
OFFICIAL STATEMENT

**New Issue
Book-Entry Only**

**Moody's Rating: Aa2
S&P Rating: AA**

(See "OTHER BOND INFORMATION—Ratings on the Bonds")

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the alternative minimum tax on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds also is excludable from Washington taxable income for purposes of the tax imposed by the State on income received by individuals on and after January 1, 2028. See "TAX MATTERS."



THE CITY OF SEATTLE, WASHINGTON

\$152,565,000

Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A

Dated: Date of Initial Delivery

Due: See page i

The City of Seattle, Washington (the "City"), will issue its Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A (the "Bonds"), as fully registered bonds under a book-entry only system. When issued, the Bonds initially will be registered to Cede & Co., as bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"), who will act as initial Securities Depository for the Bonds (the "Securities Depository"). Individual purchases of the Bonds will be made in Book-Entry Form, in denominations of \$5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the Bonds purchased. The fiscal agent of the State of Washington (the "State"), currently U.S. Bank Trust Company, National Association, will act as the registrar, paying agent, transfer agent and authenticating agent for the Bonds (the "Bond Registrar").

Interest on the Bonds is payable semiannually on each February 1 and August 1, beginning February 1, 2027. The principal of and interest on the Bonds are payable by the Bond Registrar to DTC, which is obligated to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described under the heading "DESCRIPTION OF THE BONDS—Bond Registrar and System of Registration" and in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM.

MATURITY SCHEDULE – see page i

Certain of the Bonds are subject to optional redemption prior to their stated maturity dates. See "DESCRIPTION OF THE BONDS—Redemption Provisions."

The Bonds are being issued (i) to finance certain capital improvements to and conservation programs for the City's municipal light and power generation, transmission, and distribution system (the "Light System"); (ii) to refund certain outstanding obligations of the Light System; (iii) to provide for the Reserve Requirement; and (iv) to pay the administrative costs of issuing the Bonds and administering the refunding. See "USE OF PROCEEDS."

The Bonds are issued as Parity Bonds and are a special limited obligation of the City payable from and secured solely by Gross Revenues of the Light System available after payment of Operating and Maintenance Expense ("Net Revenue") and by money in the Parity Bond Fund and the Reserve Fund. Net Revenue is pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by the Bond Documents, which pledge constitutes a lien and charge upon Net Revenue prior and superior to all other liens and charges whatsoever. The Bonds will be issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without preference or priority of right or lien. See "SECURITY FOR THE BONDS." Operating and Maintenance Expense includes the unconditional obligation of the City to make payments under certain power purchase contracts, as more fully described in APPENDIX B—THE CITY LIGHT DEPARTMENT ("Power Resources and Cost of Power—Long-Term Power Supply Arrangements").

The Bonds do not constitute general obligations of the City, 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 legislation authorizing the issuance of the Bonds. 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.

The Bonds are offered for delivery by the Underwriter when, as, and if issued, subject to the approving legal opinion of Foster Garvey PC, Seattle, Washington, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as APPENDIX E. Bond Counsel will also act as Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer, on or about July 15, 2026.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: June 23, 2026

The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed by the City to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM, which has been obtained from DTC’s website, the form of opinion of Bond Counsel attached as APPENDIX E, or information regarding the Municipal Advisor. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Light System since the date hereof.

Information appearing on website addresses set forth in this Official Statement, including those of the City and City departments, social media accounts, or any other internet presence is not incorporated by reference in this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement. Investors should not rely on information presented on any such websites, social media accounts, or in any other internet presence in determining whether to purchase the Bonds.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The information set forth in the Seattle City Light Department’s Audited Financial Statements that are included in APPENDIX F speaks only as of the date of the statements and is subject to revision or restatement in accordance with applicable accounting principles and procedures. The City specifically disclaims any obligation to update this information.

The presentation of certain information, including tables of revenues and expenses and other financial information, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Light System. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Descriptions of legal authority to issue debt and generate revenue is based on existing statutes and constitutional provisions; changes in State law could alter these provisions.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and “forward-looking statements.” No assurance can be given that the future results shown herein will be achieved, and actual results may differ materially from the forecasts shown. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe,” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

These forward-looking statements speak only as of the date they were prepared. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except to the extent expressly provided in an undertaking to provide continuing disclosure. See “LEGAL INFORMATION—Continuing Disclosure Undertaking.”

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The order and placement of materials in this Official Statement, including the Appendices which are incorporated by this reference, are not to be deemed to be a determination of relevance, materiality, or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement.

Due to rounding, numbers throughout this Official Statement (including in the appendices hereto) may not add up precisely to the totals indicated, and any percentages set forth herein may not precisely reflect the absolute figures for the same reason.

MATURITY SCHEDULE

THE CITY OF SEATTLE, WASHINGTON \$152,565,000

Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A

Due August 1	Principal Amounts	Interest Rates	Yield	Price	CUSIP Nos. ⁽¹⁾
2027	\$ 17,580,000	5.00%	2.360%	102.706	812643 F41
2028	18,800,000	5.00	2.440	105.074	812643 F58
2029	19,740,000	5.00	2.570	107.071	812643 F66
2030	6,575,000	5.00	2.650	108.955	812643 F74
2031	6,900,000	5.00	2.740	110.578	812643 F82
2032	7,245,000	5.00	2.830	111.976	812643 F90
2033	7,615,000	5.00	2.890	113.360	812643 G24
2034	7,990,000	5.00	2.960	114.506	812643 G32
2035	8,390,000	5.00	3.050	115.310	812643 G40
2036	8,810,000	5.00	3.120	116.102	812643 G57
2037	4,495,000	5.00	3.230 ⁽²⁾	115.078	812643 G65
2038	4,720,000	5.00	3.320 ⁽²⁾	114.248	812643 G73
2039	4,955,000	5.00	3.370 ⁽²⁾	113.790	812643 G81
2040	5,200,000	5.00	3.460 ⁽²⁾	112.971	812643 G99
2041	5,465,000	5.00	3.520 ⁽²⁾	112.429	812643 H23
2042	5,735,000	5.00	3.590 ⁽²⁾	111.800	812643 H31
2043	6,025,000	5.00	3.660 ⁽²⁾	111.176	812643 H49
2044	6,325,000	5.00	3.750 ⁽²⁾	110.380	812643 H56
Total	\$ 152,565,000				

(1) CUSIP® is a registered trademark of the American Bankers Association. See CUSIP information on inside cover.

(2) Yield calculated to the August 1, 2036 par call date.

THE CITY OF SEATTLE

Elected City Officials

		<i>Term Expires</i>
Katie B. Wilson	Mayor	12/31/2029
Rob Saka	Council Member – District 1	12/31/2027
Eddie Lin	Council Member – District 2	12/31/2027
Joy Hollingsworth	Council Member – District 3	12/31/2027
Maritza Rivera	Council Member – District 4	12/31/2027
Debora Juarez	Council Member – District 5	(*)
Dan Strauss	Council Member – District 6	12/31/2027
Robert Kettle	Council Member – District 7	12/31/2027
Alexis Mercedes Rinck	Council Member – Position 8 (at large)	12/31/2029
Dionne Foster	Council Member – Position 9 (at large)	12/31/2029
Erika Evans	City Attorney	12/31/2029

Office of City Finance

Dwight D. Dively	Director of Finance
Kristi Beattie	Director of Debt Management

Seattle City Light Department

Rob Santoff	Interim General Manager and Chief Executive Officer
Dennis McLerran	Deputy General Manager
Brendan Armstrong	Interim Chief Operating Officer [†]
Kirsty Grainger	Chief Financial Officer
Leigh Barreca	Chief of Staff
Siobhan Doherty	Power Supply Officer
David Logsdon	Interim Chief Customer Officer
Andrew Strong	Environmental, Engineering, and Project Delivery Officer
DaVonna Johnson	Chief People and Culture Officer
Mujib Lodhi	Chief Information Officer
Craig Smith	Executive Advisor

Bond Registrar

Washington State Fiscal Agent
(currently U.S. Bank Trust Company, National Association)

Bond Counsel and Disclosure Counsel

Foster Garvey PC
Seattle, Washington

Municipal Advisor

Piper Sandler & Co.
Seattle, Washington

* Councilmember Juarez was appointed in July 2025 to fill a vacancy until the general election in November 2026, when a candidate will be elected to serve for the remainder of the term expiring December 31, 2027. Because Councilmember Juarez was appointed to serve on an interim basis, her successor will be sworn in up on certification of the November 2026 election results.

[†] The Interim Chief Operating Officer role will rotate each six months among other directors within that business division until a permanent General Manager is selected.

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OFFICIAL STATEMENT

The City of Seattle, Washington

\$152,565,000

Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A

INTRODUCTION

The City of Seattle, Washington (the “City”), a municipal corporation duly organized and existing under and by virtue of its charter and the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of its \$152,565,000 aggregate principal amount of its Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A (the “Bonds”). This Official Statement, which includes the cover page, the inside cover page, the table of contents, and APPENDIX A through APPENDIX G (together, the “Official Statement”), provides information concerning the City, the Seattle City Light Department (“City Light” or the “Department”), the municipal light and power generation, transmission, and distribution system (the “Light System”), and the Bonds.

