

**APPENDIX A**  
**BOND ORDINANCE**

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THE CITY OF SEATTLE, WASHINGTON

ORDINANCE 121637

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, refunding all or a portion of certain outstanding municipal light and power revenue bonds, paying the costs of issuing and selling the bonds authorized herein and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; and describing the lien of those bonds.

Passed November 22, 2004

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1 **ORDINANCE 121637**

2 AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and  
3 sale of municipal light and power revenue bonds for the purposes of providing funds for certain  
4 additions and betterments to and extensions of the existing municipal light and power plant and  
5 system of the City, refunding all or a portion of certain outstanding municipal light and power  
6 revenue bonds, paying the costs of issuing and selling the bonds authorized herein and providing  
7 for the reserve fund requirement; providing for the terms, conditions, covenants and manner of  
8 sale of those bonds; and describing the lien of those bonds.

9 WHEREAS, The City of Seattle, Washington (the “City”), owns, operates and maintains an electric  
10 system (the “Light System”); and

11 WHEREAS, the City has need to acquire and construct certain additions and betterments to and  
12 extensions of the Light System described in the system or plan adopted by this ordinance (the  
13 “Plan of Additions”); and

14 WHEREAS, the City has outstanding certain revenue bonds (the “Outstanding Parity Bonds”) having a  
15 charge and lien upon the Gross Revenue of the Light System prior and superior to all other  
16 charges whatsoever, except reasonable charges for maintenance and operation of the Light  
17 System; and

18 WHEREAS, in the ordinances and resolutions authorizing the issuance of the Parity Bonds, the City has  
19 reserved the right to issue additional revenue bonds and obligations having a charge and lien  
20 upon the Gross Revenue of the Light System equal to the lien thereon of the Outstanding Parity  
21 Bonds (“Parity Bonds”) upon compliance with certain conditions described therein; and

22 WHEREAS, the City Council has determined it to be in the best interest of the City and its ratepayers to  
23 authorize the issuance of Parity Bonds to provide for the refunding of all or a portion of the  
24 Outstanding Parity Bonds identified in Exhibit A to this ordinance (the “Refundable Bonds”), if  
25 such refunding provides a net present value savings of at least 5% of the total par amount of the  
26 Refundable Bonds to be refunded; and

WHEREAS, after due consideration, the City finds that it is necessary and in the best interest of the City  
and its ratepayers to issue municipal light and power revenue bonds as Parity Bonds to pay part  
of the cost of the Plan of Additions, refund all or a portion of the Refundable Bonds, pay costs  
of issuing and selling those bonds and provide for the reserve fund requirement; NOW,  
THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and phrases shall  
have the meanings set forth below.

“Accreted Value” means with respect to any Capital Appreciation Bonds (a) as of any  
Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such

1 Capital Appreciation Bonds and (b) as of any date other than a Valuation Date, the sum of (i) the  
2 Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator  
3 of which is the number of days having elapsed from the preceding Valuation Date and the  
4 denominator of which is the number of days from such preceding Valuation Date to the next  
5 succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during  
6 any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times  
7 (B) the difference between the Accreted Values for such Valuation Dates.

8 “Acquired Obligations” means those United States Treasury Certificates of Indebtedness,  
9 Notes and Bonds--State and Local Government Series and other direct, noncallable obligations of  
10 the United States of America purchased to accomplish the refunding of the Refunded Bonds as  
11 authorized by this ordinance.

12 “Adjusted Net Revenue” has the meaning assigned to that term in Section 18(g)(iii).

13 “Annual Debt Service” for any calendar year means the sum of the amounts required in such  
14 calendar year to pay:

15 (a) the interest due in such calendar year on all Parity Bonds outstanding, excluding  
16 interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and

17 (b) the principal of all outstanding Serial Bonds due in such calendar year; and

18 (c) the Sinking Fund Requirement, if any, for such calendar year.

19 For purposes of this definition, the principal and interest portions of the Accreted Value of  
20 Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement  
21 shall be included in the calculations of accrued and unpaid and accruing interest or principal in such  
22 manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such  
23 Capital Appreciation Bonds.

24 For purposes of calculating and determining compliance with the Reserve Fund Requirement  
25 and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment  
26 Agreements:

1 (i) Generally. Except as otherwise provided by subparagraph (ii) with respect to  
2 Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity Bonds with  
3 respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall be  
4 calculated based on the actual amount of accrued, accreted or otherwise accumulated interest that is  
5 payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable Parity  
6 Bond Ordinance;

7 (ii) Interest on Variable Interest Rate Bonds. The amount of interest deemed to  
8 be payable on any issue of Variable Interest Rate Bonds shall be calculated on the assumption that  
9 the interest rate on those bonds would be equal to the rate that is ninety percent (90%) of the average  
10 RBI during the four calendar quarters preceding the quarter in which the calculation is made;

11 (iii) Interest on Parity Bonds With Respect to Which a Payment Agreement is in  
12 Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be  
13 based on the net economic effect on the City expected to be produced by the terms of the Parity  
14 Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by  
15 the following: (A) Parity Bonds that would, but for a Payment Agreement, be treated as obligations  
16 bearing interest at a Variable Interest Rate instead shall be treated as obligations bearing interest at a  
17 fixed interest rate, and (B) Parity Bonds that would, but for a Payment Agreement, be treated as  
18 obligations bearing interest at a fixed interest rate instead shall be treated as obligations bearing  
19 interest at a Variable Interest Rate. Accordingly, the amount of interest deemed to be payable on  
20 any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to  
21 the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus  
22 Payment Agreement Payments minus Payment Agreement Receipts. For the purposes of calculating  
23 as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a  
24 Payment Agreement that includes a variable rate component determined by reference to a pricing  
25 mechanism or index that is not the same as the pricing mechanism or index used to determine the  
26 variable rate interest component on the Parity Bonds to which the Payment Agreement is related, it

1 shall be assumed that the fixed rate used in calculating Payment Agreement Payments will be equal  
2 to 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or  
3 index specified by the Payment Agreement is the same as the pricing mechanism or index specified  
4 by the Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii), the City shall  
5 not be required to (but may in its discretion) take into account in determining Annual Debt Service  
6 the effects of any Payment Agreement that has a term of ten (10) years or less;

7 (iv) Parity Payment Agreements. No additional debt service shall be taken into  
8 account with respect to a Parity Payment Agreement for any period during which Payment  
9 Agreement Payments on that Parity Payment Agreement are taken into account in determining  
10 Annual Debt Service on related Parity Bonds under subparagraph (iii) of this definition. However,  
11 for any period during which Payment Agreement Payments are not taken into account in calculating  
12 Annual Debt Service on any outstanding Parity Bonds because the Parity Payment Agreement is not  
13 then related to any outstanding Parity Bonds, payments on that Parity Payment Agreement shall be  
14 taken into account by assuming:

15 (A) City Obligated to Make Payments Based on Fixed Rate. If the City is  
16 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified  
17 Counterparty is obligated to make payments based on a variable rate index, that payments by the  
18 City will be based on the assumed fixed payor rate, and that payments by the Qualified Counterparty  
19 will be based on a rate equal to the average rate determined by the variable rate index specified by  
20 the Parity Payment Agreement during the four calendar quarters preceding the quarter in which the  
21 calculation is made, and

22 (B) City Obligated to Make Payments Based on Variable Rate Index. If  
23 the City is obligated to make Payment Agreement Payments based on a variable rate index and the  
24 Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by the  
25 City will be based on a rate equal to the average rate determined by the variable rate index specified  
26 by the Parity Payment Agreement during the four calendar quarters preceding the quarter in which

1 the calculation is made, and that the Qualified Counterparty will make payments based on the fixed  
2 rate specified by the Parity Payment Agreement.

3 “Bond Counsel” means a lawyer or a firm of lawyers, selected by the City, of nationally  
4 recognized standing in matters pertaining to bonds issued by states and their political subdivisions.

5 “Bond Register” means the books or records maintained by the Bond Registrar for the  
6 purpose of registration of the Bonds.

7 “Bond Registrar” or “Registrar” means the fiscal agency of the State of Washington, or any  
8 successor bond registrar selected by the City, whose duties include the registration and  
9 authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership of  
10 the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

11 “Bond Resolution” means the resolution or resolutions fixing certain provisions of the Bonds  
12 and their sale as authorized by Section 3 of this ordinance.

13 “Bonds” means the bonds authorized to be issued pursuant to, under the authority of and for  
14 the purposes provided in this ordinance.

15 “1994 Bonds” means the Municipal Light and Power Revenue Bonds, 1994, of the City  
16 authorized by Ordinance 117374 and Resolution 29043.

17 “1995A Bonds” means the Municipal Light and Power Revenue Bonds, 1995, Series A, of  
18 the City authorized by Ordinance 117758 and Resolution 29198.

19 “1995B Bonds” means the Municipal Light and Power Revenue Bonds, Series B, of the City  
20 authorized by Ordinance 117758 and Resolution 29218.

21 “1996 Bonds” means the Municipal Light and Power Revenue Bonds, 1996, of the City  
22 authorized by Ordinance 118282 and Resolution 29477.

23 “1997 Bonds” means the Municipal Light and Power Revenue Bonds, 1997, of the City  
24 authorized by Ordinance 118745 and Resolution 29686.

25 “1998A Bonds” means the Municipal Light and Power Refunding Revenue Bonds, 1998,  
26 Series A, of the City authorized by Ordinance 118744 and Resolution 29687.

1           “1998B Bonds” means the Municipal Light and Power Refunding Revenue Bonds, 1998,  
2 Series B, of the City authorized by Ordinance 119141 and Resolution 29851.

3           “1999 Bonds” means the Municipal Light and Power Revenue Bonds, 1999, of the City  
4 authorized by Ordinance 119638 and Resolution 30065.

5           “2000 Bonds” means the Municipal Light and Power Revenue Bonds, 2000, of the City  
6 authorized by Ordinance 120131 and Resolution 30274.

