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, 2021 and 2020,
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 Economic Development, Technology, and City Light 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 (the Department), an enterprise fund of the City of Seattle, Washington, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the Department as of December 31, 2021, and 2020, 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 (GAS). 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 audit. 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 present only the Department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Seattle, Washington, as of December 31, 2021, and 2020, 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 Statements

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 GAS 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 GAS, 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. 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 29, 2022 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.

Baker Tilly US, LLP

Madison, Wisconsin
April 29, 2022

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, 2021 and 2020. 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 485,200 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 accountingprinciples for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). TheDepartment's accounting records also follow the Uniform System of Accounts for Public Licensees prescribedby 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:

Balance Sheets, 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 balance sheets 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. Additional details are noted within the specific areas impacted in the following discussion.

CONDENSED BALANCE SHEETS

($ in millions)	December 31 2021	2020	2019
Assets:			
Utility plant—net	$ 4,372.7	$ 4,207.1	$ 4,041.5
Restricted assets	280.9	324.8	276.5
Current assets	510.7	373.1	449.9
Other assets	428.4	427.1	432.0
Total assets	5,592.7	5,332.1	5,199.9
Total deferred outflows of resources	58.2	65.0	102.7
Total assets and deferred outflows of resources	$ 5,650.9	$ 5,397.1	$ 5,302.6
Liabilities:			
Long-term debt	$ 2,747.1	$ 2,694.8	$ 2,682.5
Noncurrent liabilities	341.6	407.9	459.8
Current liabilities	295.4	271.1	306.8
Other liabilities	34.7	38.0	35.2
Total liabilities	3,418.8	3,411.8	3,484.3
Total deferred inflows of resources	209.3	160.9	116.1
Net position:			
Net investment in capital assets	1,886.0	1,822.8	1,653.7
Restricted:			
Rate stabilization account	25.0	25.0	25.0
Total restricted	25.0	25.0	25.0
Unrestricted—net	111.8	(23.4)	23.5
Total net position	2,022.8	1,824.4	1,702.2
Total liabilities, deferred inflows, and net position	$ 5,650.9	$ 5,397.1	$ 5,302.6

ASSETS

Utility Plant—Net

2021 Compared to 2020 Utility plant assets net of accumulated depreciation and amortization increased $165.6 million to $4,372.7 million in 2021. The following table sets forth the increases in utility plant (before depreciation and amortization) year over year:

Utility Plant Assets:	2021	increase	2020	increase	2019
Hydroelectric Production Plant	$ 992.3	$ 38.1	$ 954.2	$ 15.0	$ 939.2
Transmission Plant	$ 328.1	$ 11.5	$ 316.6	$ 14.3	$ 302.3
Distribution Plant	$3,227.6	$ 126.0	$3,101.6	$ 89.7	$3,011.9
General Plant	$ 423.6	$ 8.9	$ 414.7	$ 9.7	$ 405.0
Intangible Assets	$ 780.5	$ 45.5	$ 735.0	$ 39.3	$ 695.7
	$5,752.1	**$ 230.0**	**$5,522.1**	**$ 168.0**	**$5,354.1**

The $230.0 million increase in utility plant assets to $5,752.1 million was partially offset by a $92.6 million increase in accumulated depreciation and amortization to $2,195.6 million. The components of the increase in utility plant assets include the following:

- The $38.1 million increase in Hydro Assets is primarily due to a $32.1 million increase for Ancillary Electric Equipment, $4.3 million increase for Hydro Structures and $1.7 million increase for Miscellaneous Hydro Equipment.
- The $11.5 million increase in Transmission is primarily due to a $10.6 million increase for Transmission Station Equipment and $0.9 million increase for Transmission Overhead and Underground Lines.
- The $126.0 million increase in distribution plant is due to $43.4 million increase for Network, $31.4 million net increase for Underground, $22.3 million increase for Overhead, $28.1 million increase for Poles, $10.7 million increase for Street Lights, $1.5 million increase for Services offset by $11.4 million decrease for Station Equipment.
- The $8.9 million increase in General plant is primarily due to: $7.2 million increase for General Structure improvements and $1.7 million increase for Equipment and Tools.
- The $45.5 million increase in Intangible assets is primarily due to an $18.9 million increase for net Software and $26.6 million increase for High Ross and Relicensing at Boundary and Skagit.

Other components of utility plant include:

- Construction work-in-progress (CWIP) of $639.8 million, an increase of $27.2 million over the prior year, driven by an addition of $339.8 million offset by capitalization of $312.6 million.
  The $639.8 million of CWIP is for ongoing construction in the following areas:
  - $80.3 million for Substations and structures,
  - $372.1 million for improvements to Distribution System
  - $54.4 million for Hydro
  - $24.2 million for Tools and Equipment
  - $23.0 million for Software
  - $53.5 million for Transmission
  - $32.3 million for miscellaneous capital
- Nonoperating property has a balance of $17.8 million which increased $0.3 million

- Assets held for future use $4.0 million unchanged
- Land and land rights $154.6 million, which increased $0.7 million

See Note 3 Utility Plant of the accompanying financial statements.

2020 Compared to 2019 Utility plant assets net of accumulated depreciation and amortization increased $165.6 million to $4,207.1 million in 2020. Utility plant assets are composed of hydroelectric production plant, $954.2 million, which increased $15.0 million, transmission plant, $316.6 million, which increased $14.3 million, distribution plant, $3,101.6 million, which increased $89.7 million, general plant, $414.7 million, which increased $9.7 million, and intangible assets, $735.0 million, which increased $39.3 million. The net increase in utility plant assets was partially offset by a $123.6 million net increase in accumulated depreciation and amortization to $2,103.0 million.

The $89.7 million increase in distribution plant is primarily due to overhead and underground systems, $48.9 million, network systems, $23.5 million, poles, streetlights, and meters, $17.3 million. An increase of $39.3 million in intangibles is primarily due to licensing costs. An increase of $15.0 million in hydro assets is primarily due to Ross water pipe replacement, $5.6 million and Diablo units 31 and 32 rebuild, $3.1 million.

Other components of utility plant include construction work-in-progress, $612.6 million, which increased $119.2 million, land and land rights, $153.9 million, which increased $1.3 million. The increase in construction work-in-progress is primarily due to $321.8 million in additions, partially offset by capitalization of $202.7 million. The additions in construction work-in-progress consist mainly of $110.7 million in underground and overhead systems, primarily due to Denny network, $52.4 million in billable service connections, $44.2 million in generation projects primarily due to Boundary units 51, 52 and 54 rebuild, $29.8 million in intangibles, $25.8 million in general plant, $18.1 million in data processing systems, $13.8 million in transmission, and $13.7 million in street lighting.

Restricted Assets

2021 Compared to 2020 Restricted assets consisting of restricted cash decreased by $43.9 million to $280.9 million.

Construction funds increased by $17.9 million to $56.2 million. The ending balance reflects unspent proceeds from the 2021A bonds that will continue to be used in 2022 to fund a portion of the ongoing capital improvement program.

The Rate Stabilization Account (RSA) increased by a net $2.6 million to $99.4 million. Details are below:

($ in millions)	2021	2020
Rate Stabilization Account		
Beginning balance	$ 96.8	$ 74.1
Council authorized transfer to RSA	15.0	-
Surcharge revenue	6.6	23.5
RSA interest income	1.4	1.5
Operating revenue	(20.4)	(2.3)
Ending balance	$ 99.4	$ 96.8

A 3.0% surcharge on electric rates ended March 2021. Low net wholesale revenue due to strong retail demand coupled with dry hydro conditions and high market prices significantly reduced the RSA balance in Q3 2021. In response, the City Council authorized a $15.0 million transfer into the RSA from operating funds to prevent an RSA surcharge from triggering. Additions to the RSA came from rate surcharge revenues of $6.6 million plus interest earnings of $1.4 million. These additions were partially offset by transfers of funds to operating cash of $20.4 million due to the difference between actual and budgeted net wholesale revenues. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets decreased by $64.4 million to $125.3 million. The bond reserve account decreased by $57.9 million primarily due to a $60.0 million transfer of surplus funds from the bond reserve to operating cash, offset by $2.1 million of interest income for the Department's share of City pooled cash investments attributed to remaining bond proceeds. The debt service account increased by $4.9 million mainly due to 2021A bond debt service interest payment. Special deposits and other restricted assets decreased by $11.4 million due to decrease in customer prepayments and special deposits.

2020 Compared to 2019 Restricted assets consisting of restricted cash increased by $48.3 million to $324.8 million.

Construction funds increased by $16.1 million to $38.3 million. The ending balance was for unspent proceeds from the 2020A bonds that will continue to be used in 2021 to fund a portion of the ongoing capital improvement program. Also, within the ending balance was a positive fair value adjustment for the Department's share of City pooled cash investments attributed to remaining bond proceeds.

The Rate Stabilization Account (RSA) increased by a net $22.7 million to $96.8 million. A surcharge on electric rates of 3.0% in 2020 reflects the original 1.5% surcharge in effect since August 2016 plus an additional 1.5% surcharge imposed in November 2019. Additions to the RSA came from rate surcharge revenues of $23.5 million plus interest earnings of $1.5 million. These were offset by transfers of funds to operating cash of $2.3 million due to the difference between actual and budgeted net wholesale revenues. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets increased by $9.5 million to $189.7 million. The Bond reserve account increased by $7.3 million primarily from the additional deposit of the 2020A bonds. The debt service account increased by $2.2 million.

Current Assets

2021 Compared to 2020 Current assets increased by $137.6 million to $510.7 million at the end of 2021.

Operating cash increased by $90.7 million to $193.1 million. Increased inflows to cash were from increased retail revenue, a $60.0 million transfer from the bond reserve, increased transfers from the RSA, lower debt service and bond defeasance. These were offset by lower net wholesale revenues, a Council-authorized $15.0 million transfer to the RSA, and higher ongoing operating expense.

Accounts receivable, net, increased by $31.0 million to $175.8 million. Retail electric receivables increased by $14.6 million, offset by a $5.7 million increase in allowance mainly due to the impact of collections forbearance.

Sundry receivables increased by a net $11.1 million consisting mainly of $13.2 million in large project service connections offset by an increase in the allowance by $2.1 million. Pandemic response measures contributed to the higher allowance as collection efforts were suspended for sundry billings.

The remaining increase in accounts receivable included an increase of $1.5 million in short-term wholesale energy and transmission primarily attributable to higher electric market prices influenced by higher natural gas prices and a $9.5 million increase in accounts receivable from other governments, mostly related to FERC Land Use fee refund from 1996 - 2019 per court order. The FERC refund will be applied as credits against future FERC fee invoices.

Unbilled revenues increased by $11.6 million due to higher load resulting from freezing temperatures and snow during the last week of December 2021.

Materials and supplies increased by $4.3 million for projects in progress.

2020 Compared to 2019 Current assets decreased by $76.8 million to $373.1 million at the end of 2020.

Operating cash decreased by $87.8 million to $102.4 million. Increased inflows to cash were from the 5.5% system average rate increase effective January 1, 2020, RSA surcharges, net wholesale revenues, capital contributions, interest earnings, and reimbursement from the Construction account for capital expenditures. Substantial capital expenditure reimbursements were made from the Construction account during the 4th quarter from the 2020A bonds. These were offset by payments for higher debt service including advance repayments of $88.6 million of certain prior lien bonds, as well as transfers to RSA, capital construction projects, purchasedpower contracts, and ongoing operations.

Accounts receivable, net, increased by $12.3 million to $144.8 million. The highest increase in the amount of $6.4 million, net, was for retail electric accounts, which were greatly impacted by pandemic response efforts. Retail electric receivables increased by $21.4 million, offset by an increase in the allowance of $12.8 million and decrease of $2.3 million from increased customer participation in the Utility Discount Program and deferred payment plans. The rate increase in 2020 and the impact of collections forbearance also contributed to the net increase in retail electric accounts.

Sundry receivables increased a net $1.6 million consisting mainly of higher large project service connections of $6.9 million offset by an increase in the allowance of $1.5 million, and payment of $3.8 million in Sound Transit electrical work, some of which pertained to prior years. COVID-19 also affected the higher allowance as collection efforts were suspended for sundry billings.

The remaining increase in accounts receivable of $4.4 million is for power related receivables for short-term wholesale energy. This increase is attributable to higher power market prices, $2.0 million, wind generation stored power, $1.4 million, and receivable from the Federal Energy Regulatory Commission related to current year land use fees, $1.0 million.

Unbilled revenues decreased by $5.1 million due to lower consumption by commercial and industrial customers, responding to pandemic stay at home orders. Materials and supplies increased by $3.8 million for projects in progress.

Other Assets

2021 Compared to 2020 Total Other assets of $428.4 million increased by $1.3 million from 2020.

The regulatory asset for environmental cleanup and environmental recovery increased by $1.6 million and $2.2 million respectively, due to the estimated costs to remediate several Superfund sites along the Duwamish River for which the Department has been designated a responsible party. Environmental cleanup costs are being recovered through rates over a 25-year period. See Note 15 Environmental Liabilities of the accompanying financial statements.

An offsetting decrease of $1.8 million was primarily for ongoing payment from local jurisdictions for underground infrastructure improvements loans. Conservation costs, net, decreased by $0.7 million. See Note 7 Other Assets of the accompanying financial statements.

2020 Compared to 2019 Total Other assets of $427.1 million decreased by $4.9 million from 2019. Conservation costs decreased by $2.9 million for amortization and by $1.8 million for ongoing payment of loans from local jurisdictions for underground infrastructure improvements. This decrease was partially offsetby an increase of $1.6 million for environmental cleanup costs estimated for several Duwamish River Superfund sites for which the Department has been named a responsible party. Environmental cleanup costs are recoveredthrough rates over a 25-year period.

Deferred Outflows of Resources

2021 Compared to 2020 Deferred outflows of resources decreased by $6.8 million to $58.2 million.

In 2021, pension related deferred outflows decreased net $3.2 million mainly due to a $4.1 million decrease in actuarial assumptions partially offset by an increase of $0.8 million in the difference between projected and actual investment earnings. 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) increased by $0.2 million.

Charges on advance refunding decreased a net $3.8 million to $16.3 million. Activity for 2021 consisted of amortization and adjustments for advanced refunding of certain bonds.

2020 Compared to 2019 Deferred outflows of resources decreased by $37.7 million to $65.0 million.

Pension related deferred outflows decreased net $33.8 million primarily because of a year over year decrease in the actuarially determined net difference between projected and actual investment earnings of $33.9 million.This results from strong equity market performance in 2019, the year used as the measurement for actuarial expectations. The most recent actuarial experience study was used to update assumptions including for salary increase, mortality, and retirement rates.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (OPEB) increased by $0.6 million from 2019 for actuarial differences between expected and actual experience, based on the most recent actuarial experience study.

Charges on advance refunding decreased a net $4.5 million to $20.1 million. Activity for 2020 consisted of amortization and adjustment for advanced refunding of certain bonds.

LIABILITIES

Long-Term Debt

2021 Compared to 2020 Long-term debt increased a net $52.3 million to $2,747.1 million during 2021.

The Department issued new debt in the amount of $360.4 million including $259.8 of fixed rate bonds (2021A Bonds) and $100.6 million of variable rate bonds (2021B Bonds). A portion of the 2021A Bonds were used to fund the ongoing capital improvement program and to refund the 2011A Bonds, and the 2021B Bonds were used to refund the 2018B B1 & B2 Bonds, both on a current refunding basis. Also, during 2021, $26.9 million of the 2012A and $48.3 million of 2013 Bonds were defeased.

Debt to capitalization ratio was 56.1% at the end of 2021, a decrease from the 58.3% ratio of 2020.

Net revenues available to pay debt service were equal to 2.08 times principal and interest on all bonds for 2021. Although COVID-19 and associated pandemic response efforts continued to affect financial results during 2021, as noted in results of operations, the coverage ratio increased for 2021. See Note 9 Long-Term Debt of the accompanying financial statements.

2020 Compared to 2019 Long-term debt increased a net $12.3 million to $2,694.8 million during 2020.

The Department issued new debt in the amount of $198.3 million revenue bonds to fund a portion of the ongoing capital improvement program. The 2020 bond issue was fixed rate in nature. $39.4 million of the 2012A revenue bonds and $49.9 million of the 2013 revenue bonds were defeased.