APPENDIX A provides information about the City, the City-wide pension systems, and certain demographic and economic information about the City. APPENDIX B provides information regarding the Department and the Light System. APPENDIX C provides a summary of the Bond Ordinance, as defined below under “DESCRIPTION OF THE BONDS—Authorization for the Bonds.” APPENDIX D sets forth the form of the City’s continuing disclosure undertaking in connection with the Bonds. APPENDIX E includes the form of legal opinion of Foster Garvey PC, Seattle, Washington (“Bond Counsel”). APPENDIX F contains the audited financial statements of the Department as of and for the fiscal year ended December 31, 2025 (the “2025 Audited Financial Statements”). APPENDIX G is a description of DTC procedures for book-entry bonds as provided on its website by The Depository Trust Company, New York, New York (“DTC”).

All of the summaries of provisions of the Washington State Constitution (the “State Constitution”) and laws of the State, of ordinances and resolutions of the City, and of other documents contained in this Official Statement are subject to the complete provisions thereof and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the City upon request. A full review should be made of the entire Official Statement. The offering of the Bonds to prospective investors is made only by means of the entire Official Statement. Capitalized terms that are not defined herein have the meanings set forth in the Bond Ordinance (defined below).

Certain forecast information provided in this Official Statement was prepared by the Department. Any forecast information speaks only as of the date it was prepared and the reader should exercise caution in relying on such information. Actual results could differ materially.

DESCRIPTION OF THE BONDS

Authorization for the Bonds

The Bonds are to be issued by the City pursuant to the State Constitution, chapters 35.92, 39.46, and 39.53 of the Revised Code of Washington (“RCW”), and the Seattle City Charter. The Bonds are issued pursuant to Ordinance 127345, passed on November 21, 2025 (the “New Money Ordinance”), and Ordinance 126940, passed November 21, 2023 (the “Refunding Ordinance,” and together with the New Money Ordinance, the “Bond Ordinance”). A summary of the Bond Ordinance is attached to this Official Statement as APPENDIX C.

The Bond Ordinance delegates to the Director of the Office of City Finance within the City’s Department of Finance and Administrative Services (the “Director of Finance”) the authority to execute, on behalf of the City, a Bond Purchase Agreement, a pricing certificate (the “Pricing Certificate”), and other documents (collectively, the “Bond Documents”) in accordance with the parameters set forth in the Bond Ordinance.

The New Money Ordinance authorizes the issuance of Parity Bonds in a maximum aggregate amount not to exceed \$500 million. The new money portion of the Bonds in the amount of \$77,465,000 is the first issuance under this authorization and leaves \$422,535,000 available under the Bond Ordinance, expiring December 31, 2028. In addition, the City has \$209,870,000 in remaining unissued authorization under Ordinance 127147, expiring on December 31, 2027 and \$219,050,000 remaining under Ordinance 126939, expiring on December 31, 2026. The City currently has no plans to issue additional bonds under any of these ordinances. See “DEBT OF THE LIGHT SYSTEM—Outstanding Parity Bonds.”

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds will be dated the date of the initial issuance and delivery (the “Issue Date”). The Bonds will mature on August 1 in the years and amounts set forth on page i of this Official Statement. Interest on the Bonds is payable semiannually on each February 1 and August 1, beginning February 1, 2027, at the rates set forth on page i of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Bond Registrar and System of Registration

Bond Registrar

The principal of and interest on the Bonds will be payable by the fiscal agent of the State (the “Bond Registrar”), currently U.S. Bank Trust Company, National Association (or such other fiscal agent or agents as the State may from time to time designate).

Book-Entry System

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”). DTC will act as the initial Securities Depository for the Bonds (the “Securities Depository”) in accordance with the Letter of Representations. Individual purchases and sales of the Bonds will be made in Book-Entry Form only in minimum denominations of \$5,000 or integral multiples thereof within a maturity of a Series (“Authorized Denominations”). Purchasers (“Beneficial Owners”) will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. or its successor and will not mean the Beneficial Owners of the Bonds. For information about DTC and its book-entry system, see APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM. The City makes no representation as to the accuracy or completeness of the information in APPENDIX G provided by DTC. Purchasers of the Bonds should confirm this information with DTC or its broker-dealer participants.

Termination of Book-Entry System

Upon the resignation of the Securities Depository from its functions as depository, or upon a determination by the Director of Finance to discontinue utilizing the then-current Securities Depository, the Director of Finance may appoint a substitute Securities Depository. If the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or if the Director of Finance determines not to utilize a Securities Depository, then the Bonds will no longer be held in Book-Entry Form and ownership of the Bonds may be transferred only as provided in the Bond Ordinance.

Transfer

So long as the Bonds are held by DTC, registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except (1) to any successor to DTC as Securities Depository; (2) to any substitute depository appointed by the City or such substitute depository’s successor; or (3) to any person, if the Bonds are no longer to be held in Book-Entry Form.

Lost or Stolen Bonds

In case any Bond is lost, stolen, or destroyed, the Bond Registrar may authenticate and deliver a new bond or bonds of like maturity, amount, date, tenor, and effect to the Registered Owner(s) thereof upon the Registered Owner(s)’ paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such bond or bonds were actually lost, stolen, or destroyed and of Registered Ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Payment of Bonds

The Bonds will be payable in lawful money of the United States of America on the dates and in the amounts as provided in the Bond Ordinance. Principal of and interest on the Bonds will be payable solely out of the Seattle Municipal Light Revenue Parity Bond Fund (the “Parity Bond Fund”) and the Municipal Light and Power Bond Reserve Fund (“Reserve Fund”). **The Bonds are not general obligations of the City. No Bonds will be subject to acceleration under any circumstances.**

So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds will be payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described in APPENDIX G—DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM.

At any time during which the Bonds are not held in Book-Entry Form, interest is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not held in Book-Entry Form is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

The Bond Ordinance defines “Record Date,” in the case of each interest or principal payment date, as the Bond Registrar’s close of business on the 15th day of the month preceding that interest or principal payment date. With regard to redemption of a Bond prior to its maturity, the Record Date means the Bond Registrar’s close of business on the day prior to the date on which the Bond Registrar sends the notice of redemption to the Registered Owner(s) of the affected Bonds.

Redemption Provisions

Optional Redemption

The Bonds maturing on or before August 1, 2036, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Bonds maturing on and after August 1, 2037, prior to their stated maturity dates at any time on and after August 1, 2036, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption.

Selection of Bonds for Redemption

If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance will select the maturity or maturities to be redeemed.

— Partial Redemption

If less than all of the principal amount of a maturity is to be redeemed, as long as the Bonds are held in Book-Entry Form, the selection of the portion of such maturity to be redeemed will be made in accordance with the operational arrangements in effect at DTC. If the Bonds are not then held in Book-Entry Form, the portion of such maturity to be redeemed will be selected by the Bond Registrar using such method of random selection as the Bond Registrar determines. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar there will be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same seniority, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

Notice of Redemption; Rescission of Notice

— Form, Time, and Manner of Notice

Notice of an intended redemption of any Bond then in Book-Entry Form shall be given in accordance with the Letter of Representations. The City is required to cause notice of any intended redemption of a Bond not in Book-Entry Form to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence are fulfilled when notice has been mailed as so provided (whether or not it is actually received by the Owner of any Bond) and may be waived by the Registered Owner of the Bond to be redeemed. In addition, the redemption notice will be mailed or sent electronically within the same period to the Municipal Securities Rulemaking Board (the “MSRB”) (if required under the Continuing Disclosure Undertaking), to each Rating Agency then maintaining a rating on the Bonds at the request of the City, and to such other persons and with such additional information as the Finance Director determines, but these additional mailings are not a condition precedent to the redemption of any Bond.

— *Rescission of Notice of Redemption*

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is rescinded by the Director of Finance will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

— *Effect of Redemption*

Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice is rescinded or the Bond or Bonds called are not redeemed when presented pursuant to the call.

Purchase of Bonds

The City reserves the right and option to purchase any or all of the Bonds offered for purchase at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Failure to Pay Bonds

If any Bond is not paid when properly presented at its maturity or redemption date, the City will be obligated to pay, solely from the Parity Bond Fund and the other sources pledged in the Bond Ordinance, interest on that Bond at the same rate provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

Refunding or Defeasance of the Bonds

The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal of (including premium, if any) and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan (the “Defeased Bonds”), (ii) to redeem and retire, release, refund, or defease the Defeased Bonds, and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations (defined below) maturing at a time or times and in an amount sufficient (together with known earned income from the investment thereof) to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms, is set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “Trust Account”), then all right and interest of the Owners of the Defeased Bonds in the covenants of the Bond Ordinance and in the Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter will cease and become void. Such Owners thereafter will have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds will be deemed to be no longer outstanding and the Director of Finance may then apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purpose. Notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner provided for the redemption of Bonds. See “—*Notice of Redemption; Rescission of Notice*” above.

Eligible Investments for Refunding or Defeasance Trust Account

The term “Government Obligations” is defined in the Bond Ordinance to mean any government obligation as that term is defined in RCW 39.53.010. In the Pricing Certificate for the Bonds, the City has further limited the types of obligations eligible for a refunding escrow to the following types of securities (provided that such securities are then permissible under the applicable statute): (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

USE OF PROCEEDS

Purpose

The Bonds are being issued (i) to finance certain capital improvements to and conservation programs for the Light System; (ii) to refund certain obligations of the Light System (described below under “—Plan of Refunding”); (iii) to provide for the Reserve Requirement; and (iv) to pay the administrative costs of issuing the Bonds and administering the refunding.