7           “2001 Bonds” means the Municipal Light and Power Improvement and Refunding Revenue  
8 Bonds, 2001, of the City authorized by Ordinance 120274 and Resolution 30298.

9           “2002 Bonds” means the Municipal Light and Power Refunding Revenue Bonds, 2002, of  
10 the City authorized by Ordinance 120931 and Resolution 30549.

11           “2003 Bonds” means the Municipal Light and Power Improvement and Refunding Revenue  
12 Bonds, 2003, of the City authorized by Ordinance 121198 and Resolution 30618.

13           “Capital Appreciation Bonds” means any Parity Bonds as to which interest is payable only at  
14 the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving payment of  
15 the redemption premium, if any, of a Capital Appreciation Bond that is redeemed prior to maturity,  
16 or (b) computing the principal amount of Parity Bonds held by the owner of a Capital Appreciation  
17 Bond in giving to the City or the paying agent for those bonds any notice, consent, request, or  
18 demand pursuant to this ordinance or for any purpose whatsoever, the principal amount of a Capital  
19 Appreciation Bond shall be deemed to be its Accreted Value.

20           “CIP” means the portion or portions relating to the Light System of the “2004-2009 Capital  
21 Improvement Program” of the City as adopted by the City in Ordinance 121333, passed  
22 November 24, 2003, as that CIP may be amended, updated, supplemented or replaced from time to  
23 time.

24           “City” means The City of Seattle, Washington, a municipal corporation duly organized and  
25 existing under the laws of the State of Washington.

26

1 “City Council” means the City Council of the City, as duly and regularly constituted from  
2 time to time.

3 “Code” means the Internal Revenue Code of 1986, as amended, or any successor thereto, and  
4 all applicable regulations thereunder.

5 “Conservation Plan” means the 1996 Energy Management Services Plan of the City with  
6 respect to the Light System endorsed by the City in Resolution 29427, adopted September 16, 1996,  
7 as that plan may be amended, updated, supplemented or replaced from time to time, to the extent that  
8 funds are appropriated by the City therefor.

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

13 “DTC” means The Depository Trust Company, New York, New York, as initial Securities  
14 Depository for the Bonds.

15 “Director of Finance” means the Director of Finance of the City, or any successor thereto.

16 “Future Parity Bonds” means any fixed or variable rate revenue bonds of the City (other than  
17 the Bonds) issued hereafter having a charge or lien upon the Gross Revenues for payment of the  
18 principal thereof and interest thereon equal in priority to the charge or lien upon the Gross Revenues  
19 of the Light System for the payment of the principal of and interest on the Outstanding Parity Bonds  
20 and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other  
21 obligations issued in compliance with Section 18(g) or Section 18(h).

22 “Government Obligations” means direct obligations of, or obligations the principal of and  
23 interest on which are unconditionally guaranteed by, the United States Government.

24 “Gross Revenues” means (a) all income, revenues, receipts and profits derived by the City  
25 through the ownership and operation of the Light System; (b) the proceeds received by the City  
26 directly or indirectly from the sale, lease or other disposition of any of the properties, rights or

1 facilities of the Light System; (c) Payment Agreement Receipts, to the extent that such receipts are  
2 not offset by Payment Agreement Payments; and (d) the investment income earned on money held in  
3 any fund or account of the City, including any bond redemption funds and the accounts therein, in  
4 connection with the ownership and operation of the Light System. Gross Revenues do not include:  
5 (A) insurance proceeds compensating the City for the loss of a capital asset; (B) income derived  
6 from investments irrevocably pledged to the payment of any defeased bonds payable from Gross  
7 Revenues; (C) investment income earned on money in any fund or account created or maintained  
8 solely for the purpose of complying with the arbitrage rebate provisions of the Code; (D) any gifts,  
9 grants, donations or other funds received by the City from any State or federal agency or other  
10 person if such gifts, grants, donations or other funds are the subject of any limitation or reservation  
11 imposed by the donor or grantor or imposed by law or administrative regulation to which the donor  
12 or grantor is subject, limiting the application of such funds in a manner inconsistent with the  
13 application of Gross Revenues hereunder; (E) the proceeds of any borrowing for capital  
14 improvements (or the refinancing thereof); and (F) the proceeds of any liability or other insurance  
15 (excluding business interruption insurance or other insurance of like nature insuring against the loss  
16 of revenues).

17 “High Ross Agreement” means the agreement dated as of March 30, 1984, between the City  
18 and Her Majesty the Queen in Right of the Province of British Columbia relating to the City’s High  
19 Ross Dam.

20 “High Ross Capital Payments” means the deferred portion of the annual capital payments  
21 required to be made by the City under Section 5 of the High Ross Agreement, representing the  
22 annual cost that would have been incurred by the City for the construction of the High Ross Dam.

23 “Letter of Representations” means the Letter of Representations relating to the Bonds to be  
24 delivered by the City to DTC.

25 “Light Fund” means the special fund of the City of that name heretofore created and  
26 established by the City Council.

1 “Light System” means the municipal light and power plant and system now belonging to or  
2 which may hereafter belong to the City.

3 “Mayor” means the Mayor of the City.

4 “Moody’s” means Moody’s Investors Service, Inc.

5 “Net Revenue” for any period has the meaning assigned to that term in Section 18(g)(ii).

6 “New Covenant Date” means the date on which no 1994 Bonds, 1995A Bonds, 1995B  
7 Bonds, 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds or 2000 Bonds remain  
8 outstanding under the respective ordinances authorizing the issuance of such bonds.

9 “Outstanding Parity Bonds” means, collectively, the outstanding 1994 Bonds, 1995A Bonds,  
10 1995B Bonds, 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds, 2000 Bonds,  
11 2001 Bonds, 2002 Bonds and 2003 Bonds.

12 “Parity Bond Fund” means the Seattle Municipal Light Revenue Parity Bond Fund  
13 established pursuant to Ordinance 92938 and now treated as a separate account within the Light Fund.

14 “Parity Bond Ordinance” means any ordinance or resolution passed or adopted by the City  
15 Council providing for the issuance of Parity Bonds, and any other ordinance or resolution amending  
16 or supplementing the provisions of any Parity Bond Ordinance as originally passed or adopted or as  
17 theretofore amended or supplemented.

18 “Parity Bonds” means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

19 “Parity Payment Agreement” means a Payment Agreement under which the City’s  
20 obligations are expressly stated to constitute a charge and lien on the Net Revenue of the Light  
21 System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity  
22 Bond Fund to pay and secure the payment of the principal of and interest on Parity Bonds.

23 “Payment Agreement” means a written contract entered into, for the purpose of managing or  
24 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,  
25 investment, asset or liability management purposes, by the City and a Qualified Counterparty on  
26 either a current or forward basis as authorized by any applicable laws of the State in connection with,

1 or incidental to, the issuance, incurring or carrying of particular bonds, notes, bond anticipation  
2 notes, commercial paper or other obligations for borrowed money, or lease, installment purchase or  
3 other similar financing agreements or certificates of participation therein, that provides for an  
4 exchange of payments based on interest rates, ceilings or floors on such payments, options on such  
5 payments, or any combination thereof or any similar device.

6 “Payment Agreement Payments” means the amounts, periodically required to be paid by the  
7 City to the Qualified Counterparty pursuant to a Payment Agreement.

8 “Payment Agreement Receipts” means the amounts periodically required to be paid by the  
9 Qualified Counterparty to the City pursuant to a Payment Agreement.

10 “Permitted Investments” means any investments or investment agreements permitted for the  
11 investment of City funds under the laws of the State of Washington as amended from time to time.

12 “Plan of Additions” means, collectively, the CIP and the Conservation Plan, as they may be  
13 modified hereafter by ordinance as described herein, the High Ross Capital Payments and the  
14 Deferred Hydroelectric Project Relicensing Costs.

15 “Professional Utility Consultant” means the independent person(s) or firm(s) selected by the  
16 City having a favorable reputation for skill and experience with electric systems of comparable size  
17 and character to the Light System in such areas as are relevant to the purposes for which they were  
18 retained.

19 “Qualified Counterparty” means a party (other than the City or a person related to the City)  
20 who is the other party to a Payment Agreement and who is qualified to act as the other party to a  
21 Payment Agreement under any applicable laws of the State.

22 “Qualified Insurance” means any municipal bond insurance policy or surety bond issued by  
23 any insurance company licensed to conduct an insurance business in any state of the United States  
24 (or by a service corporation acting on behalf of one or more such insurance companies) which  
25 insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in  
26

1 one of the two highest rating categories by Moody’s and S&P or their comparably recognized business  
2 successors.

3 “Qualified Letter of Credit” means any letter of credit issued by a financial institution for the  
4 account of the City on behalf of the owners of Parity Bonds, which institution maintains an office,  
5 agency or branch in the United States and as of the time of issuance of such letter of credit is rated in  
6 one of the two highest rating categories by Moody’s and S&P or their comparably recognized  
7 business successors.

8 “Rate Stabilization Account” means the fund of that name created in the Light Fund for the  
9 purposes described in this ordinance.

10 “RBI” means The Bond Buyer Revenue Bond Index or comparable index, or, if no  
11 comparable index can be obtained, eighty percent (80%) of the interest rate for actively traded thirty  
12 (30) year United States Treasury obligations.

13 “Refundable Bonds” means all or a portion of those Outstanding Parity Bonds listed in  
14 Exhibit A hereto.

15 “Refunded Bonds” means all or that portion of the Refundable Bonds included in a Refunding  
16 Plan.

17 “Refunded Bond Legislation” means one or more of the ordinances and resolutions of the City  
18 pursuant to which the Refunded Bonds were issued.

19 “Refunding Parity Bonds” means Parity Bonds issued pursuant to Section 18(h) of this  
20 ordinance for the purpose of refunding bonds of any prior series of Parity Bonds.

