

Research Update:

Seattle Series 2026A Municipal Light And Power Improvement And Refunding Revenue Bonds Rated 'AA'; Outlook Stable

June 5, 2026

Overview

- S&P Global Ratings assigned its 'AA' rating to **Seattle**'s \$153.7 million series 2026A municipal light and power improvement and refunding revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating (SPUR) on Seattle's electric system revenue bonds outstanding. The utility does business as Seattle City Light (SCL).
- The outlook is stable.

Rationale

Security

The bonds are secured by a pledge of electric system net revenue. The city will use bond proceeds to finance electric system capital improvements, and to refund various SCL bonds outstanding. SCL had \$2.8 billion of debt outstanding as of Dec. 31, 2025.

Credit highlights

The 'AA' rating reflects SCL's ample and mostly carbon-free energy portfolio and the utility's demonstration of consistent and healthy financial metrics under wide-ranging hydrological and economic conditions. While SCL's resources are concentrated in hydroelectric generation whose output is sensitive to regional hydrological conditions, SCL's rate stabilization account and conservative forecasted hydrological assumptions partially mitigate this risk.

The rating further reflects our view of SCL's:

- Broad, diverse and affluent customer base with over 525,000 customer accounts, which we believe provides SCL significant economies of scale;
- Healthy S&P Global Ratings-calculated fixed charge coverage (FCC) averaging about 1.6x over fiscal years 2021 through 2025, including 1.6x FCC in fiscal 2025, with similar FCC metrics forecasted, which include significant anticipated rate increases;

Primary Contact

Paul J Dyson
Austin
1-415-371-5079
paul.dyson
@spglobal.com

Secondary Contact

Doug Snider
Englewood
+ 1 (303) 721 4709
doug.snider
@spglobal.com

- Ample liquidity balances totaling \$509 million or 203 days' operating expenses as of fiscal 2025, including \$110 million in its rate stabilization account (RSA), and projections indicating such levels will be sustained; and
- Credit-supportive financial management practices and policies, such as its rate stabilization account (RSA) and accompanying rate adjustment mechanism that partially offset some of the effects of hydrological variability, as well as internal targets for debt service coverage above 1.8x and days' cash above 150 days, among other targets.

Partially offsetting factors include our view of SCL's:

- Above-average retail rates relative to statewide averages with significant annual rate increases forecasted through fiscal 2032, which we believe will reduce financial flexibility;
- Significant anticipated load growth related to building and transportation electrification and potential large loads such as data centers, which will require additional energy resources and the ability to manage reliability, affordability, and financial performance commensurate with the current rating; and
- Large five-year capital plan totaling \$2.3 billion in spending from 2026-2030 that includes projects that will address assets approaching the end of useful lives, with about \$1.2 billion in additional debt planned during this period, which could further pressure affordability and/or financial metrics.

Environmental, social, and governance

We believe SCL faces exposures to environmental physical risks associated with variable hydrological conditions and fish habitat considerations; however, these risks are tempered by the presence of its RSA account that can be used to address years with below normal hydrology. SCL's predominantly non-carbon-emitting hydroelectric resources limit the utility's exposure to many challenges of legislative and regulatory initiatives to reduce greenhouse gas emissions. We consider physical climate risk as slightly elevated, given that the city is adjacent to Puget Sound and is exposed to storm surges and other extreme events related to sea-level rise.

Seattle's primarily dense urban nature insulates its core service territory from wildfire risk. However, SCL maintains a number of hydroelectric projects and associated transmission lines that are in more fire-prone areas. The utility maintains a wildfire risk reduction strategy document, which includes various measures management undertakes to reduce wildfire risks related to these assets, such as weather forecasting, enhanced design and construction standards, fuel and vegetation management, and asset management and inspection.

Although the utility's rates are already high versus state averages and the utility projects significant additional rate increases, we believe social factors are credit neutral by virtue of high income levels and low poverty rate. The utility's weighted-average electric rates as of 2024 were about 20% above the state average according to the Energy Information Administration (EIA). We will continue to monitor rate affordability as SCL raises rates to address rising operating, energy, and capital costs.