Sources and Uses of Funds

The proceeds of the Bonds and other available funds will be applied as follows:

Table 1.
Sources and Uses

Sources	Total
Principal Amount	\$ 152,565,000.00
Original Issue Premium	15,285,177.30
Contribution to Refunding Escrow from Parity Bond Fund	1,762,350.00
Total Sources of Funds	<u>\$ 169,612,527.30</u>
Uses	
Project Fund Deposit	\$ 78,668,590.00
Deposit to the Reserve Fund	7,746,500.00
Deposit to Refunding Escrow	82,704,402.70
Costs of Issuance ⁽¹⁾	493,034.60
Total Uses of Funds	<u>\$ 169,612,527.30</u>

(1) Includes costs of printing and posting the Official Statement; fees of bond and disclosure counsel, the municipal advisor, and the rating agencies; the underwriter’s discount; and other administrative costs of issuing the Bonds and the costs of administering the Refunding Plan.

Plan of Refunding

A portion of the proceeds of the Bonds, together with a contribution from the Parity Bond Fund, will be used to carry out a current refunding of all of the 2026 Refunded Bonds identified below. The Refunded Bonds will be called on the dates and at the prices shown in Table 2, below.

2026 Refunded Bonds

Table 2 identifies the 2026 Refunded Bonds, which consist of the listed maturities of the City’s outstanding Municipal Light and Power Refunding Revenue Bonds, 2016B (the “2016B Refunded Bonds”), and Municipal Light and Power Improvement and Refunding Revenue Bonds, 2016C (the “2016C Refunded Bonds”) (collectively, the “2026 Refunded Bonds”). The 2026 Refunded Bonds are subject to optional redemption in whole or in part on any date at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption, as identified in Table 2. All the 2026 Refunded Bonds will be called on the redemption dates and at the redemption prices shown below.

Table 2.
2026 Refunded Bonds

Municipal Light and Power Refunding Revenue Bonds, 2016B					
Maturity (Apr. 1)	Par Amount	Coupon	Redemption Date	Redemption Price	CUSIP No.
2027	\$ 12,620,000	5.00%	8/14/2026	100%	812643 MX9
2028	13,270,000	5.00	8/14/2026	100	812643 MY7
2029	13,875,000	4.00	8/14/2026	100	812643 MZ4
Total	\$ 39,765,000				

Municipal Light and Power Improvement and Refunding Revenue Bonds, 2016C

Maturity (Oct. 1)	Par Amount	Coupon	Redemption Date	Redemption Price	CUSIP No.
2027	\$ 3,490,000	4.00%	10/1/2026	100%	812643 NL4
2028	3,625,000	4.00	10/1/2026	100	812643 NM2
2029	3,770,000	4.00	10/1/2026	100	812643 NN0
2030	3,925,000	4.00	10/1/2026	100	812643 NP5
2031	4,080,000	4.00	10/1/2026	100	812643 NQ3
2032	4,245,000	4.00	10/1/2026	100	812643 NR1
2033	4,415,000	4.00	10/1/2026	100	812643 NS9
2034	4,590,000	4.00	10/1/2026	100	812643 NT7
2035	4,775,000	4.00	10/1/2026	100	812643 NU4
2036	4,965,000	4.00	10/1/2026	100	812643 NV2
Total	\$ 41,880,000				

Refunding Escrow

The City will enter into a Refunding Trust Agreement with U.S. Bank Trust Company, National Association, as Refunding Trustee, upon the delivery of the Bonds, to provide for the refunding of the 2026 Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the 2026 Refunded Bonds on their respective redemption dates. A portion of the proceeds of the Bonds will be deposited with the Refunding Trustee as money or invested in direct obligations of the United States of America (the “Acquired Obligations”) that will mature and bear interest at rates sufficient, together with cash held by the Escrow Agent, to pay the principal of and accrued interest coming due on the redemption dates of the 2026 Refunded Bonds.

Verification of Escrow Sufficiency

The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay the principal of and interest on the Refunded Bonds as described above will be verified by Causey Public Finance, LLC.

SECURITY FOR THE BONDS

The Bonds are special limited obligations of the City, payable from and secured solely by Gross Revenues of the Light System available after payment of Operating and Maintenance Expense (“Net Revenue”) and by money in the Parity Bond Fund and the Reserve Fund. The Bonds are issued on parity with the Outstanding Parity Bonds and any Future Parity Bonds (together with the Bonds, the “Parity Bonds”). See “DEBT OF THE LIGHT SYSTEM—Outstanding Parity Bonds.”

The Bonds are additionally secured by a debt service reserve fund (the “Reserve Fund”) and the City has additionally pledged to make payments into that fund sufficient to satisfy the Reserve Fund Requirement. See “—Reserve Fund and the Reserve Fund Requirement—*Reserve Fund Requirement*,” below.

Pledge of Net Revenue

The Net Revenue has been pledged to pay into the Parity Bond Fund amounts sufficient to pay the Parity Bonds (including principal, sinking fund redemption, redemption premium (if any), and interest), together with any required payments under Parity Payment Obligations or Parity Reimbursement Obligations (if any), as such payments become due. The pledge of Net Revenue to pay and secure the Parity Bonds and other Parity Obligations without regard to date of issuance or authorization and without preference or priority of lien constitutes a lien and charge upon such Gross Revenues that is junior in lien only to the Operating and Maintenance Expense and is prior and superior to all other charges whatsoever. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

The Bonds are not secured by a security interest in any physical plant or facility. The Bonds do not constitute general obligations of the City, 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. State law provides

that the owner of a Parity Bond, the payment of which is pledged from a special fund, has a claim only against that special fund and proportionate amounts of revenue pledged to that fund. Under State law, any owner of a Parity Bond may bring an action to compel the City to set aside and make the required payments into the Parity Bond Fund.

The City has covenanted that for as long as any Bond is outstanding, it will not issue any other revenue obligations (or create any special fund or account therefor) which will have a priority over or which will rank on a parity of lien with the payments required in respect of the Parity Bonds and other Parity Obligations and that it will issue Future Parity Bonds and other Parity Obligations only in accordance with the Bond Documents. The conditions under which the City may issue Future Parity Bonds are described under “—Additional Debt—*Future Parity Bonds*,” below, and in APPENDIX C—SUMMARY OF BOND ORDINANCE (“ADDITIONAL BONDS”).

— *Certain Payment Obligations Treated as Operations and Maintenance Charges Unrelated to Debt Obligations*

The definitions of the terms Net Revenue, Gross Revenues, Operating and Maintenance Expense, and other capitalized terms are set forth in APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFINITIONS”). Under these definitions, certain contingent payment obligations that are unrelated to debt obligations (such as power purchase agreements or commodity derivative instruments) are permitted to be treated as Operating and Maintenance Expense.

- Some purchased power arrangements include contracts that obligate City Light to pay its share of the costs of the generating facilities providing the power, including debt service on bonds issued to finance construction, whether or not it receives any power. City Light treats payment of such costs as purchased power expenses included in its Operating and Maintenance Expense. See APPENDIX B—THE CITY LIGHT DEPARTMENT (“POWER RESOURCES AND COST OF POWER”).
- The City, through the Department, has in the past and may in the future enter into various agreements, such as power purchase agreements or commodity derivative instruments, under which the City may be obligated to make payments or post collateral contingent upon certain future events within or beyond the City’s control. These types of arrangements are entered into in the ordinary course of business, independently of any issuance of bonds or other financial obligations payable from the Net Revenue of the Light System and are not related to any particular debt obligation. Such contingent payment obligations are permitted to be treated as Operating and Maintenance Expense payable from Gross Revenues prior to the payment of principal of and interest on the Parity Bonds. See APPENDIX B— THE CITY LIGHT DEPARTMENT (“POWER RESOURCES AND COST OF POWER—Wholesale Market Sales of Power”).

Parity Bond Fund; Priority Expenditure of Gross Revenues; Flow of Funds

Parity Bond Fund

Principal of (including redemption premium, if any) and interest on the Bonds is payable by the City solely out of the Parity Bond Fund and the Reserve Fund. The Seattle Municipal Light Revenue Parity Bond Fund (the “Parity Bond Fund”) was established within the Light Fund pursuant to Ordinance 92938 for the purpose of paying and securing the payment of principal of and interest on Parity Bonds, including net Parity Payment Agreement Payments and payments under Parity Reimbursement Obligations (collectively, the “Parity Obligations”). The Director of Finance may create subfunds, accounts, or subaccounts in the Parity Bond Fund and the Reserve Fund to pay or secure the payment of Parity Obligations as long as the maintenance of such subfunds, accounts, or subaccounts does not conflict with the rights of the owners of the Parity Bonds or other Parity Obligations. See “—Reserve Fund and the Reserve Fund Requirement—*Reserve Fund Requirement*,” below.

The Parity Bond Fund is held by the City as a special fund under State law and is not held by an independent trustee. In the context of bankruptcy proceedings, notwithstanding State law, there can be no assurance that the funds on deposit therein would be held intact solely for the benefit of holders of the Parity Bonds.

Flow of Funds

The City has covenanted in the Bond Ordinance that all Gross Revenues are to be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

- (i) To pay the Operating and Maintenance Expense of the Light System;
- (ii) To make, when due, all payments into the Parity Bond Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund Requirements and all net payments under Parity Payment Agreements, and to make all payments (if any) required to be made in respect of Parity Reimbursement Obligations;

- (iii) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, and to pay any reimbursement obligations under any Alternate Reserve Security;
- (iv) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;
- (v) To make, when due, all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations;
- (vi) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds and the Junior Lien Bonds; and
- (vii) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, improvements, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

See “—Parity Payment Agreements,” below; see also “DEBT OF THE LIGHT SYSTEM—Subordinate Obligations.”