21 “Refunding Plan” means, for any series of Bonds:

22 (a) the placement of sufficient proceeds of the Bonds which, with other money of the  
23 City, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary,  
24 with the Refunding Trustee;

25 (b) the payment of the principal of and interest on the Refunded Bonds when due up to  
26 and including the date set forth in the Bond Resolution, and the call, payment and redemption on that

1 date of all or a portion of the then-outstanding Refunded Bonds, at the price set forth in the Bond  
2 Resolution; and

3 (c) the payment of the costs of issuing the Bonds and the costs of carrying out the  
4 foregoing elements of the Refunding Plan.

5 “Refunding Trust Agreement” means the Refunding Trust Agreement between the City and a  
6 Refunding Trustee relating to a particular series of Bonds.

7 “Refunding Trustee” means the trustee or escrow agent, or any successor trustee or escrow  
8 agent, with respect to a particular series of Bonds, designated by the Director of Finance.

9 “Reserve Fund” means the Municipal Light and Power Bond Reserve Fund established  
10 pursuant to Ordinance 71917, as amended, and now treated as a separate account within the Light  
11 Fund.

12 “Reserve Fund Requirement” means, at any time, the lesser of (a) the maximum Annual Debt  
13 Service on all Parity Bonds then outstanding; and (b) the maximum amount permitted by the Code as  
14 a “reasonably required reserve or replacement fund.” *Notwithstanding the foregoing, on the New*  
15 *Covenant Date, “Reserve Fund Requirement” shall mean, for any issue of Future Parity Bonds, the*  
16 *Reserve Fund Requirement specified for that issue, and the Reserve Fund Requirement for all series of*  
17 *Future Parity Bonds shall be the sum of the Reserve Fund Requirement for all such Future Parity*  
18 *Bonds.*

19 “S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill  
20 Companies, Inc.

21 “Securities Depository” means any one of the following registered securities depositories  
22 which has been designated by the City: (i) DTC; (ii) Midwest Securities Trust Company, Chicago,  
23 Illinois, (iii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; or (iv) such other  
24 securities depositories as the City may designate in a certificate of the City delivered to the Bond  
25 Registrar.

26

1           “Serial Bonds” means Parity Bonds maturing in specified years, for which no Sinking Fund  
2 Requirements are mandated.

3           “Sinking Fund Account” means any account created in the Parity Bond Fund to amortize the  
4 principal or make mandatory redemptions of Term Bonds.

5           “Sinking Fund Requirement” means, for any calendar year, the principal amount and  
6 premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into  
7 any Sinking Fund Account for such calendar year as established by the Parity Bond Ordinance  
8 authorizing the issuance of such Term Bonds.

9           “State” means the State of Washington.

10          “Subordinate Lien Bonds” means, collectively, the City’s outstanding Municipal Light and  
11 Power Adjustable Rate Revenue Bonds, 1990, Municipal Light and Power Adjustable Rate Revenue  
12 Bonds, 1991, Series A and B, Municipal Light and Power Adjustable Rate Revenue Bonds, 1993,  
13 and Municipal Light and Power Adjustable Rate Revenue Bonds, 1996, and any bonds issued  
14 hereafter, having a charge or lien upon the Gross Revenues of the Light System on a parity with  
15 those bonds.

16          “Term Bonds” means any Parity Bonds identified as such in the Parity Bond Ordinance  
17 authorizing the issuance thereof, which Parity Bond Ordinance requires that all or a portion of such  
18 bonds be purchased, redeemed or paid prior to maturity in a schedule established thereby.

19          “Valuation Date” means, with respect to any Capital Appreciation Bonds, the date or dates  
20 set forth in any Parity Bond Ordinance authorizing such Parity Bonds on which specific Accreted  
21 Values are assigned to the Capital Appreciation Bonds.

22          “Variable Interest Rate” means any variable interest rate or rates to be borne by any Parity  
23 Bonds. The method of computing such a variable interest rate shall be as specified in the Parity  
24 Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity Bond  
25 Ordinance also shall specify either (i) the particular period or periods of time or manner of  
26 determining such period or periods of time for which each value of such variable interest rate shall

1 remain in effect or (ii) the time or times upon which any change in such variable interest rate shall  
2 become effective.

3 “Variable Interest Rate Bonds” means, for any period of time, any Parity Bonds that bear a  
4 Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable  
5 Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue  
6 and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond  
7 Ordinance, or the net economic effect of a Payment Agreement with respect to particular Parity  
8 Bonds, in either case is to produce obligations that bear interest at a fixed interest rate; and Parity  
9 Bonds with respect to which a Payment Agreement is in force shall be treated as Variable Interest  
10 Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear  
11 interest at a Variable Interest Rate.

12 Section 2. Adoption of System or Plan. The Plan of Additions constitutes a system or  
13 plan of additions to and betterments and extensions of the Light System (each element thereof an  
14 “Addition”). To the extent not previously specified, adopted and ordered by the City by ordinance,  
15 the City specifies, adopts and orders to be carried out the Plan of Additions, and declares the  
16 estimated cost of that system or plan to be \$970,502,343, of which \$60,000,000 is expected to be  
17 financed from proceeds of the Bonds.

18 The Plan of Additions shall include any amendments, updates, supplements or replacements  
19 to the CIP or the Conservation Plan determined by ordinance to constitute a system or plan of  
20 additions to and betterments and extensions of the Light System, all of which automatically shall  
21 constitute amendments to the Plan of Additions. The Plan of Additions also may be modified,  
22 without amending the CIP or the Conservation Plan, to include other elements if the City determines  
23 by ordinance that those other elements constitute a system or plan of additions to or betterments or  
24 extensions of the Light System. The Plan of Additions includes the purchase and installation of all  
25 materials, supplies, appliances, equipment (including but not limited to data processing hardware  
26 and software and conservation equipment) and facilities, the acquisition of all permits, licenses,

1 franchises, property and property rights, other capital assets and all engineering, consulting and other  
2 professional services and studies (whether performed by the City or by other public or private  
3 entities) necessary or convenient to carry out the Plan of Additions.

4 Section 3. Authorization and Description of Bonds; Bond Resolution. For the purpose of  
5 providing all or part of the funds with which to (1) pay part of the cost of carrying out the Plan of  
6 Additions; (2) pay the costs of carrying out the Refunding Plan; (3) provide for the Reserve Fund  
7 Requirement; and (4) pay the costs of issuing and selling the Bonds, the City shall issue and sell the  
8 Bonds in the aggregate principal amount of not to exceed \$309,000,000, of which not to exceed  
9 \$60,000,000 shall be allocable to the Plan of Additions, the Reserve Fund Requirement and payment  
10 of allocable costs of issuance of the Bonds and not to exceed \$249,000,000 shall be allocable to the  
11 Refunding Plan. The Bonds may be issued in one or more series; may be combined with other  
12 Parity Bonds authorized separately; shall be called “The City of Seattle, Washington, Municipal  
13 Light and Power Improvement and Refunding Revenue Bonds, 2004” (unless changed by  
14 resolution); may have such different or further designation or designations as determined by the  
15 Director of Finance or as the City Council may specify in a resolution or resolutions fixing the terms  
16 of and matters relating to the Bonds (collectively, the “Bond Resolution”); shall be dated and shall  
17 mature on such date or dates specified in the Bond Resolution, except that the final maturity date of  
18 the Bonds shall not extend beyond 30 years from their respective dates of issuance; shall be issued in  
19 fully registered form; shall be numbered separately in the manner and with any additional  
20 designation as the Bond Registrar for the Bonds deems necessary for purposes of identification; shall  
21 bear interest at the rate or rates (computed on the basis of a 360-day year of twelve 30-day months)  
22 specified in the Bond Resolution, except that the true interest cost shall not exceed 8.0% per annum,  
23 payable at the times specified in the Bond Resolution; and shall have such denominations, mature on  
24 such dates and be subject to optional or mandatory redemption, open market purchase or defeasance  
25 on the terms and at the times specified in the Bond Resolution. The Director of Finance may  
26

1 designate Term Bonds with mandatory redemption amounts, all to be provided by the Bond  
2 Resolution.

3 The City Council may adopt the Bond Resolution and may provide therein for the matters  
4 described in this ordinance, including the manner of sale of the Bonds, which may include a forward  
5 or delayed delivery, and such other matters that the City Council deems necessary and appropriate to  
6 carry out the purposes of this ordinance. Once adopted, the Bond Resolution shall be deemed a part  
7 of this ordinance as if set forth herein.

8 The Bond Resolution may provide for Qualified Insurance or a Qualified Letter of Credit,  
9 and conditions or covenants relating thereto, including additional terms, conditions and covenants  
10 relating to the Bonds that are required by the bond insurer or letter of credit provider and are  
11 consistent with the provisions of this ordinance, including but not limited to restrictions on  
12 investments and requirements of notice to and consent of the bond insurer or letter of credit provider.

13 The Bond Resolution may approve and authorize the execution and delivery on behalf of the  
14 City of any contracts consistent with the provisions of this ordinance for which the City's approval is  
15 necessary or to which the City is a party and that are related or incidental to the initial issuance and  
16 sale of the Bonds, the initial establishment of the interest rate or rates on the Bonds and any  
17 redemption of the Bonds, including but not limited to Payment Agreements and similar contracts for  
18 such purposes.

19 Section 4. Registration and Transfer or Exchange of Bonds. The Bonds shall be issued  
20 only in registered form as to both principal and interest and recorded on the Bond Register. The  
21 Bond Register shall contain the name and mailing address of the registered owner of each Bond and  
22 the principal amount and number of each of the Bonds held by each registered owner.

23 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized  
24 denomination of an equal aggregate principal amount and of the same series, interest rate and  
25 maturity. Bonds may be transferred only if endorsed in the manner provided thereon and  
26 surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the registered

1 owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond  
2 during the period between any record date and the next succeeding principal or interest payment or  
3 redemption date.