Because of the high unpredictability of federal policy--along with the economy's stressors and the associated financial pressures that consumers are facing--we are monitoring the strength and stability of electric utilities' revenue streams for evidence of delinquent payments or other revenue erosion. (See "[Economic Outlook U.S. Q2 2026: Curb Your Enthusiasm](#)," March 25, 2026.) Finally, we view the system's governance factors as credit supportive, as they include strong

policies and planning, robust cybersecurity risk mitigation, proactive management of hydrology risk, and robust interaction between management and the city council.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that SCL will maintain liquidity and fixed charge coverage (FCC) in line with projected levels through rate-stabilization policies, rate increases, and continued conservative revenue forecasting, in particular with regard to wholesale revenues.

Downside scenario

We could lower the rating if rising debt service requirements, sustained adverse hydrological conditions, increasing power supply costs from the Bonneville Power Administration (BPA) or prospective resource additions, and/or increased spending on regulatory compliance result in weakened financials or materially higher retail rates than forecasted or a weakened competitive position that frustrates SCL's ability to maintain liquidity and achieve FCC commensurate with recent or forecast levels.

Upside scenario

We do not expect to raise the rating in the next two years, given SCL's large capital improvement plan and additional debt, coupled with our view that rate flexibility is waning given currently above-average rates and additional rate increases planned.

Credit Opinion

SCL is the largest municipal utility in the state of Washington and provides service within Seattle and surrounding areas of King County. The utility's power supply portfolio is predominantly hydroelectric, low cost and virtually carbon free. SCL benefits from a diverse customer and economic base with low industrial concentration, and residential customers represented 40% of revenues in fiscal 2025. We believe these factors enhance SCL's economies of scale and provide the utility with revenue stability and operational flexibility.

SCL sources most of its power from low cost hydroelectric resources that include both owned generation (43% in 2025), power purchased from BPA (37%), and other purchases (20%). Taking into account BPA's fuel mix, we calculate SCL's overall fuel mix in fiscal 2025 at 78% hydropower, 5% nuclear, 1% eligible renewables and 16% unidentified. SCL will transition from a shaped Block product customer to a hybrid Block and Slice BPA customer under the new contract terms effective October 2028. Under BPA's Slice product, retail utility customers such as SCL receive a fixed percentage of federal power system output (mainly hydro and some nuclear resources) and in return pay the same fixed percentage of BPA's total system costs, regardless of actual generation conditions. Management anticipates this change should give SCL more flexibility as it plans to meet rising electric demand, although we note the importance of conservative hydrological forecasting under this product. SCL forecasts hydrology at the 30th percentile, which we believe is prudent, as concentration in hydroelectric resources exposes SCL to above-average revenue volatility with respect to wholesale sales.

SCL reports that data center loads account for about 5% of current system load, but this is expected to increase given several inquiries for new large projects pending. SCL recently drafted a new large load policy that will become finalized if approved. The draft policy includes various

measures to protect SCL against various risks related to large loads, including requiring such loads be under special service contracts and subject to curtailment provisions, requiring full upfront funding of infrastructure needs, full recovery of power and transmission costs necessary to serve the loads, and various power supply charges. We view these provisions as prudent and credit-supportive.

The utility is compliant with Washington's renewable portfolio standard (I-937) and is well positioned to comply with its decarbonization bill, the Clean Energy Transition Act, through its existing low-carbon portfolio (more than 80% of identified carbon-free resources in 2025), eligible energy purchases, demand management and efficiency programs, and the acquisition of renewable energy credits as needed. We believe the continued costs of complying with mandates will be manageable, given management's proactive approach and the existing portfolio of assets, but will closely monitor the impact of new, potentially higher priced, energy resources.

We view favorably management's comprehensive risk management practices, which include long-term financial planning, capital planning, and a dynamic power supply management strategy that should position the utility well in the face of evolving state and federal regulations. SCL has an RSA and cost adjustment mechanism that partially offset wholesale revenue volatility risks somewhat, and SCL is proposing an even more robust RSA for future years. Because of conservative budgeting, management has reduced its reliance on, and potential revenue volatility from, surplus energy sales (maximum 8% of operating revenue since 2021). A portion of wholesale net revenue comes from forward sales of typically nine months or less, and SCL maintains strict limits on the portion of its surplus position made available for forward sales to avoid potentially high replacement power costs in low-water years. Nevertheless, in below-average hydro years the system's net wholesale revenues can decline, translating to compressed margins. The utility's most recent integrated resource plan explores the addition of relatively higher-priced wind and solar resources to address load growth and to maintain compliance with state renewable and decarbonization mandates.