Reserve Fund and the Reserve Fund Requirement

The Municipal Light and Power Bond Reserve Fund (the “Reserve Fund”) is a special fund established pursuant to Ordinance 71917 and required to be maintained by the City as a separate account within the Light Fund to secure the payment of the Parity Obligations. The Reserve Fund is a pooled reserve. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

Money in the Parity Bond Fund and in the Reserve Fund is held, invested, and reinvested by and at the direction of the Director of Finance in Permitted Investments, as described in the Bond Ordinance. Earnings on money and investments in the Parity Bond Fund and in the Reserve Fund are retained in and used for the purposes of the Parity Bond Fund and the Reserve Fund, respectively. ***The Parity Bond Fund and the Reserve Fund are held by the City as special funds under State law and are not held by an independent trustee. In the context of bankruptcy proceedings, notwithstanding State law, there can be no assurance that the funds on deposit therein would be held intact solely for the benefit of holders of the Parity Bonds.***

So long as any Parity Obligations are outstanding, the City has covenanted to set aside and pay out of Net Revenue, (i) into the Parity Bond Fund, on or prior to the respective dates on which such payments shall become due and payable, an amount sufficient, together with other money on deposit therein, to pay without priority or preference among the following items: (A) the interest (including net payments due under Parity Payment Agreements) then due on the Outstanding Parity Bonds, (B) the maturing principal of the Outstanding Parity Bonds (including any Sinking Fund Requirements then due), and (C) any payments then due in respect of Parity Reimbursement Obligations; and (ii) into the Reserve Fund, the amounts necessary to provide for the Reserve Fund Requirement within the time and manner required by the Bond Ordinance and the Outstanding Parity Bond Ordinances.

To meet the required payments to be made into the Parity Bond Fund and the Reserve Fund, the Director of Finance is authorized to transfer any money from any funds or accounts of the City legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds. If the amount in the Reserve Fund is less than the Reserve Fund Requirement (taking into account the method of funding in connection with the issuance of Future Parity Bonds), the City must restore the balance to the Reserve Fund Requirement within 12 months, in accordance with the Bond Ordinance. Amounts in excess of the Reserve Fund Requirement may be withdrawn for deposit into the Light Fund.

Reserve Fund Requirement

The aggregate Reserve Fund Requirement for all Parity Bonds is equal to the sum of the Reserve Fund Requirements for each issue of Parity Bonds then outstanding. The Outstanding Bond Ordinances permit the City to establish a Reserve Fund Requirement for the Bonds and each issue of Future Parity Bonds independently at any level (which may be zero) when approving the Bond Sale Terms for each issue. For purposes of calculating the Reserve Fund

Requirement, Tax Credit Subsidy Payments the City is scheduled to claim with respect to certain outstanding Recovery Zone Economic Development Bonds and New Clean Renewable Energy Bonds are deducted from Annual Debt Service. Certain other adjustments are permitted to Annual Debt Service for variable rate bonds, balloon bonds, and other special circumstances. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

— *Methods of Satisfying Reserve Fund Requirement*

The Reserve Fund Requirement may be satisfied by any of the following methods: (i) a deposit made on the Issue Date, (ii) periodic deposits accumulating over five years from the Issue Date, or (iii) by obtaining one or more Alternate Reserve Securities consisting of Qualified Insurance or a Qualified Letter of Credit provided by a provider with ratings in one of the top two rating categories at the time the policy is issued and not cancelable on less than five years’ notice. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“SECURITY FOR THE BONDS; FLOW OF FUNDS”).

— *Reserve Fund Requirement for the Bonds*

The Pricing Certificate for the Bonds establishes that the Reserve Fund Requirement for the Bonds is equal to:

- (1) for so long as the Surety Bond (described below) remains in effect, the additional amount necessary, if any, to provide an overall level of funding in the Reserve Fund equal to the maximum amount permitted by the Code as a “reasonably required reserve or replacement fund,” calculated as of the Issue Date based on the debt service requirements for all Parity Bonds then outstanding; and
- (2) from and after the expiration or termination of the Surety Bond, the amount of the Reserve Fund Requirement for the Bonds shall be recalculated based on the debt service requirements as of the Issue Date for all Parity Bonds except for the Excluded Bonds. “Excluded Bonds” means the City’s outstanding (a) Municipal Light and Power Refunding Revenue Bonds, 2023B (Variable Rate Demand Bonds), (b) Municipal Light and Power Refunding Revenue Bonds, 2021, Series B (SIFMA Index), and (c) any other issue of Parity Bonds for which the Reserve Fund Requirement is then equal to \$0.

Upon the expiration or termination of the Surety Bond described below (currently scheduled for August 1, 2029), the incremental Reserve Fund Requirements for the outstanding Excluded Bonds will be reduced to \$0 and the Reserve Fund Requirements for the fixed Rate Parity Bonds, including the Bonds, will be recalculated to exclude the debt service requirements of the variable rate bonds from Annual Debt Service. **This will result in a reduction in the aggregate Reserve Fund Requirement for all Parity Bonds secured by the Reserve Fund. Despite this reduced aggregate Reserve Fund Requirement, all Parity Bonds (including any Parity Bonds for which the incremental Reserve Fund Requirement has been set at \$0) will remain secured by the Reserve Fund.**

As of the Issue Date of the Bonds, the aggregate Reserve Fund Requirement will be equal to \$184,912,899, which will be satisfied by the amounts already on deposit in the Reserve Fund (\$121,681,110), an additional deposit of Bond proceeds (\$7,746,500) on the Issue Date, and the Policy Limit of the Surety Bond (described below).

The Surety Bond

The City obtained an Alternate Reserve Security in the form of a surety bond (the “Surety Bond”) in 2005 from Financial Security Assurance, Inc. (“FSA”). Following a series of mergers and acquisitions between 2009 and 2024, the Surety Bond was assumed by Assured Guaranty Inc. (“AG”). The Surety Bond secures all Parity Bonds and Future Parity Bonds (including Parity Payment Agreements) and expires on August 1, 2029.

The Surety Bond has a policy limit (the “Policy Limit”) of \$71.5 million as of June 12, 2026. By its terms, the Policy Limit is reduced automatically each time the aggregate Reserve Fund Requirement is reduced. These automatic reductions are irrevocable. If and to the extent of any draw on the Surety Bond, the Policy Limit would also be reduced temporarily until reinstated (up to the limit in effect prior to the draw) upon reimbursement in accordance with the terms of the City’s reimbursement agreement with AG. The City’s reimbursement obligation with respect to the Surety Bond is an Intermediate Lien Reimbursement Obligation and is subordinate to the City’s obligation with respect to the Parity Bonds.

As of the date of this Official Statement, AG has published ratings of A1, AA, and AA+ by Moody’s Investors Service, S&P Global Ratings, and Kroll Bond Rating Agency, respectively. AG is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements, and other information with the U.S. Securities and Exchange Commission (“SEC”). Certain SEC filings of AG are available on the company’s website. Such reports, proxy statements, and other information may also be inspected and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549.

Parity Payment Agreements

The City currently has no Parity Payment Agreements in effect, but has reserved the right to enter into future Parity Payment Agreements that constitute a charge and lien on Net Revenue equal to that of the Parity Bonds.

A Parity Payment Agreement is a written contract entered into in connection with an issue of Future Parity Bonds, between the City and a Qualified Counterparty, for the purpose of managing and reducing the City's exposure to fluctuations or levels of interest rates or for other interest rate, investment, asset, or liability management purposes that provides for an exchange of payments based on interest rates, ceilings, or floors on such payments, options on such payments, or any combination thereof or any similar device. The Parity Conditions described above for the issuance of Future Parity Bonds also apply to the City's incurring parity obligations under any Parity Payment Agreements. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("ADDITIONAL BONDS").

Rate Stabilization Account

The City has established a Rate Stabilization Account ("RSA") as a separate account in the Light Fund. The City may at any time deposit into the RSA Net Revenue or any other money received by the Light System and available to be used for this purpose. Thereafter, the City may withdraw any or all of the money from the RSA for inclusion in Adjusted Net Revenue for any applicable year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Adjusted Net Revenue. See APPENDIX B—THE CITY LIGHT DEPARTMENT ("DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES—Rate Stabilization Account") and APPENDIX C—SUMMARY OF BOND ORDINANCE ("RATE STABILIZATION ACCOUNT").

In May 2026, City Light submitted legislation to the City Council proposing adjustments to the RSA mechanism (the "Proposed RSA Changes"). The Proposed RSA Changes are described in APPENDIX B—THE CITY LIGHT DEPARTMENT ("DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES—Rate Stabilization Account").

Summary of Certain Bond Covenants

The City has included various covenants in the Bond Ordinance, certain of which are summarized below. Additional covenants address preparation of financial statements and other matters. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("BOND COVENANTS").

Rate Covenant

In the Bond Ordinance, the City has covenanted, among other things, to establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts that are required by the Bond Ordinance to be applied to the payment of the principal of and interest on the Parity Bonds (which term includes Parity Payment Agreements, if any) until the Parity Bonds have been paid in full, and to pay all bonds, warrants, and indebtedness for which any revenues of the Light System have been pledged. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("BOND COVENANTS").

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 over and above the debt service requirements. A coverage test is included as part of the test for issuing Future Parity Bonds. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("ADDITIONAL BONDS").

