide declines affecting all Puget Sound rivers and beyond—including populations in the lower Skagit River and unregulated tributaries in the Skagit system. Preliminary PFMC data from 2020 indicate a total Skagit Chinook run size of all six recognized stocks within the basin of 13,494 Chinook, of which over 99% were of natural origin (wild spawning). This return is within the range reported over the past ten years of 9,770 (2010) to 21,210 (2016).

Steelhead were listed as threatened by NOAA Fisheries in 2007. As with Chinook Salmon, Critical Habitat is designated downstream of the Department's dams on the Skagit, Cedar, and Tolt Rivers. A draft recovery plan for Puget Sound steelhead was completed by NOAA Fisheries and released for public review on December 13, 2018. The Department worked directly with NOAA Fisheries and other federal and State agencies and tribal governments on the development of this recovery plan. The final recovery plan for Puget Sound steelhead was published by NOAA Fisheries in December 2019.

Winter steelhead populations use habitats in the Skagit, Cedar, and Tolt Rivers downstream of the Department's hydroelectric facilities. The South Fork Tolt River also has one of the few summer steelhead populations in the Puget Sound region, and summer steelhead are also present in the Skagit River. Steelhead populations declined to 30-year-low levels in most Puget Sound rivers during the early 2000s. The Skagit River continues to support the largest steelhead populations in the Puget Sound region. Steelhead returns to the Skagit River basin declined below long-term average levels from 2006 through 2012, increased above average values from 2013 through 2016, then dropped back down to average values in 2017 and 2018. More recent data remain to be released.

The Department has undertaken a wide range of actions to reduce and mitigate potential adverse impacts of its operations on these listed fish species. On the Cedar River, the Department's activities are covered by a Habitat Conservation Plan that governs operations of the Cedar Falls Project with regard to all listed species and by an incidental take permit. Both the Skagit and South Fork Tolt Projects were licensed through a collaborative process involving State and federal regulatory agencies, including NOAA Fisheries, USFWS, the Washington State Department of Fish and Wildlife ("WDFW"), and tribes. These agreements include extensive measures to protect fish, including flow management measures and non-flow measures such as habitat restoration, conservation land acquisition, and research and monitoring. In addition, the Department is anticipating that its ESA habitat restoration, conservation land acquisition (including approximately 10,800 acres owned and managed by the Department for fish and wildlife mitigation tied to the Skagit Project FERC license), and research programs will continue under its new FERC licenses that support the recovery and restoration of Bull Trout, Chinook Salmon, and steelhead populations in the Skagit and Tolt River watersheds. This program has funded several major habitat restoration projects for the three listed fish species in the Skagit and Tolt River watersheds. The Department has also acquired approximately 3,700 acres of high quality habitat for ESA-listed fish species in these watersheds for permanent conservation protection as part of the ESA Lands Program. Both of these acreage figures include approximately 211 acres that were purchased using a combination of ESA Lands Program and Skagit Project mitigation funds. Monitoring and research studies by the Department are continuing in partnership with WDFW, the National Park Service, USFWS, Skagit River System Co-op, and the Upper Skagit, Swinomish, and Sauk-Suiattle Tribes to determine the population status of and the factors potentially limiting Bull Trout, Chinook Salmon, and steelhead populations downstream of the Skagit Project, and Bull Trout populations in the three Skagit River reservoirs. In addition, monitoring and research studies are continuing in partnership with the Tulalip Tribes, WDFW and the U.S. Geological Survey (the "USGS") on the South Fork Tolt River focused on Chinook Salmon and both summer and winter steelhead. These studies continue to be used to develop recovery plans and actions in cooperation with State and federal agencies, tribes, and regional salmon recovery organizations to improve habitat conditions for ESA-listed fish species.

The Skagit Project Biological Opinion for Chinook Salmon and steelhead was completed by NOAA Fisheries in 2012. It included four additional flow protection measures that the Department had already adopted voluntarily. The Skagit Project Biological Opinion for Bull Trout was completed by the USFWS in 2013 and included the same flow protection measures contained in the NOAA Fisheries Biological Opinion, as well as specific habitat conservation measures and population monitoring requirements. Continuing these required conservation measures will have no significant effect on the Department's operations at the Skagit Project. Ongoing settlement negotiations for the Skagit Project's new license will result in a new Biological Opinion, and effects on future operations cannot be fully predicted at this time.

Clean Water Act

As a condition for certain federal actions, including the licensing of hydroelectric projects, Section 401 of the federal Clean Water Act ("CWA") requires states to provide a "water quality certification." Section 401 certification demonstrates that discharges comply with state water quality standards, including various physical and chemical parameters. Section 401 has been interpreted to authorize states to condition their certification on standards for minimum stream flows to protect fish.

The Skagit Hydroelectric Project is seeking 401 Water Quality Certification for its new FERC license and regular discussions with Ecology are ongoing. The final application for submittal is anticipated in early 2025 and will consider elements under settlement. Settlement is ongoing. Current issues under discussion with Ecology include ramping rates, minimum flows, TDG (total dissolved gas), 7Q10 (the lowest or highest streamflow for seven consecutive days that occur on average once every ten years) flows, and temperature.

The South Fork Tolt Hydroelectric Project received a 401 Water Quality Certification in 1983 in conjunction with the FERC License. The Water Quality Certification was revised in 1993 prior to the construction of the project. The revised certification captured changes to the original project proposal and changes to the State's water quality regulations, and incorporated a settlement agreement. An agreement with State and federal agencies on minimum flows for the Newhalem Project was incorporated into the FERC license issued in 1997. These minimum flows were required for the Section 401 certification issued in 1996. Ecology implemented new water quality standards in 2007, intended to protect aquatic uses, including federally-listed fish species such as Bull Trout, Chinook Salmon, and steelhead. In 2011, Ecology issued a Section 401 certification as part of the FERC license for the Boundary Project. See "Power Resources and Cost of Power—Department-Owned Resources—Boundary Project." The Department also participates in other water quality regulatory processes.

On December 31, 2020, EPA approved the Pend Oreille River Temperature Total Maximum Daily Load ("TMDL") under the CWA. Section 303(d) of the CWA requires states to address waters not meeting water quality criteria. Ecology developed the temperature TMDL to address chronically elevated water temperatures exceeding the river's water quality criteria (20ºC). Ecology began the development of a water quality implementation plan ("WQIP") in 2021 and is expected to finalize the plan in 2024. The WQIP will identify specific tasks, responsible parties, and timelines for reducing or eliminating pollution sources. The next Water Temperature Attainment Plan that is part of the 401 Certification will need to be consistent with the WQIP. It is unknown at this time what will be in the WQIP; however, it is believed that only minor changes to the existing Water Temperature Attainment approach will be required in the meet the WQIP.

Ecology adopted new water quality standards, effective April 22, 2022, after the formal rulemaking process initiated in 2021 was concluded. New standards were adopted for better protecting water quality and physical habitat for incubating eggs and young salmon in rivers and streams. The rule changes set a minimum dissolved oxygen level in the water column where salmon eggs are present to 10.0 mg/L or 90% oxygen saturation (formerly 9.5 mg/L with no saturation index). The new rule specifies that intragravel dissolved oxygen criteria for the aquatic life use categories could be used for compliance purposes in lieu of water column measurements alone. When intragravel dissolved oxygen is used for compliance along with water column measurements, the intragravel dissolved oxygen (one-day minimum) concentration must be 8.0 mg/L or greater, and the dissolved oxygen water column (one-day minimum) concentration must be 9.0 mg/L or greater. Narrative criterion to minimize the anthropogenic impacts of fine sediment on the gravels where incubating eggs and young salmon exist in rivers and streams were also adopted. The impact of these rule changes is expected to remain minimal for the Department.

In June 2022, Ecology announced its intent to review and revise, as necessary, the State's current aquatic life toxics criteria to ensure consistency with nationally recommended criteria issued by EPA. Under this process, Ecology will consider: (i) pollutant protection levels for endangered species in Washington waters; (ii) new scientific data, methods, and modeling tools to update protection levels necessary for aquatic life in the State's surface waters; and (iii) adding new toxic substances to the water quality standards that EPA has recommended or that the State designates as high priority for the protection of aquatic life. Currently, the State has aquatic life toxics criteria for 28 toxic chemicals. Ecology is proposing to update the criteria for 16 of these chemicals and add 14 more chemicals to the list for a total of 42. Well-known chemicals already on the list such as arsenic, copper, nickel, silver, and zinc are receiving updates to better protect aquatic life from these chemicals. Proposed new additions to the State's list include PFOA and PFOS (part of the PFAS chemical group), aluminum, and the emerging chemical of concern 6PPD-quinone, the chemical

that comes from tires and is toxic to salmon. Comments on the proposed rule have been extended to May 7, 2024. A final rule is expected later in 2024. The Department is tracking this rule development for its potential impact on the Department.

In September 2021, EPA issued National Pollutant Discharge Elimination System ("NPDES") discharge permits for four dams on the Lower Snake River (Ice Harbor Lock and Dam, Lower Monumental Lock and Dam, Little Goose Lock and Dam, and Lower Granite Lock and Dam). In 2021, EPA also proposed draft NPDES discharge permits for four dams on the lower Columbia River (Bonneville Project, the Dalles Lock and Dam, John Day Project, and McNary Lock and Dam).

Renewable Energy and Greenhouse Gas Mitigation

In 2000, the City Council set a long-term goal for the Department to achieve greenhouse gas neutrality while meeting all of the electricity needs of the City. In 2005, the Department became the first electric utility in the country to achieve zero net greenhouse gas emissions. It has maintained that greenhouse gas-neutral status every year since.

The Department has a very low emission factor as reported to and verified through The Climate Registry. The Department's greenhouse gas emissions are so low because the Department currently uses hydroelectric resources for a majority of the power it provides to customers. The Department's emissions are further reduced by its aggressive energy efficiency and conservation programs. Renewable energy projects have been added to the Department's resource mix. See "Power Resources and Cost of Power—Purchased Power Arrangements." The Department's Green Up program offers its retail customers the opportunity to further support the acquisition of renewable energy credits. See "Department Financial Information—Retail Rates—Voluntary Green Power Program." In addition, the Department's IRP relies only on new renewables and conservation to meet future load growth. The Department purchases greenhouse gas credits for the emissions it does generate.

Federal and State initiatives have been proposed to address global climate change by controlling or monitoring greenhouse gas emissions, encouraging renewable energy development, and implementing other measures. In 2019, the State passed the CETA. The State law requires that utilities attain milestones for providing clean energy to their customers. Specifically, no coal by 2025, 80/20 greenhouse gas-neutral goal (*i.e.*, 80% met with renewable or non-emitting resources and 20% met with alternative compliance mechanisms) by 2030, and 100% renewable or non-emitting resources by 2045. See "Power Resources and Cost of Power—Washington's Renewable Portfolio Standard and Regulatory Compliance (Climate Commitment Act, Initiative 937, and CETA)."

Since 2020, the Department has been required to comply with California's Cap-and-Trade program. The California Cap-and-Trade program will allow California to meet its outlined greenhouse gas limits by capping and reducing the greenhouse gas emissions associated with the largest emitting sources and industries in California. Certain entities that are covered under this program will be required to provide eligible instruments to cover its compliance obligations. As a consequence of its participation in the CAISO EIM, the Department has been required to comply with California's Cap-and-Trade program since 2020 on the same basis as any other entity selling power into California. The California Cap-and-Trade program is intended to allow California to meet its outlined greenhouse gas limits by certain deadlines. Under the program, the Department is required to purchase allowances for sales into California based on the estimated carbon intensity of its sales. To date, the cost to the Department to comply with the program has not been material.

In 2021, the State passed the CCA. The CCA is intended to allow the State to meet its outlined greenhouse gas limits and established a Cap-and-Invest program, which caps and reduces the greenhouse gas emissions associated with the largest emitting sources and industries in the State. Utilities and other entities that are covered under this program such as the Department are required to provide eligible instruments to cover their compliance obligations. See "Power Resources and Cost of Power—Washington's Renewable Portfolio Standard and Regulatory Compliance (Climate Commitment Act, Initiative 397, and CETA)—Climate Commitment Act."

Climate Change

The Department continues to research and monitor potential effects of climate change on the Department's business. In 2016, the Department completed a Climate Change Vulnerability Assessment and Adaptation Plan to identify climate vulnerabilities and potential actions to reduce risks associated with climate change. Building off of this plan, elevating climate equity and customer and employee welfare will be substantive advancements in a new Climate

Resilience Strategy currently being developed by the Department. This strategy development will operationalize an ongoing pathway to action, including partnerships, governance, engagement, portfolio of actions, information resources, tracking and reporting, and performance evaluation. The Department actively participates in the Center for Energy Advancement through Technological Innovation as part of the Climate Change Opportunities, Risk and Adaptation working group evaluating the effects of climate change on hydropower operations and planning within the industry. Following the completion of the Stossel Creek Climate-Adapted Reforestation Project in the Tolt River Watershed during 2020, the Department continues to collaboratively monitor the performance of the plantings. The project seeks to support an enduring forest as climate changes to provide habitat, stabilize soils, and reduce streamflow temperatures for fish.

The Department's energy resource mix is about 86% hydro-based generation. The physical effects of climate change are expected to affect the amount, timing, and availability of water resources for hydroelectric generation in the future. In cooperation with the University of Washington's Civil and Environmental Engineering Department ("UWCEE"), the Department is studying how projected changes in temperature and precipitation will affect rapid snowmelt and mid-winter snowmelt in the Tolt River Watershed, which could affect stream flow and thus future output from the Department's South Fork Tolt Project. UWCEE is also supporting improvements to future stream flows in the Skagit River that will be used in the operations model being applied as part of the Skagit Project relicensing. These academic collaborations are being used to support relicensing and other long-term planning and designs related to the Department's hydroelectric projects.

To support long-range planning, climate change scenarios have been added into the resource adequacy analysis conducted for the IRP. Several best available climate change datasets were evaluated and filtered to capture the range of temperature and streamflow variability into the future, which could affect energy demand and supply. These data were used in load forecasting and energy production refill models to understand climate change impacts on winter and summer risks to resource adequacy. Analyses indicate that climate change may increase both the winter and summer needs to varying amounts, depending on the global climate model and greenhouse gas emissions used in the scenario.

The Department is continuing to collaborate with UWCEE on the changes in landslide hazards from climate change at its Skagit facilities that will be useful for relicensing, transmission planning, and dam safety. Studies on climate change and operational effects on reservoir and downstream water temperatures at the South Fork Tolt Project are continuing in collaboration with consultants and the USGS. Although the Department expects to be negligibly affected by sea level rise, it coordinates with other City departments to understand potential risks and new information as it is produced. Climate science has also informed federal grant applications supporting climate resilience, including flooding, wildfire, and landslide hazards. The Department was awarded a FEMA Hazard Mitigation Grant of over $1 million in 2023 to retrofit six transmission towers to reduce damage and restoration time of transmission lines providing approximately 20% of the City's electricity.

See "The City of Seattle—Climate Change" for a discussion of City-wide efforts to address climate change.

Wildfire Risk

Certain areas within the State, particularly central and eastern Washington, routinely experience seasonal wildfires that can threaten remote Department-owned generation and transmission infrastructure.

Over the past decade, two major fires near the Skagit Project impacted operations. On July 29, 2023, a fire was spotted on Sourdough Mountain above Diablo Dam. Over the next month, the fire spread to over 7,200 acres around the Diablo facility, the town of Diablo, and the Environmental Learning Center. Transmission lines out of the Diablo and Ross facilities were shut down twice, once for seven days and once for six days. During these times, the Diablo and Ross dams spilled water through the spill gates to maintain flow to the Gorge powerhouse and the Skagit River. The estimated cost of purchasing supplemental energy on the wholesale market was approximately $2.6 million. No facilities or structures were lost to the fire. Normal operations resumed completely on August 29, 2023. In August 2015, the Goodell Creek wildfire forced the shutdown of the 230 kV transmission lines connected to the Skagit Project and caused the Department to spill water and purchase supplemental power and reserves. The fire nearly reached generation facilities and damaged distribution and communication facilities. FEMA reimbursements of about $2.3 million offset approximately 75% of the costs of repairs, firefighting, evacuation, and emergency management.

The Department also incurred approximately $1.0 million in costs to purchase supplemental energy to make up for stranded generation and capacity.

The Department integrates best management practices such as removing vegetation around buildings and infrastructure to create defensible space, planting fire-resistant plants, and improving evacuation awareness and procedures in order to reduce wildfire risk in areas within and adjacent to company towns, generation sites, and transmission rights of way. These practices are designed to reduce the potential wildfire risk to the Department's remote infrastructure, communities, and service of electricity to customers. In December 2023, the Department was awarded over $230,000 though a Hazard Mitigation Grant Program grant from FEMA to design, permit, and plan a 57-acre defensible space project to protect its Cedar Falls Hydroelectric Project. The Department also participates in the Washington State Department of Natural Resources' Utility Wildland Fire Prevention Advisory Committee, established in 2021. The Department initiated a Wildfire Risk Reduction Strategy in 2021 and finalized it in August 2023. This strategy is being revised to be more in line with the State-provided template and will be presented to the City Council for approval by October 31, 2024.

There is also wildfire risk to generation and transmission facilities serving the Department through power and transmission contracts. BPA, which makes up the vast majority of the Department's purchased power and transmission contracts, established a formal wildfire mitigation plan in 2022.

VARIOUS FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Certain Considerations Specific to the Electric Utility Industry

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities, including the Department, and the level of utilization of generating and transmission facilities. Such factors include, among others:

(i) effects of compliance with changing environmental, safety, licensing, regulatory, and legislative requirements;

(ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;

(iii) changes resulting from a national energy policy;

(iv) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;

(v) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities;

(vi) increased competition from independent power producers and marketers, brokers, and federal power marketing agencies;

(vii) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others;

(viii) effects of inflation on the operating and maintenance costs of an electric utility and its facilities;

(ix) changes from projected future load requirements;

(x) increases in costs and uncertain availability of capital;

(xi) shifts in the availability and relative costs of different fuels (including the cost of natural gas);

(xii) increases or decreases in the price of energy purchased or sold on the open market that may occur in times of high peak demand or supply;

(xiii) issues with transmission capacity and integrating wind power generation;

(xiv) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;

(xv) other legislative changes, voter initiatives, referenda, State-wide propositions, sequestration, and other failures of Congress to act;

(xvi) effects of changes in the economy;

(xvii) effects of possible manipulation of the electric markets;

(xviii) natural disasters or other physical calamities, including, but not limited to, earthquakes, tsunami, floods, mud slides, volcanic eruptions, wildfires, droughts, and wind storms;

(xix) man-made physical and operational disasters, including but not limited to terrorism, security (including cyber security) breaches, cyber attacks, and collateral damage from untargeted computer viruses;

(xx) variations in the weather and changes in the climate;

(xxi) failures of or other issues with infrastructure; and

(xxii) effects of local, State, and national government response or business response to the outbreak of a pandemic disease.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities, including the Department, in different ways. The Department is unable to predict what impact such factors will have on its business operations and financial condition. The discussion provided in this section does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

Contingent Payment Obligations Unrelated to Debt Obligations

The City, through the Department, has in the past and may in the future enter into various agreements, such as power purchase agreements or commodity derivative instruments, under which the City may be obligated to make payments or post collateral contingent upon certain future events within or beyond the City's control. These types of arrangements are entered into in the ordinary course of business, independently of any issuance of bonds or other financial obligations payable from the Net Revenue of the Light System, and are not related to any particular debt obligation. Such contingent payment obligations are permitted to be treated as operation and maintenance charges payable from Gross Revenues prior to the payment of principal of and interest on the Parity Bonds. See "Power Resources and Cost of Power—Purchased Power Arrangements" and "—Wholesale Energy Risk Management."

THE CITY OF SEATTLE

The following provides general information about the City.

For the purposes of this section, "General Operating Fund" is defined as the financial activity accounted for in the City's General Operating Fund (00100) and does not reflect financial activity outside of this fund. The General Operating Fund is one of a set of more than 20 additional defined funds that are combined into one General Fund for the purposes of reporting in the City's Annual Comprehensive Financial Report.

Municipal Government

Incorporated in 1869, the City is the largest city in the Pacific Northwest and is the County seat.

The City is a general purpose government that provides a broad range of services typical of local municipalities, such as streets, parks, libraries, human services, law enforcement, firefighting and emergency medical services, planning, zoning, animal control, municipal court, and utilities. The City owns and operates water, electric, solid waste, and drainage and wastewater utilities, although the County provides wastewater treatment service. The County also

provides certain services throughout the County and within the City, including courts of general jurisdiction, felony prosecution and defense, jail, public health, and transit services.

The City is organized under the mayor-council form of government and operates under its City Charter. The Mayor, the City Attorney, and the Municipal Court judges are all elected to four-year terms. The nine City Council members are elected to staggered four-year terms.

Mayor. The Mayor serves as the chief executive officer of the City. The Mayor presents to the City Council annual statements of the financial and governmental affairs of the City, budgets, and capital improvement plans. The Mayor signs, or causes to be signed on behalf of the City, all deeds, contracts, and other instruments.

City Council. As the policy-making legislative body of the City, the City Council sets tax levies and utility rates, makes appropriations, and adopts and approves the annual operating budget and capital improvement plans for the City. The City Council members serve on a full-time basis.

Municipal Court. The State Constitution provides for the existence of county superior courts as the courts of general jurisdiction and authorizes the State Legislature to create other courts of limited jurisdiction. The Seattle Municipal Court has limited jurisdiction over a variety of cases, including misdemeanor criminal cases, traffic and parking infractions, collection of fines, violation of no-contact or domestic violence protection orders, and civil actions for enforcement of City fire and housing codes. The Municipal Court has seven judges. Municipal Court employees report to the judges.

Budgeting and Forecasting

The City Budget Office. The CBO is within the executive branch and the Budget Director is appointed by the Mayor. The CBO is responsible for developing and monitoring the City's annual budget, carrying out budget-related functions, and overseeing fiscal policy and financial planning activities. The CBO provides strategic analysis in relation to the use of revenues, debt, and long-term issues. The office also provides technical assistance, training, and support to City departments in performing financial functions.

In prior years, the City's annual budget was based in part on revenue forecasts prepared by the CBO; in 2022, much of the forecasting function transitioned to the newly created Office of Economic and Revenue Forecasts. See "—The Office of Economic and Revenue Forecasts." The CBO continues to be responsible for coordinating with departments to forecast and project all other revenues, including a variety of excise taxes and public utility taxes, license and service fees, fines, inter- and intra-governmental charges, transfers and shared revenues, grants, interest earnings, and other lesser revenue items.

Additional information on the CBO as well as current and past adopted budgets can be found at *https://www.seattle.gov/city-budget-office.*

The Office of Economic and Revenue Forecasts (the "Forecast Office"). The Forecast Office was created in July 2021, pursuant to Ordinance 126395. The Forecast Office provides an independent source for the economic and revenue forecasts that underlie the City's annual budget process. The Forecast Office reports to the Economic and Revenue Forecast Council (the "Forecast Council"), which includes equal representation from the Legislative and Executive branches of City government. The following elected and appointed officials (or their designees) comprise the Forecast Council: the Mayor, the Director of Finance, the Council President, and the Chair of the City Council Finance Committee. The Forecast Council selects one member to serve as Chair of the Forecast Council annually.

The Forecast Office is tasked with preparing three revenue forecasts each year, to be delivered in April, August, and November. The forecasts that are developed by the Director of the Forecast Office and approved by the Forecast Council serve as the official City economic and revenue forecasts and as the basis for the estimates of revenues described in State statutes governing budgeting. The Mayor or City Council has the authority to deviate from the official forecasts.

Forecasts informing the City's annual budget proposals through the 2022 budget were performed by the CBO. Beginning with the April 2022 Revenue and Budget Update and the 2023 budget cycle, the forecasting function is

now performed by the Forecast Office, including forecasting the largest and most economically-dependent general government revenue sources, including sales tax, B&O tax, property tax, private utility taxes, and Payroll Expense Tax. The CBO continues to be responsible for coordinating with departments to forecast and project all other General Fund revenues, including a variety of excise taxes and public utility taxes, license and service fees, fines, inter- and intra-governmental charges, transfers and shared revenues, grants, interest earnings, and other lesser revenue items.

In addition, the Forecast Office staffs the Forecast Council, develops economic and revenue forecasts, conducts special studies at the request of the Forecast Council, and provides *ad hoc* analytical support on economic and revenue estimation for legislative and executive staff consistent with its work program. Additional information on the Forecast Office, as well as the economic and revenue forecasts produced, can be found at *https://www.seattle.gov/economic-and-revenue-forecasts.*

Municipal Budget. City operations are guided by a budget prepared under the direction of the Mayor by the CBO pursuant to State statute (chapter 35.32A RCW). The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is January 1 through December 31. The City Council considers the proposed budget, holds public hearings on its contents, and may alter and revise the budget at its discretion, subject to the State requirement that budgeted revenues must at least equal expenditures. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which may be amended or supplemented from time to time by ordinance. The Mayor may approve the City Council's budget, veto it, or permit it to become law without the Mayor's signature. The Mayor does not have line-item veto power.

The 2024 budget was adopted by Ordinance 126955, passed by the City Council on November 21, 2023. The City's adopted General Operating Fund budget was approximately $1.623 billion in 2023 and is approximately $1.698 billion in 2024. See "—The City Budget Office."

Fiscal Reserves

Emergency Fund. Under the authority of RCW 35.32A.060, and as regulated by Ordinance 116642 (amended by Ordinances 117977 and 125492), the City maintains the Emergency Fund (the "EMF") of the General Fund. The EMF is the principal reserve for the City to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. State law limits the amount of money the City can set aside in this reserve to $0.375 per $1,000 of assessed value of property within the City.

The City's financial policies for the EMF establish a minimum balance of $60 million, adjusted each year with the rate of inflation. This policy strikes a balance between ensuring that resources will be available to address unanticipated expenditures and making resources available to address current needs.

Due to the COVID-19 pandemic and related economic downturn, the City drew on the EMF and suspended its contributions in 2020 and 2021, and in 2021 amended the financial policies to require that after a severe event requiring deep or multi-year spending from the EMF, the City will return to making contributions to satisfy the target balance within a period of five years, or sooner if practically possible.

The EMF had a fund balance of $65.0 million as of year-end 2019. In response to the COVID-19 pandemic, the City withdrew a net $31.3 million from the EMF in 2020 and 2021. The City subsequently contributed $10 million to the reserve in 2022 and an additional $15 million in 2023, resulting in a fund balance in the EMF of $58.7 million at the end of 2023. In 2024, the City has budgeted to contribute $14.2 million as part of a plan to fund the Emergency Fund to $73 million by year-end 2024.

Revenue Stabilization Fund. The City maintains the Revenue Stabilization Fund (the "RSF") in the General Fund to be used for revenue stabilization for future City operations and to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in General Fund revenues.

Certain required transfers into and restrictions on expenditures from the RSF are set forth in Chapter 5.80 of the SMC. All expenditures from the RSF require an ordinance, adopted following consideration of projections and recommendations for at least partial replenishment within four years. The RSF is funded by (i) one-time transfers

authorized by ordinance, (ii) automatic annual transfers of 0.50% of forecast General Operating Fund tax revenues, and (iii) upon completion of fiscal year accounting, automatic transfer of 50% of the ending balance in the General Operating Fund, less encumbrances, carryforwards as authorized by ordinance or State law, and planned reserve amounts reflected in the adopted budget, that is in excess of the latest revised estimate of the unreserved ending fund balance for that closed fiscal year (as published in the adopted budget). The phrase "tax revenues" means all tax revenues deposited into the General Operating Fund, including but not limited to tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, the portion of admissions tax not dedicated to the Arts and Culture Fund, leasehold excise tax, gambling taxes, and sales and use taxes.

The SMC also provides that automatic transfers will be suspended to the extent that the balance in the RSF exceeds 5% of the forecast General Operating Fund tax revenues for the year, and when forecasts underlying the adopted budget anticipate a nominal decline in General Operating Fund revenues, as compared to the revenue forecasts underlying the adopted budget for the fiscal year immediately prior. Automatic transfers remain suspended until positive revenue growth is reflected in the revenue forecasts underlying the adopted budget and are reinstated at a level of 0.25% of General Operating Fund tax revenues in the first year showing such recovery, followed by 0.50% thereafter.

To respond to the COVID-19 pandemic, the City withdrew a net $51.7 million from the RSF in 2020 and 2021, reducing the ending fund balance from $57.8 million at the end of 2019 to $6.0 million at the end of 2021. Based on the automatic transfer mechanism described above, the City made a deposit of $55.7 million to the RSF in 2022 and $3.6 million in 2023, resulting in an RSF ending fund balance of $65.3 million at the end of 2023, an increase of $7.5 million over pre-pandemic levels. The City's 2024 Adopted Budget plans to fund the RSF to $67.6 million by year-end 2024.

The combined fund balance of these two reserves is projected to reach $159 million by year-end 2026.

Financial Management

City financial management functions are provided by the Office of City Finance within the Department of Finance and Administrative Services. The Director of Finance is a charter position appointed by the Mayor and reporting directly to the Mayor's Office, while being located within the Department of Finance and Administrative Services.

Accounting. The accounting and reporting policies of the City conform to generally accepted accounting principles for municipal governments and are regulated by the State Auditor's Office, which maintains a resident staff at the City to perform a continual current audit as well as an annual, post-fiscal year audit of City financial operations. The Citywide Accounting and Payroll Division of the Office of City Finance within the Department of Finance and Administrative Services maintains general supervision over the accounting functions of the City.

Auditing. The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the State Constitution and laws of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The State Auditor's Office has authority to conduct independent performance audits of State and local government entities. The Office of the City Auditor also reviews the performance of a wide variety of City activities such as span of control, City-wide collections, special events permitting, and specific departmental activities.

Investments

Authorized Investments. Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds, United States certificates of indebtedness, State bonds or warrants, general obligation or utility revenue bonds or warrants of their own or of any other city or town in the State, their own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law, and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city or town also may invest in the following: bonds of the State or any local government in the State; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency; registered warrants of

a local government in the same county as the government making the investment; certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar-denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder; Federal Home Loan bank notes and bonds, Federal Land Bank bonds and Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve system; bankers' acceptances purchased on the secondary market; commercial paper purchased in the secondary market, provided that any local government of the State that invests in such commercial paper must adhere to the investment policies and procedures adopted by the Washington State Investment Board; and corporate notes purchased on the secondary market, provided that any local government of the State that invests in such notes must adhere to the investment policies and procedures adopted by the Washington State Investment Board. Under chapter 43.250 RCW, local governments may invest in the Washington State Local Government Investment Pool, managed by the State Treasurer to maximize potential surplus funds while ensuring safety of those funds.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or used for the benefit of the general government in accordance with City ordinances or resolutions.

Authorized Investments for Bond Proceeds. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe.

City Investments. The information in this section does not pertain to pension funds that are administered by the City (see "—Pension Plans") and certain refunding bond proceeds that are administered by trustee service providers.

All cash-related transactions for the City, including its utilities, are administered by the Treasury Services Division of the Office of City Finance within the Department of Finance and Administrative Services ("City Treasury"). Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by City Treasury in securities described above under "—Authorized Investments."

State statutes, City ordinances, and Office of City Finance policies require the City to minimize market risks by safekeeping all purchased securities according to governmental standards for public institutions and by maintaining safety and liquidity above consideration for returns. Current City investment policies require periodic reporting on the City's investment portfolio to the Mayor and the City Council. The City's investment operations are reviewed by the City Auditor and by the State Auditor.

As of December 31, 2023, the City's pooled investment portfolio, which excludes pensions, totaled $3.71 billion market value. The City's investment portfolio consists solely of City funds. As of December 31, 2023, the annualized earnings yield of the City's investment portfolio was 3.48% for the month and 3.14% for the year. As of December 31, 2023, the weighted average maturity of the City's investments was 733 days. Approximately 24%, or $905 million, was invested in securities with maturities of three months or less.

Investments were allocated as follows, by market value:

U.S. Government Agencies	46%
U.S. Government	35%
State and Local Government Investment Pool	11%
Municipal Bonds	4%
Corporate Bonds	2%
U.S. Government Agency Mortgage-Backed	1%
Supranational	1%
Repurchase Agreements	1%
Commercial Paper	0%

Note: may not add to 100% due to rounding.

Interfund Loans. The City is authorized to make interfund loans to individual funds, bearing interest payable by the borrowing fund. The Director of Finance may approve interfund loans for a duration of up to 90 days. Loans of a longer duration require City Council approval.

As of December 31, 2023, the City had outstanding two interfund loans totaling approximately $41.1 million, including interest, in the amounts of $15.7 million and $25.4 million.

Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. Currently the City's excess liability policy provides $20 million limits above a $10 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City's hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to $500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of $100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy. In 2019, the City began purchasing cyber insurance to cover business interruption, system failure, data asset protection, event management, and privacy and network security liability.

The City insures a primary level of fiduciary, crime liability, inland marine, and various commercial general liability, medical, accidental death and dismemberment, and miscellaneous exposures. Surety bonds are purchased for certain public officials and notaries.

Pension Plans

The information below describes pension plans available to City employees generally. City employees are eligible for coverage by one of the following defined benefit pension plans: Seattle City Employees' Retirement System ("SCERS"), Firefighters' Pension Fund, Police Relief and Pension Fund, and the Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF"). The first three are administered by the City and are reported as pension trust funds as part of the City's reporting entity. The State administers LEOFF through the State Department of Retirement Systems ("DRS").

Pursuant to an agreement with various City labor unions, the City Council passed legislation in August 2016 that created a new defined benefit retirement plan, SCERS Plan 2 ("SCERS 2"), covering non-uniformed employees. The new plan is open to employees first hired on or after January 1, 2017. SCERS 2 includes, among other adjustments to SCERS Plan 1 ("SCERS 1"), a slight decrease in benefit levels, raising the minimum retirement age, and deferring retirement eligibility by increasing the age-plus-years-of-service required for retirement with full benefits. The City expects SCERS 2 to provide a more cost-effective method for the City to provide retirement benefits to its employees. It does not affect uniformed employees. The historical information provided in this section for periods prior to 2017 relates only to SCERS 1.

Additional detail on the existing plans is available from SCERS and DRS on their respective websites (SCERS: *http://www.seattle.gov/retirement/*; DRS: *http://www.drs.wa.gov/*).

Permanent non-uniformed City employees and certain grandfathered employees of the County (and a predecessor agency of the County) are eligible for membership in SCERS. Newly-hired uniformed police and fire personnel are generally eligible for membership in LEOFF. The Seattle Firefighters' Pension Fund and Police Relief and Pension Fund have been closed to new members since 1977.

GASB 67/68 Reporting. Governmental Accounting Standards Board ("GASB") Statements No. 67 ("GASB 67") and 68 ("GASB 68") modified the accounting and financial reporting of pensions by pension plans (GASB 67) and by state and local government employers (GASB 68), but did not alter the funding requirements under State law and City ordinance for members, employers, or the State. The SCERS annual financial statements beginning with the fiscal year ended December 31, 2020, and DRS's Annual Financial Report for LEOFF for the fiscal year ended June 30, 2021, were prepared in accordance with GASB 67.

The Seattle City Light Fund reported a liability of $302.6 million and $171.7 million, representing its proportionate share of net pension liability ("NPL") for SCERS as of December 31, 2023, and December 31, 2022, respectively. The effect of this recognition is reflected in its Statements of Net Position and its Statement of Revenues, Expenses and Changes in Net Position in the Department's 2023 Audited Financial Statements. The NPL was measured as of December 31, 2022, and December 31, 2021, and the total pension liability ("TPL") used to calculate the NPL was based on the actuarial valuations as of January 1, 2022, and January 1, 2021. The Seattle City Light Fund's proportion of the NPL was based on contributions to SCERS during the fiscal years ended December 31, 2022, and December 31, 2021. The Seattle City Light Fund's proportionate share was 20.00% and 20.72% for the years ended December 31, 2022, and December 31, 2021, respectively. Schedules of the Seattle City Light Fund's proportionate share of NPL and contributions are provided as required supplementary information to the Department's 2023 Audited Financial Statements.

Seattle City Employees' Retirement System. SCERS is a cost-sharing multiple-employer defined benefit public employee retirement plan, administered in accordance with Chapter 4.36 SMC, by the Retirement System Board of Administration (the "Board"). The Board consists of seven members, including the Chair of the Finance Committee of the City Council, the City's Director of Finance, the City's Human Resources Director, two active members and one retired member of the system, and one outside board member who is appointed by the other six board members. Elected and appointed Board members serve for three-year terms.

SCERS is a pension trust fund of the City and provides retirement, death, and disability benefits under SCERS 1 and SCERS 2. Employees first entering the system on or after January 1, 2017, are enrolled in SCERS 2, with limited exceptions for certain exempt employees and those with service credit prior to January 1, 2017. Members already enrolled in SCERS 1 do not currently have an option to switch to SCERS 2.

Under SCERS 1, retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. Under SCERS 2, retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months. The benefit is actuarially reduced for early retirement.

According to the most recent actuarial valuation (with a valuation date as of January 1, 2024), which was approved by the Board on June 13, 2024 (the "2023 Actuarial Valuation"), there were 7,616 retirees and beneficiaries receiving benefits, and 9,740 active members of SCERS. There are an additional 1,724 terminated employees in SCERS who are vested and entitled to future benefits and another 1,943 who are not vested and not entitled to benefits beyond contributions and accumulated interest. From January 1, 2023, to January 1, 2024, the net number of active members in SCERS increased by 4.6%, the net number of retirees receiving benefits increased by 1.3%, and the net number of vested terminated members increased by 4.7%.

Certain demographic data from the 2023 Actuarial Valuation are shown below:

TABLE 15
PLAN MEMBER DEMOGRAPHIC INFORMATION, SCERS

	Retirees and Beneficiaries Receiving Benefits		Active Employees	
Age Range	**Number**	**Percent**	**Number**	**Percent**
<25	-		138	1.4%
25-39	-		2,772	28.5%
40-49	8 (1)	0.1% (1)	2,601	26.7%
50-59	248	3.3%	2,613	26.8%
60-69	2,245	30.2%	1,478	15.2%
70+	4,927	66.3%	138	1.4%

(1) Includes everyone under the age of 50.

Source: 2023 Actuarial Valuation

FINANCIAL CONDITION AND ACTUARIAL VALUATIONS. As a department of the City, SCERS is subject to the City's internal control structure and is required by SMC 4.36.505.E to transmit a report to the City Council annually regarding the financial condition of SCERS (the "SCERS Annual Report"). The most recent SCERS Annual Report, for the years ended December 31, 2023, and December 31, 2022, was transmitted on June 10, 2024, by CliftonLarsonAllen LLP (the "2023 SCERS Annual Report"). The 2023 SCERS Annual Report is expected to be approved by the Board on July 11, 2024, and, when approved, will be posted on the Board's website (*seattle.gov/retirement/about-us/board-of-administration*).

Milliman Inc., as consulting actuary, has evaluated the funding status of SCERS annually since 2010. The most recent actuarial report, the 2023 Actuarial Valuation (with a valuation date as of January 1, 2024), is available on the City's website at:

https://www.seattle.gov/retirement/about-us/board-of-administration#actuarialreportsandexperiencestudies.

In March 2022, the Board reduced the 30-year investment expectation to 6.75% following recommendations in the 2022 Experience Study. This change was incorporated into the annual actuarial valuations beginning with the 2021 Actuarial Valuation (with a valuation date as of January 1, 2022). The following summarizes some key assumptions utilized in the 2023 Actuarial Valuation and compares those to the assumptions used in the last six actuarial valuations.

TABLE 16
ACTUARIAL ASSUMPTIONS

	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Investment return	6.75%	6.75%	6.75%	7.25%	7.25%	7.25%	7.50%
Price inflation	2.60%	2.60%	2.60%	2.75%	2.75%	2.75%	3.25%
Wage growth (price inflation plus wage inflation)	3.35%	3.35%	3.35%	3.50%	3.50%	3.50%	4.00%
Expected annual average membership growth	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
Interest on member contributions made on or after January 1, 2012[(1)]	3.85%	3.85%	3.85%	4.00%	4.00%	4.00%	4.75%

(1) Contributions made prior to January 1, 2012, are assumed to accrue interest at 5.75%.

Source: -2017-2023 Actuarial Valuations

As of January 1, 2024 (as set forth in the 2023 Actuarial Valuation), the actuarial value of net assets available for benefits was $4,143.7 million and the actuarial accrued liability was $5,470.0 million. An Unfunded Actuarial Accrued Liability ("UAAL") exists to the extent that actuarial accrued liability exceeds plan assets. Per the 2023 Actuarial Valuation, the UAAL increased from $1,254.9 million as of January 1, 2023, to

$1,326.3 million as of January 1, 2024. The funding ratio increased from 75.7% as of January 1, 2023, to 75.8% as of January 1, 2024, which increase was primarily due to contributions made to pay down the UAAL and a higher than assumed investment return, but were almost entirely offset by a greater than assumed increase in salaries. For the year ended December 31, 2023, SCERS assets experienced an investment gain of about 11.5% on a market value basis (net of investment expenses), a rate of return that was significantly higher than the assumed rate of 6.75% for 2023. The result is an actuarial gain on assets for 2023, but only one-fifth of this gain was recognized in the current year actuarial value of assets ("AVA"). To improve its ability to manage short-term market volatility, the City has adopted a five-year asset smoothing methodology that recognizes the asset gain or loss occurring in each year evenly over a five-year period. Under this methodology, combined with prior years' asset gains and losses, the 2023 return was a positive 7.6% on an actuarial value basis.

The following table provides historical plan funding information for SCERS:

TABLE 17
HISTORICAL SCERS SCHEDULE OF FUNDING PROGRESS [1]
($000,000)

Actuarial Valuation Date (January 1)	Actuarial Value of Assets (AVA)[2]	Actuarial Accrued Liability (AAL)[3]	Unfunded AAL (UAAL)	Funding Ratio	Covered Payroll[4]	UAAL as % of Covered Payroll
2015	2,266.7	3,432.6	(1,165.9)	66.0%	630.9	184.8%
2016	2,397.1	3,605.1	(1,208.0)	66.5%	641.7	188.2%
2017	2,564.1	3,766.4	(1,202.3)	68.1%	708.6	169.7%
2018	2,755.2	3,941.8	(1,186.6)	69.9%	733.3	161.8%
2019	2,877.4	4,216.7	(1,339.3)	68.2%	779.1	171.9%
2020	3,040.7	4,411.1	(1,370.4)	68.9%	819.7	167.2%
2021	3,345.8	4,673.1	(1,327.3)	71.6%	878.2	151.1%
2022	3,717.2	4,959.0	(1,241.8)	75.0%	876.4	141.7%
2023	3,903.1	5,158.0	(1,254.9)	75.7%	972.6	129.0%
2024	4,143.7	5,470.0	(1,326.3)	75.8%	1,074.5	123.4%

(1) For accounting purposes under GASB 67/68, UAAL is replaced with net pension liabilities. However, because the City continues to set its contribution rates based on an actuarially required contribution based on the UAAL and funding ratios calculated under the pre-GASB 67/68 methodology, both methods are currently reported in the SCERS actuarial valuations and annual reports.

(2) Based on five-year asset smoothing.

(3) Actuarial present value of benefits less actuarial present value of future normal cost. Based on Entry Age Actuarial Cost Method, defined below under "—SCERS Contribution Rates."

(4) Covered Payroll shown for the prior calendar year; includes compensation paid to all active employees on which contributions are calculated.

Source: Annual Actuarial Valuation Reports

In accordance with GASB 67, the 2023 SCERS audited financial statements included a calculation of TPL and NPL based on the actuarial valuation dated as of January 1, 2023, rolled forward using generally accepted actuarial procedures (assuming a 6.75% investment rate of return and 3.35% salary increases) to December 31, 2023, as follows: TPL was calculated to be $5,352.3 million, plan fiduciary net position ("Plan Net Position") was calculated to be $4,010.6 million, and NPL was calculated to be $1,341.8 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 74.9%. A Schedule of the City Light Fund's Proportionate Share of the Net Pension Liability and Schedule of the City Light Fund's Contributions are set forth in the required supplementary information in Appendix C—2023 Audited Financial Statements of the Department.

SCERS CONTRIBUTION RATES. Member and employer contribution rates for SCERS 1 and SCERS 2 are established separately by Chapter 4.36 SMC. The SMC provides that the City contribution for SCERS 1 must match the normal contributions of SCERS 1 members and does not permit the employer rate to drop below the employee rate. There is no similar restriction in the SMC with respect to SCERS 2. The SMC also requires that

the City contribute, in excess of the matching contributions, no less than the amount determined by the most recent actuarial valuation that is required to fully fund the plan. Contribution rates are recommended annually by the Board, based on the system's actuarial valuation. Benefit and contribution rates are set by the City Council.

The Actuarially Required Contribution ("ARC") rate is based on amortizing the required contribution over 30 years, meaning that the total contribution rate must be sufficient to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan's UAAL over 30 years. The City Council may from time to time set the amortization period by resolution, and in 2013, it passed a resolution to close the 30-year amortization period for calculating UAAL as of the January 1, 2013, actuarial valuation. As a result, for purposes of the 2023 Actuarial Valuation calculation, a 19-year amortization period was used. This policy may be revised by the City Council in future years. The 2023 Actuarial Valuation was prepared using the Entry Age Normal Cost ("EANC") method. Under the EANC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual's projected compensation between entry age into the system and assumed exit age (*e.g.*, termination or retirement).

Current and historical contribution rates for SCERS, based on a percentage of employee compensation (exclusive of overtime), are shown in the table below.

TABLE 18
EMPLOYER AND EMPLOYEE SCERS CONTRIBUTION RATES

Calendar Years (beginning Jan. 1)	Employer Rate	Employee Rate	Total Contribution Rate	Total ARC[(1)]	% of Total ARC Contributed
2016	15.23%	10.03%	25.26%	25.26%	100%
2017	15.29%	10.03%	25.32%	25.32%	100%
2018	15.23% [(2)]	10.03%	25.26%	25.00%	101% [(2)]
2019	15.26% [(2)]	9.85% [(3)]	25.11%	24.40% [(4)]	103% [(2)]
2020	16.14%	9.65% [(3)]	25.79%	25.79% [(4)]	100%
2021	16.10%	9.46% [(3)]	25.56%	25.56% [(4)]	100%
2022	16.10% [(2)]	9.35% [(3)]	25.45%	24.68% [(4)]	103% [(2)]
2023	15.82%	9.24% [(3)]	25.06%	25.06% [(4)]	100%
2024	15.17%	8.95% [(3)]	24.12%	24.12% [(4)]	100%
2025	15.17%	8.83% [(3)]	24.00%	24.00% [(4)]	100%

(1) Reflects total actuarial required contribution (*i.e.*, employer plus employee contribution rates). Since November 21, 2011, this rate has been used for City budgeting purposes.

(2) The City contribution rate is intentionally more than the total ARC in these years in an effort to reduce a projected increase in future contribution rates.

(3) Reflects a blended employee contribution rate based on rates for SCERS 1 and SCERS 2 members.

(4) Since 2019, the ARC reflects a blended normal cost for SCERS 1 and SCERS 2.

Source: Seattle Municipal Code; Annual Budgets; Annual Actuarial Valuation Reports

In 2011, the City Council adopted Resolution 31334, affirming the City's intent to fully fund the annual ARC each year with its budget. See Table 18—Employer and Employee SCERS Contribution Rates and Table 19—Projected Actuarially Required Total Contribution Rates for SCERS by Employer and Employee.

The City's contracts with all labor unions that represent SCERS members limit the ability of the City to pass on increases to pension contribution rates to the employee portion. Therefore, any future increases to pension contribution rates will be reflected in the City's employer contribution.

As indicated in Table 18, the Total ARC is decreasing to 24.00% as a percent of payroll beginning on January 1, 2025. This compares to the 24.12% Total ARC in 2024. The employees' share will average 8.83% between SCERS 1 and SCERS 2 in 2025. The employer's share needed to meet the Total ARC will be 15.17%, which is the same as in 2024.

Projected total actuarially required contribution rates for SCERS reported in the 2023 Actuarial Valuation are shown in the table below:

TABLE 19
PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES FOR SCERS BY EMPLOYER AND EMPLOYEE

Contribution Year[(1)]	Assuming 6.75% Returns	Confidence Range[(2)]
2025	15.17%	15.17-15.17
2026	15.21%	13.94-16.29
2027	15.73%	12.14-18.64
2028	16.55%	9.98-21.67
2029	16.26%	8.83-23.91
2030	16.26%	8.83-26.70

(1) Contribution year lags valuation year by one year. For example, contribution year 2025 is based on the 2023 Actuarial Valuation (as of January 1, 2024) results, amortized over 19 years beginning in 2024 if the contribution rate change takes place in 2025.

(2) Confidence range for asset returns between the 5th and 95th percentile.

Source: 2023 Actuarial Valuation

Employer contributions for the City were $145.4 million in 2022 and $150.4 million in 2023. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility. Employer contributions for the Department were $29.0 million in 2022 and $29.6 million in 2023.

INVESTMENT OF SCERS PLAN FUNDS. In accordance with chapter 35.39 RCW, the Board has established an investment policy for the systematic administration of SCERS funds. The investment of SCERS funds is governed primarily by the prudent investor rule, as set forth in RCW 35.39.060. SCERS invests retirement funds for the long term, anticipating both good and poor performing financial markets. Contributions into SCERS 1 and SCERS 2 are invested together.

The market value of SCERS's net assets increased by $371.6 million (10.2%) during 2023, including member and employer contributions of $235.6 million and net gain from investment activity totaling $426.3 million. Deductions increased by $19.0 million in 2023, primarily attributed to a $14.8 million increase in retiree benefit payments and a $3.5 million increase in the amount of contributions refunded. For the year ending December 31, 2023, SCERS assets experienced an investment return of 11.5% on a market basis (net of investment expenses), which is above the assumed rate of 6.75%.

Table 20 shows the historical market value of SCERS's assets (as of each December 31). Table 21 shows the historical investment returns on SCERS for the last ten years.

TABLE 20
SCERS MARKET VALUE OF ASSETS

Year (As of December 31)	Market Value of Assets (MVA)[1]
2014	$ 2,322.7
2015	2,313.0
2016	2,488.5
2017	2,852.9
2018	2,717.4
2019	3,149.9
2020	3,641.5
2021	4,134.8
2022	3,638.9
2023	4,010.6

(1) In millions.

Source: SCERS Actuarial Valuations

TABLE 21
SCERS INVESTMENT RETURNS

Year (As of December 31)	One-Year Annualized Return[1]
2014	5.3%
2015	0.1%
2016	8.4%
2017	15.7%
2018	-3.7%
2019	17.2%
2020	12.6%
2021	16.8%
2022	-9.8%
2023	11.5%

(1) Calculated net of fees.

Source: SCERS Annual Reports and SCERS 2023 Q4 Performance Summary

The following table shows the historical distribution of SCERS investments for the years 2020-2024.

TABLE 22
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS

Investment Categories (January 1)	2024	2023	2022	2021	2020
Fixed Income	24.3%	24.7%	23.8%	22.7%	26.7%
Infrastructure	2.9%	2.5%	1.9%	1.5%	1.2%
Private Equity	14.5%	14.7%	13.5%	13.2%	8.6%
Public Equity	46.8%	44.3%	50.1%	53.0%	53.1%
Real Estate	11.5%	13.7%	10.6%	9.7%	10.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SCERS Actuarial Valuations

In accordance with SCERS's Investment Policy, the Board retains external investment managers to manage components of the SCERS portfolio. Managers have authority to determine investment strategy, security selection, and timing, subject to the Investment Policy, specific manager guidelines, legal restrictions, and other Board direction. Managers do not have authority to depart from their guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control.

The Investment Policy defines eligible investments to include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are lent from the system's investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the system. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent.

Firefighters' Pension Fund; Police Relief and Pension Fund. The Firefighters' Pension Fund and the Police Relief and Pension Fund are single-employer pension plans that were established by the City in compliance with chapters 41.18 and 41.20 RCW.

All City law enforcement officers and firefighters serving before March 1, 1970, are participants in these plans and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Some disability benefits may be available to such persons hired between March 1, 1970, and September 30, 1977. Since the effective date of LEOFF in 1970, no payroll for employees was covered under these City plans, and the primary liability for pension benefits for these City plans shifted from the City to the State LEOFF plan described below. The City remains liable for all benefits of employees in service at that time plus certain future benefits in excess of LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan. However, because LEOFF benefits increase with the consumer price index (CPI-Seattle) while some City benefits increase with wages of current active members, the City's projected liabilities vary according to differences between wage and CPI increase assumptions.

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters' Pension Fund and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of January 1, 2024, eligible pension beneficiaries consisted of 487 fire employees and survivors and 564 police employees and survivors. See "—Other Post-Employment Benefits" below for a discussion of medical benefits paid to retirees.

In 2015, GASB released Statement No. 73 ("GASB 73"), replacing accounting requirements previously mandated under GASB Statements Nos. 25 and 27 for public pension plans that are not within the scope of GASB 68. The City has determined that both the Firefighters' Pension Fund and the Police Relief and Pension Fund are outside the scope of GASB 67 and GASB 68, and therefore the accounting and financial reporting for these pension plans has been prepared in accordance with GASB 73.

These pension plans do not issue separate financial reports. The most recent actuarial valuations, dated January 1, 2024, use the EANC method and value plan assets at fair value. The actuarial valuation for the firefighters' pension fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 5.50%; and projected salary increases, 3.25%. The actuarial valuation for the Police Relief and Pension Fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 3.25%; and projected salary increases, 3.25%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters' Pension Fund and adopted a policy of fully funding the actuarial accrued liability ("AAL") by the year 2018 (which was subsequently extended to 2028). In accordance with GASB 73, the plan had a TPL of $95.8 million as of December 31, 2023, an increase of $4.5 million from the TPL of $91.3 million as of December 31, 2022. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Firefighters' Pension Fund was $34.6 million, and the AAL was $77.3 million. As a result, the UAAL was $42.7 million and the funded ratio was 44.7%. In the January 1, 2023, actuarial valuation, the UAAL was $56.7 million and the funded ratio was 34.4%. The City's employer contribution to the fund in 2023 was $5.7 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. Under State law, partial funding of the Firefighters' Pension Fund may be provided by an annual property tax levy of up to $0.225 per $1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

In contrast to the Firefighters' Pension Fund policy of fully funding the AAL, the City funds the Police Relief and Pension Fund as benefits become due. In accordance with GASB 73, the plan had a TPL of $70.8 million as of December 31, 2023, a decrease of $5.9 million from the TPL of $76.7 million as of December 31, 2022. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Police Relief and Pension Fund was $19.1 million, and the actuarial value of future benefits was $102.2 million. As a result, the unfunded actuarial liability was $83.1 million and the funded ratio was 18.7%. In the January 1, 2023, actuarial valuation, the unfunded actuarial liability was $51.2 million and the funded ratio was 31.6%. The City's employer contribution to the fund in 2023 was $0.8 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. The fund also receives police auction proceeds of unclaimed property.

Law Enforcement Officers' and Fire Fighters' Retirement System. Substantially all of the City's current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF is a State-wide, multiple-employer defined benefit plan administered by the DRS. Contributions by employees, employers, and the State are based on gross wages. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. For all of the City's employees who are covered under LEOFF, the City contributed $17.3 million in 2023 and $16.8 million in 2022, as described in the City's Annual Comprehensive Financial Report. The following table outlines the contribution rates of employees and employers under LEOFF.

TABLE 23
LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL
(AS OF SEPTEMBER 1, 2023)

	Plan 1	Plan 2
Employer	0.20% (1)	5.32% (1)
Employee	0.00	8.53%
State	N/A	3.41%

(1) Includes a 0.20% DRS administrative expense rate.

Source: Washington State Department of Retirement Systems

While the City's current contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary's website includes information regarding the values and funding levels for LEOFF.

According to the Office of the State Actuary's June 30, 2022, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 152% and LEOFF Plan 2 had a funded ratio of 104%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.00% annual rate of investment return, 3.25% general salary increases, and 2.75% consumer price index increase. Liabilities were valued using the EANC method and assets were valued using the AVA, which defers a portion of the annual investment gains or losses over a period of up to eight years. As of December 31, 2023, the City reported an asset of $290.1 million for its proportionate share of the net pension asset as follows: $105.9 million for LEOFF Plan 1 and $184.2 million for LEOFF Plan 2.

For additional information, see Note 11 to the City's 2023 Annual Comprehensive Financial Report

Other Post-Employment Benefits

The City has liability for two types of OPEB: (i) an implicit rate subsidy for health insurance covering employees retiring under SCERS 1, SCERS 2, or LEOFF Plan 2 and dependents of employees retiring under LEOFF Plan 1, and (ii) medical benefits for eligible beneficiaries of the City's Firefighters' Pension Fund and Police Relief and Pension Fund. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees.

Beginning with the fiscal year ended December 31, 2018, the City has assessed its OPEB liability in accordance with GASB Statement No. 75 ("GASB 75"). While GASB 75 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded.

The City funds its OPEB liabilities on a pay-as-you-go basis.

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS 1, SCERS 2, or LEOFF plans. The last valuation was based on a measurement date as of January 1, 2023, for the City's fiscal year ending December 31, 2023, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy as of December 31, 2023, decreased to $50.0 million from $55.7 million as of December 31, 2022. The City's GASB 75 annual expense in 2023 was calculated at $0.9 million, which compares to $3.1 million in 2022.

The valuation of the OPEB liability associated with the City's Firefighters' Pension Fund and Police Relief and Pension Fund is updated annually. The most recent valuations were prepared as of January 1, 2024, in accordance with GASB 75 for the City's fiscal year ending December 31, 2023. As of the January 1, 2024, valuations, eligible beneficiaries consisted of 577 fire employees and 482 police employees. As of December 31, 2023, the total OPEB liability in the City's Firefighters' Pension Fund increased to $255.5 million from $243.8 million. The annual OPEB expense for 2023 was $25.4 million and the estimated benefit payments were $13.7 million. As of December 31, 2023, the total OPEB liability in the Police Relief and Pension Fund decreased to $235.5 million from $238.0 million. The annual OPEB expense for 2023 was$12.2 million and the estimated benefit payments were $14.7 million. The increase in total OPEB liability under the City's Firefighters' Pension Fund and the smaller than anticipated reduction in the Police Relief and Pension Fund plans were primarily due to a decrease in the discount rate used to value future benefits under GASB 75.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2023 Annual Comprehensive Financial Report. For additional information regarding the Department's portion of the City's OPEB liability, see Appendix C—2023 Audited Financial Statements of the Department—Note 14.

State Paid Family and Medical Leave Insurance

On January 1, 2020, the State became the fifth state in the nation to provide paid family and medical leave benefits to all workers in the State, including State and local government employees. The Paid Family and Medical Leave ("PFML") program is a State-wide insurance program administered by the State Employment Security Department that provides up to 12 to 18 weeks' paid leave for eligible workers to give or receive care. Eligible workers are those who have worked at least 820 hours (equivalent to 20.5 full-time weeks) in the qualifying period before the leave

begins. Benefits range between $100 and $1,456 per week, and the maximum benefit is adjusted annually. The program is funded by a mix of employer and employee premiums.

The City pays the employer share of premiums based on a percentage of wages that are subject to the federal Social Security tax. As of January 1, 2024, the rate is 0.74% of gross wages, up to the Social Security taxable wage cap. The City pays only the employer share of the assessment for most employees (estimated to be $3.5 million in 2024, or 0.21% of gross wages subject to the Social Security cap), approximately half of which will be paid from the General Operating Fund and the remainder of which will be paid by other funds.

State Long-Term Care Services and Supports Benefit Program

The Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares") was first enacted in 2019 and was adjusted by further legislation in 2021, 2022, and, as described below, 2024. The program is intended to provide certain long-term care benefits to eligible beneficiaries. Benefits may be paid directly to LTSS providers on behalf of eligible beneficiaries. Administration of the LTSS Trust Program is divided among several State Agencies: the Employment Security Department, the Department of Social and Health Services ("DSHS"), the Health Care Authority, the Office of the State Actuary ("OSA"), the Pension Funding Council , and two new bodies: the LTSS Trust Council and the LTSS Trust Commission.

The legislation imposes premiums on participating employees in the State, collected by employers through employee payroll deductions and remitted to the State; there is no employer contribution required under State law. Collection of premiums commenced on July 1, 2023, and benefits are to become available beginning July 1, 2026. Premiums are assessed at a rate of 0.58% of each employee's wages within the State, and subject to adjustment every two years by the Pension Funding Council based on actuarial studies and valuations to be performed by OSA to maintain financial solvency of the LTSS Trust, but not to exceed 0.58%. Employers are required to remit premiums on behalf of all employees other than employees who are exempt or demonstrate that they had private long-term care insurance on or before November 21, 2021. Self-employed persons may opt into the program; certain employees (e.g., workers who live out of State, military spouses, workers on non-immigrant visas, and certain veterans with disabilities) may apply for exemption from the program.

Any individual employed in the State may become eligible to receive the benefit when they have paid the LTSS Trust premiums while working at least 500 hours per year for either ten years with at least five years uninterrupted, or three of the last six years. Persons born before 1968 can earn lifetime access to 10% of the full benefit amount for each year they contribute. Program participants eligible to receive benefits must have been assessed by DSHS as needing assistance with at least three daily living tasks, must be at least 18 years old (and must not have been disabled before the age of 18), and must reside in the State. There is a lifetime cap of $36,500 (as of 2026, adjusted annually for inflation) on the benefit for any individual. Pursuant to House Bill 2467, which has passed the Legislature and has been signed by the Governor, beginning July 1, 2026, employees or self-employed persons who have left the State may elect to continue participation in the LTSS Trust Program.

Labor Relations

This information reflects the continued engagement of the Labor Relations Unit within Seattle Human Resources ("Labor Relations") with union representatives. As of December 31, 2023, the City had 38 separate departments and offices with approximately 15,367 employees (including 11,912 regular and 3,455 temporary employees). Thirty-one different unions and 57 bargaining units represent approximately 77% of regular City employees whose employment is governed by 33 different collective bargaining agreements (contracts).

The Mayor ended the COVID-19 pandemic emergency declaration in late 2022 and lifted the vaccine mandate in early 2023. Labor Relations continues to work closely with all of the labor representatives to address the continuing impacts of the pandemic, along with other social and environmental crises that have affected the City and surrounding communities as well as the City's employees.

In 2021, multiple unions filed unfair labor practices arising out of the COVID-19 vaccine mandate. All but one of those administrative matters before the State's Public Employment Relations Commission have been mutually resolved; the last unfair labor practice filed by the Seattle Police Officers' Guild ("SPOG") remains unresolved and is

expected to go to hearing in 2024. The City is separately addressing several other grievance actions and lawsuits brought against the City related to the vaccine mandate.

Labor Relations has concluded its negotiations with SPOG for an interim bargaining agreement to replace its contract that expired on December 31, 2020. Now ratified and approved by the City Council, this interim contract is effective retroactively as of January 1, 2021, and expires on December 31, 2023. Negotiations are still ongoing for a new SPOG contract to become retroactively effective January 1, 2024.

The new Seattle Police Management Association ("SPMA") contract agreement that became effective January 1, 2020, expired on December 31, 2023. The City expects negotiations for a new SPMA contract to begin in mid-2024.

The City reached a new agreement with IAFF Local 27 Fire Fighters in the fall of 2023; the new contract is effective retroactively as of January 1, 2022, and is valid until December 31, 2026. The City anticipates beginning negotiations with IAFF Local 2898 Fire Chiefs in 2024; that labor agreement expired December 31, 2021. The City has ratified labor agreements with approximately 25 additional bargaining units which are either part of the Coalition of City Unions or "Coalition-Like" unions; these contracts are retroactively effective January 1, 2023, and expire on December 1, 2026. Through legislation, the City authorized extension of the same wage increases and benefits provided in these contracts to virtually all non-represented City employees. Negotiations for the remaining expired labor agreements are ongoing and are expected to be resolved by the fourth quarter of 2024. All together, these contracts include approximately 61% of the City's represented employees. These unions will continue to operate under their expired contracts until the agreements have been formally approved and signed.

One new bargaining unit has completed the certification process, represented by the WSCCCE, Council 2, AFSCME, for Strategic Advisors and Managers at Seattle Public Utilities; the first collective bargaining contract was effective January 1, 2021, and expired on December 31, 2022. The successor bargaining contract will become part of the Coalition of City Unions. Now ratified and approved by the City Council, the contract is retroactively effective January 1, 2023, and valid until December 31, 2026.

Emergency Management and Preparedness

The City's Office of Emergency Management ("OEM") is responsible for coordinating the City's response and resources during emergencies and disasters through close coordination with City departments and partner agencies.

OEM prepares for emergencies; coordinates with regional, State, and federal response agencies as well as private sector partners; provides education to the community about emergency preparedness; plans for emergency recovery; and works to mitigate known hazards. It has identified, assessed, and planned for many types of hazards that may impact the City, including geophysical hazards (*e.g.*, earthquakes, landslides, tsunamis, seismic seiches, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (*e.g.*, terrorism, active shooter incidents, breaches in cyber security, and civil disorder), transportation incidents, fires, hazardous materials, infrastructure failure, and severe weather (*e.g.*, floods, snow, water shortages, and windstorms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region.

The City's emergency management program was assessed by a third-party team of emergency management professionals according to the Emergency Management Accreditation Program standards and was accredited in 2016 and reaccredited in 2022.

If a disaster were to damage or destroy a substantial portion of the taxable property within the City, the assessed value of such property could be reduced, which could result in a reduction of property tax revenues. Other revenue sources, such as sales tax and lodging tax, could also be reduced. In addition, substantial financial and operational resources of the City could be required during any emergency event or disaster and could be diverted to the subsequent repair of damage to City infrastructure.

Climate Change

There are potential risks to the City associated with changes in the climate over time and from increases in the frequency, timing, and severity of extreme weather events. Aging infrastructure systems will be more vulnerable to climate-related hazards, as they are less able to mitigate climate-related hazards or cope with extreme events. Extreme

events—such as the 2021 heat dome event or the 2022 King Tide flood event—are likely to continue to occur, leading to cascading and compounding impacts for residents, businesses, and systems. While the City's systems and assets are fairly resilient to the impacts of climate change, the City, including its utilities, is preparing for continued changing climate conditions and the resulting economic, infrastructure, health, and other community impacts by incorporating climate change into its decision making and identifying actions to enhance the resilience of services and infrastructure.

In 2013, the City adopted Resolution 31447 adopting a Climate Action Plan to provide long-term planning direction and guide climate protection and adaptation efforts through 2030. This was most recently updated in 2018 to include a set of short- and long-term actions to reduce the leading contributors of greenhouse gases, including from transportation and buildings, to improve the climate preparedness of City infrastructure and services, and to facilitate coordination across City departments based on plans developed by the Office of Sustainability and the Environment ("OSE"). The OSE plans include sector-specific strategies for transportation; building energy use (including specific energy consumption and greenhouse gas emissions reduction targets for City buildings); trees and green space; food access; a healthy environment; and environmental justice.

In 2019, the City adopted Resolution 31895, committing to creating a "Green New Deal" for the City to address and mitigate the effects of climate change. Funded by the Payroll Expense Tax, the Green New Deal invests in direct support to frontline communities most impacted by climate change by reducing greenhouse emissions, building a green jobs workforce, and building community resilience to climate change. The City has also developed more specific plans addressing utility operations (including drainage, water supply, solid waste, and the electric system) and community preparedness. The City is monitoring and will be documenting climate impacts and likely climate risks as they arise and has not quantified potential impacts on the City, its population, or its operations. Over time, the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change.

The City's investments in capital projects are guided by policies adopted by resolution that reflect the City's priorities for sustainable building, including the "Sustainable Building Policy for the City" adopted in Resolution 30121, updated in 2011 by Resolution 31326, articulating the City's commitment to environmental, economic, and social stewardship and setting the expectation that new municipal facilities meet established green building standards. In July 2022, the City adopted Resolution 32059, declaring the City's intent to focus on climate change and resiliency as part of the update to the City's Comprehensive Plan. In December 2022, Mayor Harrell signed Executive Order 2022-07, directing City departments to work together to prioritize and expand actions that equitably reduce or eliminate greenhouse gas emissions within the transportation sector.

The City retained Cascadia Consulting Group to prepare a Climate Vulnerability Assessment (the "CVA"), dated June 2023, to provide a detailed assessment of how climate change is already affecting and will continue to affect the community wellbeing, economy, health, infrastructure, and natural systems of the City. The CVA was developed to inform the City's comprehensive plan. The CVA identified that flooding and sea level rise, extreme heat, wildfire smoke, and extreme precipitation will have wide-ranging and interconnected impacts for the City. The CVA identified some key, broad areas that the City can invest in to address these risks, including investments in community services such as cooling and clean air centers, access to cooling and air filtration systems for homes and the tree canopy, communities that will be impacted by flooding, research of potential supply chain impacts, monitoring and maintenance of transportation systems, improving grid capacity and resilience, prioritizing water and wastewater systems' resilience to flooding impact, protecting and expanding the City's tree canopy, and protecting watersheds and salmon habitats.

Cyber Security and Artificial Intelligence

Cyber Security. Cyber security threats continue to become more sophisticated and are increasingly capable of impacting the confidentiality, integrity, and availability of City systems and applications, including those of critical controls systems. Seattle Information Technology ("Seattle IT"), a City department, working in conjunction with various City departments, has instituted and continues to institute processes, training, and controls to maintain the reliability of its systems and protect against cyber security threats as well as mitigate intrusions and plan for business continuity via data recovery. Cyber security incident response plans are reviewed regularly, and tabletop and other exercises are conducted annually to assess the effectiveness of those plans. Seattle IT and third-party professional services also conduct cyber security assessments with the intent to identify areas for continual improvement, and

develop work plans to address issues and support the cyber security program. This includes technical vulnerability assessments, penetration testing, and risk assessments based on the National Institute of Standards and Technology ("NIST") 800-53a Risk Management Framework. Seattle IT continuously reviews and updates processes and technologies to mature security practices leveraging the NIST Cybersecurity Framework. Cyber security risks create potential liability for exposure of nonpublic information and could create various other operational risks. The City cannot anticipate the precise nature of any particular breach or the resulting consequences. It has had cyber security liability insurance coverage since 2019. See "—Risk Management."

The Seattle Public Library ("SPL"), a charter department of the City, became aware of a ransomware event affecting its technology systems on May 25, 2024. SPL quickly engaged cyber security specialists and law enforcement and took its systems fully offline to interrupt and assess the nature of the event. On June 7, 2024, SPL announced that its network has been secured while the investigation is still ongoing. Since then, the City and SPL have restored some systems and services while keeping others offline until each respective system completes its recovery process in full.

Generative Artificial Intelligence ("AI"). Advancements in AI have the potential to expedite and modernize City service provision, but the City must balance the power of these tools with the City's commitments to data privacy, legal obligations, security, and transparency. Seattle IT, working in conjunction with various City departments, external partners, researchers, and subject matter experts, has developed City-wide Responsible AI Principles and a Generative AI Policy for the City, outlining requirements City departments must observe when acquiring and using software that meets the definition of generative artificial intelligence. These are implemented by the Responsible AI ("RAI") Program, which continues to operationalize the City's AI Principles through departmental use of AI tools. Building off foundational work of the City's Privacy Program, the RAI Program has instituted and continues to institute, review and update processes, policies, and procedures for evaluating AI systems, assessing risk, and implementing controls leveraging the NIST AI Risk Management Framework.

OTHER CONSIDERATIONS

The section below provides a discussion of other considerations relative to the City. See also "Various Factors Affecting the Electric Utility Industry" for considerations relative to City Light.

Public Health Emergencies

Pandemics and other widespread public health emergencies can and do arise from time to time and can affect broader economic conditions and the State's financial condition.

The COVID-19 pandemic negatively affected local, State, national, and global economic activity beginning in 2020. Certain response costs and other negative revenue impacts were offset in part by the federal and State funds awarded to the City in 2020 and 2021. The City received $131 million through the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") to help navigate the impact of the COVID-19 outbreak, all of which was spent prior to December 31, 2021, as required by the U.S. Department of the Treasury. The City was also awarded $232 million of CLFR funds through the American Rescue Plan Act ("ARPA") to help the City recover from the COVID-19 pandemic. As of December 31, 2023, $26.8 million of this funding remains and is expected to be spent by the end of 2024. In addition to CLFR funding, the City received other federal grants intended to aid vulnerable populations particularly impacted by the pandemic. At this time, most revenue sources have returned to pre-pandemic levels, but uncertainty resulting from the pandemic's effects on broader economic forces persists in the economy.

The City cannot predict whether future pandemics and other public health emergencies may arise that could impact the economy generally or the City's financial condition.

Infrastructure and Capital Projects

The Mayor's Office has established an interdepartmental steering committee that facilitates coordination, reviews and tracks grant applications, and provides central vision and direction to the City's efforts relating to federal funding authorized in the Bipartisan Infrastructure Law ("BIL") and Inflation Reduction Act ("IRA"). City departments continue to watch for funding opportunities, respond to Requests for Information, and apply for funding.

As of December 31, 2023, the City has been awarded about $95 million in federal infrastructure grants funded by the BIL and IRA to date, primarily for transportation projects.

Federal Policy Risk and Other Federal Funding Considerations

Federal Sequestration. The sequestration provisions of the Budget Control Act of 2011 ("BCA Sequestration") have been in effect since 2013 and are currently scheduled to remain in effect through federal fiscal year ("FFY") 2029. This results in a slight reduction in the expected subsidy in respect of certain Build America Bonds and Recovery Zone Economic Development Bonds previously issued by the City. Since BCA Sequestration began, rates have ranged from 8.7% in FFY 2013 to 5.7% in FFY 2024. In addition, the Statutory Pay-As-You-Go Act of 2010 could result in further sequestration ("PAYGO Sequestration") of subsidy payments. A provision in the Consolidated Appropriations Act, 2023, temporarily avoided PAYGO Sequestration triggered by ARPA by shifting certain sequestration totals from the FFY 2023 and FFY 2024 scorecards to the FFY 2025 scorecard. The City can give no assurance regarding the level of subsidy payments it will receive in the future, or the likelihood of the further reduction or elimination of the subsidy payments for direct-pay bonds in the event of additional sequestration measures or as a consequence of a federal default on debt payments. The City does not currently expect sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

Federal Grant Funding Conditions. The City receives federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. Entitlement to this assistance is generally conditioned upon compliance with the terms of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the City.

Federal Shutdown Risk. Federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the City's receipt of revenues from federal sources and could have indirect impacts due to the shutdown's effect on general economic conditions. The City has not experienced material adverse impacts from the federal government shutdowns that have occurred in the past but can make no assurances that it would not be materially adversely affected by any future federal shutdown.

INITIATIVE AND REFERENDUM

State-Wide Measures

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require that legislation passed by the State Legislature be referred to the voters. Any law approved in this manner by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referendum) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts.

Additional tax and fee initiative measures continue to be filed on a regular basis, but it cannot be predicted whether any more such initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Local Measures

Under the City Charter, Seattle voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law.

LEGAL AND TAX INFORMATION

No Litigation Relating to the Bonds

There is no litigation pending with process properly served on the City questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or collect Gross Revenues. There is no litigation pending or threatened which would materially affect the City's ability to meet debt service requirements on the Bonds.

Other Litigation

Because of the nature of its activities, the Department is subject to certain pending legal actions that arise in the ordinary course of business of running a municipal electric power utility, including various lawsuits and claims seeking money damages and/or injunctive relief. These pending actions include matters arising under State and federal environmental law. See Appendix C—2023 Audited Financial Statements of the Department—Notes 10, 11, 15, and 21.

Based on its past experience and the information currently known, the Department has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the Department and the timing of any anticipated payments of judgments that might result from suits and claims. Certain other threatened or pending litigation is described in the City's Annual Comprehensive Financial Report, as of its date.

Sauk-Suiattle Litigation. Over the past several years, the Sauk-Suiattle Indian Tribe (the "Tribe") has initiated a series of three lawsuits challenging the operation of the Skagit Project. The first lawsuit was filed in Skagit County Superior Court in July 2021, alleging State and federal constitutional violations and nuisance because the Skagit Project operated without specific fish passage. In September 2021, the Tribe filed suit in King County Superior Court alleging the Department engaged in violations of the Washington Consumer Protection Act and nuisance associated with its marketing materials. In January 2022, the Tribe filed its third lawsuit, this time in Sauk-Suiattle tribal court, alleging similar claims of harm associated with the Department's operation of the Skagit Project in accordance with its FERC license but without any mechanism for fish passage on the river. All three lawsuits have been resolved as of the date of this Official Statement.

Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Bonds by the City are subject to the approving legal opinion of Stradling Yocca Carlson & Rauth LLP, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel and under existing law as of the date of initial delivery of the Bonds. Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

Limitations on Remedies and Municipal Bankruptcies

Any remedies available to the owners of the Bonds are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

The rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and the exercise of judicial discretion in appropriate cases.

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Washington State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds.

The Bonds are payable from and secured by a pledge of Gross Revenues as described in the Bond Ordinance. Under Chapter 9, creditors secured by a pledge of "special revenues" are granted certain protections in cases brought by municipalities. The definition of "special revenues" includes "receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems." Under Chapter 9, the pledge of Gross Revenues is enforceable if a bankruptcy court determines that Gross Revenues is considered "special revenues" under Chapter 9 and that the pledge (in the form of a lien and charge) of Gross Revenues pursuant to the Bond Ordinance is valid and binding under Chapter 9.

Chapter 9 further provides that special revenues acquired by a debtor after the commencement of the bankruptcy case remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case, and that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system is subject to the necessary operating expenses of such project or system.

Unless a debtor under Chapter 9 consents or the plan approved by the bankruptcy court so provides, the court may not interfere with (i) any of the political or governmental powers of the debtor, (ii) any of the property or revenues of the debtor, or (iii) the debtor's use or enjoyment of any income-producing property.

Although State statute provides for a lien and charge against Gross Revenues to secure payment of the Bonds, no provision of State law provides for perfection of the lien under the Uniform Commercial Code of the State. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and reductions in payments could result.

The opinion to be delivered by Stradling Yocca Carlson & Rauth LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights.

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings, and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. With respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. In the opinion of Bond Counsel,

the amount of original issue discount that accrues to the Beneficial Owner of the Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Bond Ordinance and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion

regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

CONTINUING DISCLOSURE AGREEMENT

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events. To meet the requirements of SEC Rule 15c2-12(b)(5) ("Rule 15c2-12"), as applicable to a participating underwriter for the Bonds, the City will execute a Continuing Disclosure Agreement (the "CDA") for the benefit of holders of the Bonds, summarized as follows.

Annual Financial Information. The City will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB:

(i) annual financial information and operating data of the type included in this Official Statement as generally described below ("annual financial information"). The timely filing of unaudited financial statements will satisfy the requirements and filing deadlines described below under "Type of Annual Financial Information Undertaken to Be Provided," so long as audited financial statements are filed if and when they are otherwise prepared and available to the City; and

(ii) timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of holders of the Bonds, if material;

(8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership, or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For purposes of this CDA, the term "financial obligation" means a (i) debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to Be Provided. The annual financial information that the City undertakes to provide will consist of:

(i) annual financial statements of the Light System prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law;

(ii) a statement of Outstanding Parity Bonds, Junior Lien Bonds (if any), and any other bonded indebtedness secured by Net Revenue of the Light System;

(iii) debt service coverage ratios for the then-Outstanding Parity Bonds, Junior Lien Bonds (if any), and any other bonded indebtedness secured by Net Revenue of the Light System;

(iv) sources of Light System power and the MWh produced by those sources; and

(v) the average number of customers, revenues, and energy sales by customer class.

Annual financial information, as described above, will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing in 2025 with the City's fiscal year ended December 31, 2024. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of CDA. The CDA is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12, including:

(i) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(ii) The undertaking, as amended, would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(iii) The amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (*e.g.*, bond counsel or other counsel familiar with federal securities laws), or by approving vote of bondholders pursuant to the terms of the Bond Ordinance at the time of the amendment.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the CDA and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

Termination of CDA. The City's obligations under the CDA with respect to the Bonds will terminate upon the legal defeasance, prior repayment, or payment in full of all of such outstanding Bonds. In addition, the City's obligations under the CDA will terminate if those provisions of Rule 15c2-12 that require the City to comply with the CDA become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally

recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with CDA. The City has agreed to proceed with due diligence to cause any failure to comply with the CDA to be corrected as soon as practicable after the City learns of that failure. No failure by the City (or any other obligated person) to comply with the CDA will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the CDA.

Compliance with Continuing Disclosure Undertakings of the City. The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City's review of its compliance during the past five years did not reveal any failure to comply, in a material respect, with any undertakings in effect during this time.

OTHER BOND INFORMATION

Ratings on the Bonds

The Bonds have been rated "Aa2" and "AA" by Moody's Investors Service, Inc. and S&P Global Ratings, respectively. In general, rating agencies base their ratings on rating materials furnished to them (which may include information provided by the City that is not included in this Official Statement) and on the rating agency's own investigations, studies and assumptions. The ratings will reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from the respective rating agencies. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Municipal Advisor

The City has retained Piper Sandler & Co., Seattle, Washington, as municipal advisor (the "Municipal Advisor") in connection with the preparation of the City's financing plans and with respect to the authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the City, the Municipal Advisor may not participate in the underwriting of any City debt.

