MOODY'S RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Seattle, WA Electric Enterprise's revenue bonds, 2025; outlook stable

10 Jun 2025

New York, June 10, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the City of Seattle, WA Electric Enterprise's (Seattle City Light, or SCL) $438.6 million Municipal Light and Power Improvement and Refunding Revenue Bonds, 2025. We maintain Aa2 ratings on the enterprise's approximately $2.5 billion in outstanding parity lien revenue bonds. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating is supported by the utility's economically diverse, stable and wealthy service area that includes the City of Seattle (Aaa stable) and surrounding communities. Despite some large customers within SCL's service territory, the enterprise is not materially exposed to customer concentration, with the ten largest customers generating 15.1% of revenue. Additionally, many of those customers have strong underlying credit quality, including the University of Washington (Aa1 stable), Amazon.com Inc (A1 positive) and King County (Aaa stable).

Although the utility's rates are marginally more expensive than several nearby load serving entities, SCL benefits from a service territory monopoly and has a demonstrated willingness to raise rates, including 5.4% increases for 2025 and 2026, as well as rate stabilization account surcharges. Financial performance has been strong, with the 3-year average of Moody's adjusted debt service coverage at 1.66x at the end of 2024 and 191 of Moody's adjusted days cash on hand. SCL also benefits from its participation in the city's consolidated money pool, which SCL has borrowed from in the past.

SCL's ownership of low-cost and carbon-free hydro generation and longer-term power supply contract with Bonneville Power Administration are generally supportive of the electric enterprise's rating, though it is exposed to hydrological risks. To mitigate some of this risk while improving market efficiency and reliability, SCL is actively engaged in regional power markets, including the California ISO's Western Energy Imbalance Market and Western Resource Adequacy Program, and is a stakeholder in CAISO's extended day ahead market and Southwest Power Pool's Markets+.

Financial leverage for the electric enterprise is moderate, with a 3-year adjusted debt ratio of 60% at the end of 2024. SCL's proposed capital improvement program through 2030 is fairly sizeable at $2.9 billion (inclusive of 2025), which it expects to finance with at least 40% from operating cash and the remainder financed with debt.

RATING OUTLOOK

The outlook is stable, reflective of a strong local economy and expectations that the utility will continue to maintain liquidity above 130 DCOH and adjusted DSCR above 1.5x.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Sustained DCOH above 200 and adjusted DSCR above 2x

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Sustained decline in internal liquidity below 90 DCOH or adjusted DSCR below 1.5x

- Material weakening of SCL's financial policies

- Severe and sustained deterioration in the underlying service territory economy

PROFILE

Seattle City Light is a department of the City of Seattle, which operates a utility system that primarily generates and delivers electricity to approximately 513,000 customer accounts in the City of Seattle and several surrounding communities under franchise agreements. The City of Seattle is in the western part of Washington State and is a commercial hub for the Pacific Northwest. SCL's service area is comprised of 131 square miles and has a population of approximately 983,000.

METHODOLOGY

The principal methodology used in this rating was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at https://ratings.moodys.com/rmc-documents/398041. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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