Operation and Maintenance of the Light System

The City has covenanted that it will operate the properties of the Light System in an efficient manner and at a reasonable cost; will maintain, preserve, and keep, or cause to be maintained, preserved, and kept, the properties of the Light System and every part and parcel thereof in good repair, working order, and condition; and from time to time will make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all times the business carried on in connection therewith will be properly and advantageously conducted.

Sale or Disposition of the Light System

The City has covenanted that it will not sell or otherwise dispose of the Light System in its entirety unless simultaneously it causes all of the Parity Bonds to be, or be deemed to be, no longer outstanding. It has further covenanted that it will not dispose of any part of the Light System in excess of 5 percent of the value of the net utility

plant of the Light System in service unless prior to the disposition, the City either (i) has received a certificate of a Professional Utility Consultant as to compliance with the rate covenant, or (ii) has made provision for redemption of a proportionate share of the outstanding Parity Bonds, as required by the Bond Ordinance. Notwithstanding these provisions, the City has reserved the right to dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out, or unfit to be used, or no longer necessary for, material to, or useful in the operation of the Light System.

Additional Debt

Future Parity Bonds

The City has reserved the right to issue Future Parity Bonds and enter into Parity Payment Agreements for any lawful purpose of the City's Light System if the following Parity Conditions are met and complied with as of the issue date or effective date of such Future Parity Bonds or Parity Payment Agreement, as applicable. The Parity Conditions require that (i) no deficiency may then exist in the Parity Bond Fund or in any of the accounts therein; (ii) provision must be made to satisfy the Reserve Fund Requirement for all Parity Bonds then outstanding plus any additional amount required in connection with issuance and sale of the proposed Future Parity Bonds (if any) in accordance with the Bond Ordinance; and (iii) there must be on file with the City a Parity Certificate, as described below.

If the proposed Future Parity Bonds (or any portion thereof) are to be issued for the purpose of refunding Outstanding Parity Bonds and the Annual Debt Service on the refunding portion of the proposed Future Parity Bonds is not more than \$5,000 greater than the Annual Debt Service on the Parity Bonds to be refunded thereby, then no Parity Certificate is required as to that portion issued for refunding purposes. If the requirements of the preceding sentence are not satisfied, Refunding Parity Bonds may nonetheless be issued upon delivery of a Parity Certificate. Nothing set forth in the Bond Ordinance prevents the City from issuing Refunding Parity Bonds to refund maturing Parity Bonds of the City for the payment of which money is not otherwise available. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("ADDITIONAL BONDS").

— Parity Certificate

A Parity Certificate (if required) may be provided by either the Director of Finance or by a Professional Utility Consultant, and must demonstrate that the amount of the Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed series of Future Parity Bonds (the "Base Period") is not less than 125% of the amount of Maximum Annual Debt Service on all Parity Bonds and the proposed Future Parity Bonds in any future calendar year on all Parity Bonds then outstanding and the proposed series of Parity Bonds. For this purpose, Adjusted Net Revenue means Net Revenue, less any deposits into the RSA, plus any withdrawals from the RSA. See "—Rate Stabilization Account," above.

In preparing a Parity Certificate to be delivered under this provision, the Director of Finance may make only limited adjustments to Adjusted Net Revenue, as described in the Bond Ordinance, and a Professional Utility Consultant is permitted to make certain additional adjustments. In calculating Net Revenue, the Parity Certificate (whether prepared by the Director of Finance or by a Professional Utility Consultant) may include the tax credit subsidy payments the City expects to receive from the federal government in respect to the interest on any tax credit subsidy bonds. See "—Treatment of Tax Credit Subsidy Payments Under the Bond Documents."

Future Parity Payment Agreements

Under the Bond Ordinance, Future Parity Payment Agreements are treated as Future Parity Bonds and may be entered into subject to satisfaction of the Parity Conditions described above.

Future Subordinate Obligations

In the Bond Ordinance, the City has reserved the right to issue Future Junior Lien Bonds (including Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) for any lawful purpose of City Light's System if the Junior Lien Additional Bonds Test is met and complied with as of the date of issuance of such Future Junior Lien Bonds (or Junior Lien Payment Agreement or Junior Lien Reimbursement Obligation, as appropriate).

Amendatory and Supplemental Ordinances

The Bond Ordinance reserves to the City the right to amend or supplement the Bond Ordinance, in certain cases without the consent of Owners of the Bonds, and in other cases upon the written consent of Owners of certain percentages of the Outstanding Parity Bonds. See APPENDIX C—SUMMARY OF BOND ORDINANCE ("SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS").

No Acceleration of the Bonds; Limitations on Remedies

Nothing contained in the Bond Ordinance will, in any event or under any circumstance, be deemed to authorize the acceleration of the maturity of principal on the Bonds, and the remedy of acceleration is expressly denied to the registered owners of the Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default. The City is liable for principal and interest payments only as they become due. In an Event of Default, bondholders must appoint a Bond Owners' Trustee and rights to pursue individual remedies are limited as set forth in Section 24 of the Bond Ordinance. See APPENDIX C—SUMMARY OF BOND ORDINANCE (“DEFAULTS AND REMEDIES”). Nonetheless, in some cases, such as multiple defaults in payment of principal of or interest on the Parity Bonds, the registered owners may 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. In addition, owners of variable rate Parity Bonds may have additional events of default, rights, and remedies under direct purchase or continuing covenant agreements that are not granted to Owners of the Bonds. See “DEBT OF THE LIGHT SYSTEM—Outstanding Parity Bonds.”

An Event of Default is defined as (i) a default in the payment of the principal of (including Sinking Fund Requirements and any redemption premium thereon) or interest on any Parity Bond when the same becomes due and payable; or (ii) a default in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Parity Bond Documents (except as otherwise provided in the Bond Ordinance or in such Parity Bond Documents) and such default or defaults has continued for a period of six months (the “cure period”) after the City has received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or from a Bond Owners' Trustee duly appointed as set forth in the Bond Ordinance) a written notice specifying and demanding the cure of such default. However, if such default is one which cannot be completely remedied within the cure period, it will not be an Event of Default with respect to the Parity Bonds, so long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

In the event of a default, Bond owners would be permitted to pursue remedies available under State law, including the right to bring action against the City to compel the setting aside and payment of the amounts pledged to be paid into the Parity Bond Fund in respect of the then-Outstanding Parity Bonds.

Treatment of Tax Credit Subsidy Payments Under the Bond Documents

Tax Credit Subsidy Bond Payments

Certain Outstanding Parity Bonds were issued as Recovery Zone Economic Development Bonds (“RZED Bonds”) (specifically, the 2010C Bonds) and as New Clean Renewable Energy Bonds (“New CREBs”) (specifically, the 2011B Bonds, 2012C Bonds, and 2016A Bonds). Together, the RZED Bonds and New CREBs are referred to as “tax credit subsidy bonds.” With respect to the outstanding RZED Bonds and New CREBs, the City is eligible for tax credit subsidy payments of 45% and approximately 70%, respectively.

— Adjustments for Tax Credit Subsidy Payments

In connection with the preparation of a Parity Certificate relating to the issuance of Future Parity Bonds, the Director of Finance (or Professional Utility Consultant) may include the tax credit subsidy payments the City expects to receive from the federal government in respect to the interest on any tax credit subsidy bonds in Net Revenue.

— Effect of Federal Sequestration on Tax Credit Subsidy Payments

The sequestration provisions of the Budget Control Act of 2011 (“BCA Sequestration”) have been in effect since 2013 and are currently scheduled to remain in effect through federal fiscal year (“FFY”) 2031. This results in a reduction in the expected subsidy in respect of the tax credit subsidy bonds. Since BCA Sequestration began, rates have ranged from 8.7% in FFY 2013 to the current rate of 5.7%. As a result of federal sequestration, the interest subsidy payments from the federal government that came due in federal fiscal years 2024 and 2025 were reduced by 5.7% (\$347,586 and \$339,786, respectively).

The City can give no assurance regarding the level of subsidy payments it will receive in the future, or the likelihood of the further reduction or elimination of the subsidy payments for direct-pay bonds in the event of additional sequestration measures or as a consequence of a federal default on debt payments. The City does not expect BCA Sequestration to materially adversely affect its ability to make debt service payments in the current or future years. See also APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS—Federal Policy Risk and Other Federal Funding Considerations”).

DEBT OF THE LIGHT SYSTEM

Outstanding Parity Bonds

The Bonds are issued on parity with the Outstanding Parity Bonds, which currently include 20 series of bonds issued since 2010, and any Future Parity Bonds issued in compliance with the Parity Conditions described above.

Table 3 identifies the outstanding Parity Bonds as of June 1, 2026.

Table 3.
Outstanding Parity Bonds
(as of June 1, 2026)

Series Designation	Original Principal Amount	Currently Outstanding Principal	Final Scheduled Maturity Date
2010C	\$ 13,275,000	\$ 13,275,000	2/1/2040
2011B	10,000,000	10,000,000	2/1/2027
2012A	293,280,000	39,275,000	6/1/2041
2012C	43,000,000	43,000,000	6/1/2033
2014	265,210,000	61,765,000	9/1/2044
2015A	171,850,000	61,885,000	5/1/2045
2016A	31,870,000	31,870,000	1/1/2041
2016B ⁽¹⁾	116,875,000	39,765,000	4/1/2029
2016C ⁽¹⁾	160,815,000	107,195,000	10/1/2046
2017C	385,530,000	280,320,000	9/1/2047
2018A	263,755,000	223,520,000	1/1/2048
2019A	210,540,000	184,825,000	4/1/2049
2020A	198,305,000	187,045,000	7/1/2050
2021A	259,795,000	224,900,000	7/1/2051
2021B ⁽²⁾	100,620,000	97,275,000	5/1/2045
2022	257,715,000	201,205,000	7/1/2052
2023A	273,625,000	260,645,000	3/1/2053
2023B ⁽²⁾	85,840,000	81,100,000	11/1/2046
2024	199,690,000	193,470,000	10/1/2054
2025	446,455,000	432,595,000	2/1/2055
Total	\$ 3,788,045,000	\$ 2,774,930,000	

(1) The outstanding \$39,765,000 par amount of the 2016B Bonds and \$41,880,000 of the outstanding par amount of the 2016C Bonds reflects the Refunded Bonds. See “USE OF PROCEEDS—Plan of Refunding.”