4 The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is  
5 the Securities Depository for the Bonds, DTC shall be deemed to be the registered owner of the  
6 Bonds for all purposes hereunder, and all references in this ordinance or the Bond Resolution to the  
7 registered owners of the Bonds shall mean DTC or its nominee and shall not mean the owners of any  
8 beneficial interests in the Bonds. Payments of principal of and interest on all outstanding Bonds  
9 registered in the name of the nominee of DTC, or its registered assign, shall be made as provided in  
10 the Letter of Representations.

11 Bonds executed and delivered in fully immobilized form shall be executed and delivered in  
12 the form of one fully-registered immobilized certificate for each series and maturity of the Bonds  
13 representing the aggregate principal amount of the Bonds of that series and maturity, which Bonds  
14 shall (except as provided below for the discontinuation or substitution of Securities Depository) be  
15 registered in the name of the Securities Depository or its nominee. For so long as DTC serves as  
16 Securities Depository for the Bonds, the Bonds shall be registered in the name of Cede & Co., as  
17 nominee of DTC; however, if DTC shall request that the Bonds be registered in the name of a  
18 different nominee, the Bond Registrar shall exchange all or any portion of the Bonds for an equal  
19 aggregate principal amount of Bonds registered in the name of such other nominee or nominees of  
20 DTC. No person other than DTC or its nominee shall be entitled to receive from the City or the  
21 Bond Registrar any Bond or any other evidence of ownership of the Bonds, or any right to receive  
22 any payment in respect thereof, unless DTC or its nominee shall transfer record ownership of all or  
23 any portion of the Bonds on the Bond Register, in connection with discontinuing the book-entry  
24 system as provided below or otherwise.

25 So long as the Bonds are registered in the name of DTC or any nominee thereof, all payments  
26 of the principal of, premium, if any, or interest on the Bonds shall be made to DTC or its nominee in

1 immediately available funds on the dates provided for such payments under this ordinance and the  
2 Bond Resolution and at such times and in the manner provided in the Letter of Representations.  
3 Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability  
4 of the City or the Bond Registrar with respect to the principal of, premium, if any, or interest on the  
5 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the  
6 Bonds of any series and maturity, the Bond Registrar shall not require surrender by DTC or its  
7 nominee of the Bonds so redeemed, and DTC or its nominee may retain such Bonds and make an  
8 appropriate notation thereon as to the amount of such partial redemption. DTC shall deliver to the  
9 Bond Registrar, upon request, a written confirmation of such partial redemption. The records  
10 maintained by the Bond Registrar shall be conclusive as to the amount of the Bonds of such series  
11 and maturity that have been redeemed.

12 All transfers of beneficial ownership interests in Bonds registered in the name of DTC or its  
13 nominee shall be effected by the procedures of DTC's participants and/or indirect participants for  
14 recording and transferring the ownership of beneficial interests in bonds.

15 The City and the Bond Registrar may treat DTC, or any nominee thereof, as the sole and  
16 exclusive registered owner of the Bonds registered in such name for the purposes of payment of the  
17 principal of, premium, if any, or interest on those Bonds, selecting Bonds or portions thereof to be  
18 redeemed, giving any notice permitted or required to be given to registered owners of Bonds under  
19 this ordinance or the Bond Resolution, registering the transfer of Bonds, obtaining any consent or other  
20 action to be taken by registered owners of Bonds and for all other purposes whatsoever; and the City  
21 and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond  
22 Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any  
23 person claiming a beneficial ownership interest in the Bonds under or through DTC or any such direct  
24 or indirect participant, or any other person which is not shown on the Bond Register as being a  
25 registered owner of Bonds, with respect to: (1) the Bonds; (2) any records maintained by DTC or any  
26 such direct or indirect participant; (3) the payment by DTC or any such direct or indirect participant of

1 any principal of, premium, if any, or interest on the Bonds; (4) any notice which is permitted or required  
2 to be given to registered owners of Bonds under this ordinance or the Bond Resolution; (5) the selection  
3 by DTC or any direct or indirect participant of any person to receive payment in the event of a partial  
4 redemption of the Bonds; or (6) any consent given or other action taken by DTC as registered owner of  
5 the Bonds.

6 So long as the Bonds are registered in the name of DTC or any nominee thereof, all notices  
7 required or permitted to be given to the registered owners of such Bonds under this ordinance or the  
8 Bond Resolution shall be given to DTC as provided in the Letter of Representations, in form and  
9 content satisfactory to DTC, the City and the Bond Registrar.

10 In connection with any notice or other communication to be provided to registered owners  
11 pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar with respect to  
12 any consent or other action to be taken by registered owners of the Bonds, DTC shall consider the  
13 date of receipt of notice requesting such consent or other action as the record date for such consent  
14 or other action; however, the City or the Bond Registrar may establish a special record date for such  
15 consent or other action and shall give DTC notice of such special record date not less than fifteen  
16 (15) calendar days in advance of such special record date to the extent possible.

17 Any successor Bond Registrar, in its written acceptance of its duties under this ordinance and  
18 the Bond Resolution, shall agree to take any actions necessary from time to time to comply with the  
19 requirements of the Letter of Representations.

20 The book-entry system for registration of the ownership of the Bonds in fully immobilized  
21 form may be discontinued at any time if: (1) after notice to the City and the Bond Registrar, DTC  
22 determines to resign as Securities Depository for the Bonds; or (2) after notice to DTC and the Bond  
23 Registrar, the City determines that a continuation of the system of book-entry transfers through DTC (or  
24 through a successor Securities Depository) is not in the best interests of the City. In each of such events  
25 (unless, in the case described in clause (1) above, the City appoints a successor Securities Depository),  
26 the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and

1 principal amounts, as may be designated by DTC, but without any liability on the part of the City or the  
2 Bond Registrar for the accuracy of such designation. Whenever DTC requests the City and the Bond  
3 Registrar to do so, or whenever the City requests DTC and the Bond Registrar to do so after the  
4 determination by the City to replace DTC with a successor Securities Depository, the City and the Bond  
5 Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for  
6 another Securities Depository to maintain custody of certificates evidencing the Bonds.

7 Section 5. Mutilated, Lost, Stolen and Destroyed Bonds. In case any Bonds issued  
8 hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not then prohibited  
9 or otherwise required by law, cause to be executed and delivered a new Bond of like amount, series,  
10 interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of such  
11 mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen or lost Bonds, upon  
12 payment by the registered owner thereof of the reasonable expenses and charges of the City and the  
13 Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost, the filing  
14 with the Bond Registrar of evidence satisfactory to the City that such Bond was destroyed, stolen or  
15 lost, and of the ownership thereof, and furnishing the City and the Bond Registrar with indemnity  
16 satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already has matured or  
17 been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond  
18 prior to payment.

19 Section 6. Payment of Bond Principal and Interest. Principal of, premium, if any, on and  
20 interest on the Bonds shall be payable in lawful money of the United States of America. Interest on  
21 the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment  
22 date to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of  
23 the month preceding the interest payment date (or other record date established in the Bond  
24 Resolution, the "Record Date") or, at the request of the registered owner of \$1,000,000 or more in  
25 aggregate principal amount of Bonds, by wire transfer to an account in the United States designated  
26 in writing by such registered owner prior to the Record Date. Principal of and premium, if any, on

1 the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at  
2 either of the principal corporate trust office or offices of the Bond Registrar at the option of the  
3 owners. Notwithstanding the foregoing, payment of any Bonds registered in the name of DTC or its  
4 nominee, shall be made in accordance with the Letter of Representations.

5 The Bonds shall be payable solely out of the Parity Bond Fund and shall not be general  
6 obligations of the City.

7 Section 7. Redemption and Open Market Purchase of Bonds.

8 (a) Optional Redemption. All or some of the Bonds may be subject to redemption at the  
9 option of the City at the times and on the terms set forth in the Bond Resolution.

10 (b) Mandatory Redemption. The City shall redeem any Term Bonds, if not redeemed  
11 under the optional redemption provisions set forth in the Bond Resolution or purchased in the open  
12 market under the provisions set forth below, by lot (or in such other manner as the Bond Registrar  
13 shall determine) at par plus accrued interest on the dates and in the years and principal amounts as  
14 set forth in the Bond Resolution.

15 If the City redeems Term Bonds under the optional redemption provisions set forth in the  
16 Bond Resolution or purchases Term Bonds in the open market as set forth below, the Term Bonds so  
17 redeemed or purchased (irrespective of their redemption or purchase price) shall be credited at the  
18 par amount thereof against the remaining mandatory redemption requirements in a manner to be  
19 determined by the Director of Finance or, if no such determination is made, on a pro-rata basis.

20 (c) Partial Redemption. Whenever less than all of the Bonds of a single maturity are to  
21 be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the  
22 Bonds of that maturity by lot, or in such other manner as the Bond Registrar shall determine, except  
23 that, so long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the  
24 Bonds or portions thereof to be redeemed in accordance with the Letter of Representations. In no  
25 event shall any Bond be outstanding in a principal amount that is not an authorized denomination.  
26

1 Portions of the principal amount of any Bond, in integral multiples of \$5,000, may be  
2 redeemed, unless otherwise provided in the Bond Resolution. If less than all of the principal amount  
3 of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond  
4 Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or  
5 Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of  
6 the denominations authorized by the Bond Resolution in the aggregate total principal amount  
7 remaining unredeemed.

8 (d) Open Market Purchase. The City reserves the right and option to purchase any or all  
9 of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest  
10 to the date of purchase.

11 (e) Bonds to be Cancelled. All Bonds purchased or redeemed under this Section 7 shall  
12 be cancelled.

13 Section 8. Notice of Redemption. The City shall cause notice of any intended  
14 redemption of Bonds to be given not less than thirty (30) nor more than sixty (60) days prior to the  
15 date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to  
16 be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares  
17 the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice  
18 has been mailed as so provided, whether or not it is actually received by the registered owner of any  
19 Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption  
20 unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition,  
21 the redemption notice shall be mailed by the Bond Registrar within the same period, postage  
22 prepaid, to Moody's and S&P at their offices in New York, New York, or their successors, to any  
23 bond insurer for the Bonds, and to such other persons and with such additional information as the  
24 Director of Finance shall determine or as specified in the Bond Resolution, but these additional  
25 mailings shall not be a condition precedent to the redemption of Bonds.