Rate-setting has been solid with a long track record of robust financial performance, in part due to SCL's two automatic pass-through mechanisms. However, according to information from the Energy Information Administration, Seattle's average overall rates exceeded the state average by about 20% in 2024, suggesting that despite solid demographics, there are some constraints to revenue-raising flexibility. Seattle's rate affordability and competitive position could erode further given its 5.4% base rate increase effective on Jan. 1 of both 2025 and 2026 and currently projected annual rate increases of 9.5% through 2028 followed by 7% to 11% increases through 2032.

SCL's fixed charge metrics have averaged about 1.6x over fiscal years 2021 through 2025, even when removing transfers into or out of the RSA, although FCC dipped to 1.4x-1.5x in fiscal years 2023 and 2024 given weaker wholesale sales in those years. Based on management's projections through fiscal 2028, S&P Global Ratings-calculated FCC remains between 1.5x-1.7x, consistent with the current rating. The utility's actual performance consistently meets or exceeds projected levels, highlighting management's conservative budgeting practices.

System liquidity and debt remain at credit-supportive levels. Overall liquidity has increased in recent years and totaled \$509 million or a healthy 203 days' operating expenses as of fiscal 2025, inclusive of the \$110 million RSA balance. Combined liquidity resources are projected by SCL to remain near current levels through fiscal 2028. SCL's debt burden remains moderate, with 51% debt-to-capitalization in fiscal 2025. The utility's five-year capital improvement plan totals \$2.3 billion, 37% higher than SCL's capital spending over the previous five years, with about 40% to be

funded through operating revenue (after third-party contributions) and the remaining 60% through debt. Given this, we anticipate debt-to-capitalization will remain in the 50%-60% range.

Seattle City Light, Washington--key credit metrics

| | --Fiscal year ended Dec. 31-- | | |
|--|-------------------------------|-----------|-----------|
| | 2025 | 2024 | 2023 |
| Operational metrics | | | |
| Electric customer accounts | 525,040 | 513,504 | 503,221 |
| % of electric retail revenues from residential customers | 40 | 39 | 39 |
| Top 10 electric customers' revenues as % of total electric operating revenue | 14 | 15 | 16 |
| Service area median household effective buying income as % of U.S. | N.A. | 150 | 153 |
| Weighted average retail electric rate as % of state | N.A. | 120 | 115 |
| Financial metrics | | | |
| Gross revenues (\$000s) | 1,332,850 | 1,274,930 | 1,209,856 |
| Total operating expenses less depreciation and amortization (\$000s) | 912,400 | 891,600 | 854,900 |
| Debt service (\$000s) | 233,100 | 245,449 | 236,529 |
| Debt service coverage (x) | 1.8 | 1.6 | 1.5 |
| Fixed-charge coverage (x) | 1.6 | 1.5 | 1.4 |
| Total available liquidity (\$000s)* | 508,600 | 337,600 | 329,000 |
| Days' liquidity | 203 | 138 | 140 |
| Total on-balance-sheet debt (\$000s) | 2,836,100 | 2,682,900 | 2,635,700 |
| Debt-to-capitalization (%) | 51 | 51 | 52 |

*Total available liquidity includes available committed credit line balances, where applicable. Debt service coverage--Revenues minus expenses divided by debt service. Fixed-charge coverage--Sum of revenues minus expenses minus total net transfers out plus capacity payments (or their proxy), divided by the sum of debt service plus capacity payments (or their proxy). N.A.--Not available.

Ratings List

New Issue Ratings

US\$153.700 mil elec rev bnds ser 2026A due 12/31/2056

Long Term Rating AA/Stable

Ratings Affirmed

Public Power

Seattle, WA Retail Electric System AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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