(2) Variable rate Parity Bonds include the Municipal Light and Power Refunding Revenue Bonds, 2021, Series B (SIFMA Index) (which are expected to be refinanced with new variable rate debt on or about July 30, 2026), and Municipal Light and Power Refunding Revenue Bonds, 2023B (Variable Rate Demand Bonds).

Source: Seattle City Light Department

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Table 4 shows the scheduled principal and interest payments on the Outstanding Parity Bonds as of December 31, 2025, adjusted to reflect the issuance of the Bonds and the refunding of the Refunded Bonds.

Table 4.
Parity Bond Debt Service Requirements
(as of December 31, 2025)

Calendar Year	Outstanding Parity Bonds ⁽¹⁾		The Bonds		Total Parity Bond Debt Service
	Principal	Interest	Principal	Interest	
2026	\$ 124,640,000	\$ 127,056,490	\$ -	\$ -	\$ 251,696,490
2027	89,550,000	118,619,384	17,580,000	7,967,283	233,716,667
2028	92,890,000	114,024,526	18,800,000	6,749,250	232,463,776
2029	88,895,000	109,686,179	19,740,000	5,809,250	224,130,429
2030	88,375,000	105,326,931	6,575,000	4,822,250	205,099,181
2031	91,250,000	100,687,938	6,900,000	4,493,500	203,331,438
2032	95,295,000	96,389,980	7,245,000	4,148,500	203,078,480
2033	100,670,000	92,400,251	7,615,000	3,786,250	204,471,501
2034	103,190,000	87,899,083	7,990,000	3,405,500	202,484,583
2035	108,245,000	83,332,139	8,390,000	3,006,000	202,973,139
2036	118,980,000	78,281,026	8,810,000	2,586,500	208,657,526
2037	116,235,000	72,907,004	4,495,000	2,146,000	195,783,004
2038	122,685,000	67,534,611	4,720,000	1,921,250	196,860,861
2039	127,870,000	62,230,730	4,955,000	1,685,250	196,740,980
2040	133,220,000	56,556,894	5,200,000	1,437,500	196,414,394
2041	124,660,000	50,996,359	5,465,000	1,177,500	182,298,859
2042	113,320,000	45,928,434	5,735,000	904,250	165,887,684
2043	118,280,000	40,973,092	6,025,000	617,500	165,895,592
2044	113,755,000	35,798,429	6,325,000	316,250	156,194,679
2045	109,595,000	30,781,825	-	-	140,376,825
2046	98,650,000	26,249,846	-	-	124,899,846
2047	89,670,000	21,822,700	-	-	111,492,700
2048	79,205,000	17,711,175	-	-	96,916,175
2049	67,340,000	14,286,513	-	-	81,626,513
2050	56,770,000	11,337,275	-	-	68,107,275
2051	52,540,000	8,589,544	-	-	61,129,544
2052	45,540,000	5,986,294	-	-	51,526,294
2053	35,900,000	3,636,994	-	-	39,536,994
2054	28,750,000	1,991,388	-	-	30,741,388
2055	18,485,000	485,231	-	-	18,970,231
Total	\$ 2,754,450,000	\$ 1,689,508,261	\$ 152,565,000	\$ 56,979,783	\$ 4,653,503,045

Totals may not add due to rounding.

- (1) Reflects debt service on the outstanding Parity Bonds as of December 31, 2025, excluding the 2026 Refunded Bonds. Debt service requirements for the outstanding Variable Rate Bonds reflects the Department's current planning assumption of 4.00% on variable rate bonds, consistent with the Department's internal financial model. Table 4 does not reflect any deduction for the federal Tax Credit Subsidy Payments associated with the outstanding RZED Bonds and New CREB Bonds. See "SECURITY FOR THE BONDS—Treatment of Tax Credit Subsidy Payments Under the Bond Documents." Does not reflect the issuance of the City's Municipal Light & Power Improvement and Refunding Revenue Bonds, 2026B (Variable Rate Demand Bonds) or the associated refunding of the outstanding 2021B Bonds, expected to occur on or about July 30, 2026.

Source: Seattle City Light Department

Subordinate Obligations

Junior Lien Bonds

In the Bond Ordinance, the City has established a Junior Lien position and has reserved the right to issue Junior Lien Bonds (which term includes Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) or other obligations with a charge or lien upon the Net Revenue subordinate to the payments required to be made from Net Revenue into the Parity Bond Fund and the accounts therein.

There are no currently outstanding Junior Lien Bonds. The City may in the future issue Future Junior Lien Bonds in accordance with a Junior Lien Additional Bonds Test, which would be junior to the Parity Bonds, but prior and superior to all other liens and charges. Junior Lien Bonds may not be subject to acceleration.

Interfund Loans

The City is authorized to make interfund loans to the Department from the City's common investment portfolio. Repayment by the Department of such interfund loans would be subordinate to any Outstanding Parity Bonds and Junior Lien Bonds. The City does not currently identify the Light Fund as either a lending fund or a borrowing fund with respect to any interfund loans, and has no current plans to do so. See APPENDIX A—THE CITY OF SEATTLE ("FINANCIAL AND RISK MANAGEMENT—Financial Management—*Interfund Loans*").

Other Subordinate Obligations

Nothing set forth in the Bond Ordinance prevents the City from issuing revenue bonds or other obligations that are a charge upon the Net Revenue junior and inferior to the payments required to be made therefrom into the Parity Bond Fund for the payment of the Parity Bonds and subordinate to payments that may be made on Junior Lien Bonds in the future, provided that such subordinate bonds may not be subject to acceleration under any circumstances.

Future Financing Plans

After issuance of the Bonds, the City expects to issue additional variable rate Parity Bonds in July 2026 in part to refinance its outstanding variable rate 2021B Bonds. Following that issuance, the next issuance of Parity Bonds is expected in the second half of 2027.

The adopted Capital Improvement Plan ("CIP") for the Light System reflects capital requirements of \$3.097 billion over the 2026-2031 planning period, which are expected to be financed through a combination of cash from operations, contributions in aid of construction, capital grants, and the proceeds of the Bonds and Future Parity Bonds. See APPENDIX B—THE CITY LIGHT DEPARTMENT ("LIGHT SYSTEM CAPITAL REQUIREMENTS"). In accordance with the Department's financial policies, it expects to fund approximately 59% of its capital requirements over the 2026-2031 planning period from proceeds of the Bonds, Future Parity Bonds, or other State or federal funding. To date, the Department has not received a significant amount of State or federal funding for its capital program, but the Department will continue to pursue such funding opportunities in the future.

The City periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

CITY LIGHT DEPARTMENT FINANCIAL INFORMATION

Historical Operating Results 2021-2025

Table 5 presents information on operating results for the period 2021-2025.

The financial statements of the Department as of and for the fiscal year ended December 31, 2025 have been audited by Baker Tilly US, LLP ("Baker Tilly"), independent accountants, in accordance with the procedures described in its report, attached as APPENDIX F. The City has not requested that Baker Tilly provide consent for inclusion of its audited financial statements in this Official Statement, and none of the City's independent auditors, the State Auditor, or any other independent accountants have compiled, examined, or performed any procedures with respect to this Official Statement or any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information, and they assume no responsibility for, and disclaim any association with, this Official Statement and such information.

Table 5.
Summary of Historical Operating Results
(\$ in millions; audited for all years)

<i>Calendar years</i>	2021⁽¹⁾	2022	2023	2024	2025
OPERATING REVENUES					
Retail power revenues	\$ 964.3	\$ 1,021.5	\$ 1,033.7	\$ 1,125.2	\$ 1,193.7
Short-term wholesale power revenues	66.3	97.7	56.2	75.6	89.1
Other power-related revenues ⁽²⁾	59.3	76.6	71.1	34.4	37.9
Transfers from/(to) RSA ⁽³⁾	(2.5)	24.4	9.2	(2.4)	(42.2)
Other operating revenues	21.7	18.5	20.7	21.4	30.9
Total Operating Revenues	\$ 1,109.0	\$ 1,238.6	\$ 1,190.9	\$ 1,254.2	\$ 1,309.3
OPERATING EXPENSES					
Long-term purchased power	\$ 207.5	\$ 150.5	\$ 175.4	\$ 200.6	\$ 211.7
Short-term wholesale power purchases	38.5	86.2	124.5	63.8	57.6
Other power expenses	95.2	111.9	101.9	95.2	107.8
Transmission ⁽⁴⁾	55.7	61.1	68.2	80.8	84.2
Distribution	68.0	73.2	84.4	110.1	103.3
Customer service	50.8	42.4	59.8	78.5	69.2
Conservation	28.9	26.3	26.4	27.8	26.1
Administrative and general	97.1	96.6	140.8	136.3	156.7
Taxes	101.5	119.0	112.4	128.8	137.0
Depreciation and amortization	148.6	156.8	159.5	172.9	180.7
Total Operating Expenses	\$ 891.7	\$ 924.0	\$ 1,053.4	\$ 1,094.6	\$ 1,134.3
Net Operating Revenue⁽⁵⁾	\$ 217.3	\$ 314.6	\$ 137.5	\$ 159.6	\$ 175.0

Totals may not add due to rounding.

- (1) 2021 was restated due to the implementation of GASB Statement No. 87, Leases. This is a non-cash adjustment, therefore the 2021 financial results presented in this table remained unchanged.
- (2) Includes conservation and renewable credits under the power sales contract with Bonneville Power Administration (“BPA”), the recognition of payments from BPA for the purchase of conservation savings, revenue from deliveries of power to Pend Oreille PUD pursuant to the Boundary Project’s Federal Energy Regulatory Commission license, and other energy credits. Also includes significant activity for the valuation of energy delivered under seasonal exchanges, basis sales, and other power exchange contracts. Energy exchanges have both revenue and expense components. See APPENDIX B—THE CITY LIGHT DEPARTMENT.
- (3) Transfers from/(to) the RSA in accordance with Ordinance 123260, primarily to address fluctuations in surplus power sales.
- (4) Net of revenue from the short-term sale of excess transmission capacity.
- (5) Net Operating Revenue, per audited financial statements.

Source: Seattle City Light Department Audited Financial Statements.

Historical Debt Service Coverage

The Bond Ordinance obligates the City to maintain rates and charges necessary to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts required to be applied to the payment of debt service on the Outstanding Parity Bonds, to pay into the Junior Lien Debt Service Fund the amounts (if any) required to be paid into that fund in respect of outstanding Junior Lien Bonds, and to pay all other indebtedness to which revenues of the Light System have been pledged. Nonetheless, although the Rate Covenant does not mandate additional coverage, the test for the issuance of Future Parity Bonds requires delivery of a Parity Certificate demonstrating coverage of Net Revenue equal to 125% of Maximum Annual Debt Service on all Parity Bonds then outstanding plus the proposed series of Future Parity Bonds, with certain permitted adjustments. See “SECURITY FOR THE BONDS—Additional Debt—Future Parity Bonds” and APPENDIX C—SUMMARY OF BOND ORDINANCE (“ADDITIONAL BONDS”).

In addition, the Department’s financial policies require the Department to set electric rates designed to achieve a debt service coverage ratio of 1.80x, based on the annual Department budget. Department financial policies are subject to adjustment from time to time by resolution of the City Council. See APPENDIX B—THE CITY LIGHT DEPARTMENT (“DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENT, AND FINANCIAL POLICIES”).

Table 6 shows historical debt service coverage ratios. *Calculations below are made with reference to the definitions of terms set forth in the Bond Ordinance in order to demonstrate compliance with the Rate Covenant and the Future Parity Bond covenant. The calculations may reflect the application of non-recurring or extraordinary accounting transactions permitted under the Bond Ordinance that may or may not reflect GAAP. In providing a rating on the Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology, which may not reflect the provisions of the Bond Ordinance. The City makes no representation as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any bond covenants or the availability of particular revenues for the payment of debt service, or for any other purpose.*

Table 6.
Historical Debt Service Coverage Ratios

<i>Calendar years</i>	2021	2022	2023	2024	2025
Annual Parity Bond Debt Service⁽¹⁾	\$ 216,307	\$ 224,246	\$ 236,529	\$ 245,449	\$ 233,101
<u>Net Revenue Available for Debt Service</u>					
Net Operating Revenue	\$ 217,300	\$ 314,616	\$ 137,527	\$ 159,564	\$ 174,927
<u>Adjustments to Net Operating Revenue⁽²⁾</u>					
City taxes ⁽³⁾	\$ 53,614	\$ 66,750	\$ 57,616	\$ 68,388	\$ 73,142
Depreciation and amortization ⁽⁴⁾	148,590	156,773	159,459	172,863	180,726
Operating and maintenance expenses	47,079	49,818	38,356	49,533	52,589
Pension adjustment ⁽⁵⁾	(27,370)	(31,530)	4,759	(14,487)	(3,471)
Valuation on exchange power, net ⁽⁶⁾	-	-	-	-	-
BPA Conservation Agreement revenue ⁽⁷⁾	(2,572)	(2,677)	(2,873)	(3,097)	(3,356)
Investment income ⁽⁸⁾	8,703	12,132	18,956	20,730	23,550
Non-cash expenses ⁽⁹⁾	4,401	1,408	-	-	-
Other ⁽¹⁰⁾	(729)	993	(1,284)	(1,773)	(4,517)
Total Adjustments	\$ 231,716	\$ 253,667	\$ 274,989	\$ 292,157	\$ 318,663
<u>Net Revenue Available for Debt Service</u>	\$ 449,016	\$ 568,283	\$ 412,516	\$ 451,721	\$ 493,590
<u>Debt Service Coverage Ratio⁽¹¹⁾</u>	2.08x	2.53x	1.74x	1.84x	2.12x

Totals may not add due to rounding.

- (1) Annual Parity Bond Debt Service calculations include assumptions regarding debt service on Variable Rate Parity Bonds. Amounts shown are net of federal Tax Credit Subsidy Payments in respect of RZED Bonds and New CREBs. See “SECURITY FOR THE BONDS—Treatment of Tax Credit Subsidy Payments Under the Bond Documents.”
- (2) Adjustments to Net Operating Revenue are unaudited calculations performed by the Department in accordance with the Bond Ordinance. Significant non-cash transactions are adjusted from Net Operating Revenue to calculate Net Revenue Available for Debt Service. Furthermore, some types of revenue in addition to Operating Revenue are included to calculate Net Revenue Available for Debt Service.
- (3) City taxes are included as an adjustment to Net Operating Revenue when determining Net Revenue Available for Debt Service because the lien of such taxes on revenue is junior to debt service in accordance with the Bond Ordinance.
- (4) The majority of the depreciation and amortization (non-cash) expenses included in Operating and Maintenance Expense are for amortization of conservation expenses that are recognized over a 20-year period.
- (5) Pension adjustment expense is the amount recorded for compliance with GASB Statement No. 68, implemented in 2015, a non-cash item. Pension contributions are the Department’s cash contributions to the Seattle City Employees’ Retirement System. See APPENDIX A—THE CITY OF SEATTLE.
- (6) Includes significant activity for the valuation of energy delivered under seasonal exchanges, basis sales, and other power exchange contracts. Energy exchanges have both revenue and expense components. See Note 2 to Table 5.
- (7) Payments received for conservation measures are initially recorded as unearned revenue. The adjustment represents the amount of revenue amortized and recognized over future periods for financial reporting, a non-cash transaction.
- (8) Investment income is not included in Total Revenue in Table 5; therefore, an adjustment is made to Net Operating Revenue, consisting primarily of interest earnings from the City’s cash pool and interest receipts from suburban underground charges. This amount excludes unrealized gains and losses, which are non-cash adjustments.
- (9) 2021 and 2022 include adjustment for GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in addition to claim expenses and capital project expenditures from prior years that were determined not to be capital expenditures. The Department stopped making these adjustments after 2022.
- (10) Includes proceeds from sale of properties, principal receipts from suburban underground charges from local jurisdictions, and miscellaneous items.
- (11) Net Revenue Available for Debt Service (see Table 5), divided by Annual Debt Service on Parity Bonds for that year.

Source: *Seattle City Light Department, Accounting Division*

Management Discussion

This section provides a discussion of operating results for the period 2021-2025, based on information in Table 5 and Table 6, and an expanded discussion for the period 2024-2025, based on a summary of the Management's Discussion and Analysis included in APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT.

2025 Operating Results

For fiscal year 2025, the Department reported financial results that exceeded plan, with debt service coverage of 2.12x. This was driven primarily by stronger-than-anticipated net wholesale revenue, favorable long-term power cost variances, and higher interest income on larger-than-planned cash balances. Net wholesale revenue outperformed plan by approximately \$6.4 million, reflecting improved hydro generation conditions late in the year due to above-average rainfall, partially offset by softer wholesale power prices. Retail revenue finished modestly below plan by \$2.8 million (0.2%), largely attributable to weather variance.

Operating expenses were higher than planned, with Operating and Maintenance Expense (“O&M”) exceeding budget by approximately \$15.9 million (4.0%), driven by labor cost increases associated with prior labor settlements and inflationary pressures affecting contracted services and materials. These variances were offset by lower net purchased power costs of \$14.0 million, reflecting favorable contract timing and cost management, as well as higher other revenues of \$12.4 million.

Liquidity improved during the year, supported by a revenue bond sale in July 2025 and lower-than-planned rates of capital spending, with the utility reporting approximately 206 days of cash on hand at year-end 2025. Debt service coverage remained strong and above plan expectations, underscoring the utility’s stable financial position despite ongoing capital program demands and cost pressures across labor and non-labor O&M spending categories.

— Operating Revenues

Retail revenues in 2025, including the Rate Stabilization Account surcharge, were \$1,193.7 million, which was \$68.5 million or 6.1% higher than in 2024. Higher electric sales were largely attributable to rate increases, a higher saturation of cooling equipment in the service territory, and the steady growth of heat pumps and electric vehicles in the service territory. The number of retail customer accounts also increased by 2.3% over 2024 for a total of 525,040 retail customers in 2025. A base retail rate increase of 5.4% on average became effective on January 1, 2025. See APPENDIX B—THE CITY LIGHT DEPARTMENT (“RETAIL RATES, BILLING AND COLLECTIONS—Retail Rate Structure” and Table B-5).

