From the proceeds of the Bonds and other available money, the City will purchase certain direct obligations of the United States of America or investments authorized under RCW 39.53.010 (the "Acquired Obligations"). These Acquired Obligations will be deposited in the custody of US Bank National Association or a duly appointed successor (the "Refunding Trustee"). The Acquired Obligations, interest earned thereon and any necessary beginning cash balance will be used to provide for the payment of the Refunded Bonds, pursuant to a refunding trust agreement to be executed by the City and the Refunding Trustee.

The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations to be held by the Refunding Trustee to pay principal and interest and the redemption premium, if any, on the Refunded Bonds as described above will be verified by Grant Thornton, independent certified public accountants.

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

SOURCES OF FUNDS	
Par Amount of the Bonds	$ 284,855,000
Net Original Issue Premium	15,273,720
Total Sources of Funds	$ 300,128,720

USES OF FUNDS	
Construction Fund Deposit	$ 60,000,000
Escrow Deposit	237,479,529
Costs of Issuance*	2,649,191
Total Uses of Funds	$ 300,128,720

* Includes legal fees, financial advisory fees, rating agency and printing costs, underwriter's discount, bond insurance premium, and certain miscellaneous expenses.

SECURITY FOR THE BONDS

Pledge of Revenues

The Bonds are special limited obligations of the City. The principal of and interest on the Bonds are payable out of the Seattle Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund"). The City has agreed to pay into the Parity Bond Fund on or prior to the respective dates on which principal of and premium, if any, and interest on Parity Bonds will be payable, certain amounts from the Gross Revenues of the Light System sufficient to pay such principal and interest as the same become due. The Gross Revenues of the Light System are pledged to make such payments, which pledge constitutes a lien and charge upon such revenues prior and superior to all other charges whatsoever except reasonable charges for maintenance and operation of the Light System. See Appendix A—Bond Ordinance—Sections 17 and 18(a). Gross Revenues include the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Light System, but do not include Bond proceeds and certain insurance proceeds. See Appendix A—Bond Ordinance—Section 1. Maintenance and operation charges do not include any taxes paid to the City (see "The Department—Taxation and Intergovernmental Payments"), but do include the unconditional obligation to make payments under certain power purchase contracts. See "Contingent Obligations" below.

Payment of the principal of and premium, if any, and interest on Parity Bonds constitutes a first and prior lien upon Gross Revenues of the Light System, after payment of reasonable maintenance and operation costs, superior to payments of principal of and premium, if any, and interest on the Subordinate Lien Bonds, all described below, unless and until such Subordinate Lien Bonds are converted to fixed rate Parity Bonds in compliance with the requirements for the issuance of additional Parity Bonds.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF WASHINGTON (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE, OR A CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE NOT SPECIFICALLY PLEDGED THERETO BY THE BOND ORDINANCE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, NOR ANY REVENUES OF THE CITY DERIVED FROM SOURCES OTHER THAN THE LIGHT SYSTEM, ARE PLEDGED TO THE PAYMENT OF THE BONDS.

Outstanding Parity Bonds

The Bonds are being issued on a parity of lien with the Outstanding Parity Bonds, which include 11 series of bonds issued since 1994. As of November 30, 2004, the City had $1,380,446,000 principal amount of Outstanding Parity Bonds, of which $215,315,000 is expected to be refunded by the Bonds. See "Plan of Finance—Refunding Plan."

Rate Covenant

In the Bond Ordinance the City has covenanted, among other things, to establish and maintain rates sufficient to provide for payment of debt service on the Outstanding Parity Bonds and any additional bonds issued on a parity of lien with the Outstanding Parity Bonds (the "Future Parity Bonds" and, together with the Outstanding Parity Bonds, the "Parity Bonds") and all other obligations for which revenues have been pledged or to provide for such payment from other sources, to pay all costs of maintenance and operation and to maintain the Light System in good order and repair. The Bond Ordinance does not include a requirement that the City set rates to achieve a specific level of debt service coverage on Parity Bonds. See "The Department—Financial Policies" and Appendix A—Bond Ordinance—Section 18(d).

Reserve Fund

The City has created and is required to maintain the Municipal Light and Power Bond Reserve Fund (the "Reserve Fund"). The City has covenanted and agreed that it will pay into the Reserve Fund, out of Gross Revenues, within five years from the date of issuance of the Bonds, such sums as will, together with money presently in the Reserve Fund, provide for the Reserve Fund Requirement, which is defined as an amount equal to the lesser of:

(i) the maximum Annual Debt Service on all Parity Bonds then outstanding, or

(ii) the maximum amount permitted by the Internal Revenue Code of 1986, as amended, as "a reasonably required reserve or replacement fund."

On the New Covenant Date, which is defined in the Bond Ordinance as the date on which no Parity Bonds issued prior to 2001 are outstanding, "Reserve Fund Requirement" will mean, for any issue of Parity Bonds, the Reserve Fund Requirement specified for that issue, and the Reserve Fund Requirement for all series of Parity Bonds will be the sum of the Reserve Fund Requirements for all such Parity Bonds.

If payments from the Reserve Fund are required to pay interest on or principal of any Outstanding Parity Bonds, the City will deposit money into that fund out of any money legally available therefor until the Reserve Fund has been replenished to the Reserve Fund Requirement. The balance in the Reserve Fund as of October 31, 2004, was $81,159,967.

In lieu of cash deposits to the Reserve Fund, the City may provide Qualified Insurance or a Qualified Letter of Credit in an amount equal to the Reserve Fund Requirement or any portion thereof. See Appendix A—Bond Ordinance—Section 18(b)(i).

Future Parity Bonds

The Bond Ordinance authorizes the issuance of additional Parity Bonds subsequent to the issuance of the Bonds (the "Future Parity Bonds") if:

(i) there is no deficiency in the Parity Bond Fund or in any of the accounts therein and provision has been made to meet the Reserve Fund Requirement for all Parity Bonds then outstanding plus the proposed Future Parity Bonds, and

(ii) either:

(a) the Finance Director certifies that Gross Revenues (with certain adjustments), less the expenses of operation, maintenance and repair of the Light System (the "Net Revenue"), in any 12 consecutive months out of the most recent 24 months preceding the issuance of the Future Parity Bonds (the "Base Period") were not less than 125 percent of maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued, or

(b) the City has on file a certificate of a Professional Utility Consultant stating that the Adjusted Net Revenue for the Base Period, calculated as described in the Bond Ordinance, was not less than 125 percent of maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued. The Bond Ordinance permits the Professional Utility Consultant to adjust Net Revenue based on certain conditions.

On the New Covenant Date, "Net Revenue" will mean, for the purpose of these requirements for the issuance of Parity Bonds, that amount determined by deducting from Gross Revenues the expenses of operation, maintenance and repair of the Light System and further deducting any deposits into the Rate Stabilization Account and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account. See Appendix A—Bond Ordinance—Section 18(g).

The Bond Ordinance authorizes the issuance of Refunding Parity Bonds without the requirement of meeting the above provisions. See Appendix A—Bond Ordinance—Section 18(h).

Payment Agreements

The City may enter into Parity Payment Agreements that constitute a charge and lien on Net Revenue equal to that of the Parity Bonds. The prerequisites described above for the issuance of Future Parity Bonds apply to the City's incurrence of obligations under any Parity Payment Agreements. See Appendix A—Bond Ordinance—Section 1—Definitions—Annual Debt Service.

No Acceleration of the Bonds

The Bonds are not subject to acceleration upon the occurrence of a default. The City, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal of or interest on the Parity Bonds, the registered owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between registered owners of earlier and later maturing Parity Bonds.

Subordinate Lien Bonds

The City had $92,340,000 principal amount of outstanding Subordinate Lien Bonds as of November 30, 2004, all in variable rate mode. The ordinances authorizing the issuance of the Subordinate Lien Bonds allow for the conversion of those bonds to Parity Bonds upon compliance with the requirements relating to the issuance of additional Parity Bonds at the time of conversion. Under the authorizing ordinances, the aggregate principal amount of outstanding Subordinate Lien Bonds at the time of issuance is limited to the greater of $70,000,000 or 15 percent of the aggregate principal amount of Parity Bonds then outstanding.

Cash Pool Loan

The City's Director of Finance is authorized to make loans to individual funds participating in the City's common investment portfolio (the "Cash Pool") by carrying such funds in a negative cash position for a period of up to 90 days, or for a longer period upon approval by the City Council by ordinance, to the extent such loans can be supported prudently by the Cash Pool and the borrowing fund is reasonably expected to be able to repay the loan. Such loans bear interest at the Cash Pool's rate of return. In May 2003, the City Council passed an ordinance authorizing the Light Fund to borrow up to $100 million from the Cash Pool for the period from October 31, 2003, through December 31, 2004. As of December 31, 2003, the

Department had borrowed $70 million from the Cash Pool. All borrowings from the Cash Pool were fully repaid as of June 30, 2004. See "The City of Seattle—Financial Management—Interfund Loans."

Contingent Obligations

The Department has in the past and may in the future enter into various agreements, such as energy purchase agreements or financial derivative contracts, under which the Department may be obligated to make payments or post collateral contingent upon certain future events within or beyond the Department's control. Such contingent payment obligations may be treated as operation and maintenance charges payable from Gross Revenues prior to the payment of principal of and interest on the Parity Bonds and the Subordinate Lien Bonds. See "Power Resources—Purchased Power Arrangements."

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of their initial delivery. Interest on the Bonds is payable semiannually on each February 1 and August 1, beginning August 1, 2005, at the rates set forth on the inside cover of this Official Statement. Principal is payable on each August 1, beginning August 1, 2005, in the amounts set forth on the inside cover of this Official Statement. Interest on the Bonds is to be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in $5,000 denominations and integral multiples thereof. The principal of and interest on the Bonds is payable by the Bond Registrar, currently the fiscal agent of the State of Washington (the "Bond Registrar") (currently, The Bank of New York in New York, New York). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make payments of principal and interest only to DTC, which in turn will remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds, as further described in Appendix E hereto.

Redemption of the Bonds

Optional Redemption. The Bonds maturing before August 1, 2015, are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2015, are subject to redemption prior to maturity at the option of the City on and after August 1, 2014, in whole or in part at any time (maturities to be selected by the City and randomly within a maturity in such manner as the Bond Registrar may determine and, so long as the Bonds are in book-entry form, in accordance with the procedures established by the securities depository) at the price of par plus accrued interest.

Mandatory Redemption. If not previously redeemed as described above, the Term Bonds, if any, designated by the successful bidder in accordance with the Official Notice of Bond Sale will be called for redemption (in such manner as DTC will determine) at a price of par plus accrued interest to the redemption date, on August 1 in the years and amounts shown below.

Years	Amounts
2026	$ 3,310,000
2027	3,465,000
2028	3,625,000
2029*	3,790,000

* Final maturity.

If the City redeems Term Bonds under the optional redemption provisions described above or purchases Term Bonds in the open market as described below, the par amount of the Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) will be credited against the remaining scheduled mandatory redemption requirements for those Term Bonds in a manner to be determined by the City or, if no such determination is made, on a pro-rata basis.

Notice of Redemption. Notice of any intended redemption will be given not less than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the