Purchaser of the Bonds

The Bonds are being purchased by Jefferies LLC (the "Purchaser") at a price of $221,189,660.28 and will be reoffered at a price of $221,600,270.85. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on page i hereof, and such initial offering prices may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices may be varied from time to time.

Conflicts of Interest

Some of the fees of the Municipal Advisor and Bond Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel serves as counsel to the Municipal Advisor in matters unrelated to the Bonds. None of the members of the City Council or other officers of the City have any conflict of interest in the issuance of the Bonds that is prohibited by applicable law.

Official Statement

This Official Statement is not to be construed as a contract with the owners of any of the Bonds.

The City of Seattle

By: /s/ Jamie L. Carnell
Jamie L. Carnell
Interim Director of Finance

APPENDIX A

SUMMARY OF BOND ORDINANCE

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SUMMARY OF SELECTED DEFINITIONS AND PARITY BOND PROVISIONS IN THE BOND ORDINANCE

This Appendix contains a summary of certain definitions and other provisions of Ordinances 126939 and 125460, as amended by Ordinance 125987 (as amended, the "Refunding Bond Ordinance" and, together with Ordinance 126939, the "Bond Ordinance"). This summary reflects certain amendments to the Refunding Bond Ordinance that took effect as of the first "Parity Covenant Date" and certain amendments to the Refunding Bond Ordinance that took effect as of the Second Parity Covenant Date (both as defined in the Refunding Bond Ordinance), both of which have occurred.[1]

Generally, provisions relating to Junior Lien Bonds have been omitted, as there are none outstanding and the City has no current plans to issue Junior Lien Bonds. Those provisions generally are described under "SECURITY FOR THE BONDS—Subordinate Lien Obligations" in the Official Statement. Other information and defined terms have been omitted for purposes of this summary, and the reader is directed to the Bond Ordinance to review the complete text and full definitions of any capitalized terms that are not defined below. A complete copy of the Bond Ordinance is available from the City Clerk or on the City's website.

DEFINITIONS

Section 1 of the Bond Ordinance defines certain capitalized terms. Below are definitions of certain terms used in this Appendix and elsewhere in the Official Statement.

"Accreted Value" means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount determined for such Valuation Date in accordance with the applicable Bond Documents, and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and (B) the difference between the Accreted Values for such Valuation Dates.

"Adjusted Net Revenue" means Net Revenue, less any deposits into the Rate Stabilization Account and plus any withdrawals from the Rate Stabilization Account. In calculating Net Revenue, the City may include the Tax Credit Subsidy Payments the City expects to receive from the federal government in respect to the interest on any Tax Credit Subsidy Bonds (or with respect to which the federal government will provide direct payments). In a Parity Certificate, Adjusted Net Revenue is subject to further adjustment as set forth in subsection 18(a)(ii) of the Bond Ordinance.

"Alternate Reserve Security" means Qualified Insurance or a Qualified Letter of Credit that is used by the City to satisfy part or all of the Reserve Fund Requirement, and that is not cancelable on less than five years' notice.

"Annual Debt Service" means, with respect to either Parity Bonds (or a series of Parity Bonds) (**"Annual Parity Bond Debt Service"**) the sum of the amounts required in a calendar year to pay the interest due in such

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[1] Under the ordinances authorizing the Outstanding Parity Bonds, the Parity Covenant Date has occurred as of the earlier of (a) the date on which the City has obtained consents of Registered Owners of 60% of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the Parity Bonds issued in 2015 or earlier are no longer Outstanding. As of the date of this Official Statement, the conditions under (a) of the definition have been satisfied and the Parity Covenant Date has occurred. Under the ordinances authorizing the Outstanding Parity Bonds, the Second Parity Covenant Date has occurred as of the earlier of (a) the date on which the City has obtained consents of Registered Owners of 60% of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which the Outstanding Parity Bonds issued in 2017 or earlier have been redeemed or defeased. As of the date of this Official Statement, the conditions under (a) of the definition have been satisfied and the Second Parity Covenant Date has occurred.

calendar year (excluding interest to be paid from the proceeds of the sale of bonds), the principal of Serial Bonds maturing in such calendar year, and the Sinking Fund Requirements for any Term Bonds due in such calendar year. Additionally, for purposes of this definition:

(a) *Calculation of Interest Due – Generally*. Except as otherwise provided in this definition, interest shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is payable in respect of the relevant series of Parity Bonds, taken as a whole, at the rate or rates set forth in the applicable Bond Documents.

(b) *Capital Appreciation Bonds*. The principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in the Bond Documents applicable to such Capital Appreciation Bonds.

(c) *Variable Interest Rate Bonds*.

(i) *Assumed Interest on Variable Interest Rate Parity Bonds*. The amount of interest deemed to be payable on any series of Parity Bonds that are Variable Interest Rate Bonds shall be calculated under the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding five years.

(d) *Interest on Bonds with Respect to Which a Payment Agreement is in Force*. In general, debt service on any Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the applicable Bond Documents and the terms of the Payment Agreement. For example, if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a variable interest rate is to produce an obligation bearing interest at a fixed rate, the relevant series of bonds shall be treated as fixed rate bonds. And if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a fixed interest rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any series of Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in or determined pursuant to the applicable Bond Documents, plus Payment Agreement Payments, minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component on the series of bonds to which the Payment Agreement is related, it shall be assumed that: (i) the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement, and (ii) the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the applicable Bond Documents. Notwithstanding the other provisions of this definition, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

(e) *Parity Payment Agreements*. For any period during which Payment Agreement Payments under a Parity Payment Agreement are taken into account in determining Annual Debt Service on the related Parity Bonds under subsection (d) of this definition, no additional debt service shall be taken into account with respect to that Parity Payment Agreement. However, for any period during which Payment Agreement Payments are not taken into account under subsection (d) of this definition because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, payments on that Payment Agreement shall be taken into account by assuming:

(i) *If City Is Obligated to Make Payments Based on a Fixed Rate*. If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, it shall be assumed that payments by the City will be based on the assumed fixed payor rate, and that payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made.

(ii) *If City Is Obligated to Make Payments Based on a Variable Rate Index*. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, it shall be assumed that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

(f) *Balloon Bonds*. In calculating Annual Debt Service for any series of Parity Bonds, the City may in its discretion treat the debt service requirements with respect to Parity Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Parity Bonds.

(g) *Adjustments for Defeased Bonds*. For purposes of determining compliance with the rate covenant, calculating the Reserve Fund Requirement, and making coverage ratio calculations in connection with the delivery of a Parity Certificate, Annual Debt Service shall be adjusted as set forth in Section 20(d) of the Bond Ordinance, which provides that if the refunding or defeasance plan provides (i) that the Defeased Bonds (or the refunding bonds issued to redeem those Defeased Bonds) are to be secured by money and/or Government Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then only the debt service on such Bonds as are not Defeased Bonds (and any refunding bonds, the payment of which is not so secured by the refunding plan) shall be included in the calculation of Annual Debt Service.

(h) *Reimbursement Obligations*. If any payment under a Parity Reimbursement Obligation is then due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Debt Service for purposes of delivering a Parity Certificate.

"Authorized Denomination" means $5,000 or any integral multiple thereof within a maturity of a Series, or such other minimum authorized denominations as may be specified in the applicable Bond Documents.

"Average Annual Debt Service" means, for purposes of calculating the Reserve Fund Requirement with respect to all Parity Bonds outstanding at the time of calculation, the sum of the Annual Parity Bond Debt Service remaining to be paid to the last scheduled maturity of the applicable Parity Bonds, divided by the number of years such Parity Bonds are scheduled to remain outstanding.

"Balloon Bonds" with respect to the Bonds means any series of Parity Bonds, the aggregate principal amount (including Sinking Fund Requirements) of which becomes due and payable in any calendar year in an amount that constitutes 25% or more of the initial aggregate principal amount of such series.

"Bond Documents" means (a) the Bond Ordinances; (b) the authenticated bond form; (c) the Bond Purchase Contract; and (d) the Paying Agent Agreement.

"Bond Owners' Trustee" means a bank or trust company organized under the laws of the State, or a national banking association, appointed in accordance with Section 24(e) of the Bond Ordinance to act as trustee on behalf of the owners, from time to time, of the Outstanding Parity Bonds.

"Bond Sale Terms" with respect to the Bonds means the terms and conditions for the sale of the Bonds approved by the Director of Finance consistent with the parameters set forth in Section 5 of the Bond Ordinance, as set forth in the Bond Purchase Contract and Paying Agent Agreement.

"Code" means the Internal Revenue Code of 1986, or any successor thereto, as amended at any time, and regulations thereunder.

"Deferred Hydroelectric Project Relicensing Costs" means certain costs required by the Federal Energy Regulatory Commission to be incurred as a condition of the renewal of licenses for the Light System's hydroelectric projects, which costs are treated in the same manner as capital expenditures.

"Director of Finance" or **"Director"** means the City's Director of Finance or such other official who succeeds to substantially all of the responsibilities of that office.

"Event of Default" has the meaning given in Section 24 of the Bond Ordinance. A "Parity Bond Event of Default" shall refer to those Events of Default relating to nonpayment of Parity Bonds, or defaults in respect of the Parity Bond covenants set forth in the Bond Ordinance and in the applicable Parity Bond Documents giving rise to remedies available to the owners of Parity Bonds.

"Future Parity Bond Ordinance" means any ordinance passed by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance amending or supplementing the provisions of any such ordinance.

"Future Parity Bonds" means, with reference to any Series designated as Parity Bonds, any revenue obligations of the Light System issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien upon Net Revenue equal in priority with the charge and lien upon such Net Revenue for the payment of the amounts required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure payment of the Parity Bonds in accordance with Section 14 of the Bond Ordinance. Future Parity Bonds include Parity Payment Agreements, Parity Reimbursement Obligations and any other obligations issued in compliance with the Parity Conditions.

"Government Obligations" means, unless otherwise limited in the Bond Documents for a particular Series of the Bonds, any government obligation as that term is defined in RCW 39.53.010, as now in effect or as may later be amended.

"Gross Revenues" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Light System; (b) the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Light System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include: (i) insurance proceeds compensating the City for the loss of a capital asset; (ii) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues; (iii) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (iv) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues under the Bond Ordinance; (v) the proceeds of any borrowing for capital improvements (or the refinancing thereof); and (vi) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

"Intermediate Lien Reimbursement Obligation" means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit, under which the City's payment obligations are expressly stated to constitute a lien and charge on Net Revenue junior in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the Parity Bonds, but senior to

the lien and charge upon such Net Revenue required to be paid into the Junior Lien Debt Service Fund to pay and secure the payment of the Junior Lien Bonds. For purposes of determining percentages of ownership of Bonds under the Bond Ordinance or under any Bond Documents, Intermediate Lien Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Intermediate Lien Reimbursement Obligations.

"Light Fund" means the special fund of that name previously created and established by the City.

"Light System" means the municipal light and power generation, transmission, and distribution system now belonging to or that may later belong to the City.

"Maximum Annual Debt Service" means, with respect to Parity Bonds the maximum amount of Annual Debt Service that shall become due in the current calendar year or in any future calendar year with respect to those Parity Bonds that are outstanding as of the calculation date.

"Net Revenue" for any period means Gross Revenues less Operating and Maintenance Expense.

"Operating and Maintenance Expense" means all reasonable charges incurred by the City in causing the Light System to be operated and maintained in good repair, working order and condition, including but not limited to all operating expenses under applicable generally accepted accounting principles included in the annual audited financial statements of the Light System, except those excluded in this definition. Operating and Maintenance Expense does not include: (a) extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System, (b) non-cash expenses relating to a mark-to-market treatment of energy-related contracts, (c) any costs or expenses (including interest expense) for new construction, replacements, or renewals of Light System property, (d) Deferred Hydroelectric Project Relicensing Costs, the High Ross Capital Payments, or other similar payments under any agreement for the development or licensing of a capital improvement or asset, under which agreement the City agrees to make periodic payments in respect of its share of the capital expense, (e) any allowance for depreciation, amortization, or similar recognitions of non-cash expense items made for accounting purposes only (including non-cash pension expense), (f) any taxes levied by or paid to the City (or payments in lieu of taxes) upon the properties or earnings of the Light System, or (g) any obligation authorized pursuant to ordinance or resolution specifically excluding the payment of such obligation from Operating and Maintenance Expense.

"Parity Bond" means, generally, any bond or obligation secured by a lien and charge on Net Revenue that is prior and superior to any other liens or charges whatsoever, in accordance with the priority of payment set forth in Section 14 of the Bond Ordinance. The term Parity Bond may refer to: (a) the Outstanding Parity Bonds identified in Exhibit A; (b) each Series of the Bonds designated by the Director of Finance as a Series of Parity Bonds upon satisfaction of the Parity Conditions; (c) any Future Parity Bonds; and (d) any Parity Payment Agreement entered into upon satisfaction of the Parity Conditions.

"Parity Bond Documents" means those Bond Documents applicable to a series of Parity Bonds.

"Parity Bond Fund" means the special fund of the City known as the Seattle Municipal Light Revenue Parity Bond Fund established within the Light Fund pursuant to Ordinance 92938 for the purpose of paying and securing the payment of principal of and interest on Parity Bonds (including Parity Payment Agreement Payments) and payments under Parity Reimbursement Obligations.

"Parity Certificate" means a certificate delivered pursuant to Section 18(a)(ii) of the Bond Ordinance, and the corresponding provisions of the Outstanding Parity Bond Ordinances, for purposes of satisfying the Parity Conditions in connection with the issuance of the Bonds and any Future Parity Bonds.

"Parity Conditions" means, (a) for purposes of establishing that a Series of the Bonds may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on parity with a Series of the Bonds, the conditions described in the preceding clause (a) together with the conditions set forth in Section 18(a) of the Bond Ordinance.

"Parity Payment Agreement" means a Payment Agreement that is entered into in compliance with the Parity Conditions and under which the City's payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure the payment of principal of and interest on Parity Bonds in accordance with Section 14 of the Bond Ordinance. For purposes of determining percentages of ownership of Parity Bonds under the Bond Ordinance or under any Bond Documents, Parity Payment Agreements shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Payment Agreement.

"Parity Reimbursement Obligation" means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit (other than Qualified Insurance or a Qualified Letter of Credit obtained to satisfy all or part of the Reserve Fund Requirement), under which the City's payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the principal of and interest on the Parity Bonds. Parity Reimbursement Obligations accruing as a result of a mandatory tender for purchase of Parity Bonds shall be excluded from the calculation of Annual Debt Service for all purposes. For purposes of determining percentages of ownership of Parity Bonds, Parity Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Reimbursement Obligation.

"Payment Agreement" means a written agreement entered into by the City and a Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates, or for other interest rate, investment, or asset or liability management purposes, and which provides for (i) an exchange of payments based on interest rates, ceilings, or floors on such payments, (ii) options on such payments; (iii) any combination of the foregoing, or (iv) any similar device. A Payment Agreement may be entered into on either a current or forward basis. A Payment Agreement must be entered into in connection with (or incidental to) the issuance, incurrence, or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money (which may include leases, installment purchase contracts, or other similar financing agreements or certificates of participation in any of the foregoing).

"Payment Agreement Payments" means the amounts periodically required to be paid by the City to a Qualified Counterparty pursuant to a Payment Agreement.

"Payment Agreement Receipts" means the amounts periodically required to be paid by a Qualified Counterparty to the City pursuant to a Payment Agreement.

"Professional Utility Consultant" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with electric systems of comparable size and character to the Light System in such areas as are relevant to the purposes for which they were retained.

"Qualified Counterparty" means a party (other than the City or a person related to the City) who is the other party to a Payment Agreement and who is qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means any municipal bond insurance policy, surety bond, or similar credit enhancement device, issued by any insurance company licensed to conduct an insurance business in any state of the United States, by a service corporation acting on behalf of one or more such insurance companies, or by any other financial institution, the provider of which, as of the time of issuance of such credit enhancement device, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

"Qualified Letter of Credit" means any letter of credit, standby bond purchase agreement, or other liquidity facility issued by a financial institution for the account of the City in connection with the issuance of any Parity Bond, which institution maintains an office, agency or branch in the United States and, as of the time of

issuance of such instrument, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

"Rate Stabilization Account" means the account of that name previously established in the Light Fund pursuant to Ordinance 121637.

"Reserve Fund" means that special fund of the City known as the Municipal Light and Power Bond Reserve Fund, established pursuant to Ordinance 71917 and maintained pursuant to the Outstanding Parity Bond Ordinances and the Bond Ordinance as a separate account within the Light Fund to secure the payment of the Parity Bonds.

"Reserve Fund Requirement" means, for any Series of Bonds designated as Parity Bonds, the Reserve Fund Requirement established in the Bond Sale Terms for that Series and any other Series issued as part of a single "issue" of Parity Bonds, consistent with Section 15 of the Bond Ordinance. For any series of Future Parity Bonds, the Reserve Fund Requirement means the requirement specified for that series in the bond sale terms associated with that issue. The aggregate Reserve Fund Requirement for all Parity Bonds shall be the sum of the Reserve Fund Requirements for each series of Parity Bonds. For purposes of this definition, "issue" means all series of Parity Bonds issued and sold pursuant to a common set of bond sale terms. For the purposes of calculating the Reserve Fund Requirement only, the City shall deduct from Annual Debt Service the Tax Credit Subsidy Payments the City is scheduled to claim from the federal government in respect of the interest on a series of Parity Bonds that are Tax Credit Subsidy Bonds (or with respect to which the federal government is otherwise scheduled to provide direct payments).

"SIFMA Municipal Swap Index" means the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index, calculated and published by Bloomberg and overseen by SIFMA's Municipal Swap Index Committee, or a substantially similar recognized market successor index representing a seven-day market index comprised of certain high-grade tax-exempt variable rate demand obligations.

"Valuation Date" means, with respect to any Capital Appreciation Bond, the date or dates, determined as set forth in the applicable Bond Documents, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

"Variable Interest Rate" means any interest rate that fluctuates during the stated term of a bond (or during a stated period during which the bond is designated as a Variable Interest Rate Bond), whether due to a remarketing, a market index reset, or other mechanism set forth in the applicable Bond Documents. The Bond Documents for any Series of the Bonds bearing interest at a Variable Interest Rate shall set forth: (a) the available method(s) of computing interest (the "interest rate modes"); (b) the particular period or periods of time (or manner of determining such period or periods of time) for which each value of such Variable Interest Rate (or each interest rate mode) shall remain in effect; (c) provisions for conversion from one interest rate mode to another and for setting or resetting the interest rates; and (d) the time or times upon which any change in such Variable Interest Rate (or any conversion of interest rate modes) shall become effective.

"Variable Interest Rate Bond" means, for any period of time, any Parity Bond that bears interest at a Variable Interest Rate during that period. A bond shall not be treated as a Variable Interest Rate Bond if the net economic effect of (a) interest rates on a particular series of Parity Bonds, as set forth in the applicable Bond Documents, and (b) either (i) interest rates on another series of Parity Bonds issued at substantially the same time, or (ii) a Payment Agreement related to that particular series, in either case, is to produce obligations that bear interest at a fixed interest rate. Any Parity Bond with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

DELEGATION AND BOND SALE TERMS

Sections 2 and 3 of the Bond Ordinance concern certain findings with respect to carrying out a plan of refunding and authorization of the issuance of Bonds.

Section 4 of the Bond Ordinance concerns the manner of sale of the Bonds.

Section 5 of the Bond Ordinance provides:

(a) **Designated Representative**. The Director of Finance is appointed to serve as the City's designated representative in connection with the issuance and sale of the Bonds in accordance with RCW 39.46.040(2) and the Bond Ordinance.

(b) **Parameters for Bond Sale Terms**. The Director of Finance is authorized to approve, on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series, and in connection with each such sale, to execute a Bond Purchase Contract confirming the Bond Sale Terms and such related agreements as may be necessary or desirable, consistent with parameters set forth in the Bond Ordinance concerning the maximum principal amount, issue date, denominations, interest rates, payment dates, final maturity, redemption prior to maturity, price and certain other terms and conditions.

Sections 6 through 12 of the Bond Ordinance provide for matters relating to registration and transfer; payment and appointment of the paying agent; redemption and purchase; notice of redemption; failure to pay; form and execution of the Bonds; and provisions regarding the deposit and use of bond proceeds, which provisions are described in the Official Statement.

SECURITY FOR THE BONDS; FLOW OF FUNDS

Section 13 of the Bond Ordinance sets forth the pledge and security for the Bonds, as described under "SECURITY FOR THE BONDS" in the Official Statement.

Section 14 of the Bond Ordinance sets forth the flow of funds and priority for expenditure of Gross Revenues deposited in the Light Fund. It provides that Gross Revenues shall be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

(a) To pay the Operating and Maintenance Expense of the Light System;

(b) To make, when due, all payments into the Parity Bond Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund Requirements, and all net payments under Parity Payment Agreements, and to make all payments required to be made (if any) in respect of Parity Reimbursement Obligations;

(c) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required to be made under Section 15(c)(i)(B) of the Bond Ordinance into a special account within the Light Fund for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, and to pay any reimbursement obligations under any Alternate Reserve Security;

(d) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;

(e) To make all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations, when due;

(f) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds and the Junior Lien Bonds; and

(g) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

Section 15 of the Bond Ordinance concerns the Parity Bond Fund and Reserve Fund and is described in the Official Statement under "SECURITY FOR THE BONDS—Reserve Fund and Reserve Fund Requirement."

Section 16 of the Bond Ordinance concerns the Junior Lien Debt Service Fund and accounts that may be created therein.

BOND COVENANTS

Section 17 of the Bond Ordinance provides:

(a) **Parity Bond Covenants**. The City covenants with the Owner of each Bond that is designated as a Parity Bond, for so long as such Bond remains outstanding, as follows:

(i) *Sale or Disposition of the Light System*.

(A) The City may dispose of all or substantially all of the Light System only if the City simultaneously causes all of the Parity Bonds to be, or be deemed to be, no longer outstanding.

(B) Except as provided below, the City will not dispose of any part of the Light System in excess of 5% of the value of the net utility plant of the Light System in service unless prior to such disposition: (1) there has been filed with the Director of Finance a certificate of a Professional Utility Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 17(a)(ii) of the Bond Ordinance, in which the Professional Utility Consultant may make those assumptions permitted in delivering a Parity Certificate under Section 18(a) of the Bond Ordinance; or (2) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts: (I) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that Gross Revenues for the twelve preceding months attributable to the part of the Light System being sold or disposed of bears to the total Gross Revenues for such period; or (II) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System being sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

(C) Notwithstanding the foregoing, the City may dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out or unfit to be used, or no longer necessary for, material to, or useful in the operation of the Light System.

(D) If the ownership of all or part of the Light System is transferred from the City through the operation of law, the City shall reconstruct or replace the transferred portion using any proceeds of the transfer unless the City Council determines that such reconstruction or replacement is not in the best interests of the City and the Owners of the Parity Bonds, in which case any proceeds shall be used to purchase, defease, or redeem Parity Bonds prior to maturity.

(ii) *Rates and Charges*. The City will establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts that are required by the Bond Ordinance to be applied to the payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been paid in full, and to pay all bonds, warrants, and indebtedness for which any revenues of the Light System shall have been pledged.

(iii) *Operation and Maintenance of the Light System*. The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; will maintain, preserve and keep, or cause

to be maintained, preserved and kept, the properties of the Light System and every part and parcel thereof in good repair, working order and condition; and from time to time will make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all times the business carried on in connection therewith will be properly and advantageously conducted.

(iv) *Books and Financial Statements*. The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities; will generally adhere to the uniform system of accounts prescribed by the State Auditor's Office and the Federal Energy Regulatory Commission (if any); and will prepare, on or before 180 days after the end of each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement, and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner of any Parity Bonds. A copy of such financial statements shall be sent to any owner of Parity Bonds upon request in writing setting forth the name and address to which such financial statements may be sent.

ADDITIONAL BONDS

Section 18 of the Bond Ordinance provides the Parity Conditions, including the test for issuing Future Parity Bonds, which is described under "SECURITY FOR THE BONDS—Future Parity Bonds" in the Official Statement. It also provides a test for the issuance of Additional Junior Lien Bonds.

RATE STABILIZATION ACCOUNT

Section 19 of the Bond Ordinance provides that the City may at any time deposit in the Rate Stabilization Account Net Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Net Revenue for any applicable year of the City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Adjusted Net Revenue.

REFUNDING OR DEFEASANCE OF THE BONDS

In Section 20 of the Bond Ordinance, the Bonds are designated as "Refundable Bonds" eligible to be refunded under the Omnibus Refunding Ordinance in the future. The provisions regarding refunding and defeasance of the Bonds are described in the Official Statement under "DESCRIPTION OF THE BONDS—Refunding or Defeasance of Bonds."

FEDERAL TAX AND SECURITIES LAW MATTERS

Section 21 of the Bond Ordinance covers Federal Tax Matters, which are described in the Official Statement under "LEGAL AND TAX INFORMATION—Tax Matters."

Section 22 of the Bond Ordinance covers preparation of a Preliminary Official Statement, a Final Official Statement and Continuing Disclosure matters. The Continuing Disclosure Agreement is described in the Official Statement under "CONTINUING DISCLOSURE AGREEMENT."

SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS

Section 23 of the Bond Ordinance provides that the Bond Ordinance and other Bond Documents may not be supplemented or amended in any respect subsequent to the Issue Date of the Bonds except in accordance with the following provisions:

(a) **Amendments Without Bond Owners' Consent**. From time to time and at any time, without the consent of or notice to the owners of any Parity Bonds, the City may supplement or amend the Bond Documents applicable to any Series of the Bonds for any of the purposes set forth in this subsection

(a). Any such supplement or amendment may be passed, adopted, or otherwise approved in writing by the City, without requiring the consent of the registered owners of any Parity Bonds, but may become effective only upon receipt by the City of an opinion of Bond Counsel to the effect that such supplement or amendment is permitted by the terms of the Bond Ordinance. The City shall deliver a copy of any such supplement or amendment to each Rating Agency prior to its passage, adoption, or approval (as applicable) by the City. The types of supplements and amendments permitted under this subsection (a) are as follows:

(i) To add to any Parity Bond Documents additional covenants and agreements that do not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power reserved to or conferred upon the City in any Bond Documents.

(ii) To cure any ambiguities or to cure, correct, or supplement any defective provision in any Bond Documents, in regard to matters or questions arising under such Bond Documents, as the City may deem necessary or desirable and not inconsistent with the Bond Ordinance, and which do not materially adversely affect the interests of the owners of any Parity Bonds then outstanding.

(iii) To make such changes as may be necessary to permit the Bonds to be held in registered certificate form or in Book-Entry Form, as the case may be, and to make similar amendments or modifications of a technical nature.

(b) **Amendments Permitted Upon Bond Owners' Consent**.

(i) *Parity Bond Documents*. With the consent of the registered owners representing not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City may pass, adopt, or otherwise provide its written approval of any supplement or amendment to add to, change, or eliminate any provision of the Bond Documents applicable to a Series of the Bonds designated as Parity Bonds in any manner other than a supplement or amendment effecting a change described in subsection (c)(i) below.

(c) **Amendments Prohibited Except Upon Unanimous Consent**.

(i) *Amendments to Parity Bond Documents*. Nothing contained in the following provision shall permit or be construed as permitting an amendment or supplement that would:

(A) Except upon consent from the registered owners of or on behalf of all Parity Bonds so affected, extend the fixed maturity of any Parity Bond, reduce the rate of interest on any Parity Bond (other than a change in interest rate permitted under the applicable Parity Bond Documents then in effect), extend the times of payment of interest from their respective due dates, reduce the principal amount of any Parity Bond, or reduce any redemption premium; or

(B) Except upon consent from the registered owners of or on behalf of all of the Parity Bonds then outstanding, reduce the percentage of ownership required under subsection (b)(i), above, to approve any supplement or amendment.

(d) **Notice and Consents**. If at any time the City passes, adopts, or otherwise approves in writing a supplement or amendment for any of the purposes requiring consent under subsection (b) or (c) above, it shall provide a notice to each registered owner and to each Rating Agency briefly summarizing the nature of the proposed supplement or amendment and stating that a copy of such supplement or amendment is on file at the office of the City Clerk. It shall not be necessary to obtain consent to or approval of the particular form of any proposed supplement or amendment, but it shall be sufficient if the consent shall approve the substance thereof. For purposes of determining whether consents representing the requisite percentage of principal amount of Parity Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount.

(e) **Effect of Amendment or Supplement**. Upon the effective date of any amendment or supplement to any Bond Documents, such Bond Documents shall be deemed to be amended and modified in accordance with such amendment or supplement. Thereafter, the respective rights, duties, and obligations of the City under the applicable Bond Documents shall be determined, exercised, and

enforced subject in all respects to such supplement or amendments, and all the terms and conditions of any such supplement or amendment shall be deemed to be a part of the terms and conditions of those Bond Documents for any and all purposes. The effective dates of such amendments and supplements shall be as follows:

(i) An amendment and supplement permitted under subsection (a) shall become effective immediately upon (A) the passage, adoption, or other approval of such amendment or supplement (or upon the effective date of such document as stated therein, if any), and (B) the delivery of the required opinion of Bond Counsel stating that such amendment or supplement is permitted under the Bond Ordinance.

(ii) A supplement or amendment permitted under subsection (b) or (c) shall become effective on the date on which the City has received the written consents of the requisite percentage of registered owners. If the requisite percentage of registered owners of Parity Bonds, as applicable, have given their consent to any such amendment or supplement, no owner of any Bond shall have any right (i) to object to the passage, adoption, or approval of such supplement or amendment, (ii) to object to any of the terms and provisions contained therein or the operation thereof, (iii) in any manner to question the propriety of the passage, adoption, or approval thereof, (iv) to enjoin or restrain the City, or any authorized official thereof, from passing, adopting, or otherwise approving the same, or (v) to enjoin or restrain the City, any authorized official thereof, or the Bond Registrar from taking any action pursuant to the provisions thereof.

(f) **Notation on Bonds**. Any Bonds executed and delivered after the effective date of any amendment or supplement that is passed, adopted, or otherwise approved in writing pursuant to the Bond Ordinance may include a notation as to any matter provided for in such amendment or supplement. The City may, in its discretion, prepare and deliver replacement bonds, modified to reflect any such amendment or supplement, to the registered owner(s) thereof upon surrender of the original bonds for cancellation.

DEFAULTS AND REMEDIES

Section 24 of the Bond Ordinance provides the following Events of Default with respect to Parity Bonds:

(a) **Parity Bond Events of Default**. Each of the following shall constitute an Event of Default with respect to the Bonds designated as Parity Bonds, except as set forth in subsection (c) below:

(i) If a default is made in the payment of the principal of (including Sinking Fund Requirements and any redemption premium thereon, if any) or interest on any Parity Bond when the same shall become due and payable; or

(ii) If the City defaults in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Parity Bond Documents (except as otherwise provided for in the Bond Ordinance or in such Parity Bond Documents) and such default or defaults shall have continued for a period of six months (the "cure period") after the City shall have received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or from a Bond Owners' Trustee duly appointed as set forth in subsection (e), below) a written notice specifying and demanding the cure of such default. However, if such default is one that cannot be completely remedied within the cure period, it shall not be an Event of Default with respect to the Parity Bonds, so long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

(b) Junior Lien Bond Events of Default. Section 24(b) of the Bond Ordinance addresses Events of Default with respect to Junior Lien Bonds.

(c) **Exceptions**. Notwithstanding anything in the Bond Ordinance to the contrary, the failure of the City or any obligated person to comply with a Continuing Disclosure Agreement shall not constitute an Event of Default, and the sole remedy of any holder of any Parity Bond or Junior Lien Bond, as applicable, shall be to seek an order of specific performance from an appropriate court to compel the

City to comply with the Continuing Disclosure Agreement. For purposes of determining whether an Event of Default has occurred and is continuing with respect to the rate covenant set forth in Section 17 of the Bond Ordinance, if such covenant is met for any fiscal year, it shall be deemed to have been met for all prior fiscal years.

(d) **Remedies; No Acceleration**. In the case of a Parity Bond Event of Default, an owner of a Parity Bond shall have the remedies set forth in Section 10 of the Bond Ordinance and in the applicable Parity Bond Documents as limited by subsection (e) below.

(e) **Bond Owners' Trustee**. A Bond Owners' Trustee appointed in the manner provided in the Bond Ordinance, and each successor thereto, is declared to be a trustee for all of the owners of the Parity Bonds in the case of a Parity Bond Event of Default and is empowered to exercise all the rights and powers conferred on the Bond Owners' Trustee in the Parity Bond Ordinance.

(i) *Appointment of Bond Owners' Trustee; Removal*. Upon the occurrence and continuance of an Event of Default described in subsection (a) above, the registered owners of 25% in principal amount of the then outstanding Parity Bonds may appoint a Bond Owners' Trustee by an instrument or concurrent instruments in writing signed by such registered owners (or by their duly authorized attorneys-in-fact) and delivered to such Bond Owners' Trustee, with notification of such appointment given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. The entity acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of more than 50% in principal amount of the Parity Bonds then outstanding (in the case of a Parity Bond Event of Default) by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners or by their duly authorized attorneys-in-fact.

(ii) *Cure of Event of Default*. If the Bond Owners' Trustee furnishes to the City a certificate stating that, in its sole judgment, an Event of Default that has occurred has been cured, such Event of Default shall be conclusively deemed to be cured, and the City, the Bond Owners' Trustee, and the registered owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

(iii) *Suits at Law or in Equity*. Upon the occurrence of an Event of Default and during the continuance thereof, the Bond Owners' Trustee in its discretion may (and, upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding, shall) take such steps and institute such suits, actions, or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Bond Ordinance or set forth in any of the applicable Bond Documents.

Any action, suit or other proceeding instituted by the Bond Owners' Trustee under the Bond Ordinance shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or under any of the Parity Bonds or the provisions of the Bond Ordinance may be enforced by the Bond Owners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law.

(iv) *Effect of Appointment of Bond Owners' Trustee*. Any suit, action, or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all of the owners of the Parity Bonds, subject to the provisions of the Bond Ordinance. The respective owners, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective owners, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the owner might have done in person. Nothing in the Bond Ordinance shall be deemed to authorize or empower the Bond Owners' Trustee to consent to

accept or adopt, on behalf of any owner of the Parity Bonds (or Junior Lien Bonds, as applicable), any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

(v) *Bond Owners' Direction of Proceedings*. By an instrument or concurrent instruments in writing executed and delivered to the Bond Owners' Trustee, the owners of more than 50% in aggregate principal amount of the Parity Bonds then outstanding shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners (or the Bond Owners' Trustee for the benefit of the owners) under the applicable Bond Documents. Notwithstanding the foregoing, the Bond Owners' Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Owners' Trustee, in reasonable reliance on advice of counsel, would be unjustly prejudicial to owners not parties to such direction.

(vi) *Limitation on Remedies; Limitations on Individual Actions*. No owner of a Parity Bond, in the case of a Parity Bond Event of Default, shall have any right in any manner whatever by its action to affect, disturb, or prejudice the security pledged in the Bond Ordinance or the rights of any other owners, or to enforce any right under the applicable Bond Documents or applicable law except in the manner provided in the Bond Ordinance, and that all proceedings at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner provided in the Bond Ordinance and for the equal and ratable benefit and protection of all owners of the Parity Bonds, subject to the provisions of the Bond Ordinance.

(vii) *Limitations on Individual Actions*. No owner of a Parity Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless (A) such owner previously shall have given to the Bond Owners' Trustee written notice of the occurrence of an Event of Default; (B) the owners of more than 50% in aggregate principal amount of the then outstanding Parity Bonds (in the case of a Parity Bond Event of Default) shall have made a written request to the Bond Owners' Trustee to exercise the powers granted above or to institute such suit, action, or proceeding in its own name; (C) such owners shall have tendered to the Bond Owners' Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Bond Owners' Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Owners' Trustee. The conditions set forth in (A) through (D) in the preceding sentence have been declared to be conditions precedent to the exercise by any owner of a Parity Bond (in the case of a Parity Bond Event of Default) of any remedy under the applicable Bond Documents or under applicable law.

(viii) *Duties and Obligations of Bond Owners' Trustee*. The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth in the Bond Ordinance. During any period in which an Event of Default has occurred and is continuing as to the Parity Bonds the Bond Owners' Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act under the Bond Ordinance except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of the Bond Ordinance, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into the Bond Ordinance. The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct. The fees and expenses of the Bond Owners' Trustee shall be borne by the owners of the Parity Bonds and not by the City. A Bond Owners'

Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties. The Bond Owners' Trustee shall not be bound to recognize any person as a registered owner of any Parity Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction. The Bond Owners' Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Bond Ordinance in good faith and in accordance with the opinion of such counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

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Stradling Yocca Carlson & Rauth LLP
601 Union Street, Suite 2424
Seattle, WA 98101
206 829 3000
stradlinglaw.com

Stradling

[Date of Approving Opinion]

The City of Seattle, Washington

Re: The City of Seattle, Washington
$199,690,000 Municipal Light and Power Improvement and Refunding Revenue Bonds, 2024

We have served as bond counsel to The City of Seattle, Washington (the "City"), in connection with the issuance of the above referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved with the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued pursuant to the laws of the State of Washington and Ordinance 126939 (the "New Money Ordinance"), and Ordinance 125460, as amended by Ordinance 125987 (as amended, the "Refunding Ordinance, and together with the New Money Ordinance, the "Bond Ordinances") to provide the funds (i) to finance certain capital improvements to and conservation programs for the Light System; (ii) to provide for the Reserve Fund Requirement, if necessary, (iii) to refund, on a current basis, a portion of the City's outstanding municipal light and power improvement and refunding revenue bonds, and (iv) to pay the costs of issuing the Bonds and administering the Refunding Plan, all as set forth in the Bond Ordinances.

Reference is made to the Bond Ordinances for the definitions of capitalized terms used and not otherwise defined herein.

The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue of the Light System, by money in the Seattle Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund") and by the Municipal Light and Power Bond Reserve Fund (the "Reserve Fund"). The Net Revenue has been pledged to make the required payments into the Parity Bond Fund and the Reserve Fund, which pledge constitutes a charge on the Net Revenue prior and superior to all other charges whatsoever, except reasonable charges for maintenance and operation of the Light System, and except that the Bonds shall have a lien and charge upon such Net Revenue on a parity with the lien and charge of the Outstanding Parity Bonds and any Future Parity Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Ordinances to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of

the Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

As of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;

2. The City has duly authorized and approved the Bond Ordinances and the Bonds have been duly authorized and executed by the City and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Ordinances and other ordinances and resolutions of the City relating thereto;

3. The Bonds constitute valid and binding obligations of the City payable solely out of the Gross Revenues of the Light System (after reasonable charges for maintenance and operation) and money in the Parity Bond Fund and the Reserve Fund, enforceable in accordance with their terms, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and principles of equity if equitable remedies are sought;

4. The Bonds are not general obligations of the City; and

5. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, under existing statutes, regulations, rulings and judicial decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds. We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX C

2023 AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT

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The City of Seattle—
City Light Department

Enterprise Fund of The City of Seattle

Financial Statements as of and for the
Years Ended December 31, 2023 and 2022,
Required Supplementary Information,
Other Information, and
Independent Auditors' Report

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

ENTERPRISE FUND OF THE CITY OF SEATTLE
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Independent Auditors' Report

To the Sustainability, City Light, Arts & Culture Committee of
City of Seattle, City Light Department

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Seattle, City Light Department (Department), an enterprise fund of the City of Seattle, Washington, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position for the Department, as of December 31, 2023 and 2022, and the changes in financial position and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in the financial position, and cash flows of only the Department. They do not purport to, and do not, present fairly the financial position of the City of Seattle, Washington, as of December 31, 2023, and 2022, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statementsea

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information as identified in the table of contents. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Madison, Wisconsin
April 30, 2024

The following discussion and analysis of the financial performance of The City of Seattle—City Light Department (the Department) provides a summary of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in combination with the Department's financial statements, which immediately follow this section.

ORGANIZATION

The Department is the public electric utility of The City of Seattle (the City). As an enterprise fund of the City, the Department owns and operates generating, transmission and distribution facilities and delivers electricity to approximately 503,200 customers in Seattle and certain surrounding communities, and other City agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department's accounting records are maintained in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Department's accounting records also follow the Uniform System of Accounts for Public Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

This discussion and analysis serve as an introduction to the Department's financial statements, which are composed of the financial statements and the notes to the financial statements and include the following:

Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows—The financial statements provide an indication of the Department's financial health. The Statements of Net Position include all the Department's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting, and indicate which assets may be utilized for general purposes and which are restricted due to bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for bond principal and capital additions and betterments.