Debt to capitalization ratio was 58.3% at the end of 2020, a decrease from the 60.1% ratio of 2019.

Net revenues available to pay debt service were equal to 1.73 times principal and interest on all bonds for 2020. COVID-19 and associated pandemic response efforts had a significant effect on financial results, as noted in results of operations, and therefore, the lower coverage ratio for 2020.

Noncurrent Liabilities

2021 Compared to 2020 Total non-current liabilities decreased by $66.3 million to $341.6 million at the end of 2021.

Net Pension Liability decreased by $65.7 million based on the most recent actuarial report. This decrease was driven primarily by strong investment performance in 2020. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental Liability decreased by a net $1.8 million to $102.5 million. Environmental liabilities are principally 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 net increase of $1.2 million is the result of an increase in OPEB liability per the most recent actuarial report.

2020 Compared to 2019 Total non-current liabilities decreased by $51.9 million to $407.9 million at the end of 2020.

Net Pension Liability decreased by a net $56.4 million based on the most recent actuarial report, this decrease was due largely to strong investment returns from the preceding year.

Environmental Liability decreased by a net $0.8 million to $104.3 million. Environmental liabilities are principally attributable to the estimated cost of remediating contaminated sediments in the lower Duwamish Waterway, a designated federal Superfund site. The Department is considered 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.

Liabilities for damage claims/lawsuits and worker's compensation increased by $1.6 million based on most recent estimates.

The remaining net increase of $3.7 million was primarily for an increase in the estimate for compensated absences which reflected staff reducing their vacation use during the pandemic.

Current Liabilities

2021 Compared to 2020 Current liabilities increased by a net of $24.3 million for a total of $295.4 million at the end of 2021.

The increase includes $5.6 million for higher debt due within one year, $4.6 million for higher taxes payable due to higher retail revenues and lower state renewable energy tax credit, $3.5 million for short-term wholesale power payable due to higher market prices influenced by higher natural gas prices, $4.1 million for claims payable of environmental remediation liability, $3.7 million for judgment and claims due to updated actuarial report, $2.2 million for higher interest payable as a result of greater bonds outstanding at the end of the year, and $1.0 million for higher payroll accrual offset by a decrease of $0.4 million net other.

2020 Compared to 2019 Current liabilities decreased by a net of $35.7 million for a total of $271.1 million at the end of 2020.

Current liability increases totaled $12.9 million. The increase includes $9.5 million for pole attachment projects in progress with telecommunication companies, $1.2 million for retail electric customer prepayments, and $2.2 million for higher interest payable as a result of greater bonds outstanding at the end of the year.

Current liability decreases totaled $48.6 million. $15.4 million was for lower vouchers payable as invoices were processed timelier than the prior year, $13.1 million for lower payroll accrual, a large portion of which was due to the absence of a COLA accrual for 2020, $6.7 million for payment of call center services payable to Seattle Public Utilities, $4.8 million for lower debt due within one year, $3.2 million for lower retainage payable, $2.5 million for lower state taxes payable, and $2.9 million for other payables.

Other Liabilities

2021 Compared to 2020 Other liabilities decreased by net $3.3 million to $34.7 million, primarily attributed to a $5.3 million decrease in customer prepayments partially offset by a $2.0 million increase in deferred revenue for contributions in aid of construction.

2020 Compared to 2019 Other liabilities increased by $2.8 million to $38.0 million, which reflects a net increase in capital contributions for projects in progress. Increases of $2.9 million for higher unearned capital contributions for large service connections and $1.3 million primarily for smaller service connections were partially offset by $1.4 million in higher actual billings issued against prepayments received for estimated larger service connections.

Deferred Inflows of Resources

2021 Compared to 2020 Deferred inflows of resources increased by $48.4 million for a total of $209.3 million at the end of 2021.

Deferred inflows related to pension liability increased by $35.1 million to $79.8 million. The increase is primarily due to the difference between projected and actual investment earnings of $37.2 million and $0.8 million related to increased changes between employer contributions and proportionate share of contributions. These increases were partially offset by a $2.9 million decrease in deferred inflows related to differences between expected and actual experience.

Deferred inflows of resources pertaining to OPEB decreased by $0.5 million from 2020 to $3.0 million for actuarial changes of assumptions, based on the most recent actuarial experience study.

The rate stabilization unearned revenue account increased a net $2.6 million from 2020. The 3.0% surcharge which ended in March 2021 contributed $6.6 million to the RSA, with an offset of $20.4 million transferred to operating revenues for actual net wholesale revenues which were less than budget. To prevent a surcharge from triggering due to a lower than expected RSA balance, City Council authorized a $15.0 million transfer into the RSA from operating funds in late 2021. $1.4 million in interest income was transferred to the unearned revenue account, resulting in an ending balance of $74.4 million. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other deferred inflows of resources increased by $11.2 million to $52.1 million due to $11.2 million FERC Land Use fee refund from 1996 - 2019 per court order, increase in gain on refunding and other of $1.6 million offset by $1.6 million decrease related to the Department's Energy Conservation Agreement with Bonneville.

2020 Compared to 2019 Deferred inflows of resources increased by $44.8 million for a total of $160.9 million at the end of 2020.

Deferred inflows related primarily to pension liability increased by $18.5 million to $44.7 million. $23.0 million was due to higher actuarially determined net difference between projected and actual investment earnings and $1.8 million related to differences between expected and actual experience. These were offset by $6.3 million for lower changes between employer contributions and proportionate share of contributions.

Deferred inflows of resources pertaining to OPEB increased by $0.3 million from 2019 for actuarial changes of assumptions, based on the most recent actuarial experience study.

The rate stabilization unearned revenue account increased a net $22.7 million from 2019. The 1.5% surcharge on electric rates in effect since August 2016 and the additional 1.5% surcharge in effect since November 2019 contributed $23.5 million, with an offset of $2.3 million transferred to operating revenues for actual net wholesale revenues being less than budget. $1.5 million in interest income was transferred to the unearned revenue account resulting in an ending balance of $71.8 million.

Other deferred inflows of resources increased by $3.3 million to $40.9 million mostly due to net payments received from Bonneville in accordance with the Department's Energy Conservation Agreement.

RESULTS OF OPERATIONS

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31		
($ in millions)	**2021**	**2020**	**2019**
Operating revenues	$1,109.0	$1,015.7	$1,079.5
Nonoperating revenues	4.3	26.7	25.8
Total revenues	1,113.3	1,042.4	1,105.3
Operating expenses	891.7	880.3	873.3
Nonoperating expenses	88.9	93.7	93.0
Total expenses	980.6	974.0	966.3
Income before capital contributions and grants	132.7	68.4	139.0
Capital contributions	65.3	53.3	63.4
Capital grants	0.4	0.5	0.4
Total capital contributions and grants	65.7	53.8	63.8
Change in net position	$ 198.4	$ 122.2	$ 202.8

SUMMARY

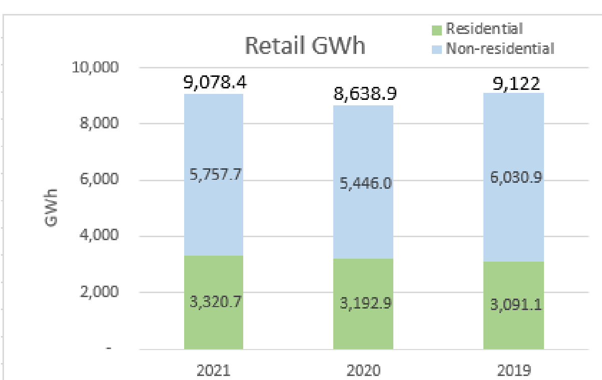
2021 Compared to 2020 Change in net position for 2021 was $198.4 million, an increase of $76.2 million or 62.4% from 2020 change in net position of $122.2 million. The major reasons for the higher net position are higher retail electric sales due to increased consumption, transfers from the RSA, Capital contributions combined with lower Administrative and general, Bad debt, Conservation and Amortization expenses. Offsetting the higher revenues were lower net short-term wholesale power revenues, higher other power expenses, transmission and distribution, and lower investment income.

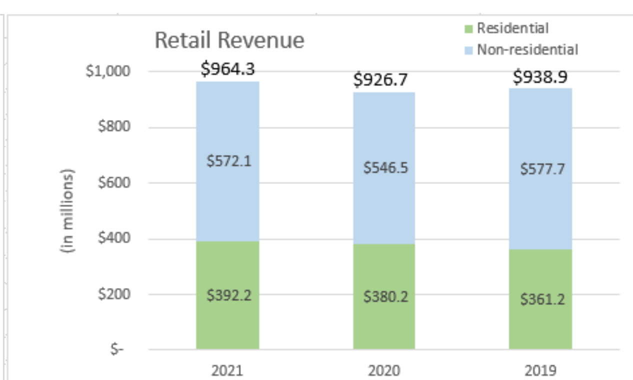
2020 Compared to 2019 Change in net position for 2020 was $122.2 million, a significant decrease of $80.6 million or 39.7% from 2019 Change in net position of $202.8 million. The COVID-19 pandemic had a substantial negative effect on the Department's operations. Operating revenues were considerably lower due largely to a significant reduction in non-residential retail sales. RSA transfers were also lower in 2020 primarily from significantly higher net wholesale revenues. Lower operating revenues were further exacerbated by higher expenses for bad debt, as the pandemic caused many customers to fall behind on their bills and City Light reduced its collection operations in response. Administrative and general, net was higher in large part due to COVID-19 administrative response expenses, including a shift away from CIP-related work. As mentioned above, net wholesale revenues were up compared to 2019, primarily on account of strong hydro conditions leading to lower short-term power purchases. Capital contributions were also lower and along with higher generation, depreciation, taxes, interest expense, and other expenses were contributors to the lower Change in net position.

REVENUES

2021 Compared to 2020 Total operating revenues were $1,109.0 million, an increase of $93.3 million or 9.2% from 2020. Retail power revenues at $964.3 million increased $37.6 million, Short-term wholesale power revenues at $66.3 million increased $15.0 million, Other power-related revenues at $59.3 million increased $18.5 million, Transfers from/(to) RSA at ($2.6) million increased by $20.1 million, and Other operating revenues at $21.7 million increased by $2.1 million.

Higher Retail power revenues of $37.6 million were the net result of higher billed residential revenues of $6.7 million and nonresidential revenues of $14.2 million, and higher unbilled revenue of $16.7 million. Higher nonresidential retail consumption and revenue signify economic recovery; however, sales are still below pre-pandemic levels. Increases in residential consumption and revenue can be attributed to (1) increased teleworking, (2) new customer additions, and (3) heating and cooling demand from significantly colder than normal temperatures in February, March and December and record high temperatures in late June. A higher participation in the Utility Discount Program among residential customers resulted in higher rate discounts, partially offsetting revenues from higher consumption.





Transfers from/(to) the RSA are determined by the departure of actual net wholesale power revenues from budget. In 2021, $2.6 million was transferred from the RSA to operating cash. Actual net wholesale power revenues for 2021 were less than budget compared to 2020 by $18.1 million and RSA surcharge revenues were $16.9 million lower in 2021 than 2020. Interest earned on the RSA was $0.1 million lower in 2021 than 2020. City Council authorized a $15.0 million transfer into the RSA from operating funds. In 2020, $22.7 million was transferred from the RSA to operating cash, reflecting lower wholesale power revenues compared to budget along with the effect of surcharge revenues and interest earnings. The net effect between years was an increase of $20.1 million to revenues.

	2021	2020
Beginning balance	$ 96.8	$ 74.1
Council authorized transfer to RSA	15.0	-
Surcharge revenue	6.6	23.5
RSA interest income	1.4	1.5
Operating revenue	(20.4)	(2.3)
Ending balance	$ 99.4	$ 96.8

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of retail sales and other obligations and were $66.3 million, an increase of $15.0 million compared to the $51.3 million recorded in 2020. 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 $37.6 million in 2021, $10.1 million lower than the $47.7 million recorded in 2020. The considerable decrease in net short wholesale power revenues was in large part due to dry hydro conditions, high market prices and strong retail demand. Also, gross wholesale power purchases were higher in 2021 compared to 2020 primarily from drought conditions in the third quarter and higher retail sales in December driven by extremely cold weather.

Net Wholesale Revenue, $ Million

	2021	2020	2019
Wholesale Power Revenue	$ 66.3	$ 51.3	$ 43.2
Wholesale Power Purchases	(38.5)	(10.0)	(34.3)
Booked out Long-Term Sales	9.8	6.4	6.5
Net Wholesale Revenue	$ **37.6**	$ **47.7**	$ **15.4**

2020 Compared to 2019 Total operating revenues were $1,015.7 million, a decrease of $63.8 million or 5.9% from 2019. Retail power revenues at $926.7 million decreased $12.2 million, Short-term wholesale power revenues at $51.3 million increased $8.1 million, Other power-related revenues at $40.8 million decreased $11.4 million, Transfers from/(to) RSA at ($22.7) million were reduced by $45.5 million, and Other operating revenues at $19.6 million decreased $2.8 million.

Lower Retail power revenues of $12.2 million were the net result of higher billed residential revenues of $30.3 million, offset by lower nonresidential revenues of $19.5 million, and lower unbilled revenue of $23.0 million. The effect of the COVID-19 pandemic, specifically remote work and schooling, caused residential customers to spend more time in their homes, increasing delivered consumption by 3.3% compared to 2019. Conversely, many nonresidential customers reduced normal operations in response to public health measures, resulting in 9.7% lower delivered consumption. In total retail delivered consumption decreased by 5.3%. The BPA rate pass-through negative adjustment of 1.9% effective November 2019 also contributed to lower retail revenue. Partially offsetting the lower retail consumption was the 5.5% average rate increase in January 2020 and an additional 1.5% RSA surcharge which was effective November 2019. The pandemic also contributed to increased Utility Discount Program participation resulting in higher rate discounts, partially offsetting the higher residential consumption. Lower unbilled revenue followed the same general trend as billed revenue at the end of the year.

Transfers from/(to) rate stabilization account are affected by actual net wholesale power revenues compared to budget. In 2020, $22.7 million was transferred from operating cash to the RSA. Actual net wholesale power revenues for 2020 were closer to budget than 2019 by $36.7 million and RSA surcharge revenues were $9.3 million higher in 2020 than 2019. Interest earned on the RSA was $0.5 million lower in 2020 than 2019. In 2019, $22.8 million was transferred from the RSA to operating cash largely as a result of wholesale power revenues being lower than budget along with the effect of surcharge revenues and interest earnings. The net effect between years was a reduction of $45.5 million to revenues.

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of system sales and other obligations and were $51.3 million, an increase of $8.1 million than the $43.2 million recorded in 2019. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales and economic factors such as the price of natural gas. The considerable increase in short-term wholesale power revenues was in large part due to lower retail electricity demand due to COVID-19, more favorable hydro conditions, and the Department's entrance in the western Energy Imbalance Market (EIM) with California System Operator (CAISO) in April.

City Light is active in the wholesale power market both buying and selling energy. For a more comprehensive overview of wholesale 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 $47.7 million in 2020, $32.3 million higher than the $15.4 million recorded in 2019.

EXPENSES

2021 Compared to 2020 Operating expenses totaled $891.7 million, an increase of $11.4 million or 1.3% from $880.3 million in 2020.

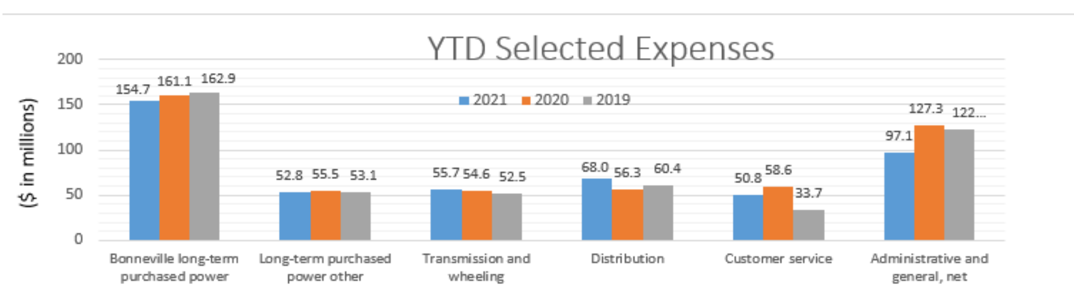
2021 Power-related operating expenses at $396.9 million were higher by $43.1 million or 12.2% than $353.8 million in 2020. These expenses were comprised of Long-term purchased power of $207.5 million, which decreased $9.1 million, Short-term wholesale power purchases of $38.5 million, which increased $28.5 million, Other power expenses of $95.2 million, which increased $22.6 million, and Transmission of $55.7 million, which increased $1.1 million.

Short-term wholesale power purchases were higher by $28.5 million predominantly because of dry hydro conditions. Q3 drought conditions required purchasing wholesale energy at extremely high prices. Other power expenses increased for Generation by $4.2 million due to higher amortization of Skagit relicensing costs and FERC fee. Also, the other power related expenses increased by $18.9 million primarily because of an increase of $18.1 million in Grant County and Lucky Peak Exchange fair value, due to unusually high prices resulting from recent June and July record setting temperatures. The remaining balance net decrease of $0.5 million was for normal operations.

Non-power operating expenses decreased significantly by $30.8 million to $244.7 million or 11.2% from $275.5 million in 2020. These expenses included the following:

- Distribution expenses of $68.0 million, which increased by $11.7 million. This increase is due to pick up on normal operations as compared to 2020 which was most impacted by COVID-19.
- Customer service of $50.8 million, which decreased by $7.8 million. Lower bad debt expense decreased customer service expenses by $5.3 million for retail electric sales and increased expenses by $0.5 million for sundry accounts receivable. Since March 2020, collection efforts have been suspended for most accounts in arrears to assist customers confronting COVID-related financial hardships. Other customer services expenses decreased by $3.0 million as the effects of the pandemic response lessened.
- Conservation of $28.8 million, which decreased by $4.5 million, as more support and labor was put towards other customer programs
- Administrative and general (A&G), net, of $97.1 million, decreased by $30.2 million, from $127.3 million in 2020. GASB 68 pension adjustment decreased A&G costs by $23.1 million, offset by medical and other employment cost which increased $3.4 million. Allocation out was overall $4.2 million higher due to increased capital improvement projects and productive labor base charges. Other costs including labor, related overhead, and other expenses decreased by $6.3.

Depreciation and amortization at $148.6 million decreased by $1.2 million as a result of $3.5 million recent additions to distribution offset by $4.7 million decrease in software, Work Authorization Management System, Emergency Management System and other software assets became fully depreciated in 2020 and 2021, reducing Intangible depreciation.



2020 Compared to 2019 Operating expenses totaled $880.3 million, an increase of $7.0 million or 0.8% from $873.3 million in 2019.

Power-related operating expenses at $353.8 million were lower by $23.2 million or 6.2%. These expenses were comprised of Long-term purchased power - Bonneville and other of $216.6 million, which increased $0.7 million, Short-term wholesale power purchases of $10.0 million, which decreased $24.3 million, Other power expenses of $72.6 million, which decreased $1.8 million, and Transmission of $54.6 million, which increased $2.2 million.

Short-term wholesale power purchases were lower by $24.3 million predominantly because of lower commercial and industrial retail demand combined with lower wholesale power prices during 2020. Other power expenses increased for Generation by $3.1 million due to higher administration expenses in the areas ofsafety, asset management support, reporting, and other. These were offset by lower other power related expenses of $6.7 million because of lower volumes and market prices for exchange contracts and ancillary purchase contracts. Index prices during 1st quarter 2019 was unusually high causing a $10.0 million increase in power expenses that did not recur in 2020. Remaining balance net increase of $4.7 million was for normal operations and including for BPA, other long-term purchased power, and Transmission.

Non-power operating expenses increased significantly by $25.1 million to $275.5 million or 10.0% from $250.4 million in 2019. These expenses included Distribution expenses of $56.3 million, which decreased $4.1 million, Customer service of $58.6 million, which increased $24.9 million, Conservation of $33.3 million, which decreased $0.1 million, and Administrative and general (A&G), net, of $127.3 million which increased $4.4 million.

Higher bad debt expense increased customer service expenses by $19.0 million and $1.7 million for retail electric sales and sundry accounts receivable, respectively. Since March 2020, collection efforts have been suspended for most accounts in arrears to assist customers confronting COVID-related financial hardships. Other customer services expenses increased $4.2 million mostly as a result of pandemic response.

Net changes for Distribution and Conservation expenses were relatively minimal as part of normal operations. Administrative and general Expenses (A&G) costs, offset by general overhead allocation, increased a net $4.4 million. Labor, related overhead, and other expenses increased by $8.4 million for emergency management and administrative-related work as a result of adherence to necessary COVID-19 adjustments tooperations. Higher expenses of $3.4 million were incurred for estimated injury claims and damages based on most recent studies. Employment benefits expenses decreased by $11.0 million, due to lower pension expenses based on the most recent actuarial study, and the allocation of employment benefits from A&G increased by $10.1 million. Other costs for normal operations increased $1.1 million. The pandemic interrupted work on capital projects, and the general overhead allocation from A&G was $12.6 million lower.Taxes of $101.2 million increased by $1.1 million.

Depreciation and amortization at $149.8 million increased by $4.0 million as a result of recent additions to plant in service for distribution, generation, and general plant.

NONOPERATING REVENUES AND (EXPENSES), CAPITAL CONTRIBUTIONS AND GRANTS

2021 Compared to 2020 Nonoperating revenue decreased by $22.4 million in 2021. This decrease is mainly attributable to GASB 31 fair value adjustment and lower interest income.

Nonoperating expense decreased by $4.8 million mainly due to lower refunding loss and lower interest expense.

Capital contributions and grants increased by $11.9 million due to pick up on normal operations as compared to 2020.

2020 Compared to 2019 Nonoperating revenues increased by $0.9 million to $26.7 million in 2020. The largest increase of $0.8 million was attributable to release of easements to the city of Bellevue in connection with the construction of the regional light rail system in progress. Remaining net balance increase was for normal operations and including investment income.

Nonoperating expenses at $93.7 million were higher by $0.7 million. Net interest expense for bonds was higherby $3.4 million on account of additional bonds outstanding in 2020. This was offset by $2.7 million of net amortization of bond costs mostly for bond premium amortization.

Capital contributions and grants decreased by $10.0 million to $53.8 million primarily due to pandemic response causing an interruption in service connection projects.

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. 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 206-684-3090 or at P.O. Box 34023, Seattle, WA 98124-4023.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

BALANCE SHEETS - ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
AS OF DECEMBER 31, 2021 AND 2020

($ in millions)	**2021**	**2020**
ASSETS		
UTILITY PLANT—At original cost:		
Plant -in-service—excluding land	$ 5,752.1	$ 5,522.1
Less accumulated depreciation and amortization	(2,195.6)	(2,103.0)
Total plant-in-service—net	3,556.5	3,419.1
Construction work-in-progress	639.8	612.6
Nonoperating property—net of accumulated depreciation	17.8	17.5
Assets held for future use	4.0	4.0
Land and land rights	154.6	153.9
Total utility plant—net	4,372.7	4,207.1
RESTRICTED ASSETS:		
Rate stabilization account	99.4	96.8
Municipal light and power bond reserve account	95.9	153.8
Construction account	56.2	38.3
Special deposits and other restricted assets	29.4	35.9
Total restricted assets	280.9	324.8
CURRENT ASSETS:		
Cash and equity in pooled investments	193.1	102.4
Accounts receivable, net of allowance of $49.7 and $41.8	175.3	144.2
Interfund receivables	0.5	0.6
Unbilled revenues	99.1	87.5
Materials and supplies at average cost	42.4	38.1
Prepayments and other current assets	0.3	0.3
Total current assets	510.7	373.1
OTHER ASSETS:		
Conservation costs—net	256.1	256.7
Environmental costs—net	118.7	117.1
Other charges and assets—net	53.6	53.3
Total other assets	428.4	427.1
TOTAL ASSETS	5,592.7	5,332.1
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to Pension and OPEB	41.9	44.9
Charges on advance refunding	16.3	20.1
TOTAL DEFERRED OUTFLOWS OF RESOURCES	58.2	65.0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,650.9	$ 5,397.1

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

BALANCE SHEETS - LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AS OF DECEMBER 31, 2021 AND 2020

($ in millions)	2021	2020
LIABILITIES		
LONG-TERM DEBT:		
Revenue bonds	$ 2,587.3	$ 2,553.5
Plus bond premium—net	283.1	259.0
Less revenue bonds—current portion	(123.3)	(117.7)
Total long-term debt	2,747.1	2,694.8
NONCURRENT LIABILITIES:		
Net pension liability	199.5	265.2
Accumulated provision for injuries and damages	111.6	112.7
Compensated absences	20.2	20.3
Other noncurrent liabilities	10.3	9.7
Total noncurrent liabilities	341.6	407.9
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	125.2	109.4
Accrued payroll and related taxes	7.3	6.3
Compensated absences	1.1	1.4
Accrued interest	38.5	36.3
Long-term debt—current portion	123.3	117.7
Total current liabilities	295.4	271.1
OTHER LIABILITIES	34.7	38.0
TOTAL LIABILITIES	3,418.8	3,411.8
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization unearned revenue	74.4	71.8
Deferred inflows related to pension and OPEB	82.8	48.2
Other deferred inflows of resources	52.1	40.9
TOTAL DEFERRED INFLOWS OF RESOURCES	209.3	160.9
NET POSITION		
Net investment in capital assets	1,886.0	1,822.8
Restricted:		
Rate stabilization account	25.0	25.0
Total restricted	25.0	25.0
Unrestricted—net	111.8	(23.4)
Total net position	2,022.8	1,824.4
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 5,650.9	$ 5,397.1

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, 2021 AND 2020

($ in millions)	**2021**	**2020**
OPERATING REVENUES:		
Retail power revenues	$ 964.3	$ 926.7
Short-term wholesale power revenues	66.3	51.3
Other power-related revenues	59.3	40.8
Transfers from/(to) rate stabilization account	(2.6)	(22.7)
Other operating revenues	21.7	19.6
Total operating revenues	1,109.0	1,015.7
OPERATING EXPENSES:		
Long-term purchased power—Bonneville and other	207.5	216.6
Short-term wholesale power purchases	38.5	10.0
Other power expenses	95.2	72.6
Transmission	55.7	54.6
Distribution	68.0	56.3
Customer service	50.8	58.6
Conservation	28.8	33.3
Administrative and general	97.1	127.3
Taxes	101.5	101.2
Depreciation and amortization	148.6	149.8
Total operating expenses	891.7	880.3
OPERATING INCOME	217.3	135.4
NONOPERATING REVENUES AND (EXPENSES):		
Other revenues and (expenses)—net	4.3	26.7
Interest expense		
Interest expense—net	(109.6)	(111.0)
Amortization of bond costs—net	20.7	17.3
Total interest expense	(88.9)	(93.7)
Total nonoperating expenses	(84.6)	(67.0)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	132.7	68.4
CAPITAL CONTRIBUTIONS AND GRANTS:		
Capital contributions	65.3	53.3
Capital grants	0.4	0.5
Total capital contributions and grants	65.7	53.8
CHANGE IN NET POSITION	198.4	122.2
NET POSITION:		
Beginning of year	1,824.4	1,702.2
End of year	$ 2,022.8	$ 1,824.4

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

($ in millions)	2021	2020
OPERATING ACTIVITIES:		
Cash received from customers and counterparties	$ 1,039.2	$ 996.4
Cash paid to suppliers and counterparties	(354.6)	(365.7)
Cash paid to employees	(165.9)	(173.2)
Taxes paid	(97.2)	(103.3)
Net cash provided by operating activities	421.5	354.2
NONCAPITAL FINANCING ACTIVITIES:		
Interfund operating cash received	1.8	1.3
Interfund operating cash paid	(54.0)	(47.0)
Principal paid on long-term debt	(9.1)	(12.7)
Interest paid on long-term debt	(8.2)	(11.0)
Noncapital grants	(0.2)	0.9
Bonneville receipts for conservation	1.0	6.1
Payment to vendors on behalf of customers for conservation	(19.4)	(21.0)
Net cash used in noncapital financing activities	(88.1)	(83.4)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	326.9	198.3
Proceeds from long-term debt premiums	53.9	50.4
Payment to trustee for defeased bonds	(173.3)	(93.3)
Bond issue costs paid	(0.2)	(0.4)
Principal paid on long-term debt	(108.6)	(109.8)
Interest paid on long-term debt	(97.2)	(94.9)
Acquisition and construction of capital assets	(318.1)	(315.6)
Interfund payments for acquisition and construction of capital assets	(25.6)	(20.9)
Capital contributions	52.8	52.6
Interfund receipts for capital contributions	0.5	1.7
Capital grants	0.4	0.2
Interest received for suburban infrastructure improvements	2.5	2.5
Proceeds on sale of property	-	1.6
Decrease in other assets	1.7	1.8
Net cash used in capital and related financing activities	(284.3)	(325.8)
INVESTING ACTIVITIES:		
Interest received (paid) on cash and equity in pooled investments	(2.3)	15.5
Net cash provided by (used in) investing activities	(2.3)	15.5
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	46.8	(39.5)
CASH AND EQUITY IN POOLED INVESTMENTS:		
Beginning of year	427.2	466.7
End of year	$ 474.0	$ 427.2

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS - RECONCILIATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

($ in millions)	**2021**	**2020**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 217.3	$ 135.4
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash items included in operating income:		
Depreciation	148.6	149.8
Amortization of other assets	33.8	32.0
Bad debt expense	17.6	20.7
Power revenues	(51.7)	(27.1)
Power expenses	64.0	26.1
Provision for injuries and damages	3.8	2.6
Other non-cash items	(29.8)	(7.1)
Change in:		
Accounts receivable	23.1	15.4
Unbilled revenues	(11.6)	5.1
Materials and supplies	(1.5)	(4.6)
Other assets	(0.7)	(3.3)
Provision for injuries and damages and claims payable	0.2	(0.7)
Accounts payable and other payables	8.4	(10.6)
Deferred inflows	(2.6)	(2.2)
Rate stabilization unearned revenue	2.6	22.7
Total adjustments	204.2	218.8
Net cash provided by operating activities	$ 421.5	$ 354.2
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
In-kind capital contributions	$ 0.7	$ 1.8
Amortization of debt related costs—net	20.7	17.3
Power exchange revenues	32.6	11.4
Power exchange expenses	(32.6)	(11.4)
Power revenue netted against power expenses	10.1	5.4
Power expense netted against power revenues	(8.6)	(9.0)

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 485,200 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 $9.5 million and $13.3 million in 2021 and 2020, respectively, and $2.1 million and $2.2 million for non-energy services, respectively.

The Department receives certain services from other City departments and paid $122.0 million in 2021 and $111.7 million in 2020 for such services. Amounts paid include central cost allocations from the Cityfor 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.

The Department's receivables from other City departments totaled $0.5 million and $0.6 million at December 31, 2021, and 2020, respectively. The Department's payables to other City departments were $0.0 million on December 31, for 2021 and 2020, respectively. The balances receivable and payable are the result of transactions incurred in the normal course of operations.

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 2021 with all applicable GASB pronouncements.

GASB Statement No. 87 - 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 establishesa 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. In 2020, due to the ongoing impacts of COVID-19, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* Statement No. 87 will now be effective for the Department in 2022. The Department is currently evaluating the impact the adoption of this statement will have on its financial statements.

GASB Statement No. 91 - GASB Statement No. 91, *Conduit Debt Obligations,* clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement will be effective for the Department in 2022. GASB Statement No. 95 delayed implementation of this statement by one year. However, because the Department's debt instruments do not include conduit debt obligations, implementation of this statement isnot expected to have an impact on the financial statements.