26



1 authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless  
2 may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as  
3 binding on the City as though that person had continued to be an officer of the City authorized to  
4 sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual  
5 date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did  
6 not hold the required office on the date of issuance of the Bonds.

7 Section 11. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its  
8 principal corporate trust office, sufficient books for the registration and transfer of the Bonds which  
9 shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of  
10 the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the  
11 provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to  
12 carry out all of the Bond Registrar's powers and duties under this ordinance and SMC Chapter 5.10  
13 establishing a system of registration for the City's bonds and obligations, as that chapter now exists  
14 or may hereafter be amended. The City reserves the right in its discretion to appoint special paying  
15 agents, registrars or trustees in connection with the payment of some or all of the principal of or  
16 interest on the Bonds. If a new Bond Registrar is appointed by the City, notice of the name and  
17 address of the new Bond Registrar shall be mailed to the registered owners of the Bonds. The notice  
18 may be mailed together with the next interest payment due on the Bonds, but, to the extent  
19 practicable, shall be mailed not less than fifteen (15) days prior to a maturity date of the principal of  
20 any Bond.

21 The Bond Registrar shall be responsible for its representations contained in the Bond  
22 Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the  
23 registered owner of Bonds with the same rights it would have if it were not the Bond Registrar and,  
24 to the extent permitted by law, may act as depository for and permit any of its officers or directors to  
25 act as members of, or in any other capacity with respect to, any committee formed to protect the  
26 rights of the registered owners of the Bonds.

1           Section 12. Parity With Other Bonds. The Bonds authorized herein shall be on a parity  
2 with the Outstanding Parity Bonds and all bonds hereafter issued on a parity therewith, without  
3 regard to date of issuance or authorization and without preference or priority of right or lien with  
4 respect to participation of special funds in amounts from gross revenues for payment thereof.  
5 Nothing contained herein shall prevent the City from issuing revenue bonds or other obligations  
6 which are a charge or lien upon the Gross Revenues of the Light System subordinate to the payments  
7 required to be made therefrom into the Parity Bond Fund and the accounts therein.

8           Section 13. Execution of Refunding Plan(s).

9           (a) Appointment of Refunding Trustee. The Refunding Trustee, if any, for each series of  
10 Refunded Bonds shall be designated by the Director of Finance and confirmed by the Bond  
11 Resolution.

12           (b) Acquisition and Substitution of Acquired Obligations. If the Bonds of a series  
13 include Bonds to carry out all or a portion of the Refunding Plan, sufficient proceeds of the sale of  
14 the Bonds shall be deposited immediately upon the receipt thereof with the Bond Registrar for the  
15 Refunded Bonds or with the Refunding Trustee, as specified in the Bond Resolution, and used to  
16 discharge the obligations of the City relating to the Refunded Bonds to be refunded therewith under  
17 the Refunded Bond Legislation by providing for the payment of the amounts required to be paid by  
18 the Refunding Plan. The Refunding Plan shall be carried out, and proceeds of the Bonds allocable to  
19 the refunding purposes shall be applied, in accordance with this ordinance, the Refunded Bond  
20 Legislation, the Bond Resolution and the laws of the State. To the extent practicable, such  
21 obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the  
22 Acquired Obligations, bearing such interest and maturing as to principal and interest in such  
23 amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for  
24 the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations  
25 shall be listed and more particularly described in a schedule attached to the Refunding Trust  
26 Agreement, and shall be subject to substitution as set forth therein. Any surplus money resulting

1 from the sale, transfer, other disposition or redemption of the Acquired Obligations and the  
2 substitutions therefor shall be released from the trust estate and transferred to the Light Fund to be  
3 used for any lawful purpose.

4 (c) Administration of Refunding Plan. The Refunding Trustee is authorized and directed  
5 to purchase the Acquired Obligations (or substitute obligations) and to make the payments required  
6 to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and  
7 money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations  
8 (or substitute obligations) and the money deposited with the Refunding Trustee and any income  
9 therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the  
10 Refunded Bond Legislation, this ordinance, the Bond Resolution, chapter 39.53 RCW and other  
11 applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary  
12 and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental  
13 to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related  
14 to the issuance and delivery of the Bonds, including bond printing, verification fees, Bond Counsel's  
15 fees and other related expenses, shall be paid out of the proceeds of the Bonds.

16 (d) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan  
17 provided for by this ordinance, the Director of Finance is authorized and directed to execute and  
18 deliver to the Refunding Trustee, in connection with each series of Bonds, a Refunding Trust  
19 Agreement in a form that is consistent with this ordinance and approved by the Bond Resolution and  
20 that assures that the escrow provided therein and the Bonds are in compliance with the requirements  
21 of federal law governing the exclusion of interest on the Bonds from gross income for federal  
22 income tax purposes.

23 Section 14. Calls for Redemption of the Refunded Bonds. As a part of the Refunding  
24 Plan, the City shall call the Refunded Bonds for redemption on the dates and at the prices set forth in  
25 the Bond Resolution. Such calls for redemption of the Refunded Bonds shall be irrevocable after the  
26 delivery to the initial purchaser thereof of the applicable series of Bonds. The dates on which the

1 Refunded Bonds are called for redemption shall be the earliest dates on which those bonds may be  
2 called for redemption.

3 The proper officials of the City are authorized and directed to give or cause to be given such  
4 notices as required, at the times and in the manner required pursuant to the Refunded Bond  
5 Legislation in order to effect the redemption prior to maturity of the Refunded Bonds.

6 Section 15. City Findings with Respect to Refunding. The Refunding Plan, or any portion  
7 thereof, shall be carried out only if the City Council finds and determines by the Bond Resolution  
8 that the issuance and sale of Bonds will effect a new present value savings of at least five percent  
9 (5%) of the total par amount of the Refundable Bonds to be refunded and will be in the best interest  
10 of the City and in the public interest. In making such findings and determinations, the City Council  
11 shall give consideration to the fixed maturities and scheduled redemptions of the Bonds, the costs of  
12 issuance of the Bonds and the known earned income from the investment of the proceeds of the  
13 issuance and sale of the Bonds and other money, if any, of the City used in the refunding pending  
14 payment and redemption of the Refunded Bonds.

15 The Refunding Plan, or any portion thereof, shall be carried out only if the City Council  
16 further finds and determines that the money to be deposited with the Bond Registrar for the  
17 Refunded Bonds and/or the Refunding Trustee in accordance with this ordinance and the Bond  
18 Resolution will discharge and satisfy the obligations of the City with respect to the Refunded Bonds  
19 under the Refunded Bond Legislation, and the pledges, charges, trusts, covenants and agreements of  
20 the City therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall  
21 no longer be deemed to be outstanding under such ordinances immediately upon the deposit of such  
22 money.

23 Section 16. City Findings of Sufficiency of Revenues. The Bonds shall be issued only if  
24 the City Council finds and determines by the Bond Resolution that the issuance and sale of the  
25 Bonds is in the best interest of the City and in the public interest. In making such findings and  
26 determinations, the City Council shall give due regard to the cost of operation and maintenance of

1 the Light System and to any portion of the Gross Revenues pledged for the payment of any bonds,  
2 warrants or other indebtedness, and shall find and determine that the Gross Revenues, at the rates  
3 established from time to time consistent with Section 18(d) of this ordinance, will be sufficient, in  
4 the judgment of the City Council, to meet all expenses of operation and maintenance of the Light  
5 System and to provide the amounts previously pledged for the payment of all outstanding obligations  
6 payable out of the Gross Revenue and pledged herein for the payment of the Bonds.

7 Section 17. Security for the Bonds. The Bonds shall be special limited obligations of the  
8 City payable from and secured solely by the Gross Revenues and by money in the Parity Bond Fund  
9 and the Reserve Fund. The Gross Revenues are pledged to make the payments into the Parity Bond  
10 Fund and the Reserve Fund required by Section 18(a) and (b) of this ordinance, which pledge shall  
11 constitute a charge upon such Gross Revenues prior and superior to all other charges whatsoever,  
12 save and except reasonable charges for maintenance and operation of the Light System.

13 The Bonds shall not in any manner or to any extent constitute general obligations of the City,  
14 the State of Washington or any political subdivision of the State of Washington or a charge upon any  
15 general fund or upon any money or other property of the City, the State of Washington or any  
16 political subdivision of the State of Washington not specifically pledged thereto by this ordinance.

17 Section 18. Bond Covenants.

18 (a) Parity Bond Fund. A special fund of the City known as the “Seattle Municipal Light  
19 Revenue Parity Bond Fund” (the “Parity Bond Fund”) has heretofore been created by  
20 Ordinance 92938, and is now maintained as a separate account within the Light Fund, for the sole  
21 purpose of paying the principal of and interest on the bonds therein authorized and future bonds  
22 issued on a parity therewith as the same shall become due. The Bonds shall be payable, principal,  
23 premium, if any, and interest, out of the Parity Bond Fund.

24 From and after the issuance of the Bonds, and so long thereafter as obligations are  
25 outstanding against the Parity Bond Fund (including any Payment Agreement Payments required to  
26 be made under any Parity Payment Agreements), the Director of Finance shall set aside and pay into

1 the Parity Bond Fund on or prior to the respective dates on which the interest on or principal of and  
2 interest on the Bonds shall become due and payable certain fixed amounts out of the Gross Revenues  
3 sufficient to pay such interest or principal and interest as the same shall become due.

4 Money in the Parity Bond Fund shall, to the fullest extent practicable and reasonable, be  
5 invested and reinvested at the direction of the Director of Finance solely in, and obligations  
6 deposited in such accounts shall consist of, Permitted Investments. Earnings on money and  
7 investments in the Parity Bond Fund shall be deposited in and used for the purposes of that fund.

8 (b) Reserve Fund. A special fund of the City known as the “Municipal Light and Power  
9 Bond Reserve Fund” (the “Reserve Fund”) has heretofore been created by Ordinance 71917, as  
10 amended, and is now maintained as a separate account within the Light Fund, for the purpose of  
11 securing the payment of the principal of and interest on all Parity Bonds outstanding (including  
12 amounts due under any Parity Payment Agreements).

13 In the Bond Resolution, the City will specify whether it will satisfy the Reserve Fund  
14 Requirement with Qualified Insurance or a Qualified Letter of Credit or by depositing into the  
15 Reserve Fund, out of any money legally available therefor, within five (5) years from the date of  
16 issuance of the Bonds, the amount required to fund the Reserve Fund to the Reserve Fund  
17 Requirement.

18 Money held in the Reserve Fund shall, to the fullest extent practicable and reasonable, be  
19 invested and reinvested at the direction of the Director of Finance solely in, and obligations  
20 deposited in such accounts shall consist of, Permitted Investments. Earnings on money and  
21 investments in the Reserve Fund shall be deposited in that fund and credited against amounts  
22 required to be deposited therein until the Reserve Fund is fully funded, and thereafter such earnings  
23 shall be deposited in the Parity Bond Fund.

24 (i) Reserve Fund Requirement.

25 (A) The City shall provide in the Parity Bond Ordinance authorizing the  
26 issuance of any Future Parity Bonds for deposit into the Reserve Fund out of the Gross Revenues (or

1 out of any other funds of the City on hand and legally available therefor, including the proceeds of  
2 the Future Parity Bonds being issued or any other Future Parity Bonds) of periodic payments so that  
3 by five (5) years from the date of such Future Parity Bonds there will have been paid into the  
4 Reserve Fund an amount which, together with the money already on deposit therein, will be at least  
5 equal to the Reserve Fund Requirement for all Parity Bonds outstanding at the end of that five-year  
6 period.

7 (B) Notwithstanding the foregoing, any Parity Bond Ordinance may  
8 provide for the City to obtain Qualified Insurance or a Qualified Letter of Credit for specific  
9 amounts required to be paid into the Reserve Fund. The amount available to be drawn upon under  
10 such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required  
11 to be maintained in the Reserve Fund by Section 18(b)(i)(A).

12 (C) Such Qualified Letter of Credit or Qualified Insurance shall not be  
13 cancelable on less than five (5) years' notice. In the event of receipt of any such notice of  
14 cancellation, the City shall substitute Qualified Insurance or a Qualified Letter of Credit in the  
15 amount required pursuant by Section 18(b)(i)(A) or in the alternative shall create a special account in  
16 the Light Fund and deposit therein, on or before the twenty-fifth (25th) day of each of the sixty  
17 (60) succeeding calendar months, one sixtieth (1/60th) of the amount sufficient, together with other  
18 money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement on  
19 the date any such cancellation shall become effective. Such amounts shall be transferred from  
20 money in the Light Fund (after making provision for payment of operating and maintenance  
21 expenses and for the required payments into the Parity Bond Fund). Amounts on deposit in such  
22 special account shall not be available to pay debt service on Parity Bonds or for any other purpose of  
23 the City, and shall be transferred to the Reserve Fund on the effective date of any cancellation of a  
24 Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

25 (D) If the amount in the Reserve Fund shall be less than the Reserve Fund  
26 Requirement (taking into account the five (5) year period referred to in Section 18(b)(i)(A)), the City

1 shall transfer to the Reserve Fund money in an amount sufficient to restore the Reserve Fund to the  
2 Reserve Fund Requirement within twelve (12) months after the date of such deficiency. The City  
3 shall transfer such amounts first from money in the Light Fund (after making provision for payment  
4 of operating and maintenance expenses and for the required payments into the Parity Bond Fund)  
5 and only thereafter from money in any construction fund or account established with respect to any  
6 issue of Parity Bonds, first taking money from the unrestricted portion thereof, then taking money  
7 from the restricted portion thereof. If the amount in the Reserve Fund shall be greater than the  
8 Reserve Fund Requirement, then and only then may the City withdraw such excess from the Reserve  
9 Fund and deposit such excess in the Light Fund.

10 (ii) Use of Reserve Fund for Refunding Bonds. If any Parity Bonds are refunded,  
11 the money set aside in the Reserve Fund to secure the payment of such Parity Bonds may be used to  
12 retire such Parity Bonds or may be transferred to any reserve fund or account which may be created  
13 to secure the payment of any bonds issued to refund such Parity Bonds, as long as the money left  
14 remaining in the Reserve Fund is at least equal, together with any Qualified Insurance or Qualified  
15 Letters of Credit, to the Reserve Fund Requirement.

16 (iii) Use of Reserve Fund for Payment of Debt Service. If the money in the Parity  
17 Bond Fund is insufficient to meet maturing installments of either interest on or principal of and  
18 interest on the Parity Bonds payable out of the Parity Bond Fund (including amounts payable under  
19 any Parity Payment Agreements), such deficiency shall be made up from the Reserve Fund by the  
20 withdrawal of money or proceeds of Qualified Insurance or Qualified Letters of Credit therefrom, as  
21 the case may be. Any deficiency created in the Reserve Fund by reason of any such withdrawal or  
22 claim against Qualified Insurance or a Qualified Letter of Credit shall then be made up out of the  
23 Gross Revenues (or out of such other funds of the City on hand and legally available therefor), after  
24 making necessary provision for the payments required to be made for operation and maintenance of  
25 the Light System and debt service on any obligations payable from such Gross Revenues.

1 (iv) Withdrawals From Reserve Fund. Money in the Reserve Fund may be  
2 withdrawn by the City for any lawful purpose as long as the aggregate of any money, Qualified  
3 Insurance and Qualified Letters of Credit left remaining on deposit in the Reserve Fund is at least  
4 equal to the Reserve Fund Requirement for the Parity Bonds then outstanding.

5 The City reserves the right to substitute Qualified Insurance or a Qualified Letter of Credit  
6 for money previously deposited in the Reserve Fund and to withdraw such money to the extent  
7 described in the preceding paragraph.

8 Any withdrawals from subaccounts within the Reserve Fund shall be made on a pro rata  
9 basis except when the provider of a Qualified Letter of Credit or Qualified Insurance requires all  
10 cash and investments in the Reserve Fund to be withdrawn before draws on the Qualified Letter of  
11 Credit or Qualified Insurance, or unless the City receives an opinion of Bond Counsel to the effect  
12 that such pro rata withdrawal is not required to maintain the exclusion of interest on the Parity Bonds  
13 then outstanding from gross income.

14 (c) Sale or Disposition of the Light System.

15 (i) The City may dispose of all or substantially all of the Light System if the City  
16 simultaneously causes all of the Parity Bonds to be, or deemed to be, no longer outstanding.

17 (ii) Except as provided below, the City will not dispose of any part of the Light  
18 System in excess of 5% of the value of the net utility plant of the Light System in service unless  
19 prior to such disposition:

20 (A) there has been filed with the Director of Finance a certificate of the  
21 Professional Utility Consultant stating that such disposition will not impair the ability of the City to  
22 comply with the rate covenant set forth in Section 18(d); or

23 (B) provision is made for the payment, redemption or other retirement of a  
24 principal amount of Parity Bonds equal to the greater of the following amounts:

25 (I) An amount which will be in the same proportion to the net  
26 principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity

1 Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the  
2 Gross Revenues for the twelve (12) preceding months attributable to the part of the Light System  
3 sold or disposed of bears to the total Gross Revenues for such period; or

4 (II) An amount which will be in the same proportion to the net  
5 principal amount of Parity Bonds then outstanding that the book value of the part of the Light  
6 System sold or disposed of bears to the book value of the entire Light System immediately prior to  
7 such sale or disposition.

8 (iii) The City may dispose of any portion of the Light System that has become  
9 unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer necessary, material to  
10 or useful in the operation of the Light System.

11 (iv) If the ownership of all or part of the Light System is transferred from the City  
12 through the operation of law, the City shall reconstruct or replace the transferred portion using any  
13 proceeds of the transfer unless the City Council determines that such reconstruction or replacement  
14 is not in the best interests of the City and the owners of the Parity Bonds, in which case any proceeds  
15 shall be used to retire Parity Bonds prior to maturity.

16 (d) Rates and Charges. The City will establish from time to time and maintain such rates  
17 for electric energy as will maintain the Light System in sound financial condition and provide  
18 sufficient revenues to permit the payment of sums into the special fund which the City has pledged  
19 to be set aside for the payment of principal and interest, as herein provided, to be applied to the  
20 payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been  
21 paid in full, and in addition thereto, will pay all costs of operation and maintenance, and all bonds,  
22 warrants and indebtedness for which any revenues of the Light System shall have been heretofore  
23 pledged.

24 (e) Maintenance and Operation of the Light System. The City will operate the properties  
25 of the Light System in an efficient manner and at a reasonable cost; and will maintain, preserve and  
26 keep, or cause to be maintained, preserved and kept, the properties of the Light System and every

1 part and parcel thereof in good repair, working order and condition; and from time to time will make  
2 or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all  
3 times the business carried on in connection therewith will be properly and advantageously  
4 conducted.

5 (f) Books and Financial Statements. The City will keep and maintain proper books of  
6 account for the Light System in accordance with generally accepted accounting principles applicable  
7 to governmental utilities, and will generally adhere to the uniform system of accounts prescribed by  
8 the Division of Municipal Corporations of the State Auditor's Office and the Federal Energy  
9 Regulatory Commission; and will prepare, on or before one hundred twenty (120) days after each  
10 calendar year, annual financial statements showing reasonable detail, including a balance sheet, an  
11 income statement and a statement of cash flows or other such statement. Copies of such financial  
12 statements shall be placed on file in the office of the Director of Finance and shall be open to  
13 inspection at any reasonable time by any owner (or beneficial owner) of any Parity Bonds. A copy  
14 of such financial statements shall be sent to any owner (or beneficial owner) of Parity Bonds, upon  
15 request in writing setting forth the name and address to which such financial statements may be sent.