Notes to the Financial Statements—The notes to the financial statements provide additional information needed for a full understanding of the data provided in the financial statements.

COVID-19

COVID-19 had a significant effect on the Department's operations, operating results, and financial statements, primarily in 2020 and 2021. Additional details are noted within the specific areas impacted in the following discussion.

CONDENSED STATESMENTS OF NET POSITION

($ in millions)	December 31 2023	2022	2021
Assets:			
Utility plant—net	$ 4,762.1	$ 4,550.9	$ 4,372.7
Restricted assets	225.9	210.3	280.9
Current assets	615.4	716.6	511.1
Other assets	490.0	465.1	440.2
Total assets	6,093.4	5,942.9	5,604.9
Total deferred outflows of resources	113.2	72.8	58.2
Total assets and deferred outflows of resources	$ 6,206.6	$ 6,015.7	$ 5,663.1
Liabilities:			
Long-term debt	$ 2,783.5	$ 2,795.3	$ 2,747.1
Noncurrent liabilities	441.3	284.4	341.6
Current liabilities	360.2	341.4	295.4
Other liabilities	36.3	36.3	34.7
Total liabilities	3,621.3	3,457.4	3,418.8
Total deferred inflows of resources	169.8	268.0	221.3
Net position:			
Net investment in capital assets	2,185.5	1,953.7	1,886.0
Restricted:			
Rate stabilization account	25.0	25.0	25.0
Total restricted	25.0	25.0	25.0
Unrestricted—net	205.0	311.6	112.0
Total net position	2,415.5	2,290.3	2,023.0
Total liabilities, deferred inflows, and net position	$ 6,206.6	$ 6,015.7	$ 5,663.1

ASSETS

Utility Plant—Net

2023 Compared to 2022 Utility plant assets net of accumulated depreciation and amortization increased $211.2 million to $4,762.1 million in 2023. The following table sets forth the increases in utility plant (before depreciation and amortization) year over year:

Utility Plant Assets:	2023	increase	2022
Hydroelectric Production Plant	$ 1,035.2	$ 34.0	$ 1,001.2
Transmission Plant	371.5	9.6	361.9
Distribution Plant	3,692.4	158.2	3,534.2
General Plant	440.5	2.2	438.3
Intangibles Plant	838.1	5.0	833.1
	$ 6,377.7	$ 209.0	$ 6,168.7

The $209.0 million increase in utility plant assets to $6,377.7 million was partially offset by a $124.4 million increase in accumulated depreciation and amortization to $2,451.5 million. The components of the increase in utility plant assets include the following:

- The $34.0 million increase in Hydro Assets is primarily due to a $29.2 million increase for Hydro Turbines, $2.4 for Hydro Dams, $1.1 million for Roads and Bridges, $0.8 million in Hydro Structures, and a $0.5 million increase for miscellaneous Hydro Equipment.
- The $9.6 million increase in Transmission is primarily due to an $8.4 million increase for Transmission Station Equipment, $0.7 million for Transmission Structures, and $0.5 million for Transmission Underground Lines and other.
- The $158.2 million increase in Distribution Plant is due to a $38.8 million increase for Poles, a $35.3 million net increase for Underground, $27.7 million increase for Network, a $24.9 million increase for Overhead, an increase of $17.1 million related to Services, Station Equipment, Street Lights, and $14.4 for Meters.
- The $2.2 million increase in General Plant is primarily due to a $5.2 million increase for General Structure improvements, and a $1.7 million increase for Equipment and Tools, offset by $4.7 million in vehicle and truck retirements.
- The $5.0 million increase in Intangible Assets is primarily due to a net $27.8 million increase in Software related to Customer Service Portal and Advanced Meter Infrastructure Upgrades, offset by a net $22.8 million decrease in relicensing costs primarily due to the reversal of premature capitalizations for Skagit Relicensing.

Other components of utility plant include:

- Construction work-in-progress (CWIP) of $657.0 million, an increase of $125.1 million over the prior year, driven by an addition of $425.3 million offset by capitalization of $300.2 million.
  The $657 million of CWIP is for ongoing construction in the following areas:
  - $68.2 million for Substations and structures
  - $254.4 million for improvements to Distribution System
  - $79.3 million for Hydro
  - $106.7 million for General Tools and Equipment
  - $95.9 million for Software & Licenses
  - $33.4 million for Transmission
  - $19.1 million for miscellaneous capital
- Nonoperating property has a balance of $19.0 million, which increased $0.7 million.
- Assets held for future use is $3.1 million, same as the prior year with a slight decrease of $29.4 thousand.

- Land and land rights is $156.8 million, which increased $0.9 million.

See Note 3 Utility Plant of the accompanying financial statements.

2022 Compared to 2021 Utility plant assets net of accumulated depreciation and amortization increased $178.2 million to $4,550.9 million in 2022. The following table sets forth the increases in utility plant (before depreciation and amortization) year over year:

Utility Plant Assets:	**2022**	**increase**	**2021**
Hydroelectric Production Plant	$ 1,001.2	$ 8.9	$ 992.3
Transmission Plant	361.9	33.8	328.1
Distribution Plant	3,534.2	306.6	3,227.6
General Plant	438.3	14.7	423.6
Intangible Assets	833.1	52.6	780.5
	$ 6,168.7	**$ 416.6**	**$ 5,752.1**

The $416.6 million increase in utility plant assets to $6,168.7 million was partially offset by a $131.4 million increase in accumulated depreciation and amortization to $2,327.0 million. The components of the increase in utility plant assets include the following:

- The $8.9 million increase in Hydro Assets is primarily due to a $4.9 million increase for Hydro Structures, $3.1 million increase for miscellaneous Hydro Equipment, and a $0.9 million increase for Ancillary Electric Equipment and Removal.
- The $33.8 million increase in Transmission is primarily due to a $21.7 million increase for Transmission Overhead/Underground Lines and an increase of $12.1 million for Transmission Station Equipment.
- The $306.6 million increase in Distribution Plant is due to a $129.5 million increase for Network, a $74.1 million net increase for Underground, a $42.3 million increase for Poles, a $30.6 million increase for Overhead, and an increase of $30.1 million related to Services, Station Equipment, Street Lights, and Removal.
- The $14.7 million increase in General Plant is primarily due to a $10.5 million increase for General Structure improvements, a $2.9 million increase for vehicles and a $1.3 million increase for Equipment and Tools.
- The $52.6 million increase in Intangible Assets is primarily due to $49.4 million for Relicensing at Boundary and Skagit, and a net increase of $3.2 million for Software.

Other components of utility plant include:

- Construction work-in-progress (CWIP) of $531.9 million, a decrease of $107.9 million over the prior year, driven by an addition of $362.3 million offset by capitalization of $470.2 million.

The $531.9 million of CWIP is for ongoing construction in the following areas:

- $92.7 million for Substations and structures
- $227.4 million for improvements to Distribution System
- $84.6 million for Hydro
- $33.6 million for Tools and Equipment
- $36.2 million for Software
- $29.0 million for Transmission
- $28.4 million for miscellaneous capital

- Nonoperating property has a balance of $18.3 million, which increased $0.5 million.
- Assets held for future use $3.1 million, which decreased by $0.9 million.
- Land and land rights $155.9 million, which increased $1.3 million.

Restricted Assets

2023 Compared to 2022 Restricted assets increased by $15.6 million to $225.9 million.

Construction funds increased by $13.5 million in 2023. In 2022 the funds had been fully depleted by the end of the year.

The Rate Stabilization Account (RSA) decreased by a net $9.2 million to $65.8 million. Details are below:

($ in millions)	**2023**	**2022**
Rate Stabilization Account		
Beginning Balance	$ 75.0	$ 99.4
Council Authorized transfer to RSA	100.0	-
Operating Revenue	(109.2)	(24.4)
Ending Balance	$ 65.8	$ 75.0

In 2023, actual net wholesale revenue was $108.3 million less than the $40.0 million adopted planning value. The $109.2 million transfer reflects a true-up from previous year, as well as an estimate for the December transfer (which was trued up in January 2024). This transfer was partially offset by $100.0 million transferred to the RSA from operating cash ($30.0 million in May, $30.0 million in August and $40.0 million in December) in accordance with Seattle City Ordinance No. 126819, which authorizes discretionary transfers to prevent the RSA from being depleted. The Ordinance also postponed a June 1, 2023 surcharge that was triggered based on the end March RSA balance, per the RSA rules. However, this was not sufficient to avoid an RSA surcharge further, which was triggered at the end of September and a 4.0% surcharge was implemented Jan 1, 2024. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets increased by $11.3 million to $146.6 million. The bond reserve account increased by $3.2 million due to 2023 interest income. The debt service account decreased by $1.1 million mainly due to the lower bond interest and principal payment pending for payment at the end of 2023. Special deposits and other restricted assets increased by $9.2 million due to higher Make Ready Work deposits of $9.7 million and an increase in fair value of $1.0 million, partially offset by a $1.5 million decrease in customer prepayments.

2022 Compared to 2021 Restricted assets decreased by $70.6 million to $210.3 million.

Construction funds were fully depleted in 2022. The balance decreased by $56.2 million compared to 2021.

The Rate Stabilization Account (RSA) decreased by a net $24.4 million to $75.0 million. Details are below:

($ in millions)	2022	2021
Rate Stabilization Account		
Beginning balance	$ 99.4	$ 96.8
Council authorized transfer to RSA	-	15.0
Surcharge revenue	-	6.6
RSA interest income	-	1.4
Operating revenue	(24.4)	(20.4)
Ending balance	$ 75.0	$ 99.4

In 2022, the actual net wholesale revenue was $26.9 million less than budgeted. The $24.4 million transfer reflects a true-up from previous year, as well as estimate for the December transfer (which was true-ed up in January 2023). There was no surcharge in effect during 2022. Beginning in 2022, with the adoption of Ordinance No. 126502, interest on the RSA funds is no longer allocated to that account but held in operating cash. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets increased by $10.0 million to $135.3 million. The bond reserve account increased by $7.2 million primarily due to the additional deposit of the 2022 bonds. The debt service account increased by $6.3 million mainly due to the 2022 bond debt service interest payment. Special deposits and other restricted assets decreased by $3.5 million due to the downward GASB 31 fair value adjustment of $5.5 million, partially offset by a $2.0 million increase in customer prepayments and special deposits.

Current Assets

2023 Compared to 2022 Current assets decreased by $101.2 million to $615.4 million.

Operating cash decreased by $85.4 million to $263.2 million. The lower cash balance is a result of decreased net wholesale energy transactions, higher debt service costs, and higher capital contributions offset by higher inflows from retail revenue, and transfers from the Rate Stabilization Account (RSA).

Accounts receivable decreased by $9.2 million to $195.3 million in 2023 comparing to 2022 due to the following components:

- $0.8 million increase in retail electric receivables net of allowance. The lower allowance in 2023 is a result of continued collection efforts and the Utility Residential Customer Arrearages grant.
- $0.5 million increase in payment arrangements, as more customers signed up to pay outstanding bills.
- $3.4 million decrease in non-electric service receivables net of allowance mostly due to the higher allowance in 2023, as more invoices remained unpaid at the end of 2023 than 2022.
- $0.5 million increase in late fee charges for non-electric service receivable.
- $4.8 million increase in short-term wholesale energy and transmission receivable, attributable to an increase in December 2023 net sale transactions compared to December 2022. December 2022 had a comparably low amount of net sale transactions as a result of cold weather driving higher load, higher prices, and lower generation from Boundary and Skagit.
- $12.4 million decrease in accounts receivable from other governments. The decrease is due to the lower credits from the Bonneville Power Administration (BPA) Power Reserves Distribution Clause for $13.8 million and Federal Energy Regulatory Commission (FERC) land use fee credit for $4.0 million partially offset by $2.4 million increase due from Seattle IT related to CCM expense allocations, a $1.9 million increase from government invoices, and a $1.1 million increase in federal interest subsidies for the Department's bonds.

Unbilled revenues decreased by $14.8 million due to lower unbilled retail consumption compared to December 2022 partially offset by the 4.5% average rate increase in 2023.

Materials, supplies, and inventory increased by $8.2 million to $55.5 million in 2023 compared to 2022 due to the following components:

- The wire and cable commodity contributed $3.3 million to this increase, primarily driven by mix and price increases in primary underground cable of $1.7 million and $1.6 million due to additional volume in other categories.
- The meter commodity added an additional $1.9 million due to new items and long lead times in support of the utility's needs.
- The utility electric materials commodity contributed to a $1.5 million increase due to inventory volume growth to mitigate increasing lead times.
- There was an addition of 153 utility poles in inventory, resulting in a $0.6 million increase. 40% of the increase was in the composite pole category which has a significantly higher price than Douglas fir poles. The Douglas fir pole increased in volume and price due to a full transition to a new more costly treatment process.

The balance of the year over year inventory variance is due to an increase of $0.4 million in PVC conduit and composite crossarms impacted by rising resin other petroleum products and $0.5 million due to increased volumes as well as pricing in lighting, hardware, and miscellaneous supplies.

2022 Compared to 2021 Current assets increased by $205.5 million to $716.6 million.

Operating cash increased by $155.5 million to $348.6 million. The higher cash balance is a result of increased inflows from retail revenue, transfers from the Rate Stabilization Account (RSA) offset by lower net wholesale energy transactions, higher debt service and lower capital contributions.

Accounts receivable increased by $28.7 million to $204.5 million in 2022 comparing to 2021 due to the following components:

- $3.5 million decrease in retail electric receivables combined with $5.7 million decrease in the allowance mostly due to resumption of collection efforts and the Utility Residential Customer Arrearages grant.
- $4.3 million increase in payment arrangements, as more customers signed up to pay outstanding bills.
- $8.3 million increase in sundry receivables due mainly to a higher volume of large jobs in "Pay before service" category.
- $6.7 million decrease in short-term wholesale energy and transmission receivable, attributable to an increase in net purchase transactions. The $3.8 million decrease is a result of cold weather driving higher load, higher prices, and lower generation from Boundary and Skagit). The remaining $2.9 million decrease is due to the Stateline contract which ended on December 31, 2021.
- $20.6 million increase in accounts receivable from other governments due to a $27.9 million credit received from the Bonneville Power Administration (BPA) Power Reserves Distribution Clause whereby BPA returned funds to customers due to strong secondary sales. This amount is partially offset by a reduction in the short-term Federal Energy Regulatory Commission (FERC) land use fee credit of $7.3 million.

Unbilled revenues increased by $11.4 million due to higher load resulting from weather, as well as strong post-pandemic economic activity and an average retail rate increase of 3.6% in 2022.

Materials, supplies and inventory increased by $4.9 million due to continued increases in prices and lead times. Most impacted has been the Wire and Cable commodity, which contributed $2.4 million to the increase. This is the result of pricing as well as increased inventory volumes to mitigate longer lead times. The utility electric materials commodity category was significantly impacted by pricing as well as mix of items, contributing $1.3 million of this variance. Both commodities are heavily affected by metals pricing, including copper, aluminum and steel. Metals pricing also impacted transformer and lighting categories, increasing overall inventory value by $0.5 and $0.4 million, respectively, with minimal to no change in inventory levels. The remaining $0.3 million increase is related to increased pricing in other commodity types.

Prepayments and other assets increased by $5.0 million as a result of the implementation of GASB Statement No. 87, *Leases*.

Other Assets

2023 Compared to 2022 Total Other assets of $490.0 million increased by $24.9 million from 2022.

The $24.9 million year over year increase included the following:

- Regulatory assets for environmental cleanup increased by $23.3 million. These are the estimated costs to remediate several Superfund sites along the Duwamish River for which the Department has been designated a responsible party.
- Conservation costs increased by $1.6 million due to additions to various programs. See Note 7 Other Assets of the accompanying financial statements.

2022 Compared to 2021 Total Other assets of $465.1 million increased by $24.9 million from 2021.

The $50.6 million increase in long-term receivable is the result of the implementation of GASB Statement No. 87, *Leases*. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The remaining $25.7 million year over year decrease included the following:

- Regulatory assets for environmental cleanup decreased by $25.6 million and environmental recovery decreased by $1.7 million. These are the estimated costs to remediate several Superfund sites along the Duwamish River for which the Department has been designated a responsible party.
- Long-term receivable increased by $6.7 million due to FERC Land Use fees refund from 1996 - 2019 per court order of $3.3 million and $3.4 million, as more customers signed up for payment arrangements plans.
- $2.0 million decrease for ongoing payment from local jurisdictions for underground infrastructure improvements loans.
- Conservation costs decreased by $2.4 million due to lower payments for HVAC installation incentives.
- Other, $0.7 million decrease.

Deferred Outflows of Resources

2023 Compared to 2022 Deferred outflows of resources increased by $40.4 million to $113.2 million.

In 2023, pension-related deferred outflows increased by a net $44.0 million due to a $52.8 million increase in the difference between projected and actual earnings and a $0.6 million increase in contributions, partially offset by a $9.2 million related to changes in actuarial assumptions and a $0.2 million decrease in the difference between expected and actual experience. The most recent actuarial experience study was used to update assumptions, including for salary increase, mortality, and retirement rates. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, decreased by $0.4 million.

Charges on advance refunding account balance decreased by a net $3.2 million. 2023 activity consisted of amortization, 2012 and 2013 bonds refunding and 2014 and 2017 bonds defeasance.

2022 Compared to 2021 Deferred outflows of resources increased by $14.6 million to $72.8 million.

In 2022, pension-related deferred outflows increased by a net $18.6 million due to an increase in actuarial assumptions. The most recent actuarial experience study was used to update assumptions, including for salary increase, mortality, and retirement rates. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, decreased by $0.5 million.

Advance refunding account balance decreased by a net $3.5 million. 2022 activity consisted of amortization, 2012A bonds refunding and 2013 and 2014 bonds defeasance.

LIABILITIES

Long-Term Debt

2023 Compared to 2022 Long-term debt decreased a net $11.8 million to $2,783.5 million during 2023.

The Department issued fixed rate bonds in the amount of $273.6 million. The fixed bond proceeds were used for ongoing capital improvement programs and for a $12.4 million refunding of the 2012 bonds and $48.3 million of the 2013 bonds on a current basis. The Department also issued $85.8 million of variable rate bonds. The variable bond proceeds were used to refund $85.4 million of the 2018 variable rate bonds on a current basis. In addition, $27.6 million of 2014 bonds, $29.3 million of 2015 bonds, and $36.7 million of 2017 bonds were defeased in 2023.

Debt to capitalization ratio was 52.2% at the end of 2023, a decrease from 53.6% in 2022.

Net revenues available to pay debt service in 2023 were equal to 1.74 times principal and interest on all bonds. See Note 9 Long-Term Debt of the accompanying financial statements.

2022 Compared to 2021 Long-term debt increased a net $48.2 million to $2,795.3 million during 2022.

The Department issued a new debt in the amount of $257.7 million of fixed rate bonds (2022 bonds). The 2022 bonds proceeds were used for ongoing capital improvement programs, for a deposit to the reserve fund, and for a $50.8 million refunding of 2012A bonds on a current refunding basis. In addition, $13.6 million of 2013 bonds and $13.9 million of 2014 bonds were defeased in 2022.

Debt to capitalization ratio was 53.6% at the end of 2022, a decrease from 56.1% in 2021.

Net revenues available to pay debt service in 2022 were equal to 2.53 times principal and interest on all bonds.

Noncurrent Liabilities

2023 Compared to 2022 Total noncurrent liabilities increased by $156.9 million to $441.3 million.

Net Pension liability increased by $130.9 million based on the most recent actuarial report. This was caused primarily by a decrease in plan fiduciary net position due to poor investment performance in 2022. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental liability increased by $27.3 million. The increase is largely due to increased projected cost for East Waterway (EW), Harbor Island Superfund Site as a result of the recent update of estimated projected remediation costs at the request of Environmental Protection Agency. City Light and other entities are sharing the cost of investigating contamination in EW. City Light's involvement stems from its sale of transformers to a company on Harbor Island. See Note 15 Environmental Liabilities of the accompanying financial statements.

The remaining decrease of $1.3 million is due to a decrease in Other Post-Employment Benefits (OPEB) liability plus a small decrease in non-current accrued vacation time. See Note 14 Other Postemployment Benefits (OPEB) of the accompanying financial statements.

2022 Compared to 2021 Total noncurrent liabilities decreased by $57.2 million to $284.4 million.

Net Pension liability decreased by $27.8 million based on the most recent actuarial report. This decrease was driven primarily by strong investment performance in 2021. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental liability decreased by $28.2 million. Environmental liabilities are attributable to the estimated cost of remediating contaminated sediments in the lower Duwamish Waterway, a designated federal Superfund site. The Department is a responsible party for contamination in the Duwamish River due to land ownership and use of property located along the river. See Note 15 Environmental Liabilities of the accompanying financial statements.

The remaining decrease of $1.2 million is primarily due to lower Postemployment Benefits other than Pensions (OPEB) liability per the most recent actuarial report.

Current Liabilities

2023 Compared to 2022 Current liabilities increased by $18.8 million to $360.2 million due to the following:

- $19.5 million decrease in short-term wholesale power payable primarily due to a decrease in purchase volume, and a decrease in the average purchase price per MWh in December 2023 compared to December 2022, $27.8 million. There was also a $0.3 million decrease in miscellaneous power net purchase transactions. This amount is partially offset by an $8.3 million increase from BPA Block Load Shaping, a reallocation of month-to-month volumes with differing rates over the contract year.

- $21.6 million increase in accounts payable liability.

- $9.6 million increase in customer prepayments.

- $4.8 million decrease in claims payable.

- $3.9 million in higher debt due within one year.

- $1.7 million for higher interest payable due to increased bonds outstanding at the end of 2023.

- $6.3 million for higher taxes payable at the end of 2023. The 2022 tax payable was recorded in an interdepartmental liability account, that was paid by the end of the year.

2022 Compared to 2021 Current liabilities increased by $46.0 million to $341.4 million due to the following:

- $29.3 million increase for short-term wholesale power payable primarily due to an increase in net purchase transactions, $33.8 million. This is a result of cold weather driving higher load, higher prices, and lower generation from Boundary and Skagit. This amount is partially offset by a $2.8 million decrease from BPA Block Load Shaping, a reallocation of month-to-month volumes with differing rates over the contract year, and a $1.7 million decrease due to the Stateline contract that ended December 2021.

- $4.7 million for higher accounts payable accrual.

- $4.4 million for higher debt due within one year: higher principal payable on 2022 bonds compared to the refunded 2012A bonds, $2.9 million, and other bond series, $1.5 million.

- $4.2 million for higher interest payable as a result of greater bonds outstanding at the end of 2022
- $1.8 million for higher taxes payable as a result of higher retail revenue in 2022

- $1.1 million for higher payroll accrual due to higher number of employees & annual wage increase in 2022

- $0.5 million other

Other Liabilities

2023 Compared to 2022 No year over year change in other liabilities.

2022 Compared to 2021 Other liabilities increased by net $1.6 million to $36.3 million due to a $2.2 million increase in deferred revenue for contributions in aid of construction offset by a $0.6 million decrease in customer prepayments.

Deferred Inflows of Resources

2023 Compared to 2022 Deferred inflows of resources decreased by $98.2 million for a total of $169.8 million.

The GASB Statement No. 87, *Leases* transaction resulted in a $5.2 million decrease in deferred inflow. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The rate stabilization unearned revenue account decreased by $9.2 million. $9.2 million was transferred to operating revenues for actual net wholesale revenues which were less than budgeted.

Deferred inflows related to pension liability decreased by $82.2 million. The decrease is due to the difference between projected and actual investment earnings of $86.5 million and a $0.3 million decrease in deferred inflows related to differences between expected and actual experience. This decrease was partially offset by a $4.6 million increase related to changes between employer contributions and proportionate share of contributions.

There was a decrease of $4.0 million primarily due to a FERC Land Use fee refund applied during 2023 from 1996 - 2019 per court order that was partially offset by a $1.8 million increase related to the Department's Energy Conservation Agreement with Bonneville.

The gain on refunding was $0.6 million higher in 2023 than in 2022.

2022 Compared to 2021 Deferred inflows of resources increased by $46.7 million for a total of $268.0 million.

The implementation of GASB Statement No. 87, *Leases* resulted in a $55.3 million increase in deferred inflow. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The rate stabilization unearned revenue account decreased by $24.4 million. $24.4 million was transferred to operating revenues for actual net wholesale revenues which were less than budgeted.

Deferred inflows related to pension liability increased by $14.8 million. The increase is due to the difference between projected and actual investment earnings of $26.3 million. This increase was partially offset by a $10.0 million decrease related to changes between employer contributions and proportionate share of contributions and a $1.5 million decrease in deferred inflows related to differences between expected and actual experience.

Deferred inflows of resources pertaining to Postemployment Benefits other than Pensions (OPEB) increased by $1.7 million. The difference between expected and actual experience was an increase of $2.0 million, partially offset by a $0.3 million decrease in actuarial changes of assumptions.

There was a decrease of $4.0 million due to a FERC Land Use fee refund applied during 2022 from 1996 - 2019 per court order that was partially offset by a $0.4 million increase related to the Department's Energy Conservation Agreement with Bonneville.

The gain on refunding was $2.8 million higher in 2022. Other deferred inflows increased by $0.1 million.

RESULTS OF OPERATIONS

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31		
($ in millions)	**2023**	**2022**	**2021**
Operating revenues	$1,190.9	$1,238.7	$1,108.9
Nonoperating revenues	35.9	(7.2)	4.6
Total revenues	1,226.8	1,231.5	1,113.5
Operating expenses	1,053.3	924.0	891.7
Nonoperating expenses	91.6	88.8	88.9
Total expenses	1,144.9	1,012.8	980.6
Income before capital contributions and grants	81.9	218.7	132.9
Capital contributions	43.0	48.4	65.3
Capital grants	0.3	0.2	0.4
Total capital contributions and grants	43.3	48.6	65.7
Change in net position	$ 125.2	$ 267.3	$ 198.6

SUMMARY

2023 Compared to 2022 The change in net position for 2023 was $125.2 million, a decrease of $142.1 million or 53.2% from the 2022 change in net position of $267.3 million.

The major contributors for the lower net position:

- higher retail electric sales, $12.2 million
- higher other operating revenue, $2.1 million
- higher fair value adjustment and interest revenue, $43.1 million
- greater capital grants, $0.1 million

These were partially offset by the following components:

- lower short-term wholesale power and other power-related revenue, $46.9 million
- lower transfers from Rate Stabilization Account (RSA), $15.2 million
- higher operating expenses, $129.3 million
- higher interest expense, $2.8 million
- lower capital contributions and grants, $5.4 million

2022 Compared to 2021 Net position for 2022 was $267.3 million, an increase of $68.7 million or 34.6% from the 2021 change in net position of $198.6 million. The net position of 2021 includes the $0.2 million restatement due to the implementation of GASB Statement No. 87, *Leases*.

The major contributors for the higher net position:

- higher retail electric sales, $57.2 million
- higher other power-related revenue, $17.2 million
- higher transfers from Rate Stabilization Account (RSA), $27.0 million
- lower operating expenses (excluding short-term wholesale power purchases adjusted for book-outs), $23.6 million
- lower non-operating expense, $0.1 million

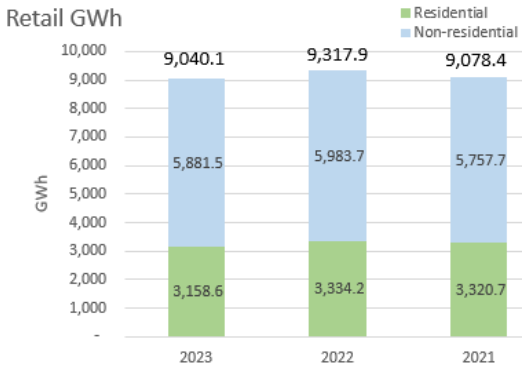
These were partially offset by the following components:

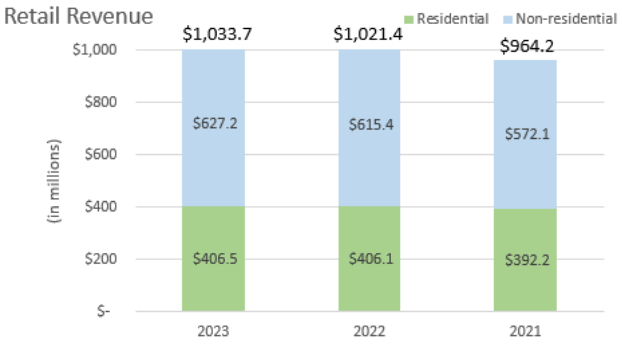
- lower net wholesale revenue (wholesale purchases are deducted from wholesale sales and adjusted for book-outs), $24.5 million
- lower other operating revenue, $3.0 million
- lower non-operating revenue, $11.8 million
- lower capital contributions, $17.1 million

REVENUES

2023 Compared to 2022 Total operating revenues were $1,190.9 million, decrease of $47.8 million or 3.9% from 2022. Retail power revenues at $1,033.7 million increased $12.2 million, Short-term wholesale power revenues at $56.2 million decreased $41.5 million, Other power-related revenues at $71.1 million decreased $5.4 million, Transfers from/(to) RSA at $9.2 million decreased by $15.2 million, and Other operating revenues at $20.7 million increased by $2.1 million.

Higher Retail power revenues for $12.2 million were the net result of higher billed residential revenues, $23.4 million, and higher nonresidential revenues, $15.1 million, offset by lower net change of unbilled revenue, $26.2 million. There was a retail rate increase on January 1, 2023 of approximately 4.5% on average. Higher electric sales were due to colder than normal temperatures during the February to April and November periods, faster post-pandemic recovery in the commercial sector and higher saturation of cooling equipment for residential customers.





Transfers from/(to) the RSA are determined by the departure of actual net wholesale power revenues from budget. In 2023, actual net wholesale revenue was $108.3 million less than forecasted. The $109.2 million transfer reflects a true-up from previous year, as well as estimate for the December transfer (which was trued up in January 2024). This transfer was partially offset by $100.0 million transferred to the RSA from operating cash ($30 million in May, $30 million in August and $40 million in December) in accordance with Seattle City Ordinance No. 126819, which authorizes discretionary transfers to prevent the RSA from being depleted. The Ordinance also postponed a June 1, 2023 surcharge that was triggered based on the end March RSA balance, per the RSA rules. However, this was not sufficient to avoid an RSA surcharge further, which was triggered at the end of September and a 4.0% surcharge was implemented Jan 1, 2024. See Note 4 Rate Stabilization Account of the accompanying financial statements.

($ in millions)	**2023**	**2022**
Rate Stabilization Account		
Beginning Balance	$ 75.0	$ 99.4
Council Authorized transfer to RSA	100.0	-
Operating Revenue	(109.2)	(24.4)
Ending Balance	$ 65.8	$ 75.0

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of retail sales and other obligations and were $56.2 million, a decrease of $41.5 million compared to $97.7 million recorded in 2022. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales, and commodity prices.

City Light is active in the wholesale power market both buying and selling energy. For a more comprehensive overview of wholesale energy transactions City Light management often reviews net wholesale revenue, where wholesale purchases are deducted from wholesale sales and adjusted for book-outs. Net wholesale revenues were negative $68.3 million in 2023, $81.4 million lower than in 2022. This shortfall reflects very low hydro generation owing to dry conditions exacerbated by higher-than-expected retail sales increasing the need to purchase power on the wholesale market at very high market prices.

Net Wholesale Revenue, $ Million

	2023	2022	2021
Wholesale Power Revenue	$ 56.2	$ 97.7	$ 66.3
Wholesale Power Purchases	(124.5)	(86.2)	(38.5)
Booked out Long-Term Purchases	-	1.6	9.8
Net Wholesale Revenue	**$ (68.3)**	**$ 13.1**	**$ 37.6**

Other power-related revenues, net, decreased by $5.4 million. The valuation of energy exchange contracts decreased by $11.5 million. This decrease was partially offset by $4.0 million from the Lucky Peak exchange contract having a more favorable premium. Other miscellaneous increased by $1.9 million.

Other operating revenue decreased by $2.1 million mainly due to an increase of $1.3 million in Operation and Maintenance revenues and a $0.8 million increase in cable and telecom pole rentals.

2022 Compared to 2021 Total operating revenues were $1,238.7 million, an increase of $129.8 million or 11.7% from 2021. Retail power revenues at $1,021.5 million increased $57.2 million, Short-term wholesale power revenues at $97.7 million increased $31.4 million, Other power-related revenues at $76.5 million increased $17.2 million, Transfers from/(to) RSA at $24.4 million increased by $27.0 million, and Other operating revenues at $18.6 million decreased by $3.0 million.

Higher Retail power revenues for $57.2 million were the net result of higher billed residential revenues, $18.6 million, and higher nonresidential revenues, $38.8 million, offset by lower net change of unbilled revenue, $0.2 million. There was a retail rate increase on January 1, 2022 of approximately 3.6% on average. Higher residential sales were due to colder than normal temperatures during the heating season and warmer than normal temperatures during the cooling season. Nonresidential sales were also higher due to weather, as well as stronger post-pandemic economic activity.

Transfers from/(to) the RSA are determined by the departure of actual net wholesale power revenues from budget. In 2022, the actual net wholesale revenue was $26.9 million less than budgeted. The $24.4 million transfer in 2022 reflects a true-up from previous year, as well as estimate for the December transfer (which was true-ed up in January 2023). There was no surcharge in effect during 2022. Beginning 2022, with the adoption of Ordinance No. 126502, interest on the Rate Stabilization Account funds is no longer allocated to that account but held in operating cash.

($ in millions)	2023	2022
Rate Stabilization Account		
Beginning balance	$ 99.4	$ 96.8
Council authorized transfer to RSA	-	15.0
Surcharge revenue	-	6.6
RSA interest income	-	1.4
Operating revenue	(24.4)	(20.4)
Ending balance	$ 75.0	$ 99.4

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of retail sales and other obligations and were $97.7 million, an increase of $31.4 million compared to $66.3 million recorded in 2021. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales, and commodity prices.

City Light is active in the wholesale power market both buying and selling energy. For a more comprehensive overview of wholesale energy transactions City Light management often reviews net wholesale revenue, where wholesale purchases are deducted from wholesale sales and adjusted for book-outs. Net wholesale revenues were $13.1 million in 2022, $24.5 million lower than in 2021. The considerable decrease in net short wholesale power revenues was due mostly to lower hydro generation, higher loads and significantly higher market prices.

Other power-related revenues, net, increased by $17.2 million. The valuation of energy exchange contracts increased by $7.4 million. In addition, the Lucky Peak exchange contract resulted in a more favorable premium of $7.4 million. Other miscellaneous increased by $2.4 million.

Other operating revenue decreased by $3.0 million mainly due to a decrease of $1.6 million in Operation and Maintenance revenues and a $1.4 million decrease in cable and telecom pole rentals.

EXPENSES

2023 Compared to 2022 Operating expenses totaled $1,053.3 million, an increase of $129.3 million or 14.0% from $924.0 million in 2022.

2023 power-related operating expenses at $470.0 million were higher by $60.3 million or 14.7% compared to $409.7 million in 2022 due to the following:

- Long-term purchased power expenses of $175.4 million increased by $24.9 million largely due to a reduced BPA Power Reserves Distribution Clause credit in 2023 by $15.7 million, and a $16.0 million increase due to BPA Block power costs. A $6.8 million decrease in other long-term purchased power partially offset the increases. Please refer to Note 20 of the accompanying financial statements.

- Short-term wholesale power purchases of $124.5 million increased by $38.3 million due to low hydro generation owing to dry conditions exacerbated by higher-than-expected retail sales increasing the need to purchase power on the wholesale market at very high market prices.

- Other power expenses of $101.9 million decreased by $10.0 million due to the lower generation costs and the lower market prices related to non-monetary transactions, partially offset by an increase in miscellaneous other power costs.

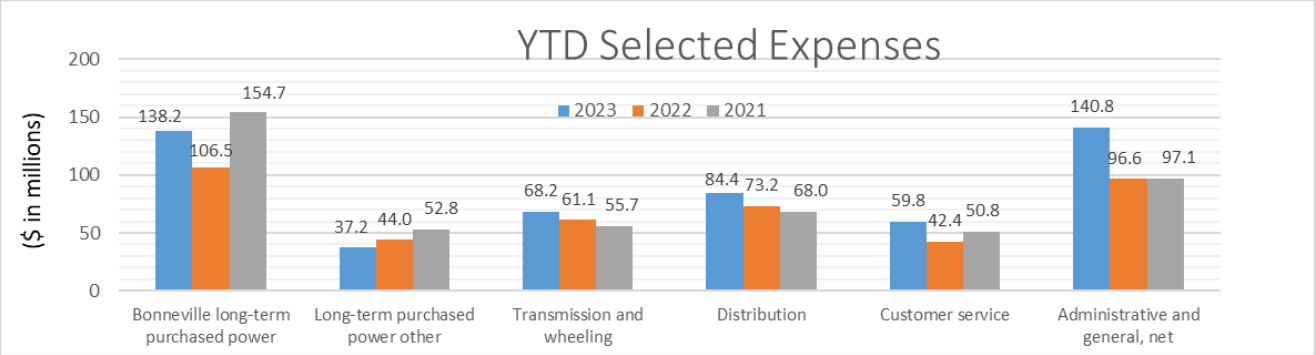
- Transmission expenses of $68.2 million increased by $7.1 million mostly due to the higher O&M costs for City Light's transmission and higher BPA wheeling costs.

Non-power operating expenses increased by $72.9 million to $311.4 million or 30.6% from $238.5 million in 2022 due to the following:

- Distribution expenses of $84.4 million increased by $11.2 million due to less labor being charged to capital work, higher vacancy-driven overtime and increased cost of supplies.

- Customer service of $59.8 million increased by $17.4 million due to the higher bad debt expense of $11.8 million and various other costs of $5.6 million due to continued strong post-pandemic pick up on normal operations.

- Administrative and general of $140.8 million increased by $44.2 million compared to 2022 primarily due to increased GASB 68 pension expense, $27.4 million, and an increase in General expense, $7.8 million.



Taxes in 2023 decreased by $6.6 million primarily due to a tax refund received from the City of Seattle.

Depreciation and amortization at $159.5 million increased by $2.7 million primarily due to replacements and additions of conductors, conduits, poles and software.

2022 Compared to 2021 Operating expenses totaled $924.0 million, an increase of $32.3 million or 3.6% from $891.7 million in 2021.

2022 power-related operating expenses at $409.7 million were higher by $12.8 million or 3.2% than $396.9 million in 2021 due to the following:

- Long-term purchased power expenses of $150.5 million decreased by $57.0 million mostly due to BPA Power Reserves Distribution Clause credit and expiration of the Stateline Wind contract. Please refer to Note 20 of the accompanying financial statements.

- Short-term wholesale power purchases of $86.2 million increased by $47.7 million due to the lower hydro generation, colder than normal temperatures that drove up retail demand and significantly higher market prices in December.

- Other power expenses of $111.9 million increased by $16.7 million mostly due to the higher generation costs and the higher market prices related to non-monetary transactions.

- Transmission expenses of $61.1 million increased by $5.4 million mostly due to the higher BPA wheeling costs.

Non-power operating expenses decreased by $6.2 million to $238.5 million or 2.5% from $244.7 million in 2021 due to the following:

- Distribution expenses of $73.2 million increased by $5.2 million due to pick up on normal operations as compared to 2021.

- Customer service of $42.4 million decreased by $8.4 million due to the lower bad debt expense in 2022 as result of resumption of collection efforts and the Utility Residential Customer Arrearages grant partially offset by the higher labor cost due to pick up on normal operations as compared to 2021.

- Conservation expenses of $26.3 million decreased by $2.5 million as more than half of the customer agreements were extended due to supply issues.

- Administrative and general of $96.6 million decreased by $0.5 million compared to 2021.

Taxes in 2022 increased by $17.5 million as a result of higher revenues.

Depreciation and amortization at $156.8 million increased by $8.2 million primarily due to replacements and additions of conductors, conduits, poles and software.

NONOPERATING REVENUES AND (EXPENSES), CAPITAL CONTRIBUTIONS AND GRANTS

2023 Compared to 2022 Nonoperating revenue increased by $43.1 million in 2023 due to the increased GASB 31 fair value adjustment of $37.3 million, higher interest income of $6.9 million partially offset by lower non-capital grants, net, $0.9 million and other $0.2 million.
Nonoperating expenses increased by $2.8 million year over year due to the higher interest because of the increased bonds balance at the end of 2023, $5.6 million, offset by the higher refunding gain amortization, $2.8 million.

Capital contributions and grants decreased by $5.3 million mainly due to the reduced activity in time and materials jobs and joint use.

