

**ADDENDUM TO PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2015**

**THE CITY OF SEATTLE, WASHINGTON**

**\$339,145,000<sup>(1)</sup>**

**WATER SYSTEM IMPROVEMENT AND REFUNDING REVENUE BONDS, 2015**

The language in the Preliminary Official Statement under “Water System—Financial Performance and Projections” has been modified to add the fourth and fifth paragraphs shown below.

**Financial Performance and Projections**

The table titled “Operating Results” shows actual revenues and expenses of the Water System for the years 2010 through 2014, as well as projected results for 2015 and 2016. Footnotes for the table are on the following page. The projections reflect projected rate increases effective January 1, 2016.

Overall demand is assumed to decline by approximately 1.2% per year in 2015 and 2016. Regional conservation programs are expected to continue offsetting the impact of population and employment growth on wholesale water demand, while more than offsetting the effects of growth within the City.

In 2015, very low snowpack levels caused State-wide concerns about drought. However, SPU’s water supply outlook remains good. To account for the lack of snow, the Tolt and Chester Morse Reservoirs have been operated to store more rainfall than typical during the late winter/early spring, while still balancing normal goals of municipal water supply, flood management, instream flows, and hydropower generation. The reservoirs are also being operated to capture additional rainfall throughout the spring. SPU monitors and models the reservoirs, and makes operational adjustments on a frequent basis, looking at both short- and long-term perspectives.

On May 15, 2015, the Governor of the State declared a State-wide drought emergency. According to Ecology, the State-wide snowpack is currently at 16% of normal.

SPU’s customers already participate in a number of water conservation efforts (see “Water System—Future Water Supply and Conservation”). However, if SPU’s customers were to further reduce water use in reaction to the State-wide drought declaration, this could cause a decline in Water System revenues. If any such decline were to be significant, SPU would plan to supplement revenues with a withdrawal from the Rate Stabilization Account. See “Security for the Bonds—Rate Covenant—Rate Stabilization Account.” In the unlikely event of extreme declines, the City could consider alterations to its capital improvement plan or rate increases. However, in light of the conservation measures already implemented and the sufficiency of its water supply, the City does not expect declines in consumption to be significant and, on May 15, 2015, the City announced that it has no plans to alter the rate increases previously scheduled for 2016 and 2017. See “Water System—Water Rates.”

*Dated May 18, 2015*

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(1) Preliminary, subject to change.