16 (g) Issuance of Future Parity Bonds. Except as provided in Section 18(h) of this  
17 ordinance for the issuance of Refunding Parity Bonds, Future Parity Bonds may be issued (and  
18 Parity Payment Agreements may be entered into), from time to time in one or more series for any  
19 lawful purpose of the City's Light Department, only if at the time of the delivery of each series of  
20 Future Parity Bonds to the initial purchasers thereof (or on the effective date of the Parity Payment  
21 Agreement):

22 (i) There is no deficiency in the Parity Bond Fund or in any of the accounts  
23 therein and provision has been made to meet the Reserve Fund Requirement for all Parity Bonds  
24 then outstanding plus such proposed series of Parity Bonds; and

25 (ii) There shall have been filed with the City either:  
26

1 (A) a certificate of the Director of Finance stating that Net Revenue in any  
2 twelve (12) consecutive months out of the most recent twenty-four (24) months preceding the  
3 delivery of the Parity Bonds then proposed to be issued (the “Base Period”) was not less than one  
4 hundred twenty-five percent (125%) of maximum Annual Debt Service in any future calendar year  
5 on all Parity Bonds then outstanding and the Parity Bonds then proposed to be issued (except that if  
6 any adjustment in the rates, fees and charges for the services of the Light System shall be effective at  
7 any time on or prior to the date of delivery of the Parity Bonds then proposed to be issued or within  
8 six (6) months after the delivery of such Parity Bonds, the Director of Finance shall reflect in his or  
9 her certificate the Net Revenue he or she calculates would have been collected in the Base Period if  
10 such new rates, fees and charges had been in effect for the entire Base Period), or

11 (B) a certificate of the Professional Utility Consultant setting forth:

12 (I) the amount of the Adjusted Net Revenue computed as provided  
13 in paragraph (C) below;

14 (II) the amount of maximum Annual Debt Service in any calendar  
15 year thereafter on account of all Parity Bonds to be outstanding in such calendar year, including the  
16 Parity Bonds proposed to be issued, and stating that the amount shown in paragraph (B)(I) above is  
17 not less than one hundred twenty-five percent (125%) of the amount shown in this paragraph (B)(II).

18 “Net Revenue” as used in this Section 18(g) means that amount determined by deducting  
19 from the Gross Revenues the expenses of operation, maintenance and repair of the Light System,  
20 *except that on the New Covenant Date, “Net Revenue” as used in this Section 18(g) shall mean that*  
21 *amount determined by deducting from the Gross Revenues the expenses of operation, maintenance*  
22 *and repair of the Light System and further deducting any deposits into the Rate Stabilization*  
23 *Account, and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account.*

24 (iii) For the purposes of the certificate required by paragraph (ii) above, Adjusted  
25 Net Revenue shall be computed by the Professional Utility Consultant as follows:  
26

1           The Net Revenue for the Base Period shall be adjusted by any or all of the following  
2 conditions and requirements as may be appropriate to the circumstances:

3                   (A)    If the Parity Bonds are being issued for the purpose of acquiring  
4 operating electric utility properties having an earnings record, the Professional Utility Consultant  
5 shall estimate the effect on the Net Revenue for the Base Period of the acquisition of such electric  
6 utility properties and the integration thereof into the Light System, and shall adjust the Net Revenue  
7 for the Base Period to give effect to such estimate. Any such estimate shall be based upon the  
8 operating experience and records of the City and upon any available financial statements and records  
9 relating to the earnings of such electric utility properties to be acquired.

10                   (B)    If any changes have been adopted by the City Council and are in effect  
11 on the date of sale of the Parity Bonds or are to go into effect not later than twelve (12) months after  
12 such date, in any rates and charges imposed by the City on sales of power and energy and other  
13 services furnished by the Light System which were not in effect during the entire Base Period, the  
14 Professional Utility Consultant may, if such changes resulted in increases in such rates and charges,  
15 and shall, if such changes resulted in reductions in such rates and charges, adjust the Net Revenue  
16 for the Base Period to reflect any change in such Net Revenue which would have occurred if the  
17 changed rates and charges had been in effect during the entire Base Period.

18                   (C)    If the purpose for which the Parity Bonds are being issued is to acquire  
19 or construct generation or transmission facilities required to furnish or make available to the Light  
20 System additional power and energy, or transmission facilities required to enable the City to sell  
21 additional power and energy, the Professional Utility Consultant may adjust the Net Revenue for the  
22 Base Period by (a) deducting the amount of the estimated increase in Operating Expenses resulting  
23 from the acquisition or construction of such facilities in their first year of full operation, (b) adding  
24 any additional revenues to be derived from the sale or transmission of such additional power and  
25 energy pursuant to executed power sales contracts, and (c) adding an amount equal to the estimated  
26 cost of the power and energy which would have been replaced or displaced by such facilities had

1 such additional power and energy in excess of the power and energy to be sold pursuant to clause  
2 (b) above been used in the Light System during the Base Period.

3 (D) If there were any customers added to the Light System during the Base  
4 Period or thereafter and prior to the date of the Professional Utility Consultant's certificate, the Net  
5 Revenue may be adjusted on the basis that such added customers were customers of the Light  
6 System during the entire Base Period.

7 (E) If extensions of or additions to the Light System (not described in  
8 subparagraph (C) above) are in the process of construction on the date of the Professional Utility  
9 Consultant's certificate, or if the proceeds of the Parity Bonds being issued are to be used to acquire  
10 or construct extensions of or additions to the Light System (not described in subparagraph  
11 (C) above), the Net Revenue for the Base Period may be adjusted by adding any additional revenues  
12 not included in the preceding paragraphs that will be derived from such additions and extensions and  
13 deducting the estimated increase in operating and maintenance expenses resulting from such  
14 additions and extensions.

15 (F) The Net Revenue for the Base Period may be adjusted by excluding  
16 from the determination of expenses of operation, maintenance and repair of the Light System any  
17 extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in  
18 settlement of claims against the Light System.

19 (iv) In rendering any certificate under this Section 18(g), the Professional Utility  
20 Consultant may rely upon, and such certificate shall have attached thereto, (A) financial statements  
21 of the Light System, certified by the Director of Finance, showing income and expenses for the  
22 period upon which the same are based and a balance sheet as of the end of such period, (B) similar  
23 certified statements by the Division of Municipal Corporations of the Office of the State Auditor of  
24 the State (or any successor thereto), or (C) similar certified statements by a Certified Public  
25 Accountant for as much of such period as any examination by them has been made and completed.

26

1 If two or more of such statements are inconsistent with each other, the Professional Utility  
2 Consultant shall rely on the statement described under clause (A) in this Section 18(g)(iv).

3 (h) Issuance of Refunding Parity Bonds.

4 (i) Without complying with the provisions of Section 18(g) of this ordinance, the  
5 City may at any time and from time to time issue one or more series of Refunding Parity Bonds, but  
6 only if there shall have been filed with the City a certificate of the Director of Finance stating that  
7 Annual Debt Service immediately after the issuance of such Refunding Parity Bonds (calculated by  
8 including debt service on the Refunding Parity Bonds but excluding debt service on the bonds to be  
9 refunded with the proceeds thereof) does not exceed the Annual Debt Service immediately prior to  
10 the issuance of the Refunding Parity Bonds (calculated by including debt service on the bonds to be  
11 refunded but excluding debt service on the Refunding Parity Bonds) by more than \$5,000 in any  
12 calendar year that any then-outstanding Parity Bonds are anticipated to be outstanding.

13 (ii) Parity Bonds of any one or more series or one or more maturities within a  
14 series may be refunded by a single series of Refunding Parity Bonds, which Parity Bonds to be  
15 refunded shall be specified in the Parity Bond Ordinance providing for the issuance of the Refunding  
16 Parity Bonds, and the principal amount of such Refunding Parity Bonds may include amounts  
17 necessary to pay the principal of the Parity Bonds to be refunded, interest thereon to the date of  
18 payment or redemption thereof, any premium payable thereon upon such payment or redemption and  
19 the costs of issuance of such Refunding Parity Bonds. The proceeds of the Refunding Parity Bonds  
20 shall be held and applied in such manner as is provided in the Parity Bond Ordinance providing for  
21 the issuance of such Refunding Parity Bonds, so that upon the delivery of such Refunding Parity  
22 Bonds the Parity Bonds to be refunded thereby shall be deemed to be no longer outstanding in  
23 accordance with the provisions of the Parity Bond Ordinance providing for the issuance of those  
24 bonds.

25 (iii) Refunding Parity Bonds may also be issued upon compliance with the  
26 provisions of Section 18(g) of this ordinance.

1 (iv) Nothing contained in this ordinance shall prohibit or prevent, or be deemed or  
2 construed to prohibit or prevent, the City from issuing Refunding Parity Bonds to fund or refund  
3 maturing Parity Bonds of the City for the payment of which money is not otherwise available.

4 Section 19. Preservation of Tax Exemption for Interest on Bonds. The City covenants  
5 that it will take all actions consistent with the terms of the Bonds, this ordinance and the Bond  
6 Resolution, reasonably within its power and necessary to prevent interest on the Bonds from being  
7 included in gross income for federal income tax purposes, and it will neither take any action nor  
8 make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the  
9 Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be  
10 included in gross income for federal income tax purposes.

11 The City has not been notified of any listing or proposed listing by the Internal Revenue  
12 Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

13 Section 20. Advance Refunding or Defeasance of Bonds. The City may issue advance  
14 refunding bonds pursuant to the laws of the State or use money available from any other lawful  
15 source to pay when due the principal of and premium, if any, and interest on the Bonds, or any  
16 portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund  
17 or defease those Bonds (the "Defeased Bonds") and to pay the costs of such refunding or defeasance.  
18 If money and/or Government Obligations sufficient in amount, together with known earned income  
19 from the investments thereof, to redeem and retire, release, refund or defease the Defeased Bonds in  
20 accordance with their terms, are set aside in a special trust fund or escrow account irrevocably  
21 pledged to that redemption, retirement or defeasance (the "Trust Account"), then all right and  
22 interest of the owners of the Defeased Bonds in the covenants of this ordinance and in the Gross  
23 Revenue and the funds and accounts pledged to the payment of the Defeased Bonds, other than the  
24 right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such  
25 owners thereafter shall have the right to receive payment of the principal of and interest or  
26 redemption price on the Defeased Bonds from the Trust Account. The City shall include in the

1 refunding or defeasance plan such provisions as the City deems necessary for the random selection  
2 of any Defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of  
3 the defeasance to be given to the owners of the Defeased Bonds and to such other persons as the City  
4 shall determine, and for any required replacement of Bond certificates for defeased Bonds.

5 After the establishing and full funding of such a Trust Account, the Defeased Bonds shall be  
6 deemed no longer outstanding and the City may apply any money in any other fund or account  
7 established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall  
8 determine, subject only to the rights of the owners of any other Parity Bonds.

9 If the refunding plan provides that the Defeased Bonds be secured by money and/or  
10 Government Obligations pending the prior redemption of the Defeased Bonds and if such refunding  
11 plan also provides that certain money and/or Government Obligations are pledged irrevocably for  
12 the prior redemption of the Defeased Bonds included in that refunding plan, then only the debt  
13 service on the Bonds which are not Defeased Bonds and the refunding bonds, the payment of which  
14 is not so secured by the refunding plan, shall be included in the computation of the coverage  
15 requirement for the issuance of Future Parity Bonds and for determining compliance with rate  
16 covenants.

17 Section 21. Amendments.

18 (a) Amendments Without Bond Owners' Consent. The City Council from time to time  
19 and at any time may pass a resolution or resolutions, or ordinance or ordinances, supplemental  
20 hereto, which resolution or resolutions, ordinance or ordinances thereafter shall become a part of this  
21 ordinance, for any one or more of the following purposes:

22 (i) To add to the covenants and agreements of the City contained in this  
23 ordinance other covenants and agreements thereafter to be observed which shall not adversely affect  
24 the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power  
25 herein reserved to or conferred upon the City.  
26

1 (ii) To make such provisions for the purpose of curing any ambiguities or of  
2 curing, correcting or supplementing any defective provision contained in this ordinance in regard to  
3 matters or questions arising under this ordinance as the City Council may deem necessary or  
4 desirable and not inconsistent with this ordinance and which shall not adversely affect the interests  
5 of owners of any Parity Bonds then outstanding in any material respect.

6 (iii) To make such changes as are necessary to permit the Bonds to be held in  
7 registered certificate form or in fully immobilized form by a Securities Depository other than DTC.

8 Any such supplemental resolution or ordinance of the City may be passed without the  
9 consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the  
10 provisions of Section 21(b) of this ordinance, but only upon receipt by the City of an opinion of  
11 Bond Counsel to the effect that the amendment is permitted by the terms of this ordinance. The City  
12 shall deliver a copy of any such supplemental resolution or ordinance to Moody's, S&P or any other  
13 rating agency then maintaining a rating on any Parity Bonds then outstanding prior to its passage by  
14 the City.

15 (b) Amendments With Bond Owners' Consent. The City Council may, with the consent  
16 of the owners of not less than sixty percent (60%) in aggregate principal amount of the Parity Bonds  
17 then outstanding, pass a resolution or resolutions or ordinance or ordinances supplemental hereto for  
18 the purpose of adding any provisions to or changing in any manner or eliminating any of the  
19 provisions of this ordinance or of any supplemental resolution or ordinance, except no such  
20 supplemental resolution or ordinance shall:

21 (i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest  
22 thereon, or extend the times of payment of interest from their respective due dates, or reduce the  
23 amount of the principal thereof, or reduce any premium payable on the redemption thereof, without  
24 the consent of the owner of each Parity Bond so affected; or

1 (ii) Reduce the aforesaid percentage of bond owners required to approve any such  
2 supplemental resolution or ordinance, without the consent of the owners of all of the Parity Bonds  
3 then outstanding.

4 For purposes of determining whether the owners of the requisite percentage of principal  
5 amount of Parity Bonds have consented to any amendment to this ordinance, the Accreted Value of  
6 Capital Appreciation Bonds shall be deemed to be the principal amount thereof.

7 It shall not be necessary for the consent of bond owners under this Section 21(b) to approve  
8 the particular form of any proposed supplemental ordinance or resolution, but it shall be sufficient if  
9 such consent shall approve the substance thereof.

10 (c) Effect of Amendment. Upon the passage of any supplemental resolution or ordinance  
11 pursuant to the provisions of this section, this ordinance shall be deemed to be modified and  
12 amended in accordance therewith, and the respective rights, duties and obligations of the City under  
13 this ordinance shall thereafter be determined, exercised and enforced thereunder, subject in all  
14 respects to such modification and amendments, and all the terms and conditions of any such  
15 supplemental resolution or ordinance shall be deemed to be a part of the terms and conditions of this  
16 ordinance for any and all purposes.

17 (d) Notation on Bonds. Parity Bonds executed and delivered after the execution of any  
18 supplemental resolution or ordinance passed pursuant to the provisions of this Section 21 may have a  
19 notation as to any matter provided for in such supplemental resolution or ordinance, and if such  
20 supplemental resolution or ordinance shall so provide, new bonds modified to conform, in the  
21 opinion of the City Council, to any modification of this ordinance contained in any such  
22 supplemental resolution or ordinance may be prepared by the City and delivered without cost to the  
23 owners of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds  
24 in equal aggregate principal amounts.

25 Section 22. Rate Stabilization Account. There is hereby established in the Light Fund a  
26 Rate Stabilization Account. On the New Covenant Date, the City may at any time deposit in the

1 Rate Stabilization Account, Gross Revenue and any other money received by the Light System and  
2 available to be used therefor. Thereafter, the City may withdraw any or all of the money from the  
3 Rate Stabilization Account for inclusion in the Net Revenue for any fiscal year of the City. Such  
4 deposits or withdrawals may be made up to and including the date ninety (90) days after the end of  
5 the fiscal year for which the deposit or withdrawal will be included as Net Revenue.

6 Section 23. Sale of Bonds. The Director of Finance may provide for the sale of the Bonds  
7 by public sale or by a negotiated sale, limited offering or private placement, with the successful  
8 underwriter, placement agent or purchaser, as applicable, chosen through a selection process  
9 acceptable to the Director of Finance. The terms of that sale, which may include a forward or  
10 delayed delivery of the Bonds, shall be consistent with this ordinance and the Bond Resolution, and  
11 shall be confirmed by the Bond Resolution. The Bonds will be delivered to the purchasers as  
12 provided in the Bond Resolution, immediately upon payment to the City of the purchase price plus  
13 accrued interest to the date of closing in immediately available federal funds in Seattle, Washington,  
14 at the City's expense or at another place upon which the Director of Finance and the purchaser may  
15 mutually agree at the purchaser's expense.

16 CUSIP numbers (if required) will be printed on the Bonds, but neither failure to print CUSIP  
17 numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by  
18 the purchasers to accept delivery of and pay for the Bonds in accordance with the purchase offer.  
19 All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City,  
20 but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the  
21 responsibility of and shall be paid by the purchasers.

22 The City will cause the Bonds to be typed, photocopied, printed or lithographed, sealed and  
23 executed and will furnish the approving legal opinion of Bond Counsel regarding the Bonds, the  
24 opinion also being printed on each Bond unless the Bond is typed or photocopied.

25 Section 24. Continuing Disclosure. The City shall undertake to provide for the benefit of  
26 holders of the Bonds disclosure of certain financial information and operating data of the type

1 included in the final official statement, if any, for the Bonds, as well as disclosure of certain material  
2 events respecting the Bonds, in the manner and to the extent required by United States Securities and  
3 Exchange Commission Rule 15c2-12. The particular terms of the undertaking shall be set forth in  
4 the Bond Resolution.

5 Section 25. General Authorization. The Mayor and the Director of Finance and each of  
6 the other appropriate officers of the City are each authorized and directed to do everything as in their  
7 judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions  
8 of, and complete the transactions contemplated by, this ordinance. In particular, and without  
9 limitation, the Director of Finance may, in his discretion and without further action by the City  
10 Council, (a) comply with any continuing disclosure requirements applicable to the Bonds, (b) deem  
11 final and approve the distribution of the preliminary official statement prepared in connection with  
12 the sale of the Bonds, and (c) change the Bond Registrar or Securities Depository for the Bonds.

13 Section 26. Severability. The provisions of this ordinance are declared to be separate and  
14 severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal  
15 periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any  
16 person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be  
17 within the limits of enforceability or validity. However, if the offending provision cannot be so  
18 modified, it shall be null and void with respect to the particular person or circumstance, and all other  
19 provisions of this ordinance in all other respects, and the offending provision with respect to all other  
20 persons and all other circumstances, shall remain valid and enforceable.

21 Section 27. Ratification of Prior Acts. Any action taken consistent with the authority but  
22 prior to the effective date of this ordinance, including, if applicable, but not limited to giving notices  
23 of the sale of Bonds, selecting an underwriter or placement agent for the Bonds, adopting the Bond  
24 Resolution, executing contracts, making fund transfers and paying warrants, is ratified, approved and  
25 confirmed.

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**EXHIBIT A**  
**REFUNDABLE BONDS**

Issue Name	Dated Date	Original Par Amount	Outstanding Balance (as of 10/1/04)	Bond Legislation
Municipal Light and Power Revenue Bonds, 1995, Series A	9/1/1995	\$60,000,000	\$51,840,000	Ord 117758 Res 29198
Municipal Light and Power Revenue Bonds, 1996	10/1/1996	\$30,000,000	\$28,230,000	Ord 118282 Res 29477
Municipal Light and Power Revenue Bonds, 1999	10/1/1999	\$158,000,000	\$158,000,000	Ord 119638 Res 30065