2022 Compared to 2021 Nonoperating revenue decreased by $11.8 million in 2022 due to the following:

- lower GASB 31 fair value adjustment, $17.5 million

Partially offset by:

- higher interest income due to higher cash balance at the end of 2022, $3.4 million
- higher lease interest revenue resulted from GASB 87 implementation, $0.8 million
- higher non-capital grants, net, $1.5 million

Nonoperating expense increased net $0.1 million year over year due to the higher interest because of the increased bonds balance at the end of 2022, $3.2 million, offset by the higher refunding gain amortization, $3.3 million.

Capital contributions and grants decreased by $17.1 million mainly due to the reduced activity in time and materials jobs and joint use.

RISK MANAGEMENT

The Department evaluates and monitors all strategic risks at the enterprise level, including emergency response, cybersecurity, physical plant security and seismic risks.

The Department's Risk Oversight Council (ROC) is a cross functional executive committee that has the authority and responsibility for overseeing and implementing the Department's risk management efforts related to wholesale marketing activities. ROC meets at least twice per month to review recent events in the wholesale power markets and the Department's market positions, exposures, policy compliance, and wholesale trading strategies and plans.

Wholesale energy marketing activities are managed by the Power Management Division. The Risk Oversight Division manages the market and credit risk related to all wholesale marketing activities and carries out the middle office functions of the Department. This includes risk control, deal review & valuations, independent reporting of market positions and portfolio performance, counterparty credit risk, risk modeling, model validations, settlements, and ensuring adherence to wholesale trading policy and procedures. These divisions report to separate officers to ensure checks and balances.

Hydro Risk

Due to the Department's reliance on hydroelectric generation, weather can significantly affect its operations. Hydroelectric generation depends on the amount of snowpack in the mountains upstream of the Department's hydroelectric facilities, springtime snowmelt timing, run-off, and rainfall. Hydroelectric operations are also influenced by flood control and environmental considerations including protection of fish. In low water years when generation is reduced, the Department will utilize purchased power to meet retail demand. Normally, the Department's retail demand peaks in winter; however, extreme weather conditions affecting either heating or cooling needs could increase costs. In addition, economic trends (increase or decrease in business activity, housing sales and development of properties) can affect demand and costs.

Energy Market Risk

For the Department, energy market risk is the risk of adverse fluctuations in the price of wholesale electricity, which is compounded by volumetric changes affecting the availability of, or demand for, electricity. Factors that contribute to energy market risk include regional planned and unplanned generation plant outages, transmission constraints or disruptions, the number of active creditworthy market participants willing to transact, and environmental regulations that influence the availability of generation resources.

The Department's exposure to hydro volumetric and energy market risk is managed by the ROC and approved hedging strategies are executed by the Power Management Division. The Department engages in market transactions to meet its load obligations and to realize earnings from surplus energy resources.

With a portion of the Department's revenue expectations associated with wholesale energy market transactions, emphasis is placed on the management of risks associated with this activity. Policies, procedures, and processes designed to manage, control and monitor these risks are in place. A formal front, middle, and back-office structure is in place to ensure proper segregation of duties.

The Department measures the risk in its energy portfolio using a model that utilizes historical simulation methodology and incorporates not only price risk, but also the volumetric risk associated with its hydro-dominated power portfolio. Scenario analysis is used for stress testing.

Credit Risk

Credit risk is the risk of loss that would be incurred as a result of nonperformance by a counterparty of their contractual obligations. If a counterparty failed to perform on its contractual obligation to deliver electricity, then the Department may find it necessary to procure electricity at current market prices, which may be higher than the contract price. If a counterparty failed to pay its obligation in a timely manner, this would have an impact on the Department's revenue and cash flow. As with market risk, the Department has policies governing the management of credit risk.

Wholesale counterparties are assigned credit limits based on publicly available and proprietary financial information. Along with ratings provided by national ratings agencies, an internal credit scoring model is used to classify counterparties into one of several categories with permissible ranges of credit limits. Specific counterparty credit limits are set within this prescribed range based on qualitative and quantitative factors. Credit limits are also used to manage counterparty concentration risk. The Department actively strives to reduce concentration of credit risk related to geographic location of counterparties as it only transacts in the western energy markets. This geographic concentration of counterparties may impact the Department's overall credit exposure because counterparties may be affected by similar conditions.

Credit limits, exposures and credit quality are actively monitored. Despite such efforts, there is potential for default; however, the Department has not faced a counterparty default in nearly 15 years. The Department transacts with counterparties on an uncollateralized and collateralized basis. Posted collateral may be in the form of cash, letters of credit, or parental guarantees.

REQUESTS FOR INFORMATION

For more information about Seattle City Light, contact Communications at 206-684-3000 or at P.O. Box 34023, Seattle, WA 98124-4023

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF NET POSITION - ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AS OF DECEMBER 31, 2023 AND 2022

($ in millions)	2023	2022
ASSETS		
UTILITY PLANT—At original cost:		
Plant -in-service—excluding land	$ 6,377.7	$ 6,168.7
Less accumulated depreciation and amortization	(2,451.5)	(2,327.0)
Total plant-in-service—net	3,926.2	3,841.7
Construction work-in-progress	657.0	531.9
Nonoperating property—net of accumulated depreciation	19.0	18.3
Assets held for future use	3.1	3.1
Land and land rights	156.8	155.9
Total utility plant—net	4,762.1	4,550.9
RESTRICTED ASSETS:		
Rate stabilization account	65.8	75.0
Municipal light and power bond reserve account	106.3	103.1
Construction account	13.5	0.0
Special deposits and other restricted assets	40.3	32.2
Total restricted assets	225.9	210.3
CURRENT ASSETS:		
Cash and equity in pooled investments	263.2	348.6
Accounts receivable, net of allowance of $46.2 and $43.8	193.8	203.1
Interfund receivables	1.5	1.4
Unbilled revenues	95.7	110.5
Materials and supplies at average cost	55.5	47.3
Prepayments and other current assets	5.7	5.7
Total current assets	615.4	716.6
OTHER ASSETS:		
Conservation costs—net	255.6	253.7
Environmental costs—net	116.4	93.1
Other charges and assets—net	118.0	118.3
Total other assets	490.0	465.1
TOTAL ASSETS	6,093.4	5,942.9
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to Pension and OPEB	103.6	60.0
Charges on advance refunding	9.6	12.8
TOTAL DEFERRED OUTFLOWS OF RESOURCES	113.2	72.8
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,206.6	$ 6,015.7

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF NET POSITION - LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION AS OF DECEMBER 31, 2023 AND 2023

($ in millions)	2023	2022
LIABILITIES		
LONG-TERM DEBT:		
Revenue bonds	$ 2,635.7	$ 2,643.5
Plus bond premium—net	279.4	279.5
Less revenue bonds—current portion	(131.6)	(127.7)
Total long-term debt	2,783.5	2,795.3
NONCURRENT LIABILITIES:		
Net pension liability	302.6	171.7
Accumulated provision for injuries and damages	111.2	83.9
Compensated absences	20.3	20.7
Other noncurrent liabilities	7.2	8.1
Total noncurrent liabilities	441.3	284.4
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	174.7	161.5
Accrued payroll and related taxes	8.4	8.4
Compensated absences	1.1	1.1
Accrued interest	44.4	42.7
Long-term debt—current portion	131.6	127.7
Total current liabilities	360.2	341.4
OTHER LIABILITIES	36.3	36.3
TOTAL LIABILITIES	3,621.3	3,457.4
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization unearned revenue	40.8	50.0
Deferred inflows related to pension and OPEB	17.2	99.3
Other deferred inflows of resources	111.8	118.7
TOTAL DEFERRED INFLOWS OF RESOURCES	169.8	268.0
NET POSITION		
Net investment in capital assets	2,185.5	1,953.7
Restricted:		
Rate stabilization account	25.0	25.0
Total restricted	25.0	25.0
Unrestricted—net	205.0	311.6
Total net position	2,415.5	2,290.3
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 6,206.6	$ 6,015.7

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

($ in millions)	2023	2022
OPERATING REVENUES:		
Retail power revenues	$ 1,033.7	$ 1,021.5
Short-term wholesale power revenues	56.2	97.7
Other power-related revenues	71.1	76.5
Transfers from/(to) rate stabilization account	9.2	24.4
Other operating revenues	20.7	18.6
Total operating revenues	1,190.9	1,238.7
OPERATING EXPENSES:		
Long-term purchased power—Bonneville and other	175.4	150.5
Short-term wholesale power purchases	124.5	86.2
Other power expenses	101.9	111.9
Transmission	68.2	61.1
Distribution	84.4	73.2
Customer service	59.8	42.4
Conservation	26.4	26.3
Administrative and general	140.8	96.6
Taxes	112.4	119.0
Depreciation and amortization	159.5	156.8
Total operating expenses	1,053.3	924.0
OPERATING INCOME	137.6	314.7
NONOPERATING REVENUES AND (EXPENSES):		
Other revenues and (expenses)—net	35.9	(7.2)
Interest expense		
Interest expense—net	(119.1)	(112.8)
Amortization of bond costs—net	27.5	24.0
Total interest expense	(91.6)	(88.8)
Total nonoperating expenses	(55.7)	(96.0)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	81.9	218.7
CAPITAL CONTRIBUTIONS AND GRANTS:		
Capital contributions	43.0	48.4
Capital grants	0.3	0.2
Total capital contributions and grants	43.3	48.6
CHANGE IN NET POSITION	125.2	267.3
NET POSITION:		
Beginning of year	2,290.3	2,023.0
End of year	$ 2,415.5	$ 2,290.3

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

($ in millions)	2023	2022
OPERATING ACTIVITIES:		
Cash received from customers and counterparties	$ 1,114.5	$ 1,106.8
Cash paid to suppliers and counterparties	(476.9)	(325.1)
Cash paid to employees	(155.8)	(189.9)
Taxes paid	(106.1)	(117.2)
Net cash provided by operating activities	375.7	474.6
NONCAPITAL FINANCING ACTIVITIES:		
Interfund operating cash received	0.0	0.9
Interfund operating cash paid	(55.4)	(48.9)
Principal paid on long-term debt	(12.2)	(9.0)
Interest paid on long-term debt	(10.9)	(7.8)
Noncapital grants received	1.6	10.4
Bonneville receipts for conservation	4.7	3.1
Payment to vendors on behalf of customers for conservation	(21.6)	(20.7)
Net cash used in noncapital financing activities	(93.8)	(72.0)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	216.6	212.0
Proceeds from long-term debt premiums	34.2	26.6
Payment to trustee for defeased bonds	(90.4)	(26.5)
Bond issue costs paid	(0.7)	(0.4)
Principal paid on long-term debt	(115.5)	(114.3)
Interest paid on long-term debt	(102.7)	(99.2)
Acquisition and construction of capital assets	(344.9)	(318.8)
Interfund payments for acquisition and construction of capital assets	(27.1)	(24.0)
Capital contributions	45.5	38.5
Interfund receipts for capital contributions	0.0	(0.1)
Capital grants received/(paid)	0.3	0.5
Interest received for suburban infrastructure improvements	2.3	2.4
Decrease in other assets	1.9	2.0
Net cash used in capital and related financing activities	(380.5)	(301.3)
INVESTING ACTIVITIES:		
Interest received (paid) on cash and equity in pooled investments	28.8	(16.4)
Net cash provided by (used in) investing activities	28.8	(16.4)
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(69.8)	84.9
CASH AND EQUITY IN POOLED INVESTMENTS:		
Beginning of year	558.9	474.0
End of year	$ 489.1	$ 558.9

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS - RECONCILIATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

($ in millions)	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 137.6	$ 314.7
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash items included in operating income:		
Depreciation	159.5	156.8
Amortization of other assets	24.8	36.9
Bad debt expense	17.8	4.2
Power revenues	(70.9)	(64.2)
Power expenses	83.6	79.9
Provision for injuries and damages	2.2	1.4
Other non-cash items	(8.8)	(42.4)
Change in:		
Accounts receivable	40.9	17.8
Unbilled revenues	14.8	(11.4)
Materials and supplies	(12.9)	(5.3)
Other assets	(54.2)	34.2
Provision for injuries and damages and claims payable	48.4	(54.7)
Accounts payable and other payables	4.9	33.7
Deferred inflows	(2.8)	(2.6)
Rate stabilization unearned revenue	(9.2)	(24.4)
Total adjustments	238.1	159.9
Net cash provided by operating activities	$ 375.7	$ 474.6
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
In-kind capital contributions	$ 0.2	$ 1.6
Amortization of debt related costs—net	27.5	24.0
Power exchange revenues	40.1	45.0
Power exchange expenses	(40.1)	(45.0)
Power revenue netted against power expenses	18.7	9.4
Power expense netted against power revenues	(12.1)	(12.8)
Bond proceeds deposited into an escrow account for purposes of refunding	146.5	50.4

See notes to financial statements.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Light Department (the Department) is the public electric utility of The City of Seattle (the City). The Department is an enterprise fund of the City. The Department owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 503,200 residential, commercial, and public customers in the City of Seattle. The Department also supplies electrical energy to other City agencies at rates prescribed by City ordinances, and to certain neighboring communities under franchise agreements. The establishment of the Department's rates is within the exclusive jurisdiction of the Seattle City Council. A requirement of Washington State law provides that rates must be fair, nondiscriminatory, and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department pays occupation taxes to the City based on total revenues.

The Department's revenues for services provided to other City departments were $18.6 million and $11.7 million in 2023 and 2022, respectively, and $1.2 million and $2.0 million for non-energy services, respectively.

The Department's receivables from other City departments totaled $1.5 million and $1.4 million at December 31, 2023, and 2022, respectively. The Department's payables to other City departments were $0.0 million on December 31, for 2023 and 2022, respectively. The balances receivable and payable are the result of transactions incurred in the normal course of operations.

The Department receives certain services from other City departments and paid $134.8 million in 2023 and $121.4 million in 2022, for such services. Amounts paid include central cost allocations from the City for services received including treasury services, risk financing, purchasing, data processing systems, vehicle maintenance, personnel, payroll, legal, administrative, information technology and building rentals, including for the Department's administrative offices.

Basis of Presentation and Accounting Standards—The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Department has applied and is current through 2023 with all applicable GASB pronouncements.

GASB Statement No. 94 - GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* addresses issues related to public-private and public-public partnership arrangements (PPPs) and provides guidance for availability payment arrangements. There was no impact on the financial statements when the Department implemented Statement No. 94 effective January 1, 2023.

GASB Statement No. 96 - GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement defines: a SBITA; establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. There was no impact on the financial statements when the Department implemented Statement No. 96 effective January 1, 2023.

GASB Statement No. 99 - GASB Statement No. 99, *Omnibus 2022,* addresses several topics and issues that have been identified during implementation of various GASB Statements. This statement clarifies issues related to derivative instruments, leases, pledges of future revenues, PPPs, SBITAs, and disclosures related to non-monetary transactions. The Department implemented Statement No. 99 effective January 1, 2023, which included a required change in terminology of the financial statements, specifically that the term Statements of Net Position replaces the term Balance Sheets.

GASB Statement No. 100 - GASB Statement No. 100, *Accounting Changes and Error Corrections,* establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements. This statement will be effective for the Department in 2024. The Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 101 - GASB Statement No. 101, *Compensated Absences,* clarifies the recognition of certain types of employee accrued leave and also establishes guidance for measuring a liability for leave that has not been used. This statement will be effective for the Department in 2024. The Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 102 - GASB Statement No. 102, *Certain Risk Disclosures,* establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority. A government may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending. This statement will be effective for the Department in 2025. The Department is currently evaluating the impact of implementation on the financial statements.

Fair Value Measurements—Descriptions of the Department's accounting policies on fair value measurements for items reported on the statements of net position at December 31, 2023 and 2022, are as noted in Note 2 Fair Values, Note 5 Cash and Equity in Pooled Investments and Investments, Note 6 Accounts Receivable and Note 20 Long-Term Purchased Power, Exchanges, and Transmission.

Fair Value of Financial Instruments—The Department's financial instruments reported on the statements of net position at December 31, 2023 and 2022, as Restricted assets and Cash and equity in pooled investments are measured at fair value. These instruments consist primarily of the Department's share of the City-wide pool of investments (see Note 5 Cash and Equity in Pooled Investments and Investments). Gains and losses on these financial instruments are reflected in Investment income in the statements of revenues, expenses, and changes in net position. The fair value of long-term debt at December 31, 2023 and 2022 is discussed in Note 9 Long-Term Debt.

Net Position— The Department classifies its net position into three components as follows:

- *Net investment in capital assets*—This component consists of capital assets, net of accumulated depreciation and amortization, reduced by the net outstanding debt balances related to capital assets net of unamortized debt expenses.

- *Restricted*—This component consists of net position with constraints placed on use. Constraints include those imposed by creditors (such as through debt covenants and excluding amounts considered in net capital, above), grants, or laws and regulations of other governments, or by enabling legislation, The City of Seattle Charter, or by ordinances legislated by the Seattle City Council.

- *Unrestricted*—This component consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of Net investment in capital assets or Restricted.

Restricted and Unrestricted Net Position—The Department's policy is to use restricted net position for specified purposes and to use unrestricted net position for operating expenses. The Department does not currently incur expenses for which both restricted and unrestricted net position is available.

Assets Held for Future Use—These assets include property acquired but never used by the Department in electrical service and therefore, held for future service under a definitive plan. Also included is property previously used in service but retired and held pending its reuse in the future under a definitive plan. As of December 31, 2023 and 2022, assets held for future use included the following electrical plant assets: land for future substations, communication system and risk mitigation structures was $3.1 million.

Materials and Supplies—Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued utilizing the average cost method and charged to construction or expense when used.

Revenue Recognition—Service rates are authorized by City ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements as unbilled revenue within Retail power revenues.

The Department's customer base accounted for electric energy sales at December 31, 2023 and 2022, as follows:

	2023	2022
Residential	39.3 %	39.8 %
Nonresidential	60.7 %	60.2 %
Total	100.0 %	100.0 %

Revenues earned in the process of delivering energy to customers, wholesale energy transactions, and related activities are considered operating revenues in the determination of change in net position. Investment income, nonexchange transactions, and other revenues are considered Nonoperating revenues.

Other nonoperating revenues and (expenses), net for the years 2023 and 2022 consisted of the following:

($ in millions)	2023	2022
Nonoperating Revenues and (Expenses)		
Other revenues and (expenses) - net		
Investment income (loss)	$ 31.2	$ (12.9)
Utility residential customer arrearages grant	1.6	9.7
Arrearages grant funds disbursed	(1.6)	(9.7)
Other income (expense) - net	4.7	5.7
Total Other revenues and (expenses) - net	$ 35.9	$ (7.2)

***Expense Recognition*—**Expenses incurred in the process of delivering energy to customers, wholesale energy transactions, and related activities are considered operating expenses in the determination of net income. Debt interest expense, debt related amortization, and certain other expenses are considered Nonoperating expenses.

***Administrative and General Overhead Costs Applied*—**Certain administrative and general overhead costs are allocated to construction work-in-progress, major data processing systems development, programmatic conservation, relicensing mitigation projects, and billable operations and maintenance activities based on rates established by cost studies. Pension and benefit costs are allocated to capital and operations and maintenance activities based on a percentage of labor dollars.

The administrative and general overhead costs applied totaled $58.0 million and $65.6 million in 2023 and 2022, respectively. Benefit costs applied were $45.0 million and $37.2 million in 2023 and 2022, respectively. Administrative and general expenses, net of total applied overhead, were $140.8 million and $96.6 million in 2023 and 2022, respectively.

***Nonexchange Transactions*—**Capital contributions and grants in the amount of $43.3 million and noncapital grants in the amount of $1.6 million for 2023, reported in the Statements of Revenues, Expenses, and Changes in Net Position as nonoperating revenues from nonexchange transactions. Capital contributions and grants revenues are recognized based on the accrual basis of accounting. In-kind capital contributions are recognized at estimated acquisition value in the period when all eligibility requirements have been met as described in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Federal and state grant revenues are recognized as earned and are subject to contract and other compliance audits.

***Compensated Absences*—**Regular employees of the Department earn vacation time in accordance with length of service. A maximum of 480 hours may be accumulated for the most tenured employees and, upon termination, employees are entitled to compensation for unused vacation. Upon retirement, employees receive compensation equivalent to 25% of their accumulated sick leave. Employees represented by unions who voted in favor of a Healthcare Reimbursement Arrangement (HRA) receive 35% of their sick leave balance tax-free through an HRA account for healthcare expenses post-retirement. Because of the special tax arrangement, the sick leave balance may only go into the HRA account; it may not be taken as a cashout. The HRA program is administered by an independent third-party administrator, Meritain Health. HRA investments are managed by HRA Voluntary Employee Beneficiary Association (VEBA) Trust. The Department accrues all costs associated with compensated absences, including payroll taxes.

***Use of Estimates*—**The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Department used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, accumulated provision for injuries and damages and workers' compensation, environmental liabilities, accrued sick leave, net pension liability, other postemployment benefits, and other contingencies. Actual results may differ from those estimates.

Significant Risk and Uncertainty—The Department is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include financial market liquidity and economic uncertainty; prices on the wholesale markets for short-term power transactions; interest rates and other inputs and techniques for fair valuation; water conditions, weather, climate change, and natural disaster-related disruptions; terrorism; collective bargaining labor disputes; fish and other Endangered Species Act (ESA) issues; Environmental Protection Agency (EPA) regulations; compliance with clean and renewable energy legislation; local and federal government regulations or orders concerning the operations, maintenance, and/or licensing of hydroelectric facilities; other governmental regulations; restructuring of the electrical utility industry; and the costs of constructing transmission facilities that may be incurred as part of a northwest regional transmission system, and related effects of this system on transmission rights, transmission sales, surplus energy, and governance.

Deferred Outflows of Resources—A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. See Note 8 for additional information.

Deferred Inflows of Resources—A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. See Note 17 for additional information.

2. FAIR VALUE MEASUREMENT

The Department records certain assets, liabilities, and deferred inflows of resources in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The Department uses the market approach for the valuation of pooled investments, a combination of the market and income approaches for the valuation of the undelivered forward portion of energy exchanges and other nonmonetary transactions.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The valuation methods of the fair value measurements are disclosed as noted below.

Cash resources of the Department are combined with cash resources of the City to form a pool of cash and investments that is managed by the City's Department of Finance. The City records pooled investments at fair value based on quoted market prices.

The Department obtained the lowest level of observable input of the fair value measurement of energy exchanges and other non-monetary transactions in its entirety from subscription services or other independent parties. The observable inputs for the settled portion of the energy exchange contracts are Dow Jones price indices. The observable inputs for the undelivered forward portion of energy exchanges and other non-monetary transactions are Kiodex forward curves and present value factors based on the interest rate for Treasury constant maturities, bond-equivalent yields.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Department's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The Department had no assets or liabilities that met the criteria for Level 3 at December 31, 2023 and 2022. The following fair value hierarchy table presents information about the Department's assets and liabilities, reported at fair value on a recurring basis or disclosed at fair value as of December 31, 2023 and 2022:

($ in millions)

2023	**Credit Rating**	**Level 1**	**Level 2**	**Total**
Assets				
Fair value investments				
Corporate Bonds	AA+ to A	$ -	$ 9.0	$ 9.0
International Bank for Reconstruction & Development	AAA	-	6.5	6.5
Local Government Investment Pool	N/A	54.3	-	54.3
Municipal Bonds	AAA to A-	-	20.1	20.1
Repurchase Agreements	N/A	2.3	-	2.3
U.S. Government Agency Mortgage-Backed Securities	AA+	-	41.8	41.8
U.S. Government Agency Securities	AA+	-	189.4	189.4
U.S. Treasury and U.S. Government-Backed Securities	AA+	165.7	-	165.7
Total fair value investments		222.3	266.8	489.1
Total Assets at fair value		$ 222.3	$ 266.8	$ 489.1

($ in millions)

2022	Credit Rating	Level 1	Level 2	Total
Assets				
Fair value investments				
Corporate Bonds	AA+ to A	$ -	$ 11.6	$ 11.6
Commercial Paper	A+	-	12.7	12.7
International Bank for Reconstruction & Development	AAA	-	7.7	7.7
Local Government Investment Pool	N/A	66.6	-	66.6
Municipal Bonds	AAA to A-	-	26.4	26.4
Repurchase Agreements	N/A	7.4	-	7.4
U.S. Government Agency Mortgage-Backed Securities	AA+	-	44.1	44.1
U.S. Government Agency Securities	AA+	-	192.9	192.9
U.S. Treasury and U.S. Government-Backed Securities	AA+	189.5	-	189.5
Total fair value investments		263.5	295.4	558.9
Total Assets at fair value		$ 263.5	$ 295.4	$ 558.9

3. UTILITY PLANT

Utility Plant—Utility plant is recorded at original cost, which includes both direct costs of construction or acquisition and indirect costs.

The capitalization threshold for tangible assets was $5,000, and for intangible assets, $500,000 in 2023 and 2022. Plant constructed with capital contributions or contributions in-aid-of construction received from customers is included in Utility plant. Capital contributions and capital grants totaled $43.3 million in 2023 and $48.6 million in 2022. The Department uses a straight-line composite method of depreciation and amortization and, therefore, groups assets into composite groups for purposes of depreciation. Estimated economic lives range from 4 to 50 years. Depreciation and amortization expense as a percentage of depreciable utility plant-in-service was approximately 2.5% in 2023 and 2.5% in 2022. When operating plant assets are retired, their original cost together with retirement costs and removal costs, less salvage, is charged to accumulated depreciation or amortization, if applicable. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments are capitalized. The Department periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable over their economic lives. There were no impairments in 2023 and 2022.

Intangible assets are those that lack physical substance, are nonfinancial in nature, and have useful lives extending beyond a single reporting period. The Department's intangible assets are reported as capital assets under Utility Plant. The Department's intangible assets consist of easements, purchased and internally developed software, transmission rights, capitalized relicensing costs for Skagit and Boundary hydroelectric projects, Tolt hydroelectric project mitigation costs, and costs capitalized under the High Ross Agreement.

Utility plant-in-service at original cost, including land on December 31, 2023, and 2022, was:

	Hydroelectric Production	Transmission	Distribution	General	Intangibles	Total
2023						
($ in millions)						
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2023 Balance	$ 1,001.2	$ 361.9	$ 3,534.2	$ 438.3	$ 833.1	$ 6,168.7
Acquisitions	44.7	12.0	175.3	8.3	5.0	245.3
Dispositions	(10.7)	(2.4)	(17.1)	(6.1)	-	(36.3)
Transfers and adjustments	-	-	-	-	-	-
12/31/2023 Balance	1,035.2	371.5	3,692.4	440.5	838.1	6,377.7
Accumulated depreciation and amortization:						
1/1/2023 Balance	$ 410.3	$ 97.7	$ 1,150.0	$ 285.7	$ 383.3	$ 2,327.0
Increase in accumulated depreciation and amortization	19.1	8.1	101.7	13.0	32.2	174.1
Retirements	(12.1)	(6.4)	(25.0)	(6.1)	-	(49.6)
Gain/Loss on Retirements	-	-	-	-	-	-
12/31/2023 Balance	417.3	99.4	1,226.7	292.6	415.5	2,451.5
Sub Total Plant-in-service - Net, excluding Land:	$ 617.9	$ 272.1	$ 2,465.7	$ 147.9	$ 422.6	$ 3,926.2
Land and land rights:						
1/1/2023 Balance	$ 59.8	$ 3.0	$ 86.5	$ 6.6	$ -	$ 155.9
Acquisitions	0.8	-	0.1	-	-	0.9
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2023 Balance	60.6	3.0	$ 86.6	6.6	-	156.8
Construction work-in-process:						
1/1/2023 Balance	$ 87.1	$ 25.9	$ 294.9	$ 80.1	$ 43.9	$ 531.9
Additions	42.8	19.0	220.7	38.8	104.0	425.3
Closings	(48.3)	(14.9)	(175.7)	(9.3)	(52.0)	(300.2)
12/31/2023 Balance	81.6	30.0	$ 339.9	109.6	95.9	657.0
*** Total Plant-in-service - Net, including Land and CWIP:**	$ 760.1	$ 305.1	$ 2,892.2	$ 264.1	$ 518.5	$ 4,740.0

** Excludes Nonoperating property and Assets Held For Future Use.*

	Hydroelectric Production	Transmission	Distribution	General	Intangibles	Total
2022						
($ in millions)						
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2022 Balance	$ 992.3	$ 328.1	$ 3,227.6	$ 423.6	$ 780.5	$ 5,752.1
Acquisitions	9.8	34.7	341.4	15.4	52.6	453.9
Dispositions	(0.9)	(0.9)	(34.8)	(0.7)	-	(37.3)
Transfers and adjustments	-	-	-	-	-	-
12/31/2022 Balance	1,001.2	361.9	3,534.2	438.3	833.1	6,168.7
Accumulated depreciation and amortization:						
1/1/2022 Balance	$ 395.7	$ 94.5	$ 1,101.0	$ 273.3	$ 331.1	$ 2,195.6
Increase in accumulated depreciation and amortization	18.5	7.6	93.2	13.1	52.2	184.6
Retirements	(3.9)	(4.4)	(44.2)	(0.7)	-	(53.2)
Gain/Loss on Retirements	-	-	-	-	-	-
12/31/2022 Balance	410.3	97.7	1,150.0	285.7	383.3	2,327.0
Sub Total Plant-in-service - Net, excluding Land:	$ 590.9	$ 264.2	$ 2,384.2	$ 152.6	$ 449.8	$ 3,841.7
Land and land rights:						
1/1/2022 Balance	$ 58.5	$ 3.0	$ 86.5	$ 6.6	$ -	$ 154.6
Acquisitions	1.3	-	-	-	-	1.3
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2022 Balance	59.8	3.0	86.5	6.6	-	155.9
Construction work-in-process:						
1/1/2022 Balance	$ 58.4	$ 50.2	$ 437.8	$ 69.4	$ 24.0	$ 639.8
Additions	43.8	14.2	207.1	25.2	72.0	362.3
Closings	(15.1)	(38.5)	(350.0)	(14.5)	(52.1)	(470.2)
12/31/2022 Balance	87.1	25.9	294.9	80.1	43.9	531.9
*** Total Plant-in-service - Net, including Land and CWIP:**	$ 737.8	$ 293.1	$ 2,765.6	$ 239.3	$ 493.7	$ 4,529.5

** Excludes Nonoperating property and Assets Held For Future Use.*

4. RATE STABILIZATION ACCOUNT

The Rate Stabilization Account (RSA) is a restricted cash reserve established to reduce the need for rapid and substantial rate increases solely to comply with the Department's bond covenants.

In March 2010, the Seattle City Council adopted Resolution No. 31187 and Ordinance No. 123260, establishing revised financial policies and parameters for the operation of the RSA created by Ordinance No. 121637 in 2004. Ordinance No. 123260 identified the sources of significant funding of the RSA and specified parameters for its operation. The RSA is drawn down to supplement revenues when surplus power sales revenues are below the budgeted amount, and conversely, deposits are to be made to the RSA when the surplus power sales revenues are greater than budgeted. Deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year.

Ordinance No. 123260 established a target size for the RSA of no less than $100.0 million and no greater than $125.0 million and authorized the imposition of automatic temporary surcharges on electric rates when the RSA balance is within specified levels. In December 2021, the Seattle City Council adopted Ordinance No. 126502, which established new thresholds and surcharge rates for the RSA applicable for 2023 and 2022 as follows:

RSA Balance at March 31 or September 30	Action
Less than or equal to $75.0 million but greater than $50.0 million:	Automatic 2.0% surcharge until RSA balance reaches $100.0 million
Less than or equal to $50.0 million but greater than $25.0 million	Automatic 4.0% surcharge until RSA balance reaches $100.0 million
Less than or equal to $25.0 million:	City Council must initiate rate review within 45 days and determine actions to replenish RSA to $100.0 million within 24 months

In 2023, actual net wholesale revenue was $108.3 million less than budgeted. The $109.2 million net transfer reflects a true-up from previous year made from the RSA to the operating cash account during the year. These transfers were partially offset by $100.0 million transferred to the RSA from operating cash in 2023, in accordance with Ordinance No. 126819, which authorized the discretionary transfers to prevent a surcharge from triggering. There was no surcharge in effect during 2023. The RSA balance was $65.8 million at December 31, 2023.

In 2022, actual net wholesale revenue was $22.7 million less than budgeted. The $24.4 million transfer reflects a true-up from previous year, as well as an estimate for the December transfer (which was trued-up in January 2023). There was no surcharge in effect during 2022. Beginning in 2022 with the adoption of Ordinance No. 126502, interest earned by the funds in the Rate Stabilization Account are no longer allocated to that account and are instead held in operating cash. The RSA balance was $75.0 million at December 31, 2022.

The RSA at December 31, 2023, and 2022, consisted of cash from the following sources:

($ in millions)	2023	2022
Rate Stabilization Account		
Beginning balance	$ 75.0	$ 99.4
Council authorized transfer to RSA	100.0	-
Operating revenue	(109.2)	(24.4)
Ending balance	$ 65.8	$ 75.0

RSA transactions are recorded in accordance with GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The regulatory deferred inflow of resources rate stabilization unearned revenue account at December 31, 2023, and 2022, consisted of the following:

($ in millions)	2023	2022
Unearned revenue - Rate Stabilization Account		
Beginning balance	$ 50.0	$ 74.4
Council authorized transfer to RSA	100.0	-
Operating revenue	(109.2)	(24.4)
Ending balance	$ 40.8	$ 50.0

The RSA includes $25.0 million from the Contingency Reserve Account. This amount is not included in unearned revenue and is not available to be transferred to operating cash. The Contingency Reserve Account was established in 2005 with proceeds that had been deposited in the Bond Reserve Fund, which was replaced with a surety bond.

Net transfers from/(to) the RSA in the statements of revenues, expenses and net position for the periods ended December 31, 2023, and 2022 were as follows:

($ in millions)	2023	2022
Transfers from/(to) Rate Stabilization Account	$ 9.2	$ 24.4

5. CASH AND EQUITY IN POOLED INVESTMENTS AND INVESTMENTS

Cash and Equity in Pooled Investments—Cash resources of the Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance. Under the City's investment policy, all temporary cash surpluses in the pool are invested. The Department's share of the pool is included on the statements of net position as Cash and Equity in Pooled Investments or as restricted assets. The pool operates like a demand deposit account in that all departments, including the Department, may deposit cash at any time and can also withdraw cash, out of the pool, up to the amount of the Department's fund balance, without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments. The City considers investments in financial instruments having a maturity of 90 days or less as a cash equivalent.

Custodial Credit Risk – Deposits—Custodial credit risk of deposits is the risk that in the event of bank failure for one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner.

As of December 31, 2023, and 2022, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2023, and 2022, the City held $14,000 and $95,000 in its cash vault, respectively. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's $250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Investments—The Department's cash resources may be invested by the Department of Finance separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Department. As of December 31, 2023, and 2022, the Department did not have any dedicated investments. The City's Statement of Investment Policy was modified on January 1, 2018, with an effective date of March 8, 2018 and includes, but is not limited to, the topics of Standards of Care, Objectives, Strategy, Eligible Investments and Investment Parameters.

The City follows a set of Standards of Care when it comes to its investments that include the following:

- Social Policies: A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.

- Prudence: The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule" and will be applied in the context of managing an overall portfolio.

- Ethics and Conflict of Interest: The Finance Director, Treasury Services Director and employees involved in the investment process must refrain from any personal business activity that could conflict with proper execution of the investment program. Employees must comply with the City's Ethics Code (SMC 4.16.080) and annually submit a Financial Interest Statement to the City's Ethics & Elections Commission that identifies any potential financial interest that could be related to the performance of the City's investment portfolio.

- Delegation of Authority: The City Finance Director is authorized to manage the City's investment program and may delegate the day-to-day management responsibility to the City's Treasury Services Director who may delegate authority for program administration to appropriate individuals. No persons may engage in an investment transaction except as provided under the terms of the City Statement of Investment Policy and the procedures established therein.

The three objectives in managing the City of Seattle's investments define its risk profile and guide implementation of its investment strategy. In order of importance, they are Safety of Principal, Maintenance of Liquidity, and Investment Income.

Eligible investments for the City are those securities and deposits authorized by statute (RCW 39.59.040) and include, but are not limited to:

A. Bonds of the state of Washington and any local government in the state of Washington

B. General obligation bonds of a state and general obligation bonds of a local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency

C. Subject to compliance with RCW 39.56.030, registered warrants of a local government in the same county as the government making the investment

D. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States

E. United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that at the time of investment, the institution has the United States government as its largest shareholder

F. Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system

G. Bankers' acceptances purchased in the secondary market

H. Commercial paper purchased in the secondary market

I. Corporate bonds purchased in the secondary market.

State statute also permits investment in the following types of securities:

A. Certificates of deposit or demand deposits with financial institutions made in accordance with the provisions of Chapter 39.58 RCW

B. Washington State Local Government Investment Pool (LGIP), Chapter 43.250 RCW

C. Repurchase agreements collateralized by the above eligible securities issued by the U.S. Government and its sponsored entities.

As of December 31, 2023 and 2022, the City's pooled investments were as follows:

	2023		2022	
($ in millions)	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)
Corporate Bonds	$ 67.3	537	$ 72.1	810
Commercial Paper	-	-	79.0	16
International Bank for Reconstruction & Development	48.9	247	48.0	1,165
Local Government Investment Pool	406.4	-	415.6	-
Municipal Bonds	150.8	772	164.5	840
Repurchase Agreements	17.3	9497	46.4	-
U.S. Government Agency Mortgage-Backed Securities	312.8	1,754	274.9	2,126
U.S. Government Agency Securities	1,417.0	404	1,204.1	662
U.S. Treasury and U.S. Government-Backed Securities	1,240.5	679	1,182.4	765
Total	$ 3,661.0		$ 3,487.0	
Portfolio Weighted Average Maturity		626		729

As of December 31, 2023 and 2022, the Department's share of the City pool was as follows:

($ in millions)	2023	2022
Operating cash and equity in pooled investments	$ 263.2	$ 348.6
Restricted cash	225.9	210.3
Total	$ 489.1	$ 558.9
Balance as a percentage of City pool cash and investments	13.4%	16.0%

Fair Value of Pooled Investments—The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application. See Note 2 Fair Value Measurement. Fair value of the City's pooled investments fluctuates with changes in interest rates and the underlying size of the pooled investment portfolio. To mitigate interest rate risk in the City's pooled investment portfolio, the City typically holds its investments to maturity and manages its maturities to ensure sufficient monthly cash flow to meet its liquidity requirements. Market anticipation of continued softening of inflation along with potential Federal Reserve (Fed) easing in 2024 helped to push yields lower across the full spectrum of short end fixed income markets. The two-year Treasury note declined in the fourth quarter by 80 basis points to end 2023 at a yield of 4.25%, while fed funds held steady at a range of 5.25% to 5.50%. The Federal Open Market Committee (FOMC) held their final meeting of 2023 on December 13, in which they decided to keep interest rates unchanged while signaling the end of the rate hike cycle. FOMC members communicated their expectations of three-quarter point cuts by the end of 2024 but noted a high level of uncertainty as to the timing. The consensus for longer-term expectations amongst FOMC members is for cuts over the next three years to result in a fed funds rate closer to their long-term target of 2%. Ongoing economic resiliency could be tested in the next few quarters with lagged effects of higher rates from the current interest rate cycle. The market has priced in 150 basis points of Fed easing over the eight Fed meetings scheduled for 2024 with a year-ending fed funds rate of 3.75%.

The City held $406.4 million in 2023, and $415.6 million in 2022 in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

To provide for the City's investment objectives, parameters have been established that guide the investment officers. Management of the Pool is subject to the restrictions outlined in the following sections.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk, the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75 percent and 125 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. government obligations, U.S. government agency obligations, LGIP, demand accounts, repo, sweep, commercial paper and Banker's Acceptances.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

To mitigate credit risk, municipal bonds must have one of the three highest credit ratings of a Nationally Recognized Statistical Rating Agency (NRSRO) at the time of purchase. The Office of the State Treasurer interprets the three highest credit ratings to include AAA, AA and A including gradations within each category. For example, the lowest credit rating allowable is A3 by Moody's and A- by S&P and Fitch.

Commercial paper and corporate bond investments must adhere to the Washington State Investment Board Policy Number 2.05.500, and together are defined as the "credit portfolio" with the following constraints in place to mitigate credit risk:

Commercial paper investments may not have maturities exceeding 270 days and must hold the highest short-term credit rating by all the major credit rating agencies that rate the issuer at the time of purchase.

Corporate bonds must be rated at least weak single-A or better by all the major rating agencies that rate the note at the time of purchase. Corporate bonds rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate bonds downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may continue to be held. No additional purchases are permitted.

Municipal bonds must have a credit rating of weak single-A or better by all the major rating agencies that rate the issuer at the time of purchase. No single issuer may exceed 5 percent of the Pool's fair value.

Concentration Risk—Concentration Risk is the risk of loss attributed to the magnitude of investments in a single issuer. The City manages concentration risk by limiting its investments in any one issuer in accordance with the City's investment policy and state statutes. The policy limits vary for each investment category.

The maturity of a corporate bond shall be 5.5 years or less at the time of purchase. The maximum duration of aggregate corporate bond investments shall not exceed 3 years. No corporate bond issuer may exceed 3 percent of the fair value of the assets of the total portfolio. The percentage of corporate bonds that may be purchased from any single issuer rated AA or better by all major rating agencies that rate the bond is 3 percent of assets of the total portfolio. The percentage of corporate bonds that may be purchased from any single issuer in the broad single-A category from all the major rating agencies that rate the security is 2 percent of the total portfolio.

The credit portfolio may not exceed 25 percent of the Pool's fair value. Credit investments must be diversified by sector and industry. Commercial paper and corporate bonds must be purchased in the secondary market and directly from an issuer. No single issuer shall exceed 3 percent of the total portfolio's fair value.

The individual country limit of non-U.S. and non-Canadian exposure is 2 percent of the total portfolio. The exposure is determined by the country of domicile of the issuer.

State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. There is a maximum of 5 percent of the Pool in any municipal issuer. The City's investments in which 5% or more is invested in any single issuer as of December 31, 2023 and 2022 are as follows:

($ in millions)	2023	
Issuer	**Fair Value**	**Percent of Total Investments**
U.S. Treasury and Government-Backed Securities	$ 1,240.5	34%
Federal Home Loan Bank	572.7	16%
Local Government Investment Pool	406.4	11%
Federal National Mortgage Association	293.7	8%
Federal Farm Credit Bank	291.4	8%
Federal Home Loan Mortgage Corporation	287.1	8%
Federal Agriculture Mortgage Corporation	248.0	7%
Total	$ 3,339.8	92%

($ in millions)	2022	
Issuer	**Fair Value**	**Percent of Total Investments**
U.S. Treasury and Government-Backed Securities	$ 1,182.4	34%
Local Government Investment Pool	415.6	12%
Federal Home Loan Bank	355.6	10%
Federal National Mortgage Association	331.9	10%
Federal Farm Credit Bank	299.4	9%
Federal Agriculture Mortgage Corporation	263.8	8%
Federal Home Loan Mortgage Corporation	191.8	6%
Municipal Bonds	164.5	5%
Total	$ 3,205.0	94%

Custodial Credit Risk – Investments—Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. The City maintains a custody relationship with Wells Fargo under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method.

By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk—The City's pooled investments do not include securities denominated in foreign currencies.

The City of Seattle's Annual Comprehensive Financial Report may be obtained by writing to The City of Seattle, Department of Finance and Administrative Services, P.O. Box 94689, Seattle, WA 98124-4689; telephone: (206) 684-2489, or obtained on-line at http:/www.seattle.gov/financial-services/comprehensive- annual-financial-report.

6. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2023 and 2022, consist of:

($ in millions)	Retail Electric	Wholesale Power	Other Operating	Operating Subtotal	Nonoperating Subtotal	Total
2023						
Accounts receivable	$ 111.2	$ 8.4	$ 37.8	$ 157.4	$ 82.6	$ 240.0
Less allowance for doubtful accounts	(26.7)	-	(19.5)	(46.2)	-	(46.2)
	$ 84.5	$ 8.4	$ 18.3	$ 111.2	$ 82.6	$ 193.8
2022						
Accounts receivable	$ 111.0	$ 3.5	$ 48.3	$ 162.8	$ 84.1	$ 246.9
Less allowance for doubtful accounts	(27.7)	-	(16.1)	(43.8)	-	(43.8)
	$ 83.3	$ 3.5	$ 32.2	$ 119.0	$ 84.1	$ 203.1

There was no exchange energy at fair value under long-term contracts within Wholesale power receivables at December 31, 2023 and 2022. (see Note 20 Long-Term Purchased Power, Exchanges, and Transmission).

7. OTHER ASSETS

Seattle City Council passed resolutions authorizing debt financing and reporting as regulatory assets certain costs in accordance with Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*. Programmatic conservation costs incurred by the Department and not funded by third parties, Endangered Species Act costs, and environmental costs are reported as regulatory assets in accordance with GASB Statement No. 62. Conservation costs reported as regulatory assets are amortized over 20 years. Endangered Species Act costs reported as regulatory assets are amortized over the remaining license period (see Note 21 Commitments and Contingencies). Environmental costs reported as regulatory assets are amortized over 25 years, beginning in the year costs are paid.

Other assets, which are not covered under GASB Statement No. 62, consist of:

- Suburban infrastructure long-term receivables are underground electrical infrastructure costs for suburban jurisdictions, which are recovered through rates from customers within the respective jurisdictions for a period of approximately 25 years, as approved by the Seattle City Council.
- Long-term interfund receivable for expected recoveries related to environmental costs covered under GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (see Note 15 Environmental Liabilities).
- Long-term lease receivable, amortized over the life of various leases (See Note 18 Leases).
- Studies, surveys, and investigations are reported as other assets until such time they result in active projects, or when it is determined no assets will result, at which time they are expensed.
- Long-term customer loans receivable and the remaining components of other assets are not amortized.

Regulatory assets and other assets, net, at December 31, 2023 and 2022, consisted of the following:

($ in millions)	2023	2022
Regulatory assets:		
Conservations costs--net	$ 255.6	$ 253.7
Environmental costs	116.4	93.1
	372.0	346.8
Other charges and assets--net		
Suburban infrastructure long-term receivables	41.7	43.6
Long-term interfund receivable for environmental costs	7.4	1.2
Long-term customer notes receivable	8.7	7.9
Long-term lease receivable	57.7	62.4
Studies, surveys, and investigations	2.3	2.3
Endangered Species Act costs--net	0.7	0.9
Other	(0.5)	-
	118.0	118.3
Total Other Assets	$ 490.0	$ 465.1

8. DEFERRED OUTFLOWS OF RESOURCES

In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the Department recognizes pension contributions made between the pension plan measurement date and the Department's fiscal year end as deferred outflows of resources. Also recognized as deferred outflows of resources are losses resulting from differences between projected and actual earnings on plan investments, which are amortized over a closed five-year period, and losses related to differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, which are amortized to pension expense over a period equal to the expected remaining service life of employees receiving pension benefits. See Note 13 Seattle City Employees' Retirement System.

In accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB*), the Department records the contributions subsequent to the net OPEB liability measurement date, but before the end of the reporting period, as deferred outflows of resources. Also, the deferred outflows of resources result from (1) differences between expected and actual experience, (2) changes in assumptions, and (3) differences between projected and actual investment earnings. Deferred outflows of resources from assumption changes and experience differences are amortized using a systematic and rational method over a closed period equal to the average remaining service lives of all plan participants. Deferred outflows from investment earnings differences are amortized over a closed five-year period. See Note 14 Other Postemployment Benefits.

The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt are reported as Deferred outflows of resources and amortized as a component of interest expense using the effective interest method over the terms of the issues to which they pertain. See Note 9 Long-term Debt.

Deferred outflows of resources at December 31, 2023 and 2022 consisted of the following:

($ in millions)	2023	2022
Deferred outflows of resources:		
Unrealized contributions and losses related to pension	$ 101.7	$ 57.7
Unrealized contributions and losses related to OPEB	1.9	2.3
Charges on advance refunding	9.6	12.8
Total	$ 113.2	$ 72.8

9. LONG-TERM DEBT

At December 31, 2023 and 2022, the Department's long-term debt consisted of the following prior lien or parity bonds:

LONG-TERM *($ in millions)*		Rate	Maturity Year	Original Issuance	2023	2022
Prior Lien Bonds:						
2023A	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.000%	2053	$ 273.6	$ 273.6	$ -
2023B	ML&P Refunding Revenue Bonds	variable rates	2046	85.8	85.8	-
2022	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.000%	2052	257.7	239.5	257.7
2021A	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2051	259.8	243.0	251.5
2021B	ML&P Refunding Revenue Bonds	variable rates	2045	100.6	100.6	100.6
2020A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2050	198.3	191.7	193.8
2019A	ML&P Improvement Revenue Bonds	5.000%–5.000%	2049	210.5	196.8	200.3
2019B	ML&P Refunding Revenue Bonds	5.000%–5.000%	2026	140.3	71.5	95.6
2018C2	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	-	43.8
2018C1	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	-	43.8
2018A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2048	263.8	240.7	245.8
2017C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2047	385.5	306.8	355.8
2016A	ML&P Revenue Bonds	4.050% -4.050%	2041	31.9	31.9	31.9
2016B	ML&P Refunding Revenue Bonds	4.000%–5.000%	2029	116.9	74.1	84.4
2016C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2046	160.8	119.6	128.4
2015A	ML&P Revenue Bonds	4.000%–5.000%	2045	171.9	96.5	131.9
2014	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2044	265.2	95.6	137.9
2013	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2043	190.8	-	52.5
2012A	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2041	293.3	39.3	51.7
2012C	ML&P Clean Renewable Energy Bonds	3.400%–3.750%	2033	43.0	43.0	43.0
2011B	ML&P Clean Renewable Energy Bonds	5.750%–5.750%	2027	10.0	10.0	10.0
2010A	ML&P Build America Bonds	4.447%–5.570%	2040	181.6	162.4	169.8
2010C	ML&P Recovery Zone Economic Development Bonds	5.590%–5.590%	2040	13.3	13.3	13.3
Total prior lien bonds				$ 3,753.0	$ 2,635.7	$ 2,643.5

The Department had the following activity in long-term debt during 2023 and 2022:

($ in millions)	Balance at 1/1/23	Additions	Reductions	Balance at 12/31/23	Current Portion
2023					
Prior Lien Bonds - fixed rate	$ 2,455.3	$ 273.6	$ (279.6)	$ 2,449.3	$ 129.3
Prior Lien Bonds - variable rate	188.2	85.8	(87.6)	186.4	2.3
	$ 2,643.5	$ 359.4	$ (367.2)	$ 2,635.7	$ 131.6

($ in millions)	Balance at 1/1/22	Additions	Reductions	Balance at 12/31/22	Current Portion
2022					
Prior Lien Bonds - fixed rate	$ 2,397.0	$ 257.7	$ (199.4)	$ 2,455.3	$ 125.5
Prior Lien Bonds - variable rate	190.3	-	(2.1)	188.2	2.2
	$ 2,587.3	$ 257.7	$ (201.5)	$ 2,643.5	$ 127.7

Prior Lien Bonds—In July 2023, the Department issued $273.6 million of tax-exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2023A Bonds) and in August 2023 defeased $93.5 million of tax-exempt ML&P Improvement and Refunding Revenue Bonds (2014, 2015A and 2017C Bonds). Proceeds from the 2023A Bonds were used to finance certain capital improvement and conservation programs and to refund $12.4 million of the 2012A Bonds and $48.3 million of the 2013 Bonds on a current basis. In October 2023 the Department issued $85.8 million of variable rate demand Municipal Light and Power (ML&P) Refunding Revenue Bonds (2023B Bonds) which initially bear interest at a daily interest rate and are subject to mandatory purchase upon conversion to a Weekly Interest Rate, Long-Term Interest Rate, or Index Floating Rate. Payments of principal, purchase price, and redemption price of and interest on the 2023B Bonds will be initially supported by an irrevocable transferable direct-pay letter of credit that has a scheduled termination date of October 25, 2028 subject to extension or earlier termination. The Letter of Credit is issued by the Letter of Credit provider in accordance with the terms of the Reimbursement Agreement between the City and the Letter of Credit provider and dated as of October 1, 2023. Proceeds from the 2023B Bonds were used to refund $85.4 million of the 2018C C1, C2 Bonds. The 2023A Bonds had coupon interest rates of 5.00% and mature serially from March 1, 2024 through March 1, 2043, with term bonds maturing from March 1, 2044 through March 1, 2053. The arbitrage yield was 3.23% for the 2023A Bonds and 4.03% for the 2023B Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds.

The debt service on the 2023A Bonds requires a cash flow over the life of the bonds of $463.0 million, including $189.4 million in interest. The refunding gain on the 2023A Bonds was $3.6 million and there was no gain or loss on the 2023B Bonds. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2023A Bonds totaled $4.6 million and the aggregate economic gain on refunding totaled $3.1 million at present value. Bonds defeased in August 2023 partially refunded certain 2014, 2015A Bonds and 2017C Bonds on an advanced refunding basis. Advance refunding is a refunding in which the refunded issue(s) remains outstanding for a period of more than 90 days after a bond defeasance transaction, the proceeds of which are held in escrow invested in securities and used to pay principal and interest on the refunded issue(s). The source of refunding for the 2014, 2015A and 2017C bonds was from operating cash whereby $99.1 million of state and local government securities were purchased and placed in escrow to pay principal and interest on the refunded bonds and the accounting gain on refunding for 2023 was $3.9 million.

Prior Lien Bonds—In July 2022, the Department issued $257.7 million of tax-exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2022 Bonds) and defeased $27.5 million of tax-exempt ML&P Improvement and Refunding Revenue Bonds (2013 and 2014 Bonds). Proceeds from the 2022 Bonds were used to finance certain capital improvement and conservation programs, to make a deposit to the bond reserve fund, $5.5 million, and to refund $50.8 million of the 2012A Bonds on a current basis. The 2022 Bonds had coupon interest rates of 5.00% and mature serially from July 1, 2023 through July 1, 2044, with term bonds maturing from July 1, 2045 through July 1, 2052. The arbitrage yield was 3.32% for the 2022 Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds.

The debt service on the 2022 Bonds requires a cash flow over the life of the bonds of $444.2 million, including $186.4 million in interest. The refunding gain on the 2022 Bonds was $4.8 million. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2022 Bonds totaled $2.5 million and the aggregate economic gain on refunding totaled $2.4 million at present value. Bonds defeased in July 2022 partially refunded certain 2013 Bonds and 2014 Bonds on an advanced refunding basis. Advance refunding is a refunding in which the refunded issue(s) remains outstanding for a period of more than 90 days after a bond defeasance transaction, the proceeds of which are held in escrow invested in securities and used to pay principal and interest on the refunded issue(s). The source of refunding for the 2013 and 2014 bonds was from operating cash whereby $28.7 million of state and local government securities were purchased and placed in escrow to pay principal and interest on the refunded bonds. The accounting gain on refunding for 2022 was $1.3 million.

The Department has certain bonds outstanding that provide a refundable tax credit, or federal subsidy, paid to state or local governmental issuers by the U.S. Treasury. The amount of the federal subsidy is equal to the lesser of the amount of interest payable based on the coupon interest rate or a percentage of the amount of interest payable based on the tax credit rate on the sale date with respect to those bonds. This federal subsidy ultimately results in a net decrease to debt service, although debt service payments are paid gross. The federal subsidies are recorded as nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Federal Sequestration—The sequestration provisions of the Budget Control Act of 2011 went into effect on March 1, 2013. The only direct impact of sequestration on the Department for 2023 was a 5.7% reduction through the end of 2023 in the amount the Department expects to receive from the federal government in connection with its ML&P Revenue Bonds, 2010A (Taxable Build America Bonds—Direct Payment); ML&P Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds—Direct Payment); ML&P Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds—Direct Payment); ML&P Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds—Direct Payment); and ML&P Revenue Bonds, 2016A (Taxable New Clean Renewable Energy Bonds—Direct Payment). Because of this reduction, the Department received $0.3 million less in interest subsidies than originally anticipated for 2023. The Department has sufficient revenues to pay the interest without these subsidies. The effect for the accrual of federal subsidies as of December 31, 2023 was inconsequential. The effect during 2024 is estimated to be lower federal subsidies by approximately $0.3 million. The effect thereafter for federal subsidies is indeterminable. Sequestration was originally in effect through 2021 and has subsequently been extended through approximately September 30, 2030.

Debt service requirements for prior lien bonds, excluding federal subsidies for the 2016, 2012, 2011 and 2010 bonds are shown in the table below. Future debt service requirements on the variable 2021B and 2023B Bonds are estimated based on actual interest rates in effect as of December 31, 2023.

	Fixed Rate Bonds		Variable Rate Bonds		
Years Ending December 31	Principal Redemptions	Interest Requirements	Principal Redemptions	Interest Requirements	Total
2024	$ 129.3	$ 111.7	$ 2.3	$ 7.3	$ 250.6
2025	120.4	103.9	2.4	7.5	234.2
2026	114.5	98.2	5.9	7.4	226.0
2027	93.4	92.6	6.1	7.1	199.2
2028	96.8	87.8	6.4	6.9	197.9
2029 – 2033	422.2	376.1	35.9	30.2	864.4
2034 – 2038	484.8	275.7	43.8	22.0	826.3
2039 – 2043	488.8	166.2	53.5	12.1	720.6
2044 – 2048	364.6	73.0	30.1	1.8	469.5
2049 – 2053	134.5	13.8	-	-	148.3
Total	$ 2,449.3	$ 1,399.0	$ 186.4	$ 102.3	$ 4,137.0

Reserve Fund—The Department has created and is required under Ordinance No. 125459 (Bond Ordinance) to maintain a Reserve Fund for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding and all amounts due under Parity Payment Agreements. The Reserve Fund is a pooled reserve and is an account within the books of the Department.

Reserve Fund Requirement—Under the Bond Ordinance, the aggregate Reserve Fund Requirement for all Parity Bonds is equal to the sum of the Reserve Fund Requirements established for each issue of Parity Bonds outstanding. The Bond Ordinance permits the City to establish the Reserve Fund Requirement (if any) for each issue of the Bonds or of Future Parity Bonds in connection with approving the sale of each such issue. Solely for purposes of setting the Reserve Fund Requirement, all series issued together under a single bond sale resolution are treated as a single "issue". Upon issuance of the 2023B Bonds, the aggregate Reserve Fund Requirement for all Parity Bonds outstanding was $163.6 million. The Reserve Fund Requirement is satisfied by cash held in the Reserve Fund and the current value of the surety bond (see below). The reserve fund balance of $106.3 million at December 31, 2023 consisted of $103.1 million in cash and $3.2 million in interest. The reserve fund balance at December 31, 2022 of $103.1 million consisted of $103.1 million in cash.

Surety Bond—Under the Bond Legislation, the City is permitted to provide for the Reserve Fund Requirement with an Alternate Reserve Security consistent with the Bond Legislation requirements. Under the Bond Legislation, a surety bond qualifies as Qualified Insurance for purposes of satisfying the Reserve Fund Requirement if the provider's ratings are in one of the top two rating categories at the time the policy is issued. The Bond Legislation does not require that the Reserve Fund be funded with cash or an Alternate Reserve Security if the provider of qualified insurance is subsequently downgraded. The City currently has a surety bond (the "Surety Bond") purchased from Assured Guaranty Municipal Corporation (AGM), with a policy limit that is equal to $71.5 million. This amount is used to satisfy a large proportion of the aggregate Reserve Fund Requirement.

AGM is currently rated A1, AA, and AA+ by Moody's Investors Service, Standard & Poor's Global Ratings, and Kroll Bond Rating Agency, respectively.

Irrevocable Trust Accounts—$99.1 million from operating cash was placed in a separate irrevocable trust account to partially defease the 2014, 2015A, and 2017C Bonds on an advanced refunding basis. There were balances outstanding in the irrevocable trust account during 2023 for prior lien bonds advance refunded or defeased in 2023 with balances outstanding for prior lien bonds advance refunded in 2022. The ending balance of irrevocable trust accounts for the defeased bonds outstanding was $107.4 million and $161.3 million as of December 31, 2023 and 2022, respectively. During 2023, $235.0 million of the defeased bonds were called and paid from the 2023 irrevocable trust account. Neither the assets of the trust accounts nor the liabilities for the defeased bonds are reflected in the Department's financial statements. Funds held in the irrevocable trust accounts at December 31, 2023 are sufficient to service and redeem the defeased bonds outstanding.

Bond Ratings—The 2023A and 2022 Bonds, along with other outstanding parity bonds, were rated "Aa2" and "AA"; and "Aa2" and "AA", by Moody's Investors Service, Inc. and Standard Poor's Rating Services, respectively. The 2023B Bonds were rated Aa1 and AA- (Long-term), and VMIG 1 and A-1+ (Short-term), by Moody's and Standard Poor's Rating Services, respectively.

Revenue Pledged— Revenue bonds are special limited obligations payable from and secured solely by the gross revenues of the Department, less charges for maintenance and operations, and by money in the debt service account and Reserve Fund. Principal and interest paid during 2023 and 2022 was $241.3 million and $230.3 million, respectively. Total revenue available for debt service as defined for the same periods was $412.5 million and $568.3 million, respectively. Annual interest and principal payments are expected to require 60.4% of revenues available for debt service for 2023 and 42.5% in 2022.

Federal Arbitrage Regulations—Revenue bonds are subject to federal arbitrage regulations and the Department has complied with these regulations. As of December 31, 2023 and 2022, arbitrage liability existed for certain bonds outstanding totaling $0.3 million and $0.2 million, respectively.

Certain Disclosures Related to Debt – There were no direct borrowings, direct placements, or conduit debt for the Department as of December 31, 2023 and 2022, respectively.

The Department has an arrangement with the City of Seattle Department of Finance regarding potential sources of funds that could be accessed if cash resources of the Department are insufficient for a period of less than 90 days. The Department relies on ready access to the City's consolidated cash pool via interfund loans as a source of short-term emergency liquidity. Interfund loans of longer than 90 days require review by the Debt Management Policy Advisory Committee (DMPAC) and City Council approval. As of December 31, 2023, and 2022, there were no interfund loans outstanding. Also, there were no financed purchases of underlying assets or accounts payable for finance leases as of December 31, 2023 and 2022, respectively.

Default of Debt – – In the event of a default, Bond owners would be permitted to pursue remedies available under State law, including the right to bring action against the City to compel the setting aside and payment of the amounts pledged to be paid into the Parity Bond Fund in respect of the then-Outstanding Parity Bonds.

If any Bond of a Series is not paid when properly presented at its maturity or redemption date, the City will be obligated to pay, solely from the Seattle Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund") and the other sources pledged in the Bond Ordinance, interest on that Bond at the same rate provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

Other— There were no liens on property or revenue pertaining to parity bonds and all bond covenants were in compliance for the Department's prior lien bonds as of December 31, 2023 and 2022, respectively.

Amortization— Discounts and premiums are amortized using the effective interest method over the term of the bonds. The excess of costs incurred over the carrying value (refunding loss), or the excess of carrying value over costs (refunding gain) of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using the effective interest method over the terms of the issues to which they pertain. Net refunding losses and gains amortized to interest expense totaled $(4.4) million in 2023 and $(0.5) million in 2022. Charges on advance refunding in the amount of $9.6 million and $12.8 million are included as a component of Deferred Outflows of Resources on the 2023 and 2022 statements of net position, respectively. Gains on advance refunding included as a component of Deferred Inflows of Resources were $6.2 million in 2023 and $5.6 million in 2022.

10. NONCURRENT LIABILITIES

The Department had the following activities during 2023 and 2022:

($ in millions)

	Balance at 1/1/23	Additions	Reductions	Balance at 12/31/23
2023				
Net pension liability	$ 171.7	$ 130.9	$ -	$ 302.6
Accumulated provision for injuries and damages	83.9	27.4	(0.1)	111.2
Compensated absences	20.7	-	(0.4)	20.3
Other	8.1	-	(0.9)	7.2
Total	$ 284.4	$ 158.3	$ (1.4)	$ 441.3

	Balance at 1/1/22	Additions	Reductions	Balance at 12/31/22
2022				
Net pension liability	$ 199.5	$ -	$ (27.8)	$ 171.7
Accumulated provision for injuries and damages	111.6	0.5	(28.2)	83.9
Compensated absences	20.2	0.5	-	20.7
Other	10.3	-	(2.2)	8.1
Total	$ 341.6	$ 1.0	$ (58.2)	$ 284.4

Additional information on the Net pension liability can be found in Note 13 Seattle City Employees' Retirement System. Information about the provision for injuries and damages can be found in Note 11 Provision for Injuries and Damages and Note 15 Environmental Liabilities. Other includes primarily a liability for Other Postemployment Benefits; see Note 14 Other Postemployment Benefits.

11. PROVISION FOR INJURIES AND DAMAGES

The Department establishes liabilities for claims based on estimates of the ultimate projected cost of claims. Environmental related expenses are discussed in Note 15 Environmental Liabilities. The length of time for which such costs must be estimated varies depending on the nature of the claim. Actual claims costs depend on such factors as inflation, changes in doctrines of legal liability, damage awards, and specific incremental claim adjustment expenses. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates, which reflect recent settlements, claim frequency, industry averages, City-wide cost allocations, and economic and social factors. For 2023 and 2022, liabilities for lawsuits, claims, and workers' compensation were discounted over a period of 30 to 35 years at the City's average annual rate of return on investments, which was 1.80% and 1.15%, respectively.

To address the risk for certain losses arising from personal and property damage claims by third parties and for job-related illnesses and injuries to employees, the Department as part of the City of Seattle, has been self-insured for most of its general liability risks, for workers' compensation, and for employees' health care benefits. For the June 1, 2023 to June 1, 2024 coverage period, the City had general liability insurance coverage for losses over a $10.0 million self-insured retention per occurrence with a $20.0 million limit per occurrence in the aggregate. The Department had no settled claims exceeding coverage in the last three years.

The City also purchased an all-risk comprehensive property insurance policy that provides $500.0 million in limits subject to various deductible levels. This includes a $100.0 million earthquake and flood sublimit. Hydroelectric and certain other utility producing and processing projects are not covered by the property policy. The City also purchased insurance for excess workers' compensation, cyber, fiduciary and crime liability, inland marine transportation, an assortment of medical/accidental death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, public notaries, pension exposures, and specific projects and activities as necessary.

The changes in the provision for injuries and damages at December 31, 2023 and 2022 are as follows:

($ in millions)	**2023**	**2022**
Beginning unpaid claims liability	$ 17.6	$ 16.8
Payments	(8.6)	(7.7)
Incurred Claims	7.2	8.5
Ending balance	$ 16.2	$ 17.6

The provision for injuries and damages included in current and noncurrent liabilities at December 31, 2023 and 2022 is as follows:

($ in millions)	**2023**	**2022**
Noncurrent liabilities	$ 11.2	$ 9.6
Accounts payable and other current liabilities	5.0	8.0
Ending balance	$ 16.2	$ 17.6

12. ACCOUNTS PAYABLE

Accounts Payable and Other Current Liabilities— The composition of accounts payable and other current liabilities at December 31, 2023 and 2022, is as follows:

($ in millions)	2023	2022
Vouchers payable	$ 57.3	$ 38.5
Power accounts payable	36.7	56.3
Taxes payable	20.8	14.5
Claims payable	8.0	12.8
Guarantee deposit and contract retainer	45.0	35.3
Other accounts payable	6.9	4.1
Total	$ 174.7	$ 161.5

13. SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description— The Seattle City Employees' Retirement System (SCERS) is a cost-sharing multiple-employer defined benefit public employee retirement system, covering employees of the City and administered in accordance with Chapter 41.28 of the Revised Code of Washington and Chapter 4.36 of the Seattle Municipal Code. SCERS is a pension trust fund of the City. SCERS is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of the King County Departments of Transportation and Public Health who established membership in SCERS when these organizations were City departments were allowed to continue their SCERS membership.

Beginning with employees with hire dates of January 1, 2017, all new members are enrolled in SCERS Plan II, which has contribution and benefit calculation rates different than the SCERS I Plan.

Following is membership data for employees covered by the benefit terms as of the reporting date, December 31, 2023, and the measurement date, December 31, 2022 and the reporting date December 31, 2022, and the measurement date December 31, 2021:

	2023	2022
Active members	9,827	9,436
Retired members and beneficiaries receiving benefits	7,689	7,550
Vested terminated employees entitled to benefits	1,711	1,611

Summary of Significant Accounting Policies—SCERS financial statements and schedules are presented using the economic resources measurement focus and the accrual basis of accounting. For purposes of measuring the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of SCERS and additions to and deductions from SCERS fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value in accordance with GASB 72.

The NPL was measured as of December 31, 2022 and December 31, 2021, and the total pension liability used to calculate the NPL was based on an actuarial valuation as of January 1, 2022 and January 1, 2021, respectively.

Pension Benefits— Service retirement benefits are calculated on the basis of age, salary, and service credit.

SCERS I – Members are eligible for retirement benefits after 30 years of service, at age 52 after 20 years of service, at age 57 after 10 years of service, and at age 62 after 5 years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

SCERS II – Members are eligible for retirement benefits at age 55 after 20 years of service, at age 57 after 10 years of service, and at age 60 after 5 years of service. Annual retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Disability Benefits—An active member is eligible to receive disability benefits when: (a) member has achieved 10 years of credited service within the 15 years preceding disability retirement, or (b) the disability occurs in the course of City employment in which no service requirement exists. The amount of the disability benefit is the greater of (a) 1.5% times the final compensation times completed years of creditable service, or (b) 1.5% times final compensation total years of service that could have been earned to age 62, but not to exceed one-third of final compensation. Disability benefits vest after 10 years of credited service.

Death Benefits—Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are (a) payment to the beneficiary of accumulated contributions, including interest, or (b) if the member had completed 10 years of service at the time of death, a surviving spouse or registered domestic partner may elect to receive, in place of (a) above, either: (1) A monthly allowance for life equal to the benefit the spouse would have received had the member just retired with a 100% contingent annuitant option in force, or (2) A cash payment of no more than one-half of the member's accumulated contributions, along with a correspondingly reduced retirement allowance. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement. Death benefits vest after 10 years of credited service.

Contributions— Member and employer contributions rates are established by Seattle Municipal Code Chapter 4.436. The overall contribution rate is determined by the actuarial formula identified as the Entry Age Cost Method. Member contribution rates are also set via collective bargaining contracts. The overall formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total required contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations. Contribution rates and amounts were as follows as of the reporting dates, December 31, 2023 and December 31, 2022, and the measurement dates, December 31, 2022 and December 31, 2021:

($ in millions)	Contributions					
	Rates				Amounts	
	SCERS I Employer	SCERS I Employee	SCERS II Employer	SCERS II Employee	City	Department
2023	15.91%	10.03%	15.56%	7.00%	$150.0	$29.6
2022	16.20%	10.03%	15.72%	7.00%	$145.0	$29.0

Net Pension Liability—The Department reported a liability of $302.6 million and $171.7 million for its proportionate share of net pension liability as of December 31, 2023 and December 31, 2022, respectively. The Department's proportion of the NPL as of December 31, 2023 and December 31, 2022 was based on contributions to SCERS during the fiscal year ended December 31, 2022 and December 31, 2021, respectively. The Department's proportionate share was 20.00% and 20.72% for the years ended December 31, 2022 and December 31, 2021, respectively. The net pension liability was measured as of December 31, 2022 and December 31, 2021, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2022 and January 1, 2021, respectively.

Changes in Net Pension Liability

($ In millions)

	Fiscal Year Ended December 31	
	2023	2022
Total Pension Liability		
Service cost	$ 25.6	$ 26.3
Interest on total pension liability	67.0	69.5
Effect of economic/demographic gains or losses	(2.2)	(1.1)
Effect of assumptions changes or inputs	0.0	26.9
Benefit payments	(46.9)	(46.2)
Refund of contributions	(5.8)	(4.3)
Net change in total pension liability	37.7	71.1
Total pension liability, beginning of period	1,028.5	941.4
Effect of change in proportionate share	(35.8)	16.0
Adjusted total pension liability, beginning of period	992.7	957.4
Total pension liability, end of period	1,030.4	1,028.5
Plan fiduciary net position		
Benefit payments	(46.9)	(46.2)
Refunds of contributions	(5.8)	(4.3)
Administrative expenses	(1.6)	(1.3)
Member contributions	16.6	16.9
Employer contributions	29.1	28.9
Net investment income	(90.6)	108.3
Net change in Plan fiduciary net position	(99.2)	102.3
Plan fiduciary net position, beginning of period	856.8	741.9
Effect of change in proportionate share	(29.8)	12.6
Adjusted fiduciary net position, beginning of period	827.0	754.5
Plan fiduciary net position, end of period	727.8	856.8
Net pension liability, end of period	$ 302.6	$ 171.7

The Department incurred pension expense of $34.3 million and ($2.5) million for the years ended December 31, 2023, and 2022, respectively.

Actuarial assumptions— The total pension liability at December 31, 2023 and 2022 was based on actuarial valuations as of December 31, 2022 and 2021, respectively, using the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Closed
Amortization period and start date	30 years as of January 1, 2013 Valuation
Amortization growth rate	3.35%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.60%
Investment Rate of Return	6.75%
Cost of Living Adjustments	Annual compounding COLA of 1.5% assumed. Additional restoration of purchasing power benefits available based on an assumed 2.6% if purchasing level decreases to 65%.
Mortality	Various rates based on PubG-2010 mortality tables and using generational projection of improvement using MP-2021 Ultimate projection scale.

All other actuarial assumptions used in the December 31, 2022 valuation and the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2021.

Discount Rate—The discount rate used to measure the total pension liability for FY 2023 and FY 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and gross of administrative expenses) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following table reflects long-term expected (30 year) real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The expected inflation rate for FY 2023 and FY 2022 is projected at 2.60% for both periods.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	48%	4.90%
Private Equity	11%	7.50%
Fixed Income		
Core Fixed Income	18%	2.10%
Credit Fixed Income	7%	5.30%
Real Assets		
Real Estate	12%	3.00%
Infrastructure	4%	4.40%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Department's proportionate share of the net pension liability of SCERS, calculated using a discount rate of 6.75% for FY 2023 and FY 2022, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

Discount Rate Sensitivity

(In millions)

	Net Pension Liability at December 31,	
	2023	**2022**
Discount Rate		
1% decrease - 5.75%	$ 432.2	
Current discount Rate - 6.75%	302.6	
1% increase - 7.75%	194.3	
1% decrease - 5.75%		$ 301.6
Current discount Rate - 6.75%		171.7
1% increase - 7.75%		63.1

Plan Fiduciary Net Position—Detailed information about the SCERS's fiduciary net position is available in the separately issued, audited financial statements as of December 31, 2023, which are publicly available at http://www.seattle.gov/retirement/forms-and-publications/publications.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension— The following table presents information about the pension-related deferred outflows of resources and deferred inflows of resources for the Department at December 31, 2023, and December 31, 2022:

($ in millions)	December 31,	
	2023	**2022**
Deferred outflows of resources		
Differences between expected and actual experience	$ 0.4	$ 0.6
Changes of assumptions	18.9	28.1
Net difference between projected and actual earnings	52.8	-
Contributions made subsequent to measurement date	29.6	29.0
Total deferred outflows of resources	$ 101.7	$ 57.7
Deferred inflows of resources		
Differences between expected and actual experience	$ 3.9	$ 4.2
Net difference between projected and actual earnings	-	86.5
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	8.5	3.9
Total deferred inflows of resources	$ 12.4	$ 94.6

Department contributions made in 2023 in the amount of $29.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. These contributions along with the net difference between projected and actual earnings reported as deferred outflows of resources will be recognized as pension expense in the future as shown in the following table.

Year Ending December 31	Amortization
($ in millions)	
2024	$ (0.1)
2025	9.0
2026	21.2
2027	30.4
2028	(0.8)
Total	$ 59.7

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – Health care plans for active and retired employees are administered by the City of Seattle as single-employer defined benefit public employee health care plans.

Employees retiring under the City may continue their health insurance coverage under the City's health insurance plans for active employees. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit rate subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The City of Seattle covers 11,472 active employee plan participants and 414 retiree, disabled, and survivor plan participants as of the January 1, 2022 valuation date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Based on the latest biennial actuarial valuation date the significant methods and assumptions are as follows:

Actuarial data and assumptions – the demographic assumptions of mortality, termination, retirement, and disability are set equal to the assumptions used for City pension actuarial valuations based on a Seattle City Employees' Retirement System Experience Report for the period 2018-2021.

Valuation date	FY 2023: January 1, 2022 FY 2022: January 1, 2022
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	FY 2023: 3.72% FY 2022: 2.06%
Participation	25% of Active Employees who retire participate

Health care cost trend rates - The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by City of Seattle.

	Pre-65		
Year	Medical	Rx	Composite
2022–2023	6.09%	8.00%	6.53%
2023–2024	6.75%	8.00%	7.04%
2024–2025	6.47%	7.56%	6.73%
2025–2026	6.19%	7.13%	6.41%
2026–2027	5.91%	6.69%	6.09%
2027–2028	5.63%	6.25%	5.78%
2028–2029	5.34%	5.81%	5.46%
2029–2030	5.06%	5.38%	5.14%
2030–2031	4.78%	4.94%	4.82%
2031–2032	4.50%	4.50%	4.50%

Mortality

General Service

Actives: PubG-2010 Employee Table multiplied by 95%
Retirees: PubG-2010 Retired Mortality Table multiplied by 95%
Disabled: PubG-2010 Disabled Mortality Table multiplied by 95%
Rates are projected generationally using Scale MP-2021 ultimate rates.

Dependent Coverage – 25% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children will have aged off of coverage.

Health Care Claims Development – The sample per capita claim cost assumptions shown below by age and plan represent the true underlying baseline experience estimated for the City of Seattle's sponsored postretirement benefits and costs.

Pre-65 Medical, Rx, and Admin Combined				
Age	Aetna Preventive	Aetna Traditional	Kaiser Standard	Kaiser Deducible
50	$ 14,137	$ 12,657	$ 8,212	$ 6,639
55	$ 17,449	$ 15,622	$ 10,136	$ 8,195
60	$ 21,640	$ 19,375	$ 12,571	$ 10,163

The average medical and prescription drug per capita claims costs were developed from 2023 calendar year self-funded premium rates. Premium-equivalent rates were provided by City of Seattle's health pricing actuary. The average medical and prescription drug per capita "adult-equivalent" claims costs were based on the respective pre-65 enrollment weighted average of the 2023 four-tier rate structure including the add-on cost of dependent children and trended back from 2023 to 2022 to be centered at the mid-point of the annual period following the valuation date. Average medical/Rx per capita claims costs were then age-adjusted based on the demographics of the rating population, and the assumed health care aging factors shown in the table below.

Morbidity Factors – The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age Band	Medical	Rx	Composite
40-44	3.00%	4.80%	3.3%
45-49	3.70%	4.70%	3.8%
50-54	4.20%	4.70%	4.3%
55-59	4.40%	4.60%	4.4%
60-64	3.70%	4.60%	3.8%

Net OPEB Liability – The Department reported an OPEB liability of $6.9 million and $7.9 million for the years ended December 31, 2023 and 2022, respectively. The OPEB liability is included under Other noncurrent liabilities on the Department's statements of net position. The Department's proportionate share of the OPEB liability was 13.88% and 14.17% for the years ended December 31, 2023 and 2022, respectively. Based on the actuarial valuation date of January 1, 2022 and measurement dates January 1, 2023 and January 1, 2022, details regarding the Department's Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability as of December 31, 2023 and 2022 are shown below.

Changes in Net OPEB Liability

($ in millions)	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2022
Total OPEB Liability		
Service cost	$ 0.5	$ 0.6
Interest on the total OPEB liability	0.2	0.2
Differences between expected and actual experience	-	(2.3)
Changes of assumptions	(1.2)	(0.2)
Benefit payments	(0.3)	(0.4)
Net Changes	(0.8)	(2.1)
Total OPEB liability, beginning of period	10.0	9.1
Effect of change in proportionate share	(2.3)	0.9
Adjusted total OPEB liability, beginning of period	7.7	10.0
Total OPEB liability, end of period	6.9	7.9
Plan fiduciary net position		
Benefit payments	(0.3)	(0.4)
Employer contributions	0.3	0.4
Net change in Plan fiduciary net position	-	-
Plan fiduciary net position, beginning of period	-	-
Effect of change in proportionate share	-	-
Adjusted fiduciary net position, beginning of period	-	-
Plan fiduciary net position, end of period	-	-
Net OPEB liability, end of period	$ 6.9	$ 7.9

The Department recorded an expense for OPEB of ($0.1) million and $0.4 million in 2023 and 2022, respectively. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Report.

Discount Rate and Healthcare Cost Trend Rates – The discount rate used to measure the total OPEB liability is 3.72% and 2.06% for the years ended December 31, 2023 and 2022, respectively. The following tables present the sensitivity of net OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

Discount Rate Sensitivity

(In millions)

	Net OPEB Liability at December 31,	
	2023	2022
Discount Rate		
1% decrease - 2.72%	$ 7.6	
Current discount Rate - 3.72%	6.9	
1% increase - 4.72%	6.4	
1% decrease - 1.06%		$ 8.6
Current discount Rate - 2.06%		7.9
1% increase - 3.06%		7.2

The following table presents the impact of healthcare cost trend sensitivity on the net OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

(In millions)

	Net OPEB Liability at December 31,	
	2023	2022
Discount Rate		
1% decrease	$ 6.1	$ 7.0
Trend rate	6.9	7.9
1% increase	7.9	9.0

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Department at December 31, 2023 and December 31, 2022.

($ in millions)

	December 31,	
	2023	2022
Deferred outflows of resources		
Difference between actual and expected experience	$ 1.2	$ 1.5
Assumption changes	0.4	0.4
Contributions made after measurement date	0.3	0.4
Total deferred outflows of resources	$ 1.9	$ 2.3
Deferred inflows of resources		
Difference between actual and expected experience	$ 1.7	$ 2.0
Assumption changes	3.1	2.7
Total deferred inflows of resources	$ 4.8	$ 4.7

Department contributions made in 2023 in the amount of $0.3 million are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31	Amortization
($ in millions)	
2024	$ (0.5)
2025	(0.5)
2026	(0.5)
2027	(0.4)
2028	(0.4)
Total Thereafter	(0.9)
Total	$ (3.2)

15. ENVIRONMENTAL LIABILITIES

Environmental liabilities were $103.1 million and $79.1 million at December 31, 2023, and 2022 respectively.

The following is a brief description of the significant Superfund sites:

- *The Harbor Island Superfund Site* – In 1983, the U.S. Environmental Protection Agency (EPA or Agency) designated this site as a federal Superfund site. The Department and other entities are sharing costs equally for investigating contamination in the East Waterway (EW) alongside Harbor Island. The City of Seattle's (City) share is split between the Department 45% and Seattle Public Utilities (SPU) 55%. The Department's involvement stems from its sale of transformers to a company on Harbor Island. The Port of Seattle (POS) is performing the work. EPA approved the RI report in January 2014 and approved the final FS in June 2019. The EPA released the Proposed Plan in April 2023. The next major milestone for the project is EPA's release of the Record of Decision (ROD), which is anticipated in May 2024. The clean-up construction timing and cost estimates will not be known until the Agency identifies a preferred remedy; the final FS has identified a range of costs on which the clean-up estimate is based. The Department does not own EW.

  The City anticipates that EPA will issue a notification letter to Potential Responsible Parties (PRP) informing them of their potential liability for the EW Cleanup. The timing of this notification is unknown. The current EW Group is working to define an allocation or mediation process that will commence once additional PRPs are identified. The Department owns property adjacent to the EW but does not own any of the waterway or sediments. The Department recorded a liability of $72.1 million as of December 31, 2023 and $52.4 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *The Lower Duwamish Waterway Superfund Site (LDW)* – In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The Department's involvement is attributable to its land ownership or use of property along the river. In 2000, the City was one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a Remedial Investigation (RI) and Feasibility Study (FS) to prepare a site remedy. The EPA approved the RI in 2010 and the FS in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway. In December 2014, the EPA issued its final ROD. The selected remedy includes dredging, capping and enhanced or monitored natural recovery. EPA estimated the cost of the preferred alternative clean-up with an estimated cost of $342.0 million (in discounted 2014 dollars, or $394.0 million in non-discounted dollars). The City estimates the future costs are $734.0 million due to inflation and revised estimates. EPA recently updated the cost estimate to approximately $667.0 million. The LDW project team estimate for the project is more than the EPA estimate as the project team have better idea of construction cost after the completion of the Upper Reach design as well as the implementation of the yearly inflation escalation process implemented in 2018.

  There are currently three PRP's (The City, King County and Boeing), participating in the project. They are collectively called the Lower Duwamish Waterway Group (LDWG). The POS, previously an active LDWG member, is not currently an active participant. The POS is continuing to pay their share of the AOC4 and AOC5 for now. The City and the other three parties that signed the AOC in 2001 have agreed with EPA on several amendments to the order. Under the current amendments (AOC4 and AOC5), the parties are designing the remedy for the upper two-thirds of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) site.

  The design work for the upper third of the waterway began in 2019 pursuant to amendments to the existing EPA order. 100% design was submitted to EPA in January 2024. Contractor procurement began in Q1 2024, Contractor Award and Notice to Proceed are expected in Q2 and Q3 with construction in the Upper Reach beginning in the late 2024. Pre-design work for the Middle Reach began in 2022 and is ongoing. The EPA, the City and other parties have been negotiating a Consent Decree that will supersede the administrative order and govern implementation of the remedy. They are trying to finalize the Consent Decree and have it approved by the Court no later than October 2024 so that construction of the remedy in the Upper Reach may begin during the 2024 fish window.

  From 2016 to mid-2022, the City and over forty other parties participated in a confidential alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. Since then, nearly all the allocation parties have been engaged in settlement negotiations with the goal of finalizing settlements in 2024. If the Consent Decree and settlements with other allocation parties are finalized as expected, going forward the City will be paying about 30.1% of the costs. City Light pays 15% of the City's costs and SPU pays the rest. City Light owns some properties adjacent to the Waterway but does not own any of the waterway channel or its sediments. The Department recorded a liability of $23.7 million as of December 31, 2023 and $17.5 million as of December 31, 2022 respectively. The Department's ultimate liability is indeterminate.

- *Terminal 117 Upland & Sediments, Duwamish Waterway Sediments (T-117)* – The City is responsible for investigation and cleanup of the Port of Seattle Terminal 117 Streets, Upland and Sediments sites, which is an Early Action Area of LDW. The T-117 is not owned by City Light. City Light has been sharing costs with the POS to study and clean-up contaminated sediments at the T-117 EAA. During 2007 the T-117 site was expanded to include the upland parcel adjacent to the sediments and the nearby streets (discussed below). Current PRPs include the City and POS. The POS is the lead on the sediment and upland cleanup. A Settlement Agreement between the City, Malarkey, Sannes and the Duwamish Manufacturing Company, the POS and King County was effective July 30, 2008. The Engineering Evaluation and Cost Analysis (EE/CA) was finalized in 2010 and an Agreed Order was signed June 6, 2011. The clean-up of the sediments and the upland began in May 2013 and was finished in 2015. EPA approval of the final construction closeout and project closeout was received in July 2018. The Long-Term Monitoring and Maintenance Plan (LTMMP) was approved by EPA in September 2018. Long term monitoring events are completed in accordance with the LTMMP. An annual report is submitted in March each year. Annual monitoring reports were submitted in 2018, 2019, 2020, 2022, and 2023. The annual monitoring report covering January 1 through December 31, 2023, was submitted to EPA in March 2024. The Department recorded a liability of $3.3 million as of December 31, 2023 and $2.3 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *South Park Marina (SPM* – The DOE has notified the City that it is a Potentially Liable Party (PLP) for contamination at SPM, which is adjacent to Terminal 117. The Department is the lead for the City at this site. Negotiations for an Agreed Order between the DOE and PLP's (City, POS and SPM) resulted in an Agreed Order to conduct an RI. The Agreed Order was finalized in April 2019. The Common Interest for Cost Sharing agreement between PLPs was signed in 2019. The City, the POS and SPM have agreed to share costs equally with the City administering the contract with a common consultant. The City share is split between the Department 97.5% and SPU 2.5%. In 2019, the City contracted with a consultant to complete the RI. A draft workplan was submitted to the DOE in May 2020 and comments were received. A revised draft workplan was submitted in December 2020. Phase 1 field activities and some data analyses were completed in 2021. Approval of the Source Control memorandum and preparation of workplan addendum for Phase 2 Field activities were completed in 2022. Phase 2 field sampling and preparation and submittal of the draft RI report were completed in 2023. The Department recorded a liability of $0.7 million as of December 31, 2023 and $0.9 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *North Boeing Field/Georgetown Steam Plant (NBF/GTSP)* –The City, King County, and Boeing signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses the NBF, the Department's GTSP, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay 67% of the costs for DOE's implementation of the current order. The order requires completion and then implementation of a RI and FS. The final RI work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the NBF/GTSP Agreed Order, making the PLP's responsible for conducting and completing remedial action at the site. The City is responsible for one third of the costs, with the Department's share at 95% and SPU's share at 5%. The draft RI was submitted in June 2016. DOE directed additional investigation in offsite areas following the submittal of RI. The additional investigation and negotiation on RI comments delayed the submittal of the revised draft RI. The revised draft RI was submitted in late 2023.

In 2022, the DOE notified the PRP's that Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) were determined to be hazardous substances under Model Toxic Control Act (MTCA) and additional investigation was necessary to address these potential contaminants. Current activities include negotiations with DOE to determine the scope and schedule for the PFAS investigation and preparation of the revised draft RI report.

The FS process will begin following approval of RI which may not occur until the after the PFAS investigation is complete. The timing of the approval is currently unknown. Boeing and the City will each pay 100% of costs for remedial action at their own facilities. Storm drain sampling conducted during the RI revealed the presence of chemicals in the storm lines that drain the GTSP roof. City light agreed with DOE to replace the GTSP roof as an interim action prior to finalization of the RI/FS. Roof replacement began in December 2020 and was completed in early 2021. The Department recorded a liability of $0.8 million as of December 31, 2023 and $0.9 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *Newhalem The Ladder Creek Settling Tank* – This project is one of three sites within City Light's Skagit River Hydroelectric Project being conducted under a 2019 Settlement Agreement with the National Park Service (NPS). The project is located near Newhalem, WA and is a cleanup of contaminated debris and soil resulting from the incineration of a building structure that covered a large water settling tank during the 2015 Goodell Creek Forest Fire. The removal work was completed in 2018 to comply with CERCLA requirements under a Time Critical Removal Action (TCRA) administered by NPS. The final TCRA Completion Report has been approved, and a final reporting of two years of post-TCRA vegetative restoration monitoring has been approved. NPS will keep the project open while conducting periodic vegetative restoration monitoring through approximately 2025. NPS owns the land.

  Newhalem Penstock – This project is the second of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with NPS. The project is also located near Newhalem and includes preparation of an Engineering Evaluation and Cost Analysis (EE/CA) to comply with CERCLA requirements under a Non-time Critical Removal Action administered by NPS. The draft EE/CA was completed in 2022 and the final was approved in 2023, and fully executed in Q1 2024. NPS owns the land.

  Diablo Dry Dock – This project is the third of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with NPS. The project is located near Diablo, WA and includes preparation of an EE/CA to comply with CERCLA requirements under a Non-time Critical Removal Action administered by the NPS. GeoSyntec is under a contract to provide City Light with consulting services related to the EE/CA. The first phase of the EE/CA field investigation was completed in October 2023, and the draft and final EE/CA Reports are planned for 2023-2025. NPS owns the land.

  The Department recorded a liability of $1.5 million as of December 31, 2023 and $1.7 million as of December 31, 2022 for all three Skagit sites respectively. The ultimate liability is indeterminate.

- *Substations* – Cleanup activities are being conducted at a number of substation sites. At Magnolia Substation, site assessment performed in 1999 identified Polychlorinated Biphenyl's (PCB's) on two concrete pads located outside of the concrete substation yard. Further evaluation done in 2015 identified pesticide, cadmium, and PCB contamination on the property. The site has a designated Environmental Critical Area along the eastern property line, a steep slope, requiring the cleanup to be permitted with the Seattle Department of Construction and Inspections (SDCI). Cleanup and restoration of most of the site was completed in 2020 and 2021. One small area of contamination was left in place and covered with a protective layer of soil due to desired preservation of an overlying mature tree. Removal of this soil is not currently planned. Soil within an enclosed courtyard on the property is planned for characterization and possible cleanup during 2024. The department recorded a liability of $0.2 million as of December 31, 2023 and $1.0 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *Ross Dam* – The tunnel that houses a bypass penstock designed to convey water from Ross reservoir beneath Ross Dam is contaminated with metals residues from former coating operations. To prevent their release into Skagit River, work to remove the accumulated sediment in the lower tunnel system was completed in 2023. Due to unanticipated conditions, physical constraints and significant delays caused by the Sourdough Creek wildfire, portions of the upper tunnel could not be addressed during the 2023 work. On-going monitoring of the system and water quality is planned to be implemented in 2024 and 2025. The department recorded a liability of less than $0.1 million as of December 31, 2023 and $1.4 million as of December 31, 2022 respectively. The department's ultimate liability is indeterminate.

- *Cedar Falls Lead Abatement* – In 2008, lead contamination exceeding State cleanup levels in soil was discovered in several locations along City Light's Cedar Falls penstocks and associated structures during an investigation related to planned seismic upgrades. The penstocks are located in Seattle's Cedar River Municipal Watershed. An assessment of the nature and extent of contamination along the entirety of the Penstock System conducted from 2009 through 2012 determined that, in some locations, soil near the penstocks and bridges contained lead and arsenic above state cleanup standards. Paint coatings in some areas, including three locations directly over the Cedar River, also contained lead and asbestos. Mercury was also discovered in soils in one isolated area. Future project costs include continuing implementation of a Long-term Environmental Management Plan, including several contaminant source removal activities and associated monitoring. City Light owns the penstocks and most associated structures. SPU owns the land.

  This program currently includes two general areas of work: Overall Penstocks System Environmental Management Plan Implementation and Source Control/Removal projects. Lead-based paint removal and recoating on the three penstock bridges was completed in November 2016 under a public works contract, Upper Truss Bridge bank soil stabilization was completed in spring 2017, a Trestle Bridge contaminated soil stability survey was completed in summer 2019 and Gatehouse lead paint abatement progressed in 2022 and 2023. Other planned projects and their general timelines include complete Gatehouse lead paint abatement (2024) and Gatehouse mercury soil cleanup (2025). City Light is responsible for 100% of these costs. The Department recorded a liability of $0.4 million as of December 31, 2023 and $0.1 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

- *Ground Water Sites* – Environmental assessments have found contamination exceeding the state residential cleanup thresholds at three of City Light's properties: the Interbay, University Rectifier, and Roy Street Shops sites. ELLBU contracted with a consultant during 2022 and has begun assessments of the University Rectifier and Interbay sites. Remedial assessment and possible remedial design work for the other two sites will be completed during 2024-2025. The department's ultimate liability is indeterminate. The Department has included in the estimated environmental liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable.

Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation accept as noted earlier for LDW. Cost scenarios were developed that defined a particular solution for a given site. Scenarios considered relevant potential requirements and alternatives for remediation of a site. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price increases or reductions, technology, or applicable laws or regulations.

The Department is aggressively pursuing other third parties that may have contributed to the contamination of Superfund sites for appropriate cost sharing. The Department's estimate for realized recoveries was $0.2 million as of December 31, 2023, and $1.6 million as of December 31, 2022 respectively, primarily representing an interfund receivable from SPU for recovery of remediation costs incurred related to the lower Duwamish Waterway site. The Department's estimate for not yet realized recoveries from other parties for their share of remediation work performed that partially offset the Department's estimated environmental liabilities was zero at December 31, 2023. As of December 31, 2023, and 2022, environmental costs of $116.4 million and $93.1 million were deferred primarily for cleanup estimates of the Department's responsibility for the LDW and EWW Superfund Sites; and these costs are being amortized and will be recovered through future rates in accordance with GASB Statement No. 62.

The changes to the deferred environmental costs at December 31, 2023 and 2022 were as follows:

($ in millions)	**2023**	**2022**
Beginning Deferred Environmental Costs	$ 93.1	$ 118.8
Incurred	(6.7)	4.8
Amortization	(0.9)	(0.6)
Adjustment of items directly booked to Regulatory Asset	-	(1.6)
True-up of Realizable Recoveries from SPU and Other Parties	0.2	1.6
Sharing Percentage change	30.6	(29.9)
Trailing Transaction	0.1	-
Ending Deferred Environmental Costs net of Recoveries	$ 116.4	$ 93.1

The changes in the provision for environmental liabilities at December 31, 2023, and 2022 were as follows:

($ in millions)	2023	2022
Beginning Environmental Liability, Net of Recoveries	$ 79.1	$ 108.9
Payments	(6.6)	(4.7)
Incurred Environmental Liability	30.6	(25.1)
Ending Environmental Liability, Net of Recoveries	$ 103.1	$ 79.1

The provision for environmental liabilities included in current and noncurrent liabilities at December 31, 2023 and 2022, was as follows:

($ in millions)	2023	2022
Noncurrent Liabilities	$ 100.0	$ 74.3
Accounts Payable and Other Current Liabilities	3.1	4.8
Ending Non-Current Liabilities	$ 103.1	$ 79.1

16. OTHER LIABILITIES

Other liabilities include unearned capital fees which are amortized to revenues as earned, deposits and certain other unearned revenues which expire at contract completion.

Other liabilities at December 31, 2023 and 2022 consisted of the following:

($ in millions)	2023	2022
Other liabilities:		
Unearned capital fees	$ 30.1	$ 28.9
Customer deposits—sundry sales	3.2	4.7
Unearned revenues—other	3.0	2.7
Total	$ 36.3	$ 36.3

17. DEFERRED INFLOWS OF RESOURCES

Seattle City Council passed resolutions authorizing the reporting of certain credits as regulatory deferred inflows of resources in accordance with Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*.

The unearned revenue for the Rate Stabilization Account for 2023 and 2022 is the result of spreading retail electric revenues and related activity over multiple periods to reduce the need for rapid and substantial rate increases (see Note 4 Rate Stabilization Account). Payments received from Bonneville's Energy Conservation Agreement are amortized to revenues over 20 years.

In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, decreases in Net Pension Liability resulting from changes in employer proportion and differences between contributions and proportionate share of pension expense are recognized as deferred inflows of resources. These deferred inflows are amortized over a closed five-year period. See Note 13 Seattle City Employees' Retirement System for more information.

In accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, amounts related to assumption changes are recognized as deferred inflows of resources, which are amortized over a closed five-year period. See Note 14 Other Postemployment Benefits for more information.

In accordance with the requirements of GASB Statement No. 87, *Leases*, for lessor arrangements, deferred inflows will increase due to the recognition of a deferred inflow of resources related to the leases. This deferred inflow will initially be measured at the amount of the lease receivable. This deferred inflow will be amortized over the life of the leases as revenues are recognized. See Note 18 Leases for more information.

The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration under the Block and Slice Power Sales Agreement, exclusively purchasing Block. Seattle City Council affirmed the Department's practice of recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments, in Resolution No. 30942 adopted January 16, 2007. See Note 19 Long-Term Purchased Power, Exchanges, and Transmission for more information.

In 2020, the Department became aware that the Federal Energy Regulatory Commission (FERC) overcharged the Department for the use of approximately 5,200 acres of federal land located in the High Ross Inundation Zone. In 2021, FERC agreed to refund $11.2 million paid by the Department for the period of 1996 to 2019 in the form of credit to future invoices beginning 2022. The refund of $11.2 million was recognized as a deferred inflow and is being amortized as applied to future FERC invoices.

Deferred inflows of resources at December 31, 2023 and 2022 consisted of the following:

($ in millions)	2023	2022
Deferred inflows of resources:		
Unearned revenue—rate stabilization account	$ 40.8	$ 50.0
Changes in Net Pension Liability	12.4	94.6
Changes in OPEB Liability	4.8	4.7
Gains on advanced refunding	6.2	5.6
Bonneville energy conservation agreement	40.1	38.3
Lease related amounts	62.1	67.3
FERC land use fee refund	3.3	7.2
Other deferred inflows	0.1	0.3
Total	$ 169.8	$ 268.0

18. LEASES

GASB Statement No. 87, *Leases*, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about leasing activities.

The Department has not identified any leases as of December 31, 2023, in which the Department is the lessee that meets the requirements of Statement No. 87.

As of December 31, 2023, the Department is a lessor that meets the requirements of Statement No. 87. The table below presents the inflow of resources for comparative purposes at December 31, 2023 and 2022.

($ in millions)

	2023	2022
Lease Revenue	$ 5.2	$ 5.2
Lease Interest Revenue	$ 1.0	$ 1.1

Lease balances at December 31, 2023 and 2022, where the Department is the lessor, are summarized below.

Balances as of December 31, 2023
($ in millions)

Lease Classification	Lease Receivable	Current Portion of Receivable	Deferred Inflow of Resources	Lease Terms in Years	Implicit Interest Rate
Buildings	$ 0.1	$ -	$ 0.1	11	0.4%
Land	11.2	0.4	10.8	23 - 75	0.3% - 3.5%
Other - Wireless Pole Attachments	44.4	2.2	44.4	20	1.6%
Other - Wireline Pole Attachments	6.7	2.2	6.7	5	0.5%
Total	$ 62.4	$ 4.8	$ 62.0		

Balances as of December 31, 2022
($ in millions)

Lease Classification	Lease Receivable	Current Portion of Receivable	Deferred Inflow of Resources	Lease Terms in Years	Implicit Interest Rate
Buildings	$ 0.1	$ -	$ 0.1	11	0.4%
Land	11.6	0.4	11.3	23 - 75	0.3% - 3.5%
Other - Wireless Pole Attachments	46.5	2.1	47.0	20	1.6%
Other - Wireline Pole Attachments	8.9	2.2	8.9	5	0.5%
Total	$ 67.1	$ 4.7	$ 67.3		

On the statements of net position, the current portion of lease receivables is located in current receivables (see Note 6 Accounts Receivable) and the long-term lease receivable is located within other assets (see Note 7 Other Assets). The deferred lease inflows are reported within the deferred inflows of resources (see Note 17 Deferred Inflows of Resources).

The wireless and wireline pole attachment leases contain variable payment components determined annually per SMC 21.49.065 that are not included in the measurement of the lease receivable under Statement No. 87. The inflow of resources due to variable components during 2023 were $0.43 million and $0.45 million respectively.

The Department has not identified any leases as of December 31, 2023, where City Light, as the lessor, has issued debt for which the principal and interest payments are secured by the lease payments.

19. SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

The Department engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the Department's load obligations and using these resources to capture available economic value. The Department makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. The Department also makes recurring projections of resource availability at these points in time based on variables such as estimates of stream flows, availability of generating units, historic and forward market information, contract terms, and experience. Based on these projections, the Department purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements, and to realize earnings from surplus energy resources. These transactions can be up to 60 months forward. Under these forward contracts, the Department commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future.

Except for limited intraday and interday trading to take advantage of owned hydro storage, the Department does not take market positions in anticipation of generating profit. Energy transactions in response to forecasted seasonal resource and demand variations require approval by the Department's Risk Oversight Council. In April 2020 the Department entered the California ISO Energy Imbalance Market (EIM) which is an energy market system that balances fluctuations in supply and demand by automatically finding lower cost resources to meet real-time power needs and serve consumer demand across the western region. The EIM manages congestion on transmission lines to maintain grid reliability and supports integrating renewable resources. In addition, the EIM makes excess renewable energy available to participating utilities at low cost.

It is the Department's policy to apply the normal purchase and normal sales exception of Statement No. 53 of the GASB, *Accounting and Financial Reporting for Derivative Instruments*, as appropriate. Certain forward purchase and sale of electricity contracts meet the definition of a derivative instrument but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, the Department considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

The undiscounted aggregate contract amounts, fair value, and unrealized gain or (loss) of the Department's commodity derivative instruments qualifying as normal purchases and normal sales at December 31, 2023 and 2022 consisted of the following:

($ in millions)

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2023			
Sales	$ 0.1	$ 0.1	$ -
Purchases	3.8	3.8	-
Total	$ 3.9	$ 3.9	$ -

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2022			
Sales	$ 18.1	$ 30.7	$ (12.6)
Purchases	0.2	1.6	1.4
Total	$ 18.3	$ 32.3	$ (11.2)

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the Seattle City Council adopted a resolution granting the Department authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. The Department did not have any such activity for 2023 and 2022. In addition, the Seattle City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and the Department maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (see Note 7 Other Assets and Note 17 Deferred Inflows of Resources).

Market Risk—Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because the Department is active in the wholesale energy market, it is subject to market risk.

Credit Risk—Credit risk relates to the potential losses that the Department would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. The Department seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default; applying credit limits and duration criteria to existing and prospective counterparties; and actively monitoring current credit exposures. The Department also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

The Department has concentrations of suppliers and customers in the electric industry including electric utilities; electric generators and transmission providers; financial institutions; and energy marketing and trading companies. In addition, the Department has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact the Department's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

Other Operational and Event Risk—There are other operational and event risks that can affect the supply of the commodity, and the Department's operations. Due to the Department's primary reliance on hydroelectric generation, the weather, including springtime snow melt, runoff, and rainfall, can significantly affect the Department's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

20. LONG-TERM PURCHASED POWER, EXCHANGES, AND TRANSMISSION

Bonneville Power Administration—The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (Bonneville) under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Effective October 1, 2017 there was an amendment to the agreement whereby the Department no longer participates as a Slice customer and will exclusively purchase Block. Block quantities are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

Lucky Peak—In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

The Department incurred $9.5 million and $7.5 million in 2023 and 2022, respectively, including operations costs and royalty payments to the irrigation districts. The Department provided and billed Lucky Peak $0.3 million in both 2023 and 2022 for operational and administrative services. These amounts are recorded as offsets to purchased power expense.

The Department's receivables from Lucky Peak were less than $0.1 million on December 31, for 2023 and 2022. The Department's payables to Lucky Peak were $0.0 million on December 31, for 2023 and 2022.

British Columbia—High Ross Agreement— In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide the Department with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, the Department incurred costs of approximately $8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual $1.0 million payments. The final fixed capital payment was made to BC Hydro in 2020. Operations and maintenance payments will be made through the life of the agreement. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 15 years, from 2021 through 2035 (see Note 3 Utility Plant).

Expenses incurred, and energy received under these and other long-term purchased power agreements at December 31, 2023 and 2022 were as follows:

	Expense		Average Megawatts	
($ in millions)	2023	2022	2023	2022
Long-term purchased power-Bonneville	$ 138.2	$ 106.5	461.1	434.3
Lucky Peak	9.5	7.5	37.9	26.7
British Columbia - High Ross Agreement	13.0	13.0	34.6	34.9
Grant County Public Utility District	1.4	1.4	2.2	3.1
Columbia Basin Hydropower	6.0	8.4	28.5	30.0
Bonneville South Fork Tolt billing credit	(3.7)	(3.6)	-	-
Renewable energy - State Line Wind	-	2.9	-	8.5
Renewable energy - Other	5.9	7.2	9.8	11.1
Exchanges and loss returns energy at fair value	5.1	8.8	51.4	47.5
Long-term purchased power booked out	-	(1.6)	-	(4.9)
Long-term purchase power-other	37.2	44.0	164.4	156.9
Subtotal	$ 175.4	$ 150.5	625.5	591.2
Condon Wind - Reported as short-term purchased power	1.2	-	3.8	-
Total	$ 176.6	$ 150.5	629.3	591.2

Renewable Energy Purchase and/or Exchanges— The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State with more than 25,000 customers to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits (RECs) as a percentage of total energy delivered to retail customers. The annual target is at least 15% for 2023 and 2022. The law also has a compliance option for utilities with declining load to spend 1% of revenue requirements on eligible RECs and/or resources. The Department met the requirements of the compliance option in both 2023 and 2022.

Fair Value of Exchange Energy— During 2023 and 2022, exchange energy settled deliveries were valued using Dow Jones U.S Daily Electricity Price Indices.

Estimated Future Payments Under Purchased Power, Transmission and Related Contracts— The Department's estimated payments for purchased power and transmission, RECs, and other contracts for the period from 2024 through 2065, undiscounted, are as follows:

$ in millions Years Ending December 31	Estimated Payments
2024	$ 270.1
2025[a]	264.9
2026	224.5
2027	221.0
2028[b]	173.2
2029-2033	205.3
Thereafter (through 2065)[c]	126.0
Total	$ 1,485.0

(a) Bonneville transmission agreement expires July 31, 2025.
(b) Bonneville Block & Slice agreement expires September 30, 2028.
(c) Lucky Peak contract expires September 30, 2038.

21. COMMITMENTS AND CONTINGENCIES

2024 Capital Program—The budget for the Department's 2024 program for capital improvement, conservation, and deferred operations and maintenance including required expenditures on assets owned by others is $446.0 million. At December 31, 2023, the Department had approximately $155.1 million in commitments relating thereto. Department overhead costs and other allocations associated with the capital program are included in the budget amount.

2024 Operations and Maintenance Budget—The Department's 2024 Operating and Maintenance budget is $1,085.4 million for labor and related benefits, purchased power, outside services, supplies, taxes, injuries and damages, interest, debt-related costs, maintenance of Department assets, and other non-capital expenditures incurred in the normal course of operations.

Federal Energy Regulatory Commission Fees—Estimated Federal land use and administrative fees related to hydroelectric licenses total $140.7 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, when their existing FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year the current license issued by FERC expires. The Boundary FERC license and related issues are discussed below.

Current Boundary License—The Department's FERC license for the Boundary Project was re-issued on March 20, 2013 with a 42-year life and a total cost of $48.6 million. The terms and conditions of the new license have been evaluated and the Department continues the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the license renewal process, the Department negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups and other government agencies. The settlements sought to preserve the Department's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be $410.0 million adjusted to 2023 dollars, of which $158.3 million were expended through 2023. Projected mitigation cost estimates are subject to revision as more information becomes available.

Skagit and South Fork Tolt Licensing Mitigation and Compliance—In 1995, the FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both licenses, the Department has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2023, to be $178.5 million, of which $172.6 million has been expended. Total South Fork Tolt license mitigation costs were estimated at $2.5 million, of which $2.5 million were expended through 2022 for the rest of the life of the license with no additional costs in 2023. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2023 dollars. Department labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act to obtain a FERC license. ESA and related issues are discussed below.

Endangered Species—Several fish species that inhabit waters where hydroelectric projects are owned by the Department, or where the Department purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all the Department's hydroelectric projects, the ESA listings still affect operations of the Department's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, the Department's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

The Department, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Department is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Department's share of the Early Action program from inception in 1999 through December 31, 2023, are estimated to be $19.7 million, and $1.8 million has been allocated for the program in the 2024 budget.

Project Impact Payments—Effective May 2020, the Department renewed its contract with Pend Oreille County and committed to pay a total of $29.8 million over 10 years ending in 2029 to Pend Oreille County for impacts on county governments from the operations of the Department's hydroelectric projects. Effective January 2024, the Department renewed its contract with Whatcom County committing to pay annual impact compensation payments subject to an escalator tied to the Consumer Price Index and ending in 2038. The payments compensate the counties, and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled $3.0 million to Pend Oreille County in 2023 and 2022, respectively, and $1.2 million to Whatcom County in 2023 and 2022, respectively.

Akopyan v. City of Seattle - Plaintiff Estate alleges that City Light failed to adequately light a street in the City of Shoreline. The decedent attempted to cross the North Richmond Beach Road at night on September 2, 2020 and was hit by a car. City Light's ultimate liability is indeterminate.

Brooks-Joseph v. City of Seattle, Seattle City Light, et. al. - Plaintiff alleges discrimination based on race. Gender and age, negligent supervision and retention, wrongful discharge and violation of the Washington State Whistleblower Act. Plaintiff also names City Light employee Britt Luzzi and SPU employee Lourdes Podwall as individual defendants. On October 5, 2023, the court granted the City's Motion for Summary Judgment and dismissed this action. On March 19, 2024, the court denied the plaintiff's Motion for Reconsideration. However, the plaintiff has thirty (30) days to appeal to the 9th Circuit Court of Appeals. An adverse result could be reversal of the summary judgment dismissal and remand for further trial proceedings, which could include awards of compensatory damages and attorneys' fees. At this juncture, City Light's ultimate liability is indeterminate.

Del Castillo v. City of Seattle & Seattle City Light - Plaintiff Del Castillo alleges discrimination and retaliation based on race, national origin and/or disability, as well as claims of a hostile work environment and wrongful discharge in violation of public policy. An adverse result could include awards of compensatory damages and attorneys' fees. Discovery is ongoing and at this juncture, City Light's ultimate liability is indeterminate. Trial is currently set for September 9, 2024 in King County Superior Court.

Longacre, Lowrie – On August 23, 2023, the claimant filed a tort Claim for Damages alleging gender and disability discrimination, hostile work environment, harassment, and whistleblower retaliation. This case was resolved prior to April 30, 2024. The settlement was immaterial to the financial statements.

Margaret Owens Demand Letter - City Light received an attorney demand letter dated March 14, 2024 from a farmer City Light employee alleging allegations of sexual harassment. As of the date of this letter, a formal claim has not been filed and City Light's ultimate liability is indeterminate.

Monica Jones v. City of Seattle, Seattle City Light, et.al. – Plaintiff Jones alleges religious, racial and age discrimination, violation of public policy against discrimination, disparate impact, failure to accommodate, wage theft, and numerous violations of the Washington Constitution, all resulting from the City's vaccine mandate. On April 4, 2023, the Court dismissed the individual defendants, as they were never properly served by the plaintiff. An adverse result could include awards of compensatory damages and attorneys' fees. Discovery is ongoing and at this juncture, City Light's ultimate liability is indeterminate. The City anticipates filing a Motion for Summary Judgment on April 26, 2024. This matter was filed in federal court in the Western District of Washington and is set for trial on July 29, 2024.

Rochester, et, al. v. City of Seattle - A group of plaintiffs, including twenty-six former City Light employees, allege they were unlawfully separated from employment with various departments within the City of Seattle when they failed to get a COVID-19 vaccine. The matter was filed in King County Superior Court on December 15, 2023, and is currently set for trial on December 16, 2024. Given the number of plaintiffs and the need for extensive discovery, it is likely the trial date will be extended. As detailed below, this matter was filed by plaintiffs' counsel in the SCFF/Jayme case, and includes all the Jayme plaintiffs, plus others the Court would not allow them to add to that matter. On April 2, 2024, the plaintiffs filed a Second Amended Complaint. The City anticipates filing a Motion to Dismiss the Second Amended Complaint on April 15, 2024. Given the uncertainty with vaccine mandate litigation, and the need for extensive discovery, the Department's ultimate liability is indeterminate at this time.

Vaccine Mandate Claims - Several current and former City Light employees have filed tort Claims for Damages related to the City's implementation of a COVID-19 vaccine mandate in October 2021. These claimants allege a variety of claims, including but not limited to discrimination, wrongful discharge, failure to accommodate and violations of the Washington and federal US Constitutions. Each claim is fact specific to the claimant and dependent on evolving public health guidelines and newly emerging case law in response to the pandemic. City Light's ultimate liability is indeterminate; however, an adverse result could include awards of compensatory damages and attorneys' fees.

The following cases from 2022 were resolved:

Deien v. City - Plaintiff brought a purported class action against City Light based on City Light billing practices associated with City Light's transition to advanced meters. On April 4, 2023, the Washington State Court of Appeals approved settlement of this case on a class basis for a $3.5M payment from the City.

Lavish v. City of Seattle - Plaintiff Lavish alleged he was injured by an electrical arc while attempting to remove a tree near a City power line in 2021. He alleged City negligence caused his injuries. The Plaintiff voluntarily dismissed the City in May of 2023.

Sauk-Suiattle Litigation - In July 2021, the Sauk-Suiattle Indian Tribe (the Tribe) filed the first of three lawsuits against City Light alleging that City Light's operation of the Skagit Hydroelectric Project (the Project) in a manner that de-watered a portion of the Skagit River violates various rights of the Tribe. City Light operates the Project under a thirty-year license from the Federal Energy Regulatory Commission (FERC) granted in 1995. The license allows the de-watering of the Skagit River for a short stretch of the river between the Gorge Dam and the Gorge Powerhouse, and this aspect of the Project has been in place since the 1930s. As of the date of April 30, 2024, all three of these lawsuits are now resolved.

I. Sauk-Suiattle Litigation — Federal Claim. The initial lawsuit brought by the Tribe was originally filed in Skagit County Superior Court in July 2021. In that suit, the Tribe alleged violations of the Washington and United States constitutions, in addition to the establishing acts of the Territory of Oregon and State of Washington, and other state and federal law, by blocking the passage of fish. The City removed the case to the federal court in the Western District of Washington and moved to dismiss the case. The Tribe moved to remand the case back to Skagit County. Ultimately, the district court denied the Tribe's motion to remand, and then on December 2, 2021, dismissed all of the Tribe's claims. The Tribe appealed this decision to the United States Court of Appeals for the Ninth Circuit (9th Circuit). On December 30, 2022, the 9th Circuit affirmed the district court's dismissal. On January 3, 2023, the Tribe petitioned for rehearing en banc by the 9th Circuit. On January 26, 2023, the 9th Circuit denied the Tribe's petition. On March 28, 2023, the Tribe appealed the 9th Circuit's denial by petitioning for a writ of certiorari in the United States Supreme Court. On October 2, 2023, the Court denied the Tribe's petition for review, which ended the lawsuit in the City's favor.

II. Sauk-Suiattle Litigation - Tribal Court Claim. On January 6, 2022, the Tribe filed its third complaint out of the same set of operative facts. In the Tribal Court, the Tribe makes the following claims: (1) violations of the Tribe's treaty based usufructuary prope1iy interests through blocking fish passage; (2) that the "blockage of water" constitutes and arbitra1y and capricious seizure of salmon habitat and the Tribe's water property rights in violation of the Fourth Amendment; (3) infringement on the Tribe's members religious and cultural practices protected by the American Indian Religious Freedom Act and the First Amendment; and fraud and intentional or negligent infliction of emotional distress. The City first filed a motion to dismiss these claims in January 2022. In February 2022, the City also filed a complaint in federal court in the Western District of Washington seeking to enjoin the Sauk-Suiattle Tribal Court from exercising jurisdiction. Oral argument in the tribal court occurred on May 24, 2022. On July 5, 2022, the district court issued an order staying the City's case until the tribal court has had a full opportunity to determine its own jurisdiction. On November 10, 2022, the judge in the Sauk-Suiattle Tribal Court dismissed the Tribe's claims against the City finding that it had no jurisdiction. The Tribe appealed this order to the Tribal Court Appeals, with oral argument scheduled for May 2023. Prior to the date of argument, the Parties reached a settlement that dismissed the appeal and vacated the Tribal trial court order. As part of the settlement, the City agreed to dismiss the Federal District Court matter. The litigation has been fully resolved.

III. Sauk-Suiattle Litigation - State Court Claim. The third lawsuit by the Tribe was originally filed in King County Superior Court in September 2021, alleging that City Light was "greenwashing" its operations because it did not allow for fish passage in the stretch of the Skagit River between Gorge Dam and Gorge Powerhouse, and other state law nuisance claims. City Light moved to dismiss this case, which the Comi granted on January 14, 2022. The Tribe appealed the dismissal to Division 1 of the Washington State Comi of Appeals. On March 6, 2023, the Court of Appeals dismissed all of the Tribe's claims except for two nuisance claims and remanded the case to King County Superior Court for further trial proceedings. The Tribe did not reinitiate proceedings, and the parties settled and dismissed the case in February 2024.

Seattle City Frontline Freedom Fighters/Jayme, et, al. v. City of Seattle - A group of current and former City employees allege various forms of discrimination, wrongful discharge, violations of the Washington constitution and seek declaratory relief resulting from the City's vaccine mandate. Nine of the plaintiffs are current or former employees of City Light. On November 20, 2023, the Court granted the City's Motion for Partial Summary Judgment, dismissing all claims except those for discrimination based on religion and failure to accommodate under Title VII and the Washington Law Against Discrimination. The Comi also denied the plaintiffs' Motion to Amend their 4th Amended Complaint to add new plaintiffs. The matter was filed in King County Superior Court on October 28, 2022, and was set for trial on May 20, 2024. Plaintiffs' counsel has filed another multi-plaintiff lawsuit involving all Jayme plaintiffs, plus other plaintiffs the Court would not allow to be added to the Jayme case. See Rochester v. City, above. On March 29, 2024, the court granted the plaintiffs' Motion for Voluntary Non-Suit and Dismissal of the Jayme case.

Tucker v. City and Andrew Strong- Plaintiff Tucker alleged race discrimination, harassment, and retaliation against City Light and Mr. Strong, as well as a claim against Mr. Strong for aiding and abetting discrimination. Trial was set in state court for May 2, 2022. On March 10, 2023 plaintiff Tucker accepted an Offer of Judgment in the amount of $150,000, plus attorneys' fees and costs. However, plaintiff then appealed to Division One of the Court of Appeals because the judgment was applied solely against the City, and not against the individual defendant. As Strong was acting in his official capacity and fully indemnified by the City, the City successfully argued that this was a frivolous appeal, and the Court of Appeals dismissed the same. Nevertheless, on January 2, 2024, the plaintiff filed a Petition for Review with the Washington Supreme Comi. The City filed its Answer on February 1, 2024, and the Supreme Court denied the Petition for Review on April 10, 2024.

Other Contingencies—In addition to those noted above, in the normal course of business, the Department has various other legal claims and contingent matters outstanding. The Department believes that any ultimate liability arising from these actions will not have a material adverse impact on the Department’s financial position, operations, or cash flows.

22. SUBSEQUENT EVENTS

The Department evaluated subsequent events through April 30, 2024 the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

DEFINED BENEFIT PENSION PLAN

The Department's schedule of the employer's proportionate share of the net pension liability for the years ended December 31 (dollar amounts in millions:

	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	20.00%	20.72%	20.38%	21.10%	21.17%	21.00%	22.13%	24.46%
Employer's proportionate share of total pension liability	$ 1,030.4	$ 1,028.5	$ 941.4	$ 929.8	$ 896.9	$ 831.6	$ 839.5	$ 883.5
Employer's proportionate share of plan fiduciary net position	$ 727.8	$ 856.8	$ 741.9	$ 664.6	$ 575.3	$ 599.1	$ 550.7	$ 565.7
Employer's proportionate share of the net pension liability	$ 302.6	$ 171.7	$ 199.5	$ 265.2	$ 321.6	$ 232.5	$ 288.8	$ 317.8
Employer's covered-employee payroll	$ 180.3	$ 179.3	$ 178.1	$ 165.3	$ 163.7	$ 153.6	$ 156.5	$ 157.0
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	167.83%	95.75%	112.03%	160.44%	196.42%	151.41%	184.49%	202.44%
Plan fiduciary net position as a percentage of the total pension liability	70.63%	83.31%	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

Notes to Schedule

This schedule is intended to show information for 10 years. Since 2015 was the first year of this presentation, data on years preceding 2015 are not available. Additional years' data will be included as they become available.

Actuarial Methods and Assumptions:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent
Amortization Growth Rate	3.35% for FY 2022-2023, 3.50% for FY 2019-2021, 4.0% for prior years
Remaining amortization period	30 years as of January 1, 2013 Valuation
Asset valuation method	5 years, Non-asymptotic
Inflation	2.60% for FY 2022-2023, 2.75% for FY 2019-2021, 3.25% for prior years
Investment rate of return	6.75% for FY 2022-2023, 7.25% for FY 2019-2021, 7.50% for prior years
Mortality	Based on PubG-2010 mortality tables using generational projection of improvement using MP-2021 Ultimate projection scale for FY 2022-2023. FY 2019-2021 based on RP-2014 mortality tables. Prior years based on RP- 2000 mortality tables.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

The Department's proportionate schedule of employer's contributions (dollar amounts in millions):

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 29.6	$ 29.0	$ 28.9	$ 28.7	$ 24.8	$ 24.7	$ 23.7	$ 25.3
Contributions in relation to contractually required contribution	29.6	29.0	28.9	28.7	24.8	24.7	23.7	25.3
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 186.2	$ 180.3	$ 179.3	$ 178.1	$ 165.3	$ 163.7	$ 153.6	$ 156.5
Contributions as a percentage of covered-employee payroll	15.90%	16.08%	16.12%	16.11%	15.00%	15.09%	15.43%	16.17%

Notes to Schedule
This schedule is intended to show information for 10 years. Since 2015 was the first year of this presentation, data on years preceding 2015 are not available. Additional years' data will be included as they become available.

CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

The Department's schedule of the employer's proportionate share of the net OPEB liability for the years ended December 31:

($ in millions)	2023	2022	2021	2020	2019
Employer's proportion of the net OPEB liability	13.88%	14.17%	14.38%	14.14%	14.34%
Employer's proportionate share of total OPEB liability	$ 6.9	$ 7.9	$ 10.1	$ 9.0	$ 8.7
Employer's proportionate share of plan fiduciary net position	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net OPEB liability	$ 6.9	$ 7.9	$ 10.1	$ 9.0	$ 8.7
Employer's covered-employee payroll	$ 159.0	$ 162.4	$ 161.7	$ 159.0	$ 145.6
Employer's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	4.36%	4.86%	6.25%	5.66%	6.00%
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-	-

Notes to Schedule

This schedule is intended to show information for 10 years. Since 2018 was the first year of this presentation, data on years preceding 2018 are not available. Additional years' data will be included as they become available.

Actuarial Methods and Assumptions:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Discount Rate	3.72% for FY 2023, 2.06% for FY 2022, 2.12% for FY 2021, 2.74% for FY 2020, 4.10% for FY 2019, and 3.44% for FY 2018
Health care cost trend rate- Medical	6.09% initial, decreasing to an ultimate rate of 4.50% for FY 2022-2023. 6.55% initial, decreasing to an ultimate rate of 4.50% for FY 2020-2021. 7.00% initial, decreasing to an ultimate rate of 4.50% for prior years.
Health care cost trend rate- RX	8.00% initial, decreasing to an ultimate rate of 4.50% for FY 2022-2023. 9.00% initial, decreasing to an ultimate rate of 4.50% for FY 2020-2021. 10.00% initial, decreasing to an ultimate rate of 4.50% for prior years.
Mortality	Based on PubG-2010 mortality tables using generational projection of improvement using MP-2021 Ultimate projection scale for FY 2022-2023. Based on RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale for prior years.

There were no changes to benefit terms in 2023. See Note 14 for details regarding actuarial methods and assumptions.

OTHER INFORMATION (UNAUDITED)

DEBT SERVICE COVERAGE

Following is a table that provides information for the Department's debt service coverage for years 2023, 2022, and 2021. The target level for debt service coverage was 1.8x on all bonds for 2023, 2022, and 2021 in accordance with current financial policies (which include a Rate Stabilization Account that will result in greater compliance of actual debt service coverage with the policy-specified level).

($ in millions)

Debt Service Coverage	**December 31**		
	2023	**2022**	**2021**
OPERATING REVENUES:			
Retail power revenues	$ 1,033.7	$ 1,021.5	$ 964.3
Short-term wholesale power revenues	56.2	97.7	66.3
Other power-related revenues (a)(b)(c)	71.1	76.5	59.3
Transfers from/(to) rate stabilization account (d)	9.2	24.4	(2.6)
Other operating revenues	20.7	18.5	21.7
Total operating revenues	$ 1,190.9	$ 1,238.6	$ 1,109.0
OPERATING EXPENSES:			
Long-term purchased power—Bonneville and other (b)	$ 175.4	$ 150.5	$ 207.5
Short-term wholesale power purchases	124.5	86.2	38.5
Other power expenses (b)	102.0	111.9	95.2
Transmission (e)	68.2	61.1	55.7
Distribution	84.4	73.2	68.0
Customer service	59.8	42.4	50.8
Conservation	26.4	26.3	28.8
Administrative and general	140.8	96.6	97.1
Taxes	112.4	119.0	101.5
Depreciation and amortization	159.5	156.8	148.6
Total operating expenses	$ 1,053.4	$ 924.0	$ 891.7
NET OPERATING REVENUE (f)	$ 137.5	$ 314.6	$ 217.3
Adjustments to Net Operating Revenue (g)			
City Taxes (h)	$ 57.6	$ 66.8	$ 53.6
Depreciation and amortization	159.5	156.8	148.6
Depreciation & amortization included in operating & maintenance expenses (i)	38.4	49.8	47.1
Pension expense (j)	34.3	(2.5)	1.5
Pension contributions (j)	(29.6)	(29.0)	(28.9)
Valuation on exchange power, net (b)(c)	-	-	-
BPA Conservation Augmentation/Agreement revenue (k)	(2.9)	(2.7)	(2.6)
Investment income (l)	19.0	12.1	8.7
Non-cash expenses (m)	-	1.4	4.4
Other (n)	(1.3)	1.0	(0.7)
Total adjustments	$ 275.0	$ 253.7	$ 231.7
Net Revenue Available for Debt Service	$ 412.5	$ 568.3	$ 449.0
Total Debt Service (o)	$ 236.5	$ 224.2	$ 216.3
Ratio of Available Net Revenue to Debt Service	1.74x	2.53x	2.08x

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

Notes

(a) Includes conservation and renewable credits under the power sales contract with BPA, the recognition of payments from BPA for the purchase of conservation savings, revenue from deliveries of power to Pend Oreille PUD pursuant to the Boundary Project's FERC license, and other energy credits.
(b) Effective January 1, 2016, the Department adopted GASB Statement No. 72, *Fair Value Measurement and Application.* Non-monetary transactions are measured at fair value and are valued at market. Disclosures required by GASB Statement No. 72 are available in Note 2 Fair Value Measurement.
(c) Includes significant activity for the valuation of energy delivered under seasonal exchanges, basis sales, and other power exchange contracts. Energy exchanges have both revenue and expense components; therefore, a net revenue or expense adjustment is made for a given year.
(d) Transfers from/(to) the RSA in accordance with Ordinance No. 123260, primarily to address fluctuations in surplus power sales.
(e) Includes revenue from the short-term sale of excess transmission capacity.
(f) Operating Income per audited financial statements.
(g) 2023 Changes to Debt Service Coverage calculation: Many of the adjustments to Net Operating Revenue for the calculation of Debt Service Coverage are at the discretion of the utility. Effective 2023, expenses for claims are being treated 100% as cash and gains on property sales as opposed to only the cash proceeds will be used (no impact in 2023). Significant non-cash transactions are adjusted from Net Operating Revenue to calculate Revenue Available for Debt Service. Furthermore, some types of revenue in addition to Operating Revenue are included to calculate Revenue Available for Debt Service. These adjustments are listed in the remaining lines within the table.
(h) City taxes are excluded because the lien on such taxes is junior to debt service in accordance with the Bond Legislation.
(i) The majority of the depreciation and amortization (non-cash) expenses included in Operating and Maintenance Expense are for amortization of conservation expenses that are recognized over a 20-year period.
(j) GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, a non-cash item.
Two components: (1) Pension expense is an estimated amount based on actuarial reports. (2) Pension contributions is an adjustment for the payments made by the department to the Seattle City Retirement System after the measurement date of the actuarial reports to classify as deferred outflows. Actual pension expense posts with payroll related to employee expense, and is auto-allocated through payroll. Actuarial pension + pension contributions + minor retirement settlement payouts = FERC 92610 YTD amount. We subtract out this FERC 92610 balance except minor retirement settlement payouts for the debt coverage calculation, because the actual cash contributions were already recorded via payroll.
(k) Payments received for conservation measures are initially recorded as unearned revenue. The adjustment represents the amount of revenue amortized and recognized over future periods for financial reporting, a non-cash transaction.
(l) Investment income is not included in Total Revenue in this table; therefore, an adjustment is made to Net Operating Revenue, consisting primarily of interest earnings from City's cash pool and interest receipts from suburban underground charges. This amount excludes unrealized gains and losses, which are non-cash adjustments.
(m) Effective 2023 expenses for claims are being treated as 100% cash. Effective 2018 includes adjustment for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in addition to primarily claim expenses and capital projects expenditures from prior year which were determined not to be capital expenditures.
(n) Includes proceeds from sale of properties, principal receipts from suburban underground charges from local jurisdictions, and miscellaneous items.
(o) Net of federal bond subsidies.

DEBT SERVICE COVERAGE: ALL BONDS

Year Ending December 31	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
($ in millions)			
2023	$ 412.5	$ 236.5	1.74
2022	568.3	224.2	2.53
2021	449.0	216.3	2.08
2020	386.3	223.0	1.73
2019	462.7	220.8	2.10

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON LONG-TERM DEBT

Year Ending December 31 *($ in millions)*	Fixed Rate Bonds			Variable Rate Bonds			
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Total [a]
2024	$ 129.3	$ 111.7	$ 241.0	$ 2.3	$ 7.3	$ 9.6	$ 250.6
2025	120.4	103.9	224.3	2.4	7.5	9.9	234.2
2026	114.5	98.2	212.7	5.9	7.4	13.3	226.0
2027	93.4	92.6	186.0	6.1	7.1	13.2	199.2
2028	96.8	87.8	184.6	6.4	6.9	13.3	197.9
2029	92.8	83.3	176.1	6.6	6.6	13.2	189.3
2030	77.8	79.1	156.9	6.9	6.3	13.2	170.1
2031	80.0	74.9	154.9	7.2	6.0	13.2	168.1
2032	83.4	71.1	154.5	7.4	5.8	13.2	167.7
2033	88.1	67.7	155.8	7.8	5.5	13.3	169.1
2034	89.9	63.7	153.6	8.1	5.1	13.2	166.8
2035	94.7	59.7	154.4	8.4	4.8	13.2	167.6
2036	104.5	55.4	159.9	8.7	4.4	13.1	173.0
2037	95.2	50.7	145.9	9.1	4.0	13.1	159.0
2038	100.5	46.2	146.7	9.5	3.7	13.2	159.9
2039	104.5	41.9	146.4	9.9	3.3	13.2	159.6
2040	108.7	37.3	146.0	10.3	2.9	13.2	159.2
2041	99.0	32.8	131.8	10.7	2.4	13.1	144.9
2042	86.4	29.0	115.4	11.1	2.0	13.1	128.5
2043	90.2	25.3	115.5	11.5	1.5	13.0	128.5
2044	84.4	21.4	105.8	12.0	1.1	13.1	118.9
2045	78.8	17.8	96.6	12.5	0.5	13.0	109.6
2046	73.9	14.5	88.4	5.6	0.2	5.8	94.2
2047	69.5	11.2	80.7	-	-	-	80.7
2048	58.0	8.1	66.1	-	-	-	66.1
2049	45.1	5.8	50.9	-	-	-	50.9
2050	33.3	4.0	37.3	-	-	-	37.3
2051	27.9	2.5	30.4	-	-	-	30.4
2052	19.6	1.2	20.8	-	-	-	20.8
2053	8.7	.2	8.9	-	-	-	8.9
Total	$ 2,449.3	$ 1,399.0	$ 3,848.3	$ 186.4	$ 102.3	$ 288.7	$ 4,137.0

[a] Maximum debt service of $250.6 million is due in 2024. See Note 9 Long-term debt.
Note: All parity bonds of the Department are fixed rate bonds except the 2021B and 2023B bonds which are variable rate bonds.

OTHER INFORMATION (UNAUDITED)

STATEMENT OF LONG-TERM DEBT

As of December 31, 2023

($ in millions)

Bond Series	When Due	Interest Rate (%)	Amount Issued	Amount Outstanding	Amount Due Within One Year	Accrued Interest
Series 2010A	2024	4.947	7.7	7.7	7.7	0.2
Series 2010A	2025	5.047	8.0	8.0	-	0.2
Series 2010A	2026	5.147	8.2	8.2	-	0.2
Series 2010A	2027	5.247	8.5	8.5	-	0.2
Series 2010A	2028-2030	5.470	27.4	27.4	-	0.6
Series 2010A	2031-2040	5.570	102.6	102.6	-	2.3
Series 2010C	2022-2040	5.590	13.3	13.3	-	0.3
Series 2011B	2027	5.750	10.0	10.0	-	0.2
Series 2012A	2037-2041	4.000	49.1	39.3	-	0.1
Series 2012C	2028	3.400	4.3	4.2	-	-
Series 2012C	2029	3.500	7.7	7.7	-	-
Series 2012C	2030	3.500	7.7	7.7	-	-
Series 2012C	2031-2033	3.750	23.4	23.4	-	0.1
Series 2014	2022-2029	5.000	163.2	21.2	13.1	0.2
Series 2014	2030-2038	4.000	53.9	26.3	-	0.4
Series 2014	2039-2040	4.000	14.8	14.8	-	0.2
Series 2014	2041-2044	4.000	33.3	33.3	-	0.5
Series 2015A	2022-2026	5.000	62.9	16.8	6.4	0.1
Series 2015A	2027-2045	4.000	109.0	79.7	-	0.6
Series 2016A	2036-2041	4.050	31.9	31.9	-	0.6
Series 2016B	2022-2028	5.000	103.0	60.2	10.9	0.7
Series 2016B	2029	4.000	13.9	13.9	-	0.2
Series 2016C	2022-2026	5.000	56.9	15.7	9.2	0.2
Series 2016C	2027-2046	4.000	103.9	103.9	-	1.1
Series 2017C	2022-2032	5.000	174.2	95.5	12.9	1.4
Series 2017C	2033-2047	4.000	211.3	211.3	-	3.0
Series 2018A	2022-2029	5.000	60.2	37.1	5.4	0.8
Series 2018A	2030-2048	4.000	203.6	203.6	-	4.2
Series 2019A	2022-2049	5.000	210.5	196.8	3.8	2.5
Series 2019B	2022-2026	5.000	140.3	71.5	25.3	1.5
Series 2020A	2022-2030	5.000	78.5	71.9	2.3	1.6
Series 2020A	2031-2050	4.000	119.8	119.8	-	2.6
Series 2021A	2022-2031	5.000	63.6	46.8	8.8	1.0
Series 2021A	2032-2051	4.000	196.2	196.2	-	4.1
Series 2021B	2022-2045	1.91 - 4.77 [A]	100.6	100.6	-	0.3
Series 2022	2024 - 2052	5.000	257.7	239.5	18.7	6.0
Series 2023A	2024 - 2053	5.000	273.6	273.6	4.8	5.9
Series 2023B	2024 - 2046	2.18 - 4.78 [A]	85.8	85.8	2.3	0.3
Total			$ 3,200.5	$ 2,635.7	$ 131.6	$ 44.4

[A] Range of adjustable rates in effect during 2023.

Note: All parity bonds of the Department are fixed rate bonds except the 2021B bond and 2023B bond, which are variable rate bonds.

POWER COSTS AND STATISTICS

Year ending December 31 *($ in millions)*	2023	2022	2021	2020	2019
POWER COSTS					
Hydroelectric generation[a][c]	$ 57.5	$ 67.5	$ 63.0	$ 58.2	$ 54.4
Long-term purchased power[b]	175.4	150.5	207.5	216.6	215.9
Wholesale power purchases[c][e]	124.5	86.2	38.5	10.0	34.3
Fair valuation & other power purchases[b][e]	34.8	38.3	34.1	15.2	21.9
Owned transmission[a]	21.1	15.3	16.9	16.4	15.7
Wheeling expenses	55.2	53.3	45.9	44.9	43.3
Other power expenses	28.7	24.6	15.9	16.3	14.5
Total power costs	497.2	435.7	421.8	377.6	400.0
Less short-term wholesale power sales[c]	(56.2)	(97.6)	(66.3)	(51.3)	(43.2)
Less other power-related revenues	(30.9)	(31.6)	(26.7)	(29.3)	(36.8)
Less fair valuation other power-related[b]	(40.2)	(45.0)	(32.6)	(11.4)	(15.4)
Net power costs	$ 369.9	$ 261.5	$ 296.2	$ 285.6	$ 304.6
POWER STATISTICS (MWh)					
Hydroelectric generation[c]	4,598,884	6,184,745	6,009,237	6,017,176	5,346,373
Long-term purchased power[b]	5,591,837	5,343,858	5,945,779	6,173,078	6,243,569
Wholesale power purchases[c][e]	1,574,433	1,148,487	1,281,656	633,111	1,028,182
Wholesale power sales[c][e]	(1,364,663)	(1,951,244)	(2,543,488)	(2,605,592)	(2,123,263)
Other[d]	(761,962)	(907,823)	(1,164,379)	(1,003,455)	(958,287)
Total power available	9,638,529	9,818,023	9,528,805	9,214,318	9,536,574
Less self consumed energy	(26,797)	(27,466)	(26,537)	(26,203)	(26,962)
Less system losses	(571,666)	(472,664)	(423,886)	(549,228)	(387,653)
Total power delivered to retail customers	9,040,066	9,317,893	9,078,382	8,638,887	9,121,959
Net power cost per MWh delivered (Net power costs divided by Total power delivered to retail customers)	$ 40.91	$ 28.06	$ 32.62	$ 33.05	$ 33.38

(a) Including depreciation.
(b) Long-term purchased power, fair valuation & other power purchases, and fair valuation other power-related include energy exchanged under seasonal and other exchange contracts are valued at market.
(c) The level of generation (and consequently the amount of power purchased and sold on the wholesale market) can fluctuate widely from year to year depending upon water conditions in the Northwest region.
(d) "Other" includes seasonal exchange power delivered and miscellaneous power transactions.
(e) Bookout purchases are excluded from wholesale power purchases and are reported on a net basis in wholesale power sales, however MWh are presented gross.

HISTORICAL ENERGY RESOURCES (in MWh)

	2023	2022	2021	2020	2019
Department-Owned Generation					
Boundary Project	2,851,570	3,712,739	3,211,443	3,576,351	3,307,074
Skagit Hydroelectric Project:					
Gorge	726,576	989,832	988,738	958,211	832,815
Diablo	551,388	590,907	847,067	703,719	610,968
Ross	413,109	749,013	823,907	655,524	524,516
Cedar Falls/Newhalem	25,809	83,538	83,424	81,065	41,376
South Fork Tolt	30,432	58,716	54,658	42,306	29,624
Subtotal	4,598,884	6,184,745	6,009,237	6,017,176	5,346,373
Energy Purchases					
Bonneville	4,039,150	3,804,606	4,119,204	4,299,280	4,388,973
Priest Rapids	19,221	26,770	23,601	25,596	19,866
Columbia Basin Hydropower	249,373	262,947	265,850	258,498	219,094
High Ross	303,454	305,764	315,101	309,960	307,599
Lucky Peak	332,046	234,067	221,981	254,619	364,089
Stateline Wind Project	-	74,161	360,191	380,795	338,452
Condon	33,437	-	-	-	-
Columbia Ridge	78,333	86,968	92,937	102,421	101,615
Seasonal and Other Exchange[a]	536,823	548,575	546,914	541,909	503,881
Wholesale Market Purchases[b]	1,574,433	1,148,487	1,281,656	633,111	1,028,182
Subtotal	7,166,270	6,492,345	7,227,435	6,806,189	7,271,751
Total Department Resources	11,765,154	12,677,090	13,236,672	12,823,365	12,618,124
Minus Offsetting Energy Sales					
Firm Energy Sales and Marketing Losses[c] [d]	187,728	426,932	695,102	505,727	387,615
Seasonal and Other Exchange[a]	574,234	480,891	469,277	497,728	570,672
Wholesale Market Sales	1,364,663	1,951,244	2,543,488	2,605,592	2,123,263
Total Energy Resources	9,638,529	9,818,023	9,528,805	9,214,318	9,536,574

(a) Includes exchange contracts with Grant County and Lucky Peak Project

(b) Purchases to compensate for low water conditions and to balance loads and resources.

(c) Energy provided to Public Utility District of Pend Oreille County under the Boundary Project's FERC license and include incrementa losses due to expanded activity in the wholesale market.

(d) Starting in 2015 Power Management stopped reporting secondary area line losses. We have retroactivly adjusted Firm Energy Sales and Marketing Losses to reflect this change.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

CUSTOMER STATISTICS

Years ended December 31,		2023		2022		2021		2020		2019
Average number of customers:										
Residential		451,055		441,926		433,686		426,359		419,601
Industrial		60		60		61		-		-
Commercial		52,106		51,677		51,408		51,219		50,779
Total		503,221		493,663		485,155		477,578		470,380
Megawatt-hours[(a)]:										
Residential	35%	3,158,610	36%	3,334,209	37%	3,320,729	37%	3,192,877	34%	3,091,019
Industrial	8%	758,764	9%	808,355	9%	817,060	0%	-	0%	-
Commercial	57%	5,122,692	55%	5,175,329	54%	4,940,593	63%	5,446,010	66%	6,030,940
Total	100%	9,040,066	100%	9,317,893	100%	9,078,382	100%	8,638,887	100%	9,121,959
Average annual revenue per customer[(a)]:										
Residential		$ 900		$ 917		$ 902		$ 890		$ 859
Industrial		$ 1,162,685		$ 1,183,231		$ 1,126,113		$ -		$ -
Commercial		$ 10,688		$ 10,514		$ 9,779		$ 10,651		$ 11,361

* Seattle City Light changed customer counts to Service Agreement effective September 2016 with the implementation of the new retail electric billing system. Service Agreement determines how Seattle City Light and Seattle Public Utilities charge customers for services provided. An account can have several Service Agreements for the different types of services.

*Beginning 2021, Seattle City Light separated the non-residential category into industrial and commercial categories in the customer statistics table.

Years ended December 31,		2023	2022	2021	2020	2019
Average annual consumption per customer (kWhs)[(a)(b)]:						
Residential	- Seattle	7,003	7,545	7,657	7,489	7,367
	- National	n/a	10,791	10,632	10,715	10,649
Industrial	- Seattle	12,646,067	13,472,583	13,394,426	-	-
	- National	n/a	971,886	978,871	966,514	1,050,440
Commercial	- Seattle	98,313	100,148	96,105	106,329	118,768
	- National	n/a	72,567	69,875	68,651	73,205
Average rate per kilowatt-hour (cents)[(a)(b)]:						
Residential	- Seattle	12.85	12.16	11.78	11.88	11.66
	- National	n/a	15.04	13.66	13.15	13.01
Industrial	- Seattle	9.19	8.78	8.41	-	-
	- National	n/a	8.32	7.18	6.67	6.81
Commercial	- Seattle	10.87	10.50	10.18	10.02	9.57
	- National	n/a	12.41	11.21	10.59	10.67

(a) Source of national data: Department of Energy (www.eia.doe.gov/electricity/annual/). 2023 National average annual consumption data and average rate data not available. Certain 2022-2019 national average annual consumption and national average rate data were updated with revised actuals.
(b) Seattle amounts include an allocation for the net change in unbilled revenue. Unbilled revenue excludes retail customer voluntary payments for conservation and solar energy as well as revenue from diverted electricity and electric vehicle charging.

NOTE 1: A comprehensive rate change of 4.5% became effective Janaury 1, 2023
NOTE 2: As of April 2021, the Rate Stabilization Account (RSA) surcharge of 3% was discontinued for all residential and non-residential rates schedules.
NOTE 3: A Bonneville Power Administration (BPA) passthrough adjustment of -1.8% is being applied to all retail energy charges beginning January 1, 2022.
NOTE 4: Notice of public hearings on future rate actions may be obtained on request to:
The Office of the City Clerk, 600-4th Ave, Floor Three, Seattle, WA 98104. Phone number 206-684-8344.
Additional information about city of Seattle Council meetings can be found on the Web at www.seattle.gov/council/calendar.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

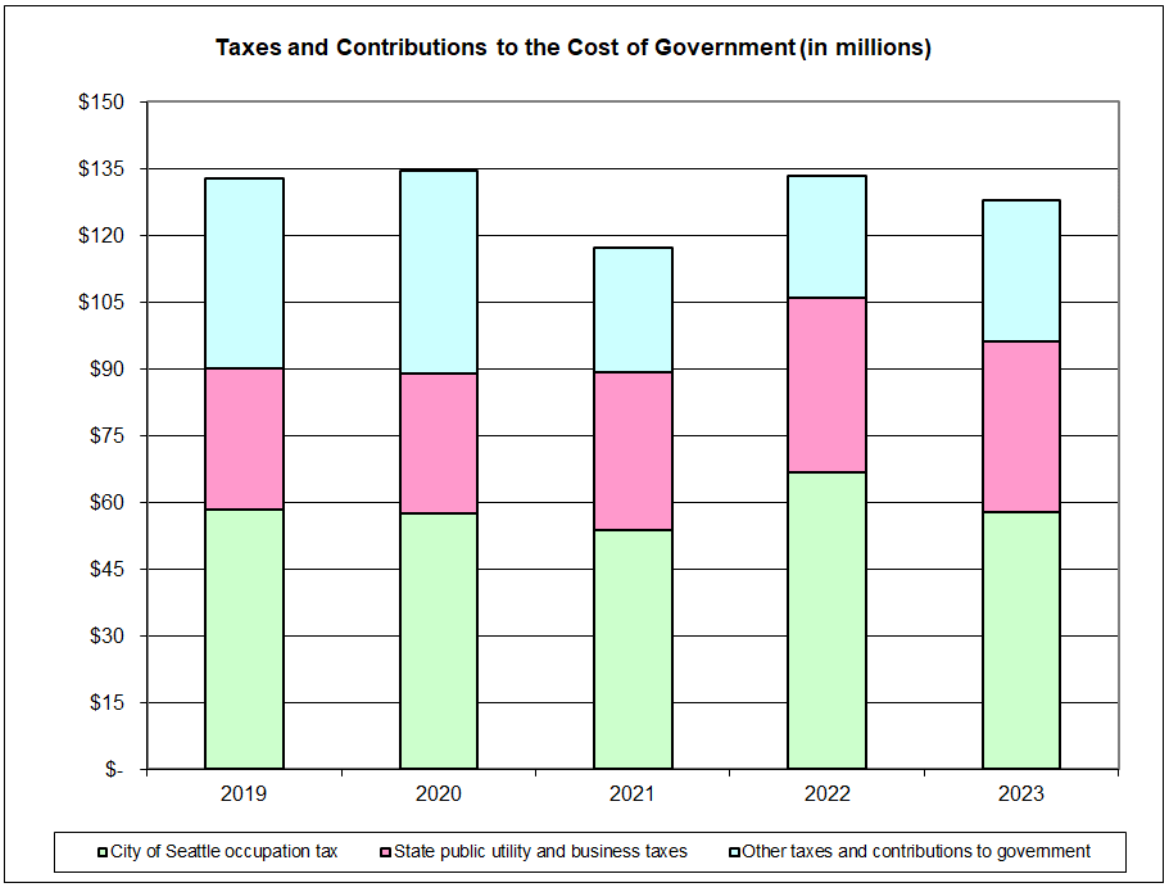
OTHER INFORMATION (UNAUDITED)

TAXES AND CONTRIBUTIONS BY SEATTLE CITY LIGHT TO THE COST OF GOVERNMENT
(Unaudited)

(in millions)

Years ended December 31,	2023	2022	2021	2020	2019
Taxes					
City of Seattle occupation utility tax	$ 57.6	$ 66.7	$ 53.6	$ 57.5	$ 58.4
State public utility and business taxes	38.6	39.1	35.7	31.3	31.5
Suburban contract payments and other	10.2	7.5	6.9	7.3	6.8
Contract payments for government services	6.0	5.7	5.3	5.1	3.3
Total taxes as shown in statement of revenues and expenses	112.4	119.0	101.5	101.2	100.0
Taxes/licenses charged to accounts other than taxes	1.8	2.4	2.1	16.7	15.5
Other contributions to the cost of government	13.5	11.9	13.4	16.5	17.1
Total miscellaneous taxes	15.3	14.3	15.5	33.2	32.6
Total taxes and contributions	$ 127.7	$ 133.3	$ 117.0	$ 134.4	$ 132.6

Note: Electric rates include all taxes. The State Public Utility Tax rate for retail electric power sales was 3.8734%.
The City of Seattle Occupation Utility Tax rate was 6% for in-state retail electric power sales.



PUBLIC PURPOSE EXPENDITURES (Unaudited)

Years ended December 31,	2023	2022	2021	2020	2019
CONSERVATION					
Annual energy savings (megawatt hours) A	63,046	47,364	91,271	80,731	111,735
Programmatic conservation expenses B					
Non-low income	$ 21.8	$ 19.1	$ 19.7	$ 20.3	$ 23.8
Low income	3.3	2.4	2.7	1.7	3.1
Non-programmatic conservation expenses C	4.1	4.2	4.7	4.8	6.4
Subtotal	29.2	25.7	27.1	26.8	33.3
OTHER PUBLIC PURPOSE EXPENDITURES					
Low-income energy assistance D	28.4	26.7	29.2	23.4	18.8
Non-hydro renewable resources E	17.5	19.4	38.3	39.7	34.5
Subtotal	45.9	46.1	67.5	63.1	53.3
NET PUBLIC PURPOSE SPENDING	75.1	71.8	94.6	89.9	86.6
Revenue from retail electric sales	$ 1,033.7	$ 1,021.5	$ 964.3	$ 926.7	$ 938.9
PERCENT PUBLIC PURPOSE SPENDING TO RETAIL ELECTRIC SALES					
Conservation only	2.8%	2.5%	2.8%	2.9%	3.5%
Low-income assistance & non-hydro renewables	4.4%	4.5%	7.0%	6.8%	5.7%
Total	7.2%	7.0%	9.8%	9.7%	9.2%

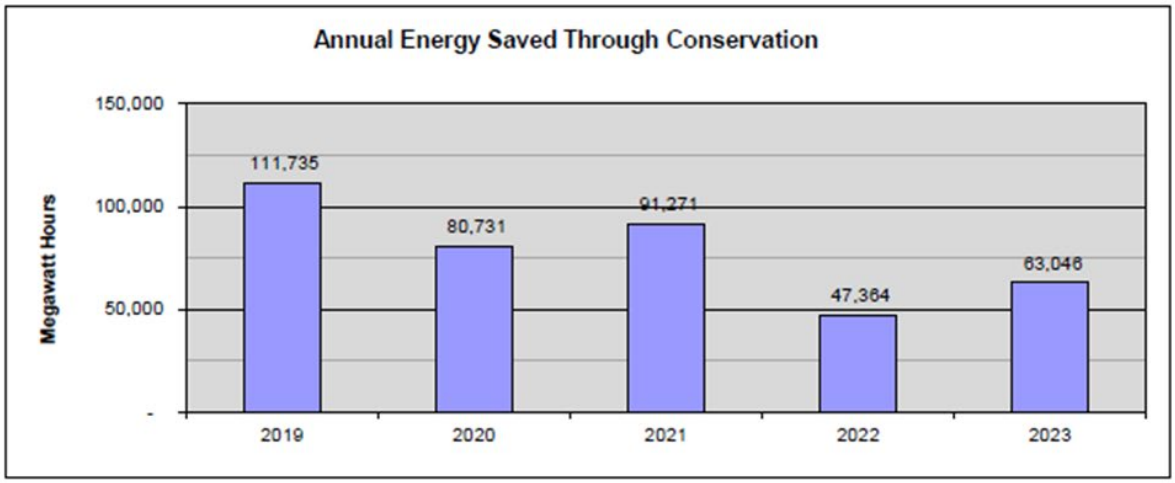
A Energy savings are from completed projects in that year include those from Northwest Energy Efficiency Alliance, residential behavior programs and applicable Transmission & Distribution benefit.

B Programmatic conservation expenditures are deferred and amortized over a 20-year period in accordance with City Council-passed resolutions and Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*. Non-low income programmatic conservation includes expenditures for program measures, customer incentives, field staff salaries, energy code enforcement, and direct program administration. They do not include expenditures related to solar or other renewable programs. Low-income programmatic conservation includes these types of expenditures for the Department's HomeWise and Low-Income Multifamily Programs.

C Non-programmatic expenditures include program planning, evaluation, data processing, and general administration. These expenses are not associated with measured energy savings.

D Low-income assistance includes rate discounts and other programs that provide assistance to low income customers.

E Non-hydro renewable resources include energy generated from various sources bundled with renewable energy certificates (RECs) and purchased RECs which are funded from current revenues to comply with State of Washington Energy Independence Act (RCW 19.285).



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

To the Sustainability, City Light, Arts and Culture Committee of
City of Seattle, City Light Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the City of Seattle, City Light Department (Department), which comprise the Department's statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Madison, Wisconsin
April 30, 2024

APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

Seattle is the largest city in the Pacific Northwest, serves as the County seat and is the center of the County's economic activity. King County is the largest county in the State in population, number of cities and employment, and the twelfth most populous county in the United States. Of the State's population, nearly 30% reside in the County, and of the County's population, 33% live in the City of Seattle.

Population

The most recently released historical and current population counts and estimates for the State of Washington, the County, and the City are given below.

POPULATION

Year	Washington	King County	Seattle
2014 [1]	7,005,504	2,021,027	638,784
2015 [1]	7,106,989	2,061,981	660,908
2016 [1]	7,237,661	2,118,958	684,136
2017 [1]	7,344,589	2,149,910	694,513
2018 [1]	7,464,069	2,187,460	707,555
2019 [1]	7,582,481	2,227,755	724,144
2020 [2]	7,705,281	2,269,675	737,015
2021 [1]	7,766,975	2,287,050	742,400
2022 [1]	7,864,400	2,317,700	762,500
2023 [1]	7,951,150	2,347,800	779,200
2024 [1]	8,035,700	2,128,525	797,700

(1) Source: State of Washington, Office of Financial Management

(2) Source: U.S. Department of Commerce, Bureau of Census

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division, the County, the State, and the United States.

PER CAPITA INCOME

	2018	2019	2020	2021	2022
Seattle MD	$ 78,993	$ 84,170	$ 89,596	$ 99,417	$ 101,703
King County	87,809	93,620	99,372	111,117	113,819
State of Washington	56,805	63,405	67,674	74,188	75,332
United States	51,004	55,547	59,153	64,430	65,470

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued within the City. The value of public construction is not included in this table.

CITY OF SEATTLE
RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2019	507	139,195,045	10,277	1,554,462,494	1,693,657,539
2020	247	111,343,923	5,479	637,037,156	748,381,079
2021	264	78,231,798	11,716	1,849,751,186	1,927,982,984
2022	418	118,165,369	8,572	1,504,100,013	1,622,265,382
2023	473	140,275,496	4,826	787,765,782	928,-041,278

Source: U.S. Bureau of the Census

Retail Activity

The following tables present information on taxable retail sales in King County and the City.

THE CITY OF SEATTLE AND KING COUNTY
TAXABLE RETAIL SALES

Year	King County	City of Seattle
2019	$72,785,180,223	$29,953,200,188
2020	66,955,895,952	24,904,879,115
2021	78,440,949,141	30,047,705,303
2022	86,667,370,219	33,660,750,206
2023	88,127,492,720	34,703,387,331

Source: Quarterly Business Review, Washington State Department of Revenue

Employment

The following table presents total employment in Washington State as of May 2024 for certain major employers in the Puget Sound area.

PUGET SOUND
MAJOR EMPLOYERS

Employer	Statewide Employees
Amazon.com Inc.	87,000
The Boeing Co.	66,800
Microsoft Corp.	55,100
Joint Base Lewis-McChord	54,000
University of Washington Seattle	53,300
Providence	46,000
Navy Region Northwest	37,000
Walmart Inc.	22,700
Costco Wholesale Corp.	21,500
Kroger Co.	21,000
MultiCare Health System	20,700
Albertsons Cos. dba Safeway, Haggen, Albertsons	20,000
Virginia Mason Franciscan Health	18,000
City of Seattle[(1)]	15,400
King County[(2)]	15,000
Alaska Air Group Inc.	11,400
Seattle Children's	10,200
Starbucks Coffee Co.	10,000
Meta Platforms	8,000
Kaiser Permanente	7,500
Google Inc.	7,000
T-Mobile US Inc.	6,600
Nordstrom Inc.	6,500
Seattle Public Schools	6,300
Fred Hutchinson Cancer Center	6,200

(1) Source: City of Seattle, as of the end of 2023

(2) Source: King County, as of the end of 2023

Source: Puget Sound Business Journal, Publication Date June 14, 2024 (figures are rounded)

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT[1]

	Annual Average				
	2019	**2020**	**2021**	**2022**	**2023**
Civilian Labor Force	1,288,392	1,284,318	1,279,639	1,319,911	1,352,598
Total Employment	1,253,834	1,184,949	1,226,665	1,281,609	1,308,158
Total Unemployment	34,558	99,369	52,974	38,302	44,440
Percent of Labor Force	2.7%	7.7%	4.1%	2.9%	3.3%
NAICS INDUSTRY	**2019**	**2020**	**2021**	**2022**	**2023**
Total Nonfarm	1,467,983	1,383,750	1,411,692	1,479,592	1,497,700
Total Private	1,292,433	1,211,875	1,241,750	1,313,417	1,323,133
Goods Producing	186,058	172,467	169,067	173,125	175,117
Mining and Logging	500	475	433	425	483
Construction	79,533	76,675	79,467	80,575	79,958
Manufacturing	106,000	95,267	89,158	92,108	94,683
Service Providing	1,281,925	1,211,283	1,242,625	1,306,467	1,322,583
Trade, Transportation, and Utilities	238,575	224,792	232,792	234,442	237,192
Information	121,633	127,817	134,250	140,683	136,875
Financial Activities	75,267	72,600	73,858	76,008	75,033
Professional and Business Services	281,367	286,650	297,142	326,300	317,917
Educational and Health Services	189,592	180,183	184,233	188,842	196,108
Leisure and Hospitality	31,033	27,817	29,425	31,800	34,025
Other Services	62,367	59,100	60,950	61,758	63,283
Government	32,142	29,750	29,583	29,500	30,900
Workers in Labor/Management Disputes	20,092	18,992	17,925	17,625	18,892

	May 2024
Civilian Labor Force	1,327,568
Total Employment	1,270,613
Total Unemployment	56,955
Percent of Labor Force	4.3%

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department.

APPENDIX E

BOOK-ENTRY TRANSFER SYSTEM

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BOOK-ENTRY TRANSFER SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the "Beneficial Owners") should confirm the following with DTC or its participants (the "Participants").

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and

proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Fiscal Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

The following information has been provided by the City.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Bond Registrar is not obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date.

Neither the City nor the Bond Registrar shall have any responsibility or obligation to Participants of DTC or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or its Participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners under the Bond Ordinance (except such notice as is required to be given by the Bond Registrar to DTC).