GASB Statement No. 92 - GASB Statement No. 92, *Omnibus 2020,* addresses several topics and issues that have been identified during implementation of various GASB Statements. This statement clarifies issues related to intra-entity transfers of assets, pension and postemployment benefits, asset retirement obligations, risk pools, and fair value measurements. This statement will be effective for the Department in2022. GASB Statement No. 95 delayed implementation of this statement by one year. The Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 93 - GASB Statement No. 93, *Replacement of Interbank Offered Rates,* establishes accounting and financial reporting requirements related to the replacement of Interbank offered rates such as the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement is effective for the Department in 2022. GASB Statement No. 95 delayed implementation of this statement by one year. The Department is evaluating the impact this implementation will have on the financial statements.

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. This statement will be effective for the Department in 2023 and the Department is currently evaluating the impact of implementation on the financial statements.

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. This statement will be effective for the Department in 2023 and the Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 97 - GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associatedwith the reporting of certain defined contribution pension plans, defined contribution other postemploymentbenefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employeebenefit plans) as fiduciary component units in fiduciary fund financial statements; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for the Departmentin 2022 and 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 balance sheets at December 31, 2021 and 2020, are as noted in Note 2 Fair Values, Note 5 Cash and Equity in Pooled Investments and Investments, Note 6 Accounts Receivable and Note 19 Long-Term Purchased Power, Exchanges, and Transmission.

Fair Value of Financial Instruments—The Department's financial instruments reported on the balance sheets at December 31, 2021 and 2020, as Restricted assets and Cash and equity in pooled investments aremeasured 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, andchanges in net position. The fair value of long-term debt at December 31, 2021 and 2020 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 and liabilities 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 inelectrical 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.
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 ona monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date andthe end of the year are estimated and reflected in the accompanying financial statements as unbilled revenuewithin Retail power revenues.

The Department's customer base accounted for electric energy sales at December 31, 2021 and 2020, as follows:

	2021	2020
Residential	40.7 %	41.0 %
Nonresidential	59.3 %	59.0 %
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.

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 $60.7 million and $49.7 million in 2021 and 2020, respectively. Benefit costs applied were $30.5 million and $37.4 million in 2021 and 2020, respectively. Administrative and general expenses, net of total applied overhead, were $97.1 million and $127.3 million in 2021 and 2020, respectively.

Nonexchange Transactions—Capital contributions and grants in the amount of $65.7 million and $53.8 million for 2021 and 2020, respectively, are 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 cash out. 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 and liabilities 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 and Administrative Services (FAS). 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, 2021 and 2020. 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, 2021 and 2020:

($ in millions)

2021	**Credit Rating**	**Level 1**	**Level 2**	**Total**
Assets				
Fair value investments				
Corporate Bonds	AA+ to A	$ -	$ 14.9	$ 14.9
International Bank for Reconstruction & Development	AAA	-	4.3	4.3
Local Government Investment Pool	N/A	93.3	-	93.3
Municipal Bonds	AAA to A	-	34.1	34.1
Repurchase Agreements	N/A	21.1	-	21.1
U.S. Government Agency Mortgage-Backed Securities	AA+	-	60.2	60.2
U.S. Government Agency Securities	AA+	-	120.8	120.8
U.S. Treasury and U.S. Government-Backed Securities	AA+	125.3	-	125.3
Total fair value investments		239.7	234.3	474.0
Total Assets at fair value		$ 239.7	$ 234.3	$ 474.0

($ in millions)

2020	**Credit Rating**	**Level 1**	**Level 2**	**Total**
Assets				
Fair value investments				
Corporate Bonds	AA+ to A	$ -	$ 15.6	$ 15.6
International Bank for Reconstruction & Development	AAA	-	6.9	6.9
Local Government Investment Pool	N/A	87.2	-	87.2
Municipal Bonds	AAA to A	-	53.7	53.7
Repurchase Agreements	N/A	12.2	-	12.2
U.S. Government Agency Mortgage-Backed Securities	AA+	-	45.0	45.0
U.S. Government Agency Securities	AA+	-	127.7	127.7
U.S. Treasury and U.S. Government-Backed Securities	AA+	78.9	-	78.9
Total fair value investments		178.3	248.9	427.2
Total Assets at fair value		$ 178.3	$ 248.9	$ 427.2

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 2021 and 2020. 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 $65.7 million in 2021 and $53.8 million in 2020. 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. Effective January 1, 2017, the Department changed from a half-year convention method of depreciation to an actual month method. Depreciation and amortization expense as a percentage of depreciable utility plant-in-service was approximately 2.6% in 2021 and 2.7% in 2020. 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 2021 and 2020.

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, 2021 and 2020 was:

2021 ($ in millions)	Hydroelectric Production	Transmission	Distribution	General	Intangibles	Total
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2021 Balance	$ 954.2	$ 316.6	$ 3,101.6	$ 414.7	$ 735.0	$ 5,522.1
Acquisitions	55.9	13.6	171.3	13.4	45.5	299.7
Dispositions	(17.8)	(2.1)	(45.3)	(4.5)	-	(69.7)
Transfers and adjustments	-	-	-	-	-	-
12/31/2021 Balance	992.3	328.1	3,227.6	423.6	780.5	5,752.1
Accumulated depreciation and amortization:						
1/1/2021 Balance	$ 397.6	$ 91.3	$ 1,062.9	$ 265.0	$ 286.2	$ 2,103.0
Increase in accumulated depreciation and amortization	17.8	7.1	88.9	12.9	44.9	171.6
Retirements	(20.9)	(6.5)	(53.9)	(4.6)	-	(85.9)
Gain/Loss on Retirements	1.2	2.6	3.1	-	-	6.9
12/31/2021 Balance	395.7	94.5	1,101.0	273.3	331.1	2,195.6
Sub Total Plant-in-service - Net, excluding Land:	$ 596.6	$ 233.6	$ 2,126.6	$ 150.3	$ 449.4	$ 3,556.5
Land and land rights:						
1/1/2021 Balance	$ 57.8	$ 3.0	$ 86.5	$ 6.6	$ -	$ 153.9
Acquisitions	0.7	-	-	-	-	0.7
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2021 Balance	58.5	3.0	86.5	6.6	-	154.6
Construction work-in-process:						
1/1/2021 Balance	$ 78.8	$ 41.9	$ 416.0	$ 55.6	$ 20.3	$ 612.6
Additions	40.1	24.1	200.6	27.5	47.5	339.8
Closings	(60.5)	(15.8)	(178.8)	(13.7)	(43.8)	(312.6)
12/31/2021 Balance	58.4	50.2	437.8	69.4	24.0	639.8
*** Total Plant-in-service - Net, including Land and CWIP:**	$ 713.5	$ 286.8	$ 2,650.9	$ 226.3	$ 473.4	$ 4,350.9

**Excludes Nonoperating property and Assets held for future use.*

2020 ($ in millions)	Hydroelectric Production	Transmission	Distribution	General	Intangible	Total
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2020 Balance	$ 939.2	$ 302.3	$ 3,011.9	$ 405.0	$ 695.7	$ 5,354.1
Acquisitions	18.4	20.2	106.6	9.7	39.3	194.2
Dispositions	(3.4)	(5.9)	(16.9)	-	-	(26.2)
Transfers and adjustments	-	-	-	-	-	-
12/31/2020 Balance	954.2	316.6	3,101.6	414.7	735.0	5,522.1
Accumulated depreciation and amortization:						
1/1/2020 Balance	$ 384.9	$ 92.6	$ 999.3	$ 251.1	$ 251.5	1,979.4
Increase in accumulated depreciation and amortization	17.2	6.7	85.4	13.9	34.7	157.9
Retirements	(3.3)	(5.4)	(18.7)	-	-	(27.4)
Transfers and adjustments	(1.2)	(2.6)	(3.1)	-	-	(6.9)
12/31/2020 Balance	397.6	91.3	1,062.9	265.0	286.2	2,103.0
Sub Total Plant-in-service - Net: excluding Land:	$ 556.6	$ 225.3	$ 2,038.7	$ 149.7	$ 448.8	$ 3,419.1
Land and land rights:						
1/1/2020 Balance	$ 56.5	$ 3.0	$ 86.5	$ 6.6	$ -	$ 152.6
Acquisitions	1.3	-	-	-	-	1.3
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2020 Balance	57.8	3.0	86.5	6.6	-	153.9
Construction work-in-process:						
1/1/2020 Balance	$ 56.8	$ 50.0	$ 335.9	$ 39.9	$ 10.8	$ 493.4
Additions	43.9	14.0	190.2	25.2	48.6	321.9
Closings	(21.9)	(22.1)	(110.1)	(9.5)	(39.1)	(202.7)
12/31/2020 Balance	78.8	41.9	416.0	55.6	20.3	612.6
***Total Plant-in-service - Net: including Land and CWIP:**	$ 693.2	$ 270.2	$ 2,541.2	$ 211.9	$ 469.1	$ 4,185.6

*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 the below specified levels. These thresholds were applicable for 2021 and 2020, but are superseded by Ordinance No. 126502 as of December 2021:

RSA Balance	Action
Less than or equal to $90.0 million but greater than $80.0 million:	Automatic 1.5% surcharge
Less than or equal to $80.0 million but greater than $70.0 million:	Automatic 3.0% surcharge
Less than or equal to $70.0 million but greater than $50.0 million:	Automatic 4.5% surcharge
Less than or equal to $50.0 million:	City Council must initiate rate review within 45 days and determine actions to replenish RSA to $100.0 million within 12 months

In December 2021, the Seattle City council adopted Ordinance No. 126502, which establishes new thresholds and surcharge rates for the RSA as follows:

RSA Balance at March 30 or September 31	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 2021, actual net wholesale revenue was $20.4 million less than budgeted. Hence, net transfers of $20.4 million were made from the RSA to the operating cash account during the year. These transfers were partially offset by $15.0 million transferred to the RSA from operating cash in December 2021 to prevent a surcharge from triggering, authorized by the City Council. The 3.0% surcharge in effect throughout 2020 was ended in March 2021. Transfers from the RSA were offset by $6.6 million revenue resulting from the surcharge. Interest of $1.4 million was earned on the RSA in 2021. The RSA balance was $99.4 million at December 31, 2021.

In 2020, actual net wholesale revenue was $2.3M million less than budgeted. Hence, net transfers of $2.3 million were made from the RSA to the operating cash account during the year. The 1.5% surcharge enacted August 2016 and the 1.5% surcharge enacted November 2019 remained in effect throughout 2020, for a total of 3.0%. Transfers from the RSA were offset by $23.5 million revenue resulting from the surcharge. Interest of $1.5 million was earned on the RSA in 2020. The RSA balance was $96.8 million at December 31, 2020.

($ in millions)	2021	2020
Rate Stabilization Account		
Beginning balance	$ 96.8	$ 74.1
Council authorized transfer to RSA	15.0	-
Surcharge revenue	6.6	23.5
RSA interest income	1.4	1.5
Operating revenue	(20.4)	(2.3)
Ending balance	$ 99.4	$ 96.8

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, 2021 and 2020, consisted of the following:

($ in millions)	2021	2020
Unearned revenue - Rate Stabilization Account		
Beginning balance	$ 71.8	$ 49.1
Council authorized transfer to RSA	15.0	-
Surcharge revenue	6.6	23.5
RSA interest income	1.4	1.5
Operating revenue	(20.4)	(2.3)
Ending balance	$ 74.4	$ 71.8

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, 2021, and 2020 were as follows:

($ in millions)	2021	2020
Transfers from/(to) Rate Stabilization Account	$ (2.6)	$ (22.7)

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 and Administrative Services (FAS). 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 balance sheets 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, 2021, and 2020, 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, 2021, and 2020, the City held $95,000 in its cash vault. 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 FAS 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, 2021, and 2020, 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: Investment officers shall 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 Director of Finance and Administrative Services has delegated management responsibility for the City's investment program to the Director of Finance who has designated day to day management responsibility to investment officers under the supervision of the City's Treasury Services Director. 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 Return on Investment.

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 notes 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, 2021 and 2020, the City's pooled investments were as follows:

	2021		2020	
($ in millions)	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)
Corporate Bonds	$ 89.0	632	$ 92.7	508
International Bank for Reconstruction & Development	25.4	971	41.1	853
Local Government Investment Pool	555.2	3	519.7	1
Municipal Bonds	203.2	603	319.7	702
Repurchase Agreements	125.4	3	72.6	4
U.S. Government Agency Mortgage-Backed Securities	358.2	2375	268.7	1608
U.S. Government Agency Securities	719.4	950	760.6	1018
U.S. Treasury and U.S. Government-Backed Securities	745.7	651	470.0	732
Total	$ 2,821.5		$ 2,545.1	
Portfolio Weighted Average Maturity		788		731

As of December 31, 2021 and 2020, the Department's share of the City pool was as follows:

($ in millions)	2021	2020
Operating cash and equity in pooled investments	$ 193.1	$ 102.4
Restricted cash and equity in pooled investments	280.9	324.8
Total	$ 474.0	$ 427.2
Balance as a percentage of City pool cash and investments	16.8%	16.7%

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. U.S. Treasury interest rates have trended higher over the first quarter of 2022 on bets the Federal Reserve will raise its key interest rate, the Fed Funds Rate, higher and faster than most analysts predicted at the end of 2021. In January, the S&P 500 closed out its worst month since March 2020 with global bond markets beset by immense volatility, stemming from choked supply chains feeding global inflation. On February 24th, Russia invaded Ukraine sowing geo-political instability not seen since World War II and forcing close to four million people to flee their country by the end by March 29th. The invasion has destabilized global energy and food commodity prices.

The City held $555.2 million in 2021, and $519.7 million in 2020 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 note 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 notes 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 notes rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes 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 note shall be 5.5 years or less at the time of purchase. The maximum duration of aggregate corporate note investments shall not exceed 3 years. No corporate note issuer may exceed 3 percent of the fair value of the assets of the total portfolio. The percentage of corporate notes that may be purchased from any single issuer rated AA or better by all major rating agencies that rate the note is 3 percent of assets of the total portfolio. The percentage of corporate notes 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 notes 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, 2021 and 2020 are as follows:

($ in millions)

Issuer	Credit Rating	2021 Fair Value	2021 Percent of Total Investments
U.S. Treasury and Government-Backed Securities	AA+	$ 745.7	26%
Local Government Investment Pool	N/A	555.2	20%
Federal National Mortgage Association	AA+	413.0	15%
Municipal Bonds	AAA to A	203.2	7%
Federal Home Loan Mortgage Corporation	AA+	196.1	7%
Federal Home Loan Bank	AA+	159.6	6%
Federal Agriculture Mortgage Corporation	AA+	137.7	5%
Federal Farm Credit Bank	AA+	129.1	5%
		$ 2,539.6	91%

($ in millions)

Issuer	Credit Rating	2020 Fair Value	2020 Percent of Total Investments
Local Government Investment Pool	N/A	$ 519.7	20%
Federal Farm Credit Bank	AA+	519.5	20%
U.S. Treasury and Government-Backed Securities	AA+	470.0	18%
Municipal Bonds	AAA to A	319.7	13%
Federal National Mortgage Association	AA+	267.5	11%
Federal Home Loan Mortgage Corporation	AA+	242.3	10%
		$ 2,338.7	92%

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, 2021 and 2020, consist of:

($ in millions)	Retail Electric	Wholesale Power	Other Operating	Operating Subtotal	Nonoperating Subtotal	Total
2021						
Accounts receivable	$ 110.2	$ 10.2	$ 29.1	$ 149.5	$ 75.5	$ 225.0
Less allowance for doubtful account	(33.4)	-	(16.3)	(49.7)	-	(49.7)
	$ 76.8	$ 10.2	$ 12.8	$ 99.8	$ 75.5	$ 175.3
2020						
Accounts receivable	$ 95.6	$ 8.7	$ 18.6	$ 122.9	$ 63.1	$ 186.0
Less allowance for doubtful account	(27.6)	-	(14.2)	(41.8)	-	(41.8)
	$ 68.0	$ 8.7	$ 4.4	$ 81.1	$ 63.1	$ 144.2

There was no exchange energy at fair value under long-term contracts within Wholesale power receivables at December 31, 2021 and 2020. (See Note 19 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 20 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).
- Puget Sound Energy interconnection and substation costs are being amortized to expense over 25 years.
- 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, 2021 and 2020, consisted of the following:

($ in millions)	2021	2020
Regulatory assets:		
Conservation costs—net	$ 256.1	$ 256.7
Endangered Species Act costs—net	1.2	1.4
Environmental costs	118.7	117.1
	376.0	375.2
Other charges and assets—net:		
Suburban infrastructure long-term receivables	45.6	47.3
Long-term interfund receivable for environmental costs	2.9	0.6
Long-term customer notes receivable	1.2	1.1
Puget Sound Energy interconnection and substation	-	-
Studies, surveys, and investigations	2.4	2.8
Other	0.3	0.1
	52.4	51.9
Total Other Assets	$ 428.4	$ 427.1

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, 2021 and 2020 consisted of the following:

($ in millions)	**2021**	**2020**
Deferred outflows of resources:		
Unrealized contributions and losses related to pension	$ 39.1	$ 42.3
Unrealized contributions and losses related to OPEB	2.8	2.6
Charges on advance refunding	16.3	20.1
Total	$ 58.2	$ 65.0

9. LONG-TERM DEBT

At December 31, 2021 and 2020, the Department's long-term debt consisted of the following prior lien or parity bonds:

LONG-TERM
($ in millions)

		Rate	Maturity Year	Original Issuance	2021	2020
Prior Lien Bonds:						
2021A	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2051	$ 259.8	$ 259.8	$ -
2021B	ML&P Refunding Revenue Bonds	variable rates	2045	100.6	100.6	-
2020A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2050	198.3	195.9	198.3
2019A	ML&P Improvement Revenue Bonds	5.000%–5.000%	2049	210.5	203.8	207.0
2019B	ML&P Refunding Revenue Bonds	5.000%–5.000%	2026	140.3	118.5	140.3
2018C2	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	44.9	45.9
2018C1	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	44.9	45.9
2018B2	ML&P Refunding Revenue Bonds	variable rates	2045	50.1	-	50.1
2018B1	ML&P Refunding Revenue Bonds	variable rates	2045	50.1	-	50.1
2018A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2048	263.8	250.8	255.5
2017C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2047	385.5	367.4	372.0
2016A	ML&P Revenue Bonds	4.050% fixed	2041	31.9	31.9	31.9
2016B	ML&P Refunding Revenue Bonds	4.000%–5.000%	2029	116.9	94.2	105.1
2016C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2046	160.8	139.1	151.6
2015A	ML&P Revenue Bonds	4.000%–5.000%	2045	171.9	137.7	143.2
2014	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2044	265.2	166.6	185.0
2013	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2043	190.8	70.1	118.3
2012A	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2041	293.3	117.8	159.3
2012C	ML&P Clean Renewable Energy Bonds	3.400%–3.750%	2033	43.0	43.0	43.0
2011A	ML&P Improvement and Refunding Revenue Bonds	1.000%–5.500%	2036	296.3	-	46.1
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	177.0	181.6
2010C	ML&P Recovery Zone Economic Development Bonds	5.590%–5.590%	2040	13.3	13.3	13.3
Total prior lien bonds				$ 3,532.4	$ 2,587.3	$ 2,553.5

The Department had the following activity in long-term debt during 2021 and 2020:

($ in millions)	Balance at 1/1/21	Additions	Reductions	Balance at 12/31/21	Current Portion
2021					
Prior Lien Bonds - fixed rate	$ 2,361.4	$ 259.8	$ (224.2)	$ 2,397.0	$ 121.1
Prior Lien Bonds - variable rate	192.1	100.6	(102.4)	190.3	2.2
	$ 2,553.5	$ 360.4	$ (326.6)	$ 2,587.3	$ 123.3

($ in millions)	Balance at 1/1/20	Additions	Reductions	Balance at 12/31/20	Current Portion
2020					
Prior Lien Bonds - fixed rate	$ 2,372.5	$ 198.3	$ (209.4)	$ 2,361.4	$ 115.6
Prior Lien Bonds - variable rate	194.6	-	(2.5)	192.1	2.1
	$ 2,567.1	$ 198.3	$ (211.9)	$ 2,553.5	$ 117.7

Prior Lien Bonds—In July 2021, the Department issued $259.8 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2021A Bonds), and in August 2021 issued $100.6 million of Municipal Light and Power (ML&P) variable rate (SIFMA Index) Refunding Revenue Bonds (2021B Bonds) and also defeased $75.2 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2012A and 2013 Bonds). Proceeds from the 2021A Bonds were used to finance certain capital improvement and conservation programs and to refund $33.5 million of the 2011A Bonds. The 2021B Bonds were used to advance refund $50.1 million of the 2018B B-1 Bonds and $50.1 million of the 2018B B-2 Bonds. Both the 2011A and 2018B B-1 and B-2 Bonds were refunded on a current refunding basis. The 2021A Bonds had coupon interest rates ranging from 4.00% to 5.00% and mature serially from July 1, 2022 through July 1, 2039, with term bonds maturing from July 1, 2040 through July 1, 2051. The 2021B Bonds had coupons rates ranging from 0.27% to 0.36%. The arbitrage yield was 1.50% for the 2021A Bonds and 0.28% for the 2021B 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 2021A Bonds requires a cash flow over the life of the bonds of $435.9 million, including $176.1 million in interest and the 2021B Bonds requires a cash flow over the life of the bonds of $163.2 million, including $62.6 million in interest. The refunding gain on the 2021A Bonds was $2.2 million. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2021A Bonds totaled $3.9 million and the aggregate economic gain on refunding totaled $3.9 million at present value. Bonds defeased in August 2021 partially refunded certain 2012A Bonds and 2013 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 2012A and 2013 bonds was from operating cash whereby $80.4 million of open market securities were purchased and placed in escrow to pay principal and interest on the refunded bonds. The accounting loss on refunding for 2021 was $0.1 million.

Prior Lien Bonds— In August 2020, the Department issued $198.3 million of tax exempt Municipal Light and Power (ML&P) Improvement Revenue Bonds (2020A Bonds) and in November 2020 defeased $39.4 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2012A Bonds) and $49.9 million of (2013 Bonds). The 2020A Bonds had coupon interest rates ranging from 4.00% of 5.00% and mature serially from July 1, 2021 through July 1, 2050. The arbitrage yield was 1.19% for the 2020A 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. Proceeds from the 2020A Bonds were used to finance certain capital improvement and conservation programs and to make a deposit to the reserve fund.

The debt service on the 2020A Bonds requires a cash flow over the life of the bonds of $320.1 million, including $121.8 million in interest. Bonds defeased in November 2020 partially refunded certain 2012A Bonds and 2013 Bonds and the proceeds were placed in escrow until such time that the bonds will be called. The source of refunding for the 2012A and 2013 bonds was from operating cash whereby $99.9 million of open market securities were purchased and placed in escrow to pay principal and interest on the refunded bonds. The accounting loss on refunding for 2020 was $2.8 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 2021 was a 5.7% reduction through the end of 2021 in the amount the Department expects to receive from the federal government in connection with its Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds—Direct Payment); Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds—Direct Payment); Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds—Direct Payment); Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds—Direct Payment); and Municipal Light and Power Revenue Bonds, 2016A (Taxable New Clean Renewable Energy Bonds—Direct Payment). Because of this reduction, the Department received $0.4 million less in interest subsidies than originally anticipated for 2021. The Department has sufficient revenues to pay the interest without these subsidies. The effect for the accrual of federal subsidies as of December 31, 2021 was inconsequential. The effect during 2022 is estimated to be lower federal subsidies by approximately $0.4 million. The effect thereafter for federal subsidies is indeterminable. Sequestration was originally in effect through FFY 2021 and has subsequently been extended through approximately FFY 2029.

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 2018C and 2021B Bonds are estimated based on actual interest rates in effect as of December 31, 2021.

($ in millions)

	Fixed Rate Bonds		Variable Rate Bonds		
Years Ending December 31	**Principal Redemptions**	**Interest Requirements**	**Principal Redemptions**	**Interest Requirements**	**Total**
2022	$ 121.1	$ 106.1	$ 2.2	$ 0.9	$ 230.3
2023	123.3	100.4	2.2	0.9	226.8
2024	127.2	94.1	2.3	0.9	224.5
2025	117.2	87.7	2.4	0.8	208.1
2026	109.6	82.5	5.9	0.8	198.8
2027 – 2031	415.9	344.7	33.1	3.7	797.4
2032 – 2036	428.3	254.3	40.4	2.9	725.9
2037 – 2041	457.5	157.0	49.3	1.8	665.6
2042 – 2046	347.6	70.1	52.6	0.6	470.9
2047 – 2051	149.2	12.5	-	-	161.7
Total	$ 2,396.9	$ 1,309.4	$ 190.4	$ 13.3	$ 3,910.0

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 2021B Bonds, the aggregate Reserve Fund Requirement for all Parity Bonds outstanding was $164.5 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 $95.9 million at December 31, 2021 consisted of $95.9 million in cash. The City also holds approximately $60.0 million in additional cash, apart from the amounts deposited in satisfaction of the Reserve Fund Requirement that is intended to satisfy the Reserve Fund Requirement upon the expiration or termination of the Surety Bond. The reserve fund balance at December 31, 2020 of $153.8 million consisted of $107.9 million in cash which included a $4.4 million deposit from the 2020A bond proceeds, and $45.9 million in surety bond replacement funds.

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 A2 and AA by Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

Irrevocable Trust Accounts—$80.4 million from operating cash was placed in a separate irrevocable trust account to partially defease the 2012A and 2013 Bonds on an advanced refunding basis. There were balances outstanding in the irrevocable trust account during 2021 for prior lien bonds advance refunded or defeased in 2021 with balances outstanding for prior lien bonds advance refunded prior to 2020. The ending balance of irrevocable trust accounts for the defeased bonds outstanding was $164.5 million and $234.5 million as of December 31, 2021 and 2020, respectively. During 2021, $145.1 million of the defeased bonds were called and paid from the 2021 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, 2021 are sufficient to service and redeem the defeased bonds outstanding.

Bond Ratings—The 2021 and 2020 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.

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 2021 and 2020 was $223.1 million and $228.5 million, respectively. Total revenue available for debt service as defined for the same periods was $449.0 million and $386.3 million, respectively. Annual interest and principal payments are expected to require 51.4% of revenues available for debt service for 2022, and required 57.7% in 2021.

Federal Arbitrage Regulations—Revenue bonds are subject to federal arbitrage regulations and the Department has complied with these regulations. As of December 31, 2021 and 2020, arbitrage liability existed for certain bonds outstanding totaling $0.2 million and $0.7 million, respectively.

***Certain Disclosures Related to Debt* –** There were no direct borrowings or direct placements for the Department as of December 31, 2021 and 2020, respectively.

The Department has an arrangement with the City of Seattle Department of Finance and Administrative Services (FAS) 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, 2021, and 2020, there were no interfund loans outstanding. Also, there were no financed purchases of underlying assets or accounts payable for capital leases as of December 31, 2021 and 2020, 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, 2021 and 2020, respectively.

Fair Value— Debt is recorded and presented in the financial statements at carrying value net of premiums and discounts and shown below with fair values as provided by the Department's financial advisor, Piper Sandler Companies. The fair value for the Department's bonds is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities. Carrying amounts and fair values at December 31, 2021 and 2020, were as follows:

($ in millions)	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt:				
Prior lien bonds	$ 2,870.4	$ 2,974.2	$ 2,812.5	$ 2,950.9

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 $2.6 million in 2021 and $6.0 million in 2020. Charges on advance refunding in the amount of $16.3 million and $20.1 million are included as a component of Deferred Outflows of Resources on the 2021 and 2020 balance sheets, respectively. Gains on advance refunding included as a component of Deferred Inflows of Resources were $2.8 million in 2021 and $1.4 million in 2020.

10. NONCURRENT LIABILITIES

The Department had the following activities during 2021 and 2020:

($ in millions)

2021	Balance at 1/1/21	Additions	Reductions	Balance at 12/31/21
Net pension liability	$ 265.2	$ -	$ (65.7)	$ 199.5
Accumulated provision for injuries and damages	112.7	0.7	(1.8)	111.6
Compensated absences	20.3	0.1	(0.2)	20.2
Other	9.7	1.1	(0.5)	10.3
Total	$ 407.9	$ 1.9	$ (68.2)	$ 341.6

2020	Balance at 1/1/20	Additions	Reductions	Balance at 12/31/20
Net pension liability	$ 321.6	$ -	$ (56.4)	$ 265.2
Accumulated provision for injuries and damages	112.0	0.7	-	112.7
Compensated absences	16.7	3.6	-	20.3
Other	9.5	0.2	-	9.7
Total	$ 459.8	$ 4.5	$ (56.4)	$ 407.9

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" consists primarily of 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 2021 and 2020, liabilities for lawsuits, claims, and workers' compensation were discounted over a period of 29 to 34 years at the City's average annual rate of return on investments, which was 1.58% and 2.36%, 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. Effective June 1, 2021, 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. Prior to June 1, 2021, the City had general liability insurance coverage for losses over a $6.5 million self-insured retention per occurrence with a $35.0 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 depending on the type of asset and value of the building. This includes $100.0 million in earthquake and flood limits. 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, volunteers, and an assortment of commercial general liability, 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.

In 2021, the Department accrued $3.5 million related to a pending class action legal settlement expected to take place in 2022 related to billing practices associated with the Department's transition to advanced meters.

The changes in the provision for injuries and damages at December 31, 2021 and 2020 are as follows:

($ in millions)	2021	2020
Beginning unpaid claims liability	$ 12.6	$ 10.3
Payments	(1.9)	(3.8)
Accrual for class action settlement	3.5	-
Incurred Claims	2.6	6.1
Ending balance	$ 16.8	$ 12.6

The provision for injuries and damages included in current and noncurrent liabilities at December 31, 2021 and 2020 is as follows:

($ in millions)	2021	2020
Noncurrent liabilities	$ 9.1	$ 8.4
Accounts payable and other current liabilities	7.7	4.2
Ending balance	$ 16.8	$ 12.6

12. ACCOUNTS PAYABLE

Accounts Payable and Other Current Liabilities—The composition of accounts payable and other current liabilities at December 31, 2021 and 2020, is as follows:

($ in millions)	2021	2020
Vouchers payable	$ 33.8	$ 33.7
Power accounts payable	27.0	23.5
Taxes payable	12.7	8.1
Claims payable	14.1	6.4
Guarantee deposit and contract retainer	34.7	34.1
Other accounts payable	2.9	3.6
Total	$ 125.2	$ 109.4

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, 2021, and the measurement date, December 31, 2020 and the reporting date December 31, 2020, and the measurement date December 31, 2019:

	2021	2020
Active members	9,164	9,410
Retired members and beneficiaries receiving benefits	7,324	7,138
Vested terminated employees entitled to benefits	1,537	1,366

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, 2020 and December 31, 2019, and the total pension liability used to calculate the NPL was based on an actuarial valuation as of January 1, 2020 and January 1, 2019, 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, 2021 and December 31, 2020, and the measurement dates, December 31, 2020 and December 31, 2019:

($ in millions)	Contributions					
	Rates				Amounts	
	SCERS I Employer	SCERS I Employee	SCERS II Employer	SCERS II Employee	City	Department
2021	16.20%	10.03%	14.42%	7.00%	$139.5	$28.9
2020	16.20%	10.03%	14.42%	7.00%	$141.0	$28.7

Net Pension Liability—The Department reported a liability of $199.5 million and $265.2 million for its proportionate share of net pension liability as of December 31, 2021 and December 31, 2020, respectively. The Department's proportion of the NPL as of December 31, 2021 and December 31, 2020 was based on contributions to SCERS during the fiscal year ended December 31, 2020 and December 31, 2019, respectively. The Department's proportionate share was 20.38% and 21.10% for the years ended December 31, 2020 and December 31, 2019, respectively. The net pension liability was measured as of December 31, 2020 and December 31, 2019, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2020 and January 1, 2019, respectively.

Changes in Net Pension Liability

($ In millions)

	Fiscal Year Ended December 31	
	2021	**2020**
Total Pension Liability		
Service cost	$ 24.1	$ 22.5
Interest on total pension liability	65.2	64.0
Effect of economic/demographic gains or losses	1.0	(4.5)
Benefit payments	(43.6)	(42.9)
Refund of contributions	(3.1)	(3.2)
Net change in total pension liability	43.6	35.9
Total pension liability, beginning of period	929.8	896.9
Effect of change in proportionate share	(32.0)	(3.0)
Adjusted total pension liability, beginning of period	897.8	893.9
Total pension liability, end of period	941.4	929.8
Plan fiduciary net position		
Benefit payments	(43.6)	(42.9)
Refunds of contributions	(3.1)	(3.2)
Administrative expenses	(1.5)	(2.0)
Member contributions	16.9	15.9
Employer contributions	28.8	25.1
Net investment income	102.6	98.3
Net change in Plan fiduciary net position	100.1	91.2
Plan fiduciary net position, beginning of period	664.6	575.3
Effect of change in proportionate share	(22.8)	(1.9)
Adjusted fiduciary net position, beginning of period	641.8	573.4
Plan fiduciary net position, end of period	741.9	664.6
Net pension liability, end of period	$ 199.5	$ 265.2

The Department incurred pension expense of $1.5 million and $24.7 million for the years ended December 31, 2021, and 2020, respectively.

Actuarial assumptions—The total pension liability at December 31, 2021 and 2020 was based on actuarial valuations as of January 1, 2020 and 2019, 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	3.50%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Investment Rate of Return	7.25%
Cost of Living Adjustments	Annual compounding COLA of 1.5% assumed. Additional restoration of purchasing power benefits available based on an assumed 3.25% if purchasing level decreases to 65%.
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale.

All other actuarial assumptions used in the January 1, 2020 and January 1, 2019 valuations were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2017.

Discount Rate—The discount rate used to measure the total pension liability for FY 2021 and FY 2020 was 7.25%. 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 2021 and 2020 is projected at 2.75% for the same periods.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	48%	4.25%
Private Equity	11%	7.32%
Fixed Income		
Core Fixed Income	18%	-0.10%
Credit Fixed Income	7%	3.26%
Real Assets		
Real Estate	12%	3.41%
Infrastructure	4%	3.85%

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 7.25% for FY 2021 and FY 2020, 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,	
	2021	2020
Discount Rate		
1% decrease - 6.25%	$ 314.9	$ 379.6
Current discount Rate - 7.25%	199.5	265.2
1% increase - 8.25%	103.0	169.5

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, 2021, which are publicly available at http://www.seattle.gov/retirement/about-us/board-of-administration.

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, 2021, and December 31, 2020:

($ in millions)	December 31,	
	2021	2020
Deferred outflows of resources		
Differences between expected and actual experience	$ 0.8	$ -
Changes of assumptions	9.4	13.6
Contributions made subsequent to measurement date	28.9	28.7
Total deferred outflows of resources	$ 39.1	$ 42.3
Deferred inflows of resources		
Differences between expected and actual experience	$ 5.7	$ 8.6
Net difference between projected and actual earnings	60.2	$ 23.0
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	13.9	13.0
Total deferred inflows of resources	$ 79.8	$ 44.6

Department contributions made in 2021 in the amount of $28.9 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, 2022. 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 *($ in millions)*	Amortization
2022	$ (22.6)
2023	(10.0)
2024	(22.6)
2025	(13.4)
2026	(1.0)
Total	$ (69.6)

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 11,853 active employee plan participants and 466 retirees, disabled, and survivor plan participants as of the January 1, 2020 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 2014-2017.

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	FY 2021: 2.12% FY 2020: 2.74%
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
2020 to 2021	6.55%	9.00%	7.15%
2021 to 2022	6.32%	8.50%	6.86%
2022 to 2023	6.09%	8.00%	6.57%
2023 to 2024	5.86%	7.50%	6.28%
2024 to 2025	5.64%	7.00%	5.99%
2025 to 2026	5.41%	6.50%	5.69%
2026 to 2027	5.18%	6.00%	5.40%
2027 to 2028	4.95%	5.50%	5.10%
2028 to 2029	4.73%	5.00%	4.80%
2029 to 2030	4.50%	4.50%	4.50%

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%.
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 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, benefit, and plan represent the true underlying baseline experience estimated for the City of Seattle's sponsored postretirement benefits and costs.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	$ 12,533	$ 2,912	$ 358	$ 12,230	$ 2,893	$ 358
55	$ 14,220	$ 3,305	$ 358	$ 13,877	$ 3,282	$ 358
57	$ 15,499	$ 3,601	$ 358	$ 15,125	$ 3,576	$ 358
60	$ 17,638	$ 4,097	$ 358	$ 17,210	$ 4,069	$ 358
62	$ 19,003	$ 4,415	$ 358	$ 18,543	$ 4,384	$ 358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	$ 5,397	$ 1,246	$ 689	$ 5,755	$ 1,273	$ 689
55	$ 6,123	$ 1,413	$ 689	$ 6,531	$ 1,445	$ 689
57	$ 6,674	$ 1,540	$ 689	$ 7,118	$ 1,574	$ 689
60	$ 7,595	$ 1,752	$ 689	$ 8,100	$ 1,792	$ 689
62	$ 8,182	$ 1,888	$ 689	$ 8,727	$ 1,930	$ 689

The average medical and prescription drug per capita claims costs were developed from 2021 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 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 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.

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

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 $10.1 million and $9.0 million for the years ended December 31, 2021 and 2020, respectively. The OPEB liability is included under Other noncurrent liabilities on the Department's balance sheet. The Department's proportionate share of the OPEB liability was 14.38% and 14.14% for the years ended December 31, 2021 and 2020, respectively. Based on the actuarial valuation date of January 1, 2020 and measurement dates January 1, 2020 and January 1, 2021, details regarding the Department's Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability as of December 31, 2021 and 2020 are shown below.

Changes in Net OPEB Liability

($ in millions)	Fiscal Year Ended December 31, 2021	2020
Total OPEB Liability		
Service cost	$ 0.6	$ 0.5
Interest on the total OPEB liability	0.3	0.4
Differences between expected and actual experience	-	1.0
Changes of assumptions	0.5	(1.1)
Benefit payments	(0.4)	(0.4)
Net Changes	1.0	0.4
Total OPEB liability, beginning of period	9.0	8.7
Effect of change in proportionate share	0.1	(0.1)
Adjusted total OPEB liability, beginning of period	9.1	8.6
Total OPEB liability, end of period	10.1	9.0
Plan fiduciary net position		
Benefit payments	(0.4)	(0.4)
Employer contributions	0.4	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	$ 10.1	$ 9.0

The Department recorded an expense for OPEB of $0.9 million and $0.3 million in 2021 and 2020, 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 2.12% and 2.74% for the years ended December 31, 2021 and 2020, 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,	
	2021	**2020**
Discount Rate		
1% decrease - 1.12%	$ 11.0	
Current discount Rate - 2.12%	10.1	
1% increase - 3.12%	9.3	
1% decrease - 1.74%		$ 9.8
Current discount Rate - 2.74%		9.0
1% increase - 3.74%		8.2

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,	
	2021	**2020**
Discount Rate		
1% decrease	$ 8.9	$ 8.0
Trend rate	10.1	9.0
1% increase	11.6	10.2

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, 2021 and December 31, 2020.

($ in millions)

	December 31,	
	2021	**2020**
Deferred outflows of resources		
Difference between actual and expected experience	$ 1.9	$ 2.2
Assumption changes	0.5	-
Contributions made after measurement date	0.4	0.4
Total deferred outflows of resources	$ 2.8	$ 2.6
Deferred inflows of resources		
Assumption changes	$ 3.0	$ 3.5
Total deferred inflows of resources	$ 3.0	$ 3.5

Department contributions made in 2021 in the amount of $0.4 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, 2022. 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 ($ in millions)	Amortization
2022	$ (0.1)
2023	(0.2)
2024	(0.1)
2025	(0.2)
2026	(0.1)
Total Thereafter	0.1
Total	$ (0.6)

15. ENVIRONMENTAL LIABILITIES

Environmental liabilities were $108.9 million and $106.6 million, at December 31, 2021, and 2020, 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 (EWW) alongside Harbor Island. The City's 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 City is one of four parties who are conducting remedial investigation and feasibility study that will delineate cleanup actions. A draft final feasibility study was submitted to EPA in October 2016. Nine alternative actions were presented with costs ranging from $256.0 million to $411.0 million with an estimated time to complete construction on active cleanup components ranging from 9 to 13 years. The Feasibility Study (FS) was completed in 2017. The EPA comments were received in 2017 and the final FS was approved by the EPA in June 2019. The proposed plan is expected to be released in 2022. 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 East Waterway.

The City anticipates that EPA will issue a notification letter to Potential Liable Parties (PLP) informing them of their potential liability for the East Waterway Cleanup. The timing of this notification is unknown. The current East Waterway Group is working to define an allocation process that will commence once additional PLPs are identified. The Department owns property adjacent to the East Waterway but does not own any of the waterway channel or sediments. The Department recorded a liability of $52.6 Million as of December 31, 2021 and the ultimate liability is indeterminate.

The Lower Duwamish Waterway Superfund Site—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. The City is 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 and feasibility study to prepare a site remedy. The EPA approved the feasibility study 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 Record of Decision (ROD) indicating its preferred alternative clean-up with an estimated discounted cost of $342.0 million, from the total estimated cost of $394.0 million. This estimate was recalculated to its 2018 value using a starting point of the undiscounted estimated cost of $394.0 million plus an average Marine Construction Inflation Factor of 1.038 annually. This recalculation resulted in an increase in estimated environmental liability of $12.3 million for the Department for a revised estimated total project cost of $504.2 million for the project in 2018. The same inflation factor was applied in 2021 with a revised estimated total project cost of $579.5 Million at the end of 2021.

There have been five amendments to the AOC. The first amendment required Lower Duwamish Waterway Group (LDWG) to complete the Fisher Study which was completed in 2016; the second amendment required the completion of carbon study. Year 1 and year 2 monitoring of the carbon plots were completed in 2018 and 2019. The third amendment required additional pre-design activities. The workplan for pre-design work was approved by EPA in August 2017. The field work was completed in 2018 and the draft final reports were submitted in the same year. In July 2018, EPA issued a 4th amendment to the AOC that requires LDWG to (1) Design the remedy for river mile 3.0 to river mile 5.0 of Lower Duwamish Waterway Site (LDW) Upper Reach, consistent with the Lower Duwamish Waterway ROD and Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA); (2) incorporate the work being carried out under the Third Amendment to this AOC in support of the development of seafood consumption institutional controls for the Site; and (3) provide for timely periodic monitoring of selected site conditions, as necessary. The fifth amendment requires LDWG to (1) Design the remedy for river mile 1.6 to river mile 3.0 of Lower Duwamish Waterway site (the "LDW middle reach"), consistent with the Lower Duwamish Waterway ROD and CERCLA; (2) summarize available Puget Sound seafood data, identify data gaps and recommend additional sampling, as necessary, to refine ROD background levels of contamination in seafood; (3) provide for timely periodic monitoring of clam tissues to correspond with fish and crab tissue sampling under the Fourth Amendment; and (4) continue support of the seafood consumption institutional controls for the Site following completion of the Fourth Amendment. The final amendment consultant selection and initial work were completed in 2021. Notice to proceed on the Fifth Amendment is expected in early 2022. The cost is currently split equally between the four LDWG parties. The Department recorded a liability of $44.2 Million as of December 31, 2021. The Department's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The City and other three parties who signed the AOC with the EPA agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. There are 45 parties participating in allocation. The City hired an allocator, and the allocation process began in April 2014. The Department agreed to administer the allocator's contract, estimated to cost about $4.0 million over a four-year period. Parties participating in the allocation process will share the cost of the allocator and the process.

The City is also responsible for investigation and cleanup at the Port of Seattle Terminal 117 Streets, Uplands and Sediments sites, which is an Early Action Area of the Lower Duwamish Waterway (LDW). The South Park Street is not owned by the Department, but the City has jurisdiction over the streets and rights-of-way. Remediation activities for streets were completed in August 2016. The City's share for the uplands and sediments site is paid 100% by the Department. The City's share for the adjacent streets is split between the Department and SPU according to a Memorandum of Agreement (MOA) signed in August 2014. According to this MOA, SPU will pay 2.5% for some portions of the construction and up to 100% for other parts of the cleanup and restoration. The final construction closeout and project closeout was approved by EPA in July 2018. In September 2018, the Long-term Monitoring and Maintenance Plan (LTMMP) was approved by EPA. Activities and costs related to the ongoing monitoring of the drainage infrastructure will be completed by SPU. Annual reports are submitted in March of each year. The annual monitoring reports were submitted in 2018, 2019, and 2020. The annual report covering January 1 through December 31, 2021 was submitted in March 2022. The Department recorded a liability of $2.1 Million as of December 31, 2021, and the ultimate liability is indeterminate.

South Park Marina—The Washington Department of Ecology has notified the City that it is a Potentially Liable Party for contamination at South Park Marina, which is adjacent to Terminal 117. The Department is the lead for the City at this site. Negotiations for an Agreed Order between Ecology and Potential Liable Parties (PLP) have resulted in an Agreed Order to conduct a Remedial Investigation (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 Port of Seattle and South Park Marina have agreed to share costs equally with the City administering the contract with a common consultant. City share is split between the Department 97.5% and SPU 2.5%. In 2019, the City contracted with a consultant to conduct the RI. A draft workplan was submitted to the Department of Ecology 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. The Department recorded a liability of $0.9 Million as of December 31, 2021 and the ultimate liability is indeterminate.

North Boeing Field/Georgetown Steam Plant—The City, King County, and Boeing signed an Administrative Order issued by the Washington State Department of Ecology (Ecology) requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Department's Georgetown Steam Plant (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 Ecology's implementation of the current order. The order requires completion and then implementation of a Remedial Investigation (RI) and feasibility study. The final RI work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making the PRPs 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 90% and SPU's share at 10%. The draft RI was submitted in June 2016. Ecology directed additional investigation in offsite areas following the submittal of RI. The additional investigation and negotiation on RI comments has delayed the submittal of the revised draft RI until 2020. Furthermore, conditions related to COVID-19 pandemic further delayed the Ecology engagement and negotiations in 2020 and 2021. The draft RI is now anticipated to be submitted in 2022. The FS process will begin following approval of RI. 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 presence of chemicals in the storm lines that drain the GTSP roof. City light agreed with Department of Ecology that it will 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 $0.5 Million as of December 31, 2021 and the ultimate liability is indeterminate.

Newhalem – this project is comprised of three sites. 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 2023. 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 currently 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 started in 2020 and the final is anticipated to be approved in Q1 or Q2 2022. Floyd|Snider (F|S) is under contract to provide City Light with consulting services related to the EE/CA, and cleanup planning if necessary. 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 contract to provide City Light with consulting services related to the EE/CA. The EE/CA field investigation was completed in October 2021, and the draft and final EE/CA Reports are planned for 2021-2023. NPS owns the land.

The Department recorded a liability of $3.4 Million as of December 31, 2021 for all three Skagit sites and the 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. 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 $2.2 million and less than $0.1 million at December 31, 2021, and 2020, 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, 2021 and 2020. As of December 31, 2021, and 2020, environmental costs of $118.7 million and $117.1 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, 2021 and 2020 were as follows:

($ in millions)		2021		2020
Beginning Deferred Environmental Costs	$	117.1	$	116.0
Incurred		4.3		1.5
True-up of Realizable Recoveries from SPU and Other Parties		(2.2)		-
Amortization		(0.5)		(0.4)
Ending Deferred Environmental Costs net of Recoveries	$	118.7	$	117.1

The changes in the provision for environmental liabilities at December 31, 2021, and 2020 were as follows:

($ in millions)	2021	2020
Beginning Environmental Liability, Net of Recoveries	$ 106.6	$ 108.6
Payments	(2.0)	(3.5)
Incurred Environmental Liability	4.3	1.5
Ending Environmental Liability, Net of Recoveries	$ 108.9	$ 106.6

The provision for environmental liabilities included in current and noncurrent liabilities at December 31, 2021 and 2020, was as follows:

($ in millions)	2021	2020
Noncurrent Liabilities	$ 102.5	$ 104.3
Accounts Payable and Other Current Liabilities	6.4	2.3
Ending Non-Current Liabilities	$ 108.9	$ 106.6

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, 2021 and 2020 consisted of the following:

($ in millions)	2021	2020
Other liabilities:		
Unearned capital fees	$ 27.6	$ 26.5
Customer deposits—sundry sales	5.3	10.6
Unearned revenues—other	1.8	0.9
Total	$ 34.7	$ 38.0

17. DEFERRED INFLOWS OF RESOURCES

Seattle City Council passed resolutions authorizing the reporting of certain credits as regulatory liabilities 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 2021 and 2020 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.

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 is recognized as a deferred inflow and will be amortized as applied to future FERC invoices.

Deferred inflows of resources at December 31, 2021 and 2020 consisted of the following:

($ in millions)	2021	2020
Deferred inflows of resources:		
Unearned revenue—rate stabilization account	$ 74.4	$ 71.8
Changes in Net Pension Liability	79.8	44.7
Changes in OPEB Liability	3.0	3.5
Gains on advanced refunding	2.8	1.4
Bonneville energy conservation agreement	37.9	39.5
FERC land use fee refund	11.2	-
Other deferred inflows	0.2	-
Total	$ 209.3	$ 160.9

18. 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, 2021 and 2020 consisted of the following:

($ in millions)	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2021			
Sales	$ 2.7	$ 3.8	$ (1.1)
Purchases	-	-	-
Total	$ 2.7	$ 3.8	$ (1.1)

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2020			
Sales	$ 13.0	$ 12.5	$ 0.5
Purchases	-	-	-
Total	$ 13.0	$ 12.5	$ 0.5

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 2021 and 2020. 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.

19. 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 $6.6 million and $6.7 million in 2021 and 2020, respectively, including operations costs and royalty payments to the irrigation districts. The Department provided and billed Lucky Peak $0.3 million for operational and administrative services in both 2021 and 2020. 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 2021 and 2020, respectively. The Department's payables to Lucky Peak were $0.5 million and $0.8 million at December 31, for 2021 and 2020, respectively.

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, 2021 and 2020 were as follows:

	Expense		Average Megawatts	
($ in millions)	**2021**	**2020**	**2021**	**2020**
Long-term purchased power-Bonneville	$ 154.7	$ 161.1	470.2	489.4
Lucky Peak	6.6	6.7	25.3	29.0
British Columbia - High Ross Agreement	13.1	13.4	36.0	35.3
Grant County Public Utility District	1.1	1.2	2.7	2.9
Columbia Basin Hydropower	8.0	7.9	30.3	29.4
Bonneville South Fork Tolt billing credit	(3.5)	(3.4)	-	-
Renewable energy - State Line Wind	25.2	26.3	41.1	43.4
Renewable energy - Other	7.3	7.9	11.9	13.2
Exchanges and loss returns energy at fair value	4.8	1.9	49.6	48.8
Long-term purchased power booked out	(9.8)	(6.4)	(21.8)	(35.6)
Long-term purchase power-other	52.8	55.5	175.1	166.4
Total	$ 207.5	$ 216.6	645.3	655.8

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 2021 and 2020. 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 2021 and 2020.

Fair Value of Exchange Energy—During 2021 and 2020, 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 2022 through 2065, undiscounted, are as follows:

$ in millions Years Ending December 31	Estimated Payments
2022	$ 231.3
2023	237.4
2024	248.6
2025[(a)]	216.0
2026	187.1
2027-2031[(b)]	403.3
Thereafter (through 2065)	141.2
Total	$ 1,664.9

(a) Bonneville transmission agreement expires July 31, 2025.
(b) Bonneville Block & Slice agreement expires September 30, 2028.

20. COMMITMENTS AND CONTINGENCIES

Operating Leases—While the Department owns several buildings including those at the Skagit and Boundary hydroelectric projects, service centers, and the System Control Center, the Department leases some administrative office space from the City. Such lease payments to the City are made through a central cost allocation process, similar to all other payments for tenancy of City property. These payments are not includedin the operating leases table below. The Department also leases certain office equipment and smaller facilitiesfor various purposes through long-term operating lease agreements. Expenses for all operating leases totaled $1.8 million in 2021 and $1.4 million in 2020.

Minimum payments under the operating leases are:

Year Ending December 31 *($ in millions)*	Minimum Payments
2022	$ 1.5
2023	1.5
2024	1.4
Total	$ 4.4

2022 Capital Program—The budget for the Department's 2022 program for capital improvement, conservation,and deferred operations and maintenance including required expenditures on assets owned by others is $457.7 million. At December 31, 2021, the Department had approximately $181.0 million in commitments relating thereto. Department overhead costs and other allocations associated with the capital program are not included in the budget amount.

2022 Operations and Maintenance Budget—The Department's 2022 Operating and Maintenance budget is $1,007.8 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 $151.3 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.

New 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 $365.2 million adjusted to 2021 dollars, of which $113.0 million were expended through 2021. 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 andcompliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2021, to be $156.2 million, of which $148.4 million had been expended. Total South Fork Tolt license mitigation costs were estimated at $2.2 million, of which $2.2 million were expended through 2021. 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 2021 dollars. Department labor and other overhead costs associated with the activities required by the settlementagreements 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 in order 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 steelheadin 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, 2021, are estimated to be $17.5 million, and $2.4 million has been allocated for the program in the 2022 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 February 2009, the Department renewed its contract with Whatcom County committing to pay a total of $15.8 million over 15 years ending in 2023. 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 $2.9 million and $2.7 million to Pend Oreille County in 2021 and 2020 respectively, and $1.2 million to Whatcom County in 2021 and 2020 respectively.

Deien v. City **–** Plaintiff brings a purported class action against City Light based on City Light billing practices associated with City Light's transition to advanced meters. Pending court approval, the case will be settled on a class basis for a $3.5M payment from the City. The Department accrued the $3.5 million expense and liability in 2021.

East Marginal Way Poles – The City faces several claims and lawsuits related to the collapse of power poles along East Marginal Way in Seattle on April 5, 2019. The claimants allege that City Light and CenturyLink (a co-owner of certain poles) negligently maintained a number of poles. City Light's ultimate liability is indeterminate.

Tucker v. City and Andrew Strong – Plaintiff Tucker alleges race discrimination, harassment, and retaliation against City Light and Mr. Strong, as well as a claim against Mr. Strong for aiding and abetting discrimination. An adverse result could include awards of compensatory damages and attorneys' fees. City Light's ultimate liability is indeterminate. Trial is currently set in state court for November 14, 2022.

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.

1. Federal Claims – 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 has appealed this decision to the 9th Circuit. Briefing is scheduled to be complete by June 2022. The City cannot predict whether a material adverse outcome will occur.

2. King County Superior Court – In September 2021, the Tribe filed a second suit against the City based on the same operative facts, 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, and the Court granted its motion to dismiss on January 14, 2022. The Tribe has appealed the dismissal, but no briefing schedule has been set yet. The City cannot predict whether a material adverse outcome will occur.

3. Sauk-Suiattle Tribal Court – 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 property interests through blocking fish passage; (2) that the "blockage of water" constitutes and arbitrary 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 has filed a motion to dismiss these claims, which is scheduled to be argued on March 29, 2022. Additionally, the City filed a complaint in federal court in the Western District of Washington seeking to enjoin the Sauk-Suiattle Tribal Court from exercising jurisdiction. The Tribe has filed a motion to dismiss this complaint as premature. The case has been assigned to the same judge that dismissed the Tribe's earlier federal court lawsuit. Liability is indeterminate

The following case from 2020 was settled in 2021:

Dixon v. City and 3 "John Doe" defendants – Plaintiff Dixon alleged that he was a victim of discrimination and retaliation based on race, color, and engaging in protected activities. The plaintiff includes allegations of race discrimination, harassment, and retaliation throughout his 30-year employment. Trial was set in state court for May 23, 2022. This matter resolved upon the plaintiff's acceptance of an Offer of Judgment on December 27, 2021 in the amount of $200,000.00, plus fees and costs.

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.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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):

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	20.38%	21.10%	21.17%	21.00%	22.13%	24.46%	24.53%
Employer's proportionate share of total pension liability	$ 941.4	$ 929.8	$ 896.9	$ 831.6	$ 839.5	$ 883.5	$ 841.5
Employer's proportionate share of plan fiduciary net position	$ 741.9	$ 664.6	$ 575.3	$ 599.1	$ 550.7	$ 565.7	$ 569.7
Employer's proportionate share of the net pension liability	$ 199.5	$ 265.2	$ 321.6	$ 232.5	$ 288.8	$ 317.8	$ 271.8
Employer's covered-employee payroll	$ 178.1	$ 165.3	$ 163.7	$ 153.6	$ 156.5	$ 157.0	$ 152.3
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	112.03%	160.44%	196.42%	151.41%	184.49%	202.44%	178.48%
Plan fiduciary net position as a percentage of the total pension liability	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%	67.70%

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	3.50% 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	2.75% for FY 2019-2021, 3.25% for prior years
Investment rate of return	7.25% for FY 2019-2021, 7.50% for prior years
Mortality	Based on RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale for FY 2019-2021. Prior years based on RP- 2000 mortality tables

The Department's proportionate schedule of employer's contributions (dollar amounts in millions):

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 28.9	$ 28.7	$ 24.8	$ 24.7	$ 23.7	$ 25.3	$ 24.9
Contributions in relation to contractually required contribution	28.9	28.7	24.8	24.7	23.7	25.3	24.9
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 179.3	$ 178.1	$ 165.3	$ 163.7	$ 153.6	$ 156.5	$ 157.0
Contributions as a percentage of covered-employee payroll	16.12%	16.11%	15.00%	15.09%	15.43%	16.17%	15.86%

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)	2021	2020	2019	2018
Employer's proportion of the net OPEB liability	14.38%	14.14%	14.34%	14.61%
Employer's proportionate share of total OPEB liability	$ 10.1	$ 9.0	$ 8.7	$ 8.9
Employer's proportionate share of plan fiduciary net position	-	-	-	-
Employer's proportionate share of the net OPEB liability	$ 10.1	$ 9.0	$ 8.7	$ 8.9
Employer's covered-employee payroll	$ 161.7	$ 159.0	$ 145.6	$ 148.3
Employer's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	6.25%	5.66%	6.00%	6.02%
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.

There were no changes to benefit terms in 2021. See Note 14 for details regarding actuarial methods and assumptions.

Actuarial Methods and Assumptions:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Discount Rate	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	6.55% 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	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 RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale

There were no changes to benefit terms in 2021. 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 2021, 2020, and 2019. The target level for debt service coverage was 1.8x on all bonds for 2021, 2020, and 2019 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 2021	2020	2019
OPERATING REVENUES:			
Retail power revenues	$ 964.3	$ 926.7	$ 938.9
Short-term wholesale power revenues	66.3	51.3	43.2
Other power-related revenues (a)(b)(c)	59.3	40.8	52.2
Transfers from/(to) rate stabilization account (d)	(2.6)	(22.7)	22.8
Other operating revenues	21.7	19.6	22.4
Total operating revenues	$ 1,109.0	$ 1,015.7	$ 1,079.5
OPERATING EXPENSES:			
Long-term purchased power—Bonneville and other (b)	$ 207.5	$ 216.6	$ 215.9
Short-term wholesale power purchases	38.5	10.0	34.3
Other power expenses (b)	95.2	72.6	74.4
Transmission (e)	55.7	54.6	52.4
Distribution	68.0	56.3	60.4
Customer service	50.8	58.6	33.7
Conservation	28.8	33.3	33.4
Administrative and general	97.1	127.3	122.9
Taxes	101.5	101.2	100.1
Depreciation and amortization	148.6	149.8	145.8
Total operating expenses	$ 891.7	$ 880.3	$ 873.3
NET OPERATING REVENUE (f)	$ 217.3	$ 135.4	$ 206.2
Adjustments to Net Operating Revenue (g)			
City Taxes (h)	$ 53.6	$ 57.5	$ 58.5
Depreciation and amortization	148.6	149.8	145.8
Depreciation & amortization included in operating & maintenance expenses (i)	47.1	32.5	30.8
Pension expense (j)	1.5	24.6	33.6
Pension contributions (j)	(28.9)	(28.7)	(24.8)
Valuation on exchange power, net (b)(c)	-	-	-
BPA Conservation Augmentation/Agreement revenue (k)	(2.6)	(2.4)	(2.1)
Investment income (l)	8.7	10.8	10.7
Non-cash expenses (m)	4.4	3.4	1.0
Other (n)	(0.7)	3.4	3.0
Total adjustments	$ 231.7	$ 250.9	$ 256.5
Net Revenue Available for Debt Service	$ 449.0	$ 386.3	$ 462.7
Total Debt Service (o)	$ 216.3	$ 223.0	$ 220.8
Ratio of Available Net Revenue to Debt Service	2.08x	1.73x	2.10x

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) 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) Pension expense is the amount recorded for compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, a non-cash item. Pension contributions are the Department cash contributions to the Seattle City Employee's Retirement System.
(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 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 *($ in millions)*	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2021	$ 449.0	$ 216.3	2.08
2020	386.3	223.0	1.73
2019	462.7	220.8	2.10
2018	388.4	212.4	1.83
2017	376.8	203.3	1.85

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON LONG-TERM DEBT

Year Ending December 31 *($ in millions)*	Fixed Rate Bonds Principal	Fixed Rate Bonds Interest	Fixed Rate Bonds Subtotal	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Variable Rate Bonds Subtotal	Total [a]
2022	$ 121.1	$ 106.1	$ 227.2	$ 2.2	$ 0.9	$ 3.1	$ 230.3
2023	123.3	100.4	223.7	2.2	0.9	3.1	226.8
2024	127.2	94.1	221.3	2.3	0.9	3.2	224.5
2025	117.2	87.7	204.9	2.4	0.8	3.2	208.1
2026	109.6	82.5	192.1	5.9	0.8	6.7	198.8
2027	88.5	77.2	165.7	6.1	0.8	6.9	172.6
2028	92.3	72.7	165.0	6.3	0.8	7.1	172.1
2029	86.8	68.6	155.4	6.6	0.7	7.3	162.7
2030	72.7	64.8	137.5	6.9	0.7	7.6	145.1
2031	75.6	61.4	137.0	7.2	0.7	7.9	144.9
2032	78.7	58.0	136.7	7.4	0.7	8.1	144.8
2033	81.8	54.4	136.2	7.8	0.6	8.4	144.6
2034	83.9	51.0	134.9	8.1	0.6	8.7	143.6
2035	87.6	47.4	135.0	8.4	0.5	8.9	143.9
2036	96.3	43.5	139.8	8.7	0.5	9.2	149.0
2037	86.5	39.4	125.9	9.1	0.4	9.5	135.4
2038	91.3	35.4	126.7	9.5	0.4	9.9	136.6
2039	94.2	31.4	125.6	9.8	0.4	10.2	135.8
2040	97.9	27.3	125.2	10.2	0.3	10.5	135.7
2041	87.6	23.5	111.1	10.7	0.3	11.0	122.1
2042	74.5	20.1	94.6	11.1	0.2	11.3	105.9
2043	77.6	17.1	94.7	11.5	0.2	11.7	106.4
2044	71.2	13.8	85.0	12.0	0.1	12.1	97.1
2045	65.0	10.8	75.8	12.5	0.1	12.6	88.4
2046	59.3	8.3	67.6	5.5	-	5.5	73.1
2047	54.2	5.8	60.0	-	-	-	60.0
2048	42.0	3.4	45.4	-	-	-	45.4
2049	28.2	1.9	30.1	-	-	-	30.1
2050	15.6	1.0	16.6	-	-	-	16.6
2051	9.2	0.4	9.6	-	-	-	9.6
Total	$ 2,396.9	$ 1,309.4	$ 3,706.3	$ 190.4	$ 13.3	$ 203.7	$ 3,910.0

[a] Maximum debt service of $230.3 million is due in 2022. See Note 9 Long-term debt.
Note: All parity bonds of the Department are fixed rate bonds except the 2018C C.1 & C.2, and 2021B bonds which are variable rate bonds.

OTHER INFORMATION (UNAUDITED)

STATEMENT OF LONG-TERM DEBT

As of December 31, 2021

($ in millions)

Bond Series	When Due	Interest Rate (%)	Amount Issued	Amount Outstanding	Amount Due Within One Year	Accrued Interest
Series 2010A	2022	4.597	$ 7.2	$ 7.2	$ 7.2	$ 0.2
Series 2010A	2023	4.747	7.5	7.5	-	0.2
Series 2010A	2024	4.947	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	102.5	-	2.3
Series 2010C	2040	5.590	13.3	13.3	-	0.3
Series 2011B	2027	5.750	10.0	10.0	-	0.2
Series 2012A	2022-2027	5.000	198.0	66.1	15.3	0.2
Series 2012A	2028	3.250	12.4	12.4	-	0.1
Series 2012A	2037-2041	4.000	49.1	39.2	-	0.1
Series 2012C	2028	3.400	4.3	4.3	-	-
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 2013	2022-2033	5.000	97.4	30.9	4.0	0.7
Series 2013	2034-2035	4.000	14.7	14.7	-	0.3
Series 2013	2036-2038	4.125	24.4	24.4	-	0.6
Series 2014	2022-2029	5.000	163.2	64.7	14.9	0.9
Series 2014	2030-2038	4.000	53.9	53.9	-	0.8
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	28.7	5.8	0.2
Series 2015A	2027-2045	4.000	109.0	109.0	-	0.8
Series 2016A	2036-2041	4.050	31.9	31.9	-	0.6
Series 2016B	2022-2028	5.000	103.0	80.3	9.8	1.0
Series 2016B	2029	4.000	13.9	13.9	-	0.2
Series 2016C	2022-2026	5.000	56.9	35.2	10.7	0.3
Series 2016C	2027-2046	4.000	103.9	103.9	-	1.2
Series 2017C	2022-2032	5.000	174.2	156.2	11.7	2.3
Series 2017C	2033-2047	4.000	211.3	211.3	-	3.1
Series 2018A	2022-2029	5.000	60.2	47.1	4.9	0.7
Series 2018A	2030-2048	4.000	203.6	203.6	-	4.6
Series 2018C C.1	2022-2046	.27 - 0.60 A	49.3	44.9	1.1	-
Series 2018C C.2	2022-2046	.27 - 0.60 A	49.3	44.9	1.1	-
Series 2019A	2022-2049	5.000	210.5	203.8	3.5	2.5
Series 2019B	2022-2026	5.000	140.3	118.5	22.9	2.5
Series 2020A	2022-2030	5.000	78.5	76.1	2.1	2.2
Series 2020A	2031-2050	4.000	119.8	119.8	-	2.1
Series 2021A	2022-2031	5.000	63.6	63.6	8.3	1.3
Series 2021A	2032-2051	4.000	196.2	196.2	-	3.8
Series 2021B	2022-2045	.27 - 0.36 A	100.6	100.6	-	-
Total			$ 3,043.5	$ 2,587.3	$ 123.3	$ 38.5

[A] Range of adjustable rates in effect during 2021.

Note: All parity bonds of the Department are fixed rate bonds except the 2018C C1&C2 and 2021B bonds, which are variable rate bonds.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

POWER COSTS AND STATISTICS

Year ending December 31 *($ in millions)*	**2021**	**2020**	**2019**	**2018**	**2017**
POWER COSTS					
Hydroelectric generation[(a)©]	$ 63.0	$ 58.2	$ 54.4	$ 51.7	$ 56.8
Long-term purchased power[(b)]	207.5	216.6	215.9	217.8	224.8
Wholesale power purchases[(c)(e)]	38.5	10.0	34.3	18.5	15.2
Fair valuation & other power purchases[(b)(e)]	34.1	15.2	21.9	20.6	11.4
Owned transmission[(a)]	16.9	16.4	15.7	17.0	15.5
Wheeling expenses	45.9	44.9	43.3	43.2	42.9
Other power expenses	15.9	16.3	14.5	13.1	13.9
Total power costs	421.8	377.6	400.0	381.9	380.5
Less short-term wholesale power sales[(c)]	(66.3)	(51.3)	(43.2)	(61.0)	(60.9)
Less other power-related revenues	(26.7)	(29.3)	(36.8)	(28.5)	(20.8)
Less fair valuation other power-related[(b)]	(32.6)	(11.4)	(15.4)	(17.4)	(15.0)
Net power costs	$ 296.2	$ 285.6	$ 304.6	$ 275.0	$ 283.8
POWER STATISTICS (MWh)					
Hydroelectric generation[(c)]	6,009,237	6,017,176	5,346,373	6,419,136	6,396,563
Long-term purchased power[(b)]	5,945,779	6,173,078	6,243,569	6,354,303	7,521,767
Wholesale power purchases[(c)(e)]	1,281,656	633,111	1,028,182	1,167,441	904,362
Wholesale power sales[(c)(e)]	(2,543,488)	(2,605,592)	(2,123,263)	(3,329,288)	(3,695,173)
Other[(d)]	(1,164,379)	(1,003,455)	(958,287)	(938,363)	(1,154,419)
Total power available	9,528,805	9,214,318	9,536,574	9,673,229	9,973,100
Less self consumed energy	(26,537)	(26,203)	(26,962)	(25,642)	(26,691)
Less system losses	(423,886)	(549,228)	(387,653)	(573,525)	(537,750)
Total power delivered to retail customers	9,078,382	8,638,887	9,121,959	9,074,062	9,408,659
Net power cost per MWh delivered[(1)]	$ 32.62	$ 33.05	$ 33.38	$ 30.31	$ 30.16

(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)

Year ending December 31	2021	2020	2019	2018	2017
Department-Owned Generation					
Boundary Project	3,211,443	3,576,351	3,307,074	4,008,235	3,825,302
Skagit Hydroelectric Project:					
Gorge	988,738	958,211	832,815	947,000	998,676
Diablo	847,067	703,719	610,968	626,127	692,828
Ross	823,907	655,524	524,516	690,006	741,493
Cedar Falls/Newhalem	83,424	81,065	41,376	89,250	83,461
South Fork Tolt	54,658	42,306	29,624	58,518	54,803
Subtotal	6,009,237	6,017,176	5,346,373	6,419,136	6,396,563
Energy Purchases					
Bonneville	4,119,204	4,299,280	4,388,973	4,435,838	5,482,904
Priest Rapids	23,601	25,596	19,866	25,732	24,532
Columbia Basin Hydropower	265,850	258,498	219,094	241,236	228,789
High Ross	315,101	309,960	307,599	310,700	313,973
Lucky Peak	221,981	254,619	364,089	347,669	463,403
Stateline Wind Project	360,191	380,795	338,452	342,873	330,161
Columbia Ridge	92,937	102,421	101,615	102,617	96,096
Seasonal and Other Exchange[(a)]	546,914	541,909	503,881	547,638	581,909
Wholesale Market Purchases[(b)]	1,281,656	633,111	1,028,182	1,167,441	904,362
Subtotal	7,227,435	6,806,189	7,271,751	7,521,744	8,426,129
Total Department Resources	13,236,672	12,823,365	12,618,124	13,940,880	14,822,692
Minus Offsetting Energy Sales					
Firm Energy Sales and Marketing Los:	695,102	505,727	387,615	344,435	328,666
Seasonal and Other Exchange[(a)]	469,277	497,728	570,672	593,928	825,753
Wholesale Market Sales	2,543,488	2,605,592	2,123,263	3,329,288	3,695,173
Total Energy Resources	9,528,805	9,214,318	9,536,574	9,673,229	9,973,100

(a) Includes exchange contracts with Grant County, Lucky Peak Project, Northern California Power Agency (NCPA), expired 5/31/2018, and Sacramento Municipal Utility District (SMUD),expired 7/31/2017.
(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 incremental losses due to expanded activity in the wholesale market.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

CUSTOMER STATISTICS

Years ended December 31,		2021		2020		2019		2018		2017
Average number of customers:										
Residential		433,686		426,359		419,601		410,664		403,888
Industrial		61								
Commercial		51,408		51,219		50,779		50,859		50,608
Total		485,155		477,578		470,380		461,523		454,496
Megawatt-hours[a]:										
Residential	37%	3,320,729	37%	3,192,877	34%	3,091,019	32%	2,992,914	32%	3,132,079
Industrial	9%	817,060								
Commercial	54%	4,940,593	63%	5,446,010	66%	6,030,940	68%	6,081,148	68%	6,276,580
Total	100%	9,078,382	100%	8,638,887	100%	9,121,959	100%	9,074,062	100%	9,408,659
Average annual revenue per customer[a]:										
Residential		$ 902		$ 890		$ 859		$ 778		$ 812
Industrial		$ 1,126,113								
Commercial		$ 9,779		$ 10,651		$ 11,361		$ 10,748		$ 10,757

* 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,		2021	2020	2019	2018	2017
Average annual consumption per customer (kWhs)[a][b]:						
Residential	- Seattle	7,657	7,489	7,367	7,288	7,755
	- National	n/a	10,715	10,649	10,972	10,399
Industrial	- Seattle	13,394,426				
	- National	n/a				
Commercial	- Seattle	96,105	106,329	118,768	119,568	124,018
	- National	n/a	113,555	120,663	122,952	122,121
Average rate per kilowatt-hour (cents)[a][b]:						
Residential	- Seattle	11.78	11.88	11.66	10.67	10.47
	- National	n/a	13.15	13.01	12.87	12.89
Industrial	- Seattle	8.41				
	- National	n/a				
Commercial	- Seattle	10.18	10.02	9.57	8.99	8.67
	- National	n/a	8.92	9.04	9.10	9.07

(a) Source of national data: Department of Energy (www.eia.doe.gov/electricity/annual/). 2021 National average annual consumption data and average rate data not available. Certain 2020-2017 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.

NOTE 1: A comprehensive rate change of 3.0% became effective April 1, 2021
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 -1.9% is being applied to all retail energy charges beginning November 2019
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

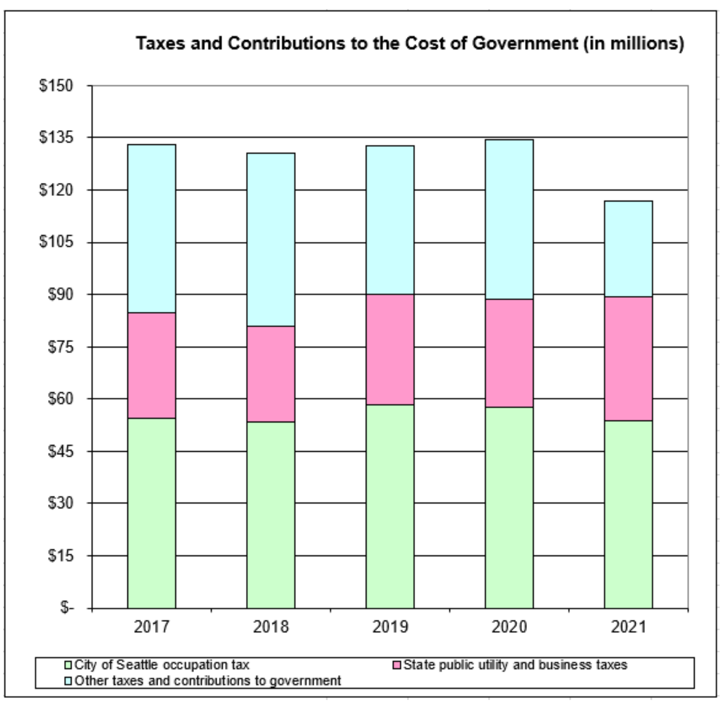
OTHER INFORMATION (UNAUDITED)

TAXES AND CONTRIBUTIONS BY SEATTLE CITY LIGHT TO THE COST OF GOVERNMENT
(Unaudited)

(in millions)

Years ended December 31,	2021	2020	2019	2018	2017
Taxes					
City of Seattle occupation utility tax	$ 53.6	$ 57.5	$ 58.4	$ 53.4	$ 54.4
State public utility and business taxes	35.7	31.3	31.5	27.4	30.2
Suburban contract payments and other	6.9	7.3	6.8	6.3	6.4
Contract payments for government services	5.3	5.1	3.3	4.6	3.8
Total taxes as shown in statement of revenues and expenses	101.5	101.2	100.0	91.7	94.8
Taxes/licenses charged to accounts other than taxes	2.1	16.7	15.5	16.6	15.4
Other contributions to the cost of government	13.4	16.5	17.1	22.2	22.7
Total miscellaneous taxes	15.5	33.2	32.6	38.8	38.1
Total taxes and contributions	$ 117.0	$ 134.4	$ 132.6	$ 130.5	$ 132.9

Note 1: 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.
Note 2: 2017 Taxes/licenses charged to accounts other than taxes updated with more recent information.



PUBLIC PURPOSE EXPENDITURES (Unaudited)

Years ended December 31,	2021	2020	2019	2018	2017
CONSERVATION					
Annual energy savings (megawatt hours) [A]	91,271	80,731	111,735	131,858	136,632
Programmatic conservation expenses [B]					
Non-low income	$ 19.7	$ 20.3	$ 23.8	$ 24.3	$ 31.0
Low income	2.7	1.7	3.1	1.7	2.9
Non-programmatic conservation expenses [C]	4.7	4.8	6.4	11.5	12.6
Subtotal	27.1	26.8	33.3	37.5	46.5
OTHER PUBLIC PURPOSE EXPENDITURES					
Low-income energy assistance [D]	29.2	23.4	18.8	17.8	18.6
Non-hydro renewable resources [E]	38.3	39.7	34.5	33.7	32.9
Subtotal	67.5	63.1	53.3	51.5	51.5
NET PUBLIC PURPOSE SPENDING	94.6	89.9	86.6	89.0	98.0
Revenue from retail electric sales	$ 964.3	$ 926.7	$ 938.9	$ 868.6	$ 875.2
PERCENT PUBLIC PURPOSE SPENDING TO RETAIL ELECTRIC SALES					
Conservation only	2.8%	2.9%	3.5%	4.3%	5.3%
Low-income assistance & non-hydro renewables	7.0%	6.8%	5.7%	5.9%	5.9%
Total	9.8%	9.7%	9.2%	10.2%	11.2%

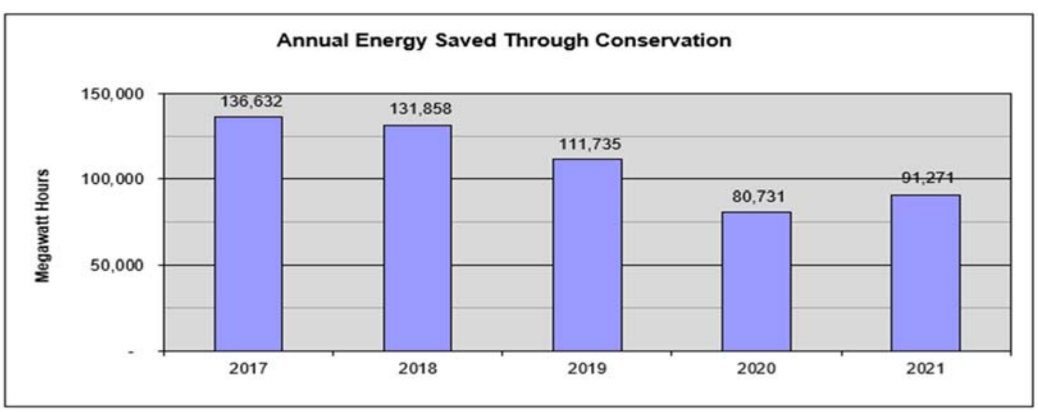
A Energy savings are from completed projects in that year include those from Northwest Energy Efficiency Alliance, residential behavior programs and applicable Transmission & Distribution benefit.

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).



Independent Auditors' 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*

To the Economic Development, Technology, and City Light Committee of
The City of Seattle - City Light Department

We have audited, in accordance with 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, the financial statements of the City of Seattle, City Light Department, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year ended December 31, 2021, and have issued our report thereon dated April 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seattle, City Light Department's internal control over financial reporting (internal control) to determine the 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 City of Seattle, City Light Department's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Seattle, City Light 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 controls 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Seattle, City Light Department are free of 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 determination of financial statement amounts. 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.

Baker Tilly US, LLP

Madison, Wisconsin
April 29, 2022