Net wholesale revenue was \$31.4 million in 2025, an increase of \$19.7 million over 2024, and \$6.4 million higher than the Department’s planning value for the year. Monthly net wholesale revenue was lower than planned amounts through most of the year, as drought conditions persisted across much of the State. However, this was more than offset by heavier than normal rainfall in November and December. Other power-related revenues, net, were \$37.9 million in 2025, an increase of \$3.5 million over 2024. This is attributable to cancellation of a power contract with Columbia Ridge Landfill and Green Energy Plant, for which the utility negotiated and received an exit payment of \$11.0 million.

Other operating revenues were \$30.8 million in 2025, an increase of \$9.4 million over 2024. This is primarily due to higher than planned interest on cash accounts, higher late fees, and the receipt of \$5.3 million from the State of Washington’s Cap & Invest program.

— Operating Expenses

In 2025, long-term purchased power (BPA and other) totaled \$211.7 million in 2025, an increase of \$11.1 million over 2024. Other power expenses, including generation, power exchanges, and other miscellaneous costs, totaled \$107.8 million in 2025, an increase of \$12.6 million over 2024. Transmission expenses, including wheeling, totaled \$84.2 million in 2025, an increase of \$3.4 million over 2024, due mostly to higher operating and maintenance costs for the Department’s transmission system and higher BPA wheeling costs. Distribution expenses totaled \$103.2 million in 2025, a decrease of \$6.8 million over 2024, due mainly to lower vacancy-driven overtime.

Other operating and maintenance expenses for customer service, conservation, and administrative and general totaled \$252.0 million in 2025, an increase of \$9.5 million over 2024. Taxes totaled \$137.0 million in 2025, an increase of \$8.2 million over 2024, as a result of higher operating revenue. Depreciation and amortization totaled \$180.7 million in 2025, an increase of \$7.8 million over 2024.

— Net Operating Revenue

Net operating revenue in 2025 was \$175.0 million, an increase of \$15.4 million over 2024.

Expectations for 2026 Operating Results

As of April 30, 2026, the Department's projected 2026 debt service coverage ratio is expected to be 1.97x, exceeding the City Council-adopted financial policy target of 1.80x. Net operating revenue for 2026 is expected to be approximately \$201.2 million. The Department currently projects retail revenue for 2026 (excluding RSA surcharge revenue) of approximately \$1.20 billion, assuming mostly normal weather. Long-term purchased power costs from BPA and other sources are forecast at about \$233 million, while non-power operating expenses are forecast to end the year at \$593 million. Net wholesale revenue at year-end is projected to be \$46.6 million, or \$8.4 million lower than the budgeted level. Lower net wholesale revenue projections are based on expectations for decreased production at the Department-owned generating facilities over the latter half of 2026, as well as for continued softness in wholesale market prices.

City Light Strategic Plan

The City Light Strategic Plan is described in APPENDIX B—THE CITY LIGHT DEPARTMENT (“SEATTLE CITY LIGHT—City Light Strategic Plan”).

CERTAIN INVESTOR CONSIDERATIONS

Investor Considerations and Risk Factors Specific to The Electric Utility Industry

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities, including the Department, and the level of utilization of generating and transmission facilities; federal environmental, fiscal, and economic policy uncertainty; and global economic and security risks. These and other risks are described in APPENDIX B—THE CITY LIGHT DEPARTMENT (“CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS—Risk Factors Specific to the Electric Utility Industry”).

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities, including the Department, in different ways. The Department is unable to predict what impact such factors will have on its business operations and financial condition.

Investor Considerations and Risk Factors Applicable to the City Generally

Various risk factors and investment considerations applicable to the City generally are described in APPENDIX A—THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS”). These include State and local initiative and referendum; federal policy risk and other federal funding considerations, public health emergencies, various natural disasters, climate change risk, cybersecurity risks, and artificial intelligence risks.

LEGAL INFORMATION

Litigation

No Litigation Relating to the Bonds

There is no litigation pending with process properly served on the City questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or collect Gross Revenues. There is no litigation pending or threatened which would materially affect the City’s ability to meet debt service requirements on the Bonds.

Other Litigation

Because of the nature of its activities, the Department is subject to certain pending legal actions that arise in the ordinary course of business of running a municipal electric power utility, including various lawsuits and claims seeking money damages and/or injunctive relief. These pending actions include matters arising under State and federal environmental law. See APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT (Notes 10, 11, 15, and 22).

Based on its past experience and the information currently known, the Department has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the Department and the timing of any anticipated payments of judgments that might result from suits and

claims. Certain other threatened or pending litigation is described in the City's Annual Comprehensive Financial Report ("ACFR") as of its date.

Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Bonds by the City are subject to the approving legal opinion of Foster Garvey PC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached as APPENDIX E. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel and under existing law as of the date of initial delivery of the Bonds. Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond and Disclosure Counsel will be compensated only upon the issuance and sale of the Bonds.

Limitations on Remedies and Municipal Bankruptcies

Any remedies available to the owners of the Bonds are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

The rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and the exercise of judicial discretion in appropriate cases.

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds.

The Bonds are payable from and secured by a pledge of Net Revenues as described in the Bond Ordinance. Under the Bankruptcy Code, creditors secured by a pledge of "special revenues" are granted certain protections in cases brought by municipalities. The definition of "special revenues" includes "receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems." Under the Bankruptcy Code, the pledge of Gross Revenues is enforceable if a bankruptcy court determines that Gross Revenues is considered "special revenues" under the Bankruptcy Code and that the pledge (in the form of a lien and charge) of Gross Revenues pursuant to the Bond Ordinance is valid and binding under the Bankruptcy Code.

The Bankruptcy Code further provides that special revenues acquired by a debtor after the commencement of the bankruptcy case remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case, and that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system is subject to the necessary operating expenses of such project or system.

Unless a debtor under the Bankruptcy Code consents or the plan approved by the bankruptcy court so provides, the court may not interfere with (i) any of the political or governmental powers of the debtor, (ii) any of the property or revenues of the debtor, or (iii) the debtor's use or enjoyment of any income-producing property.

Although State statute provides for a lien and charge against Gross Revenues to secure payment of the Bonds, no provision of State law provides for perfection of the lien under the Uniform Commercial Code of the State. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and reductions in payments could result.

The opinion to be delivered by Foster Garvey PC, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights.

Continuing Disclosure Undertaking

To meet the requirements of SEC Rule 15c2-12(b)(5) (“Rule 15c2-12”), as applicable to the participating Underwriter for the Bonds, the City will execute a Continuing Disclosure Certificate (the “Undertaking”) for the benefit of holders of the Bonds, which is set forth in APPENDIX D—CONTINUING DISCLOSURE UNDERTAKING.

TAX MATTERS

The following discussion of certain federal and State of Washington income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Bonds.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the alternative minimum tax on individuals; however, interest on the Bonds will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations.

The Code contains a number of requirements that apply to the Bonds, and the City has made certain representations in respect of those requirements and has covenanted to comply with those requirements. Bond Counsel’s opinion assumes the accuracy of the representations made by the City and is subject to the condition that the City comply with those requirements. If the City fails to comply with those requirements or if the City’s representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the issue date of the Bonds.

State of Washington “Millionaire’s Tax”

During its 2026 legislative session, the State Legislature enacted a new individual income tax beginning January 1, 2028. In the opinion of Bond Counsel, under existing law, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds also is excludable from Washington taxable income for purposes of the tax imposed by the State on income received by individuals on and after January 1, 2028.

General

Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual, or receipt of interest on the Bonds other than as expressly stated in its opinion. Owners of the Bonds should consult their own tax advisers regarding the applicability of any collateral tax consequences of owning the Bonds.

Bond Counsel’s opinion is based on existing law, which is subject to change, and is based on Bond Counsel’s knowledge of facts as of the date of Bond Counsel’s opinion. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may later come to Bond Counsel’s attention, or any changes in law that may later occur.

Possible Consequences of Tax Compliance Audit

The Internal Revenue Service (“IRS”) has an ongoing audit program to determine whether issuers of tax exempt obligations, such as the Bonds, are in compliance with requirements of the Code that relate to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given as to whether the IRS may commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the State as the taxpayer, and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Additional Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code). Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds also should be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Original Issue Premium.

All the Bonds have been sold at prices reflecting original issue premium (“Premium Bonds”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Tax Legislative Changes and Legal Challenges

Current law may change to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any proposed or pending legislation that would change the federal tax treatment of interest on the Bonds.

In some circumstances, voters of the State have the ability to initiate legislation and to repeal or modify existing statutes through the powers of initiative and referendum. The Washington Supreme Court has ruled that the legislation establishing the new State of Washington tax is not subject to referendum. However, one or more initiatives to repeal or modify the legislation are anticipated. Further, pending litigation seeks a declaratory judgment that the State income tax is invalid under Washington’s Constitution, among other requested relief. The State Attorney General is defending the legislation on behalf of the State. The City makes no prediction as to the outcome of any such direct voter action or legal challenge.

OTHER BOND INFORMATION

Ratings on the Bonds

The Bonds have been rated “Aa2” and “AA” by Moody’s Ratings and S&P Global Ratings, respectively. In general, rating agencies base their ratings on rating materials furnished to them (which may include information provided by the City that is not included in this Official Statement) and on the rating agency’s own investigations, studies and assumptions. The ratings will reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from the respective rating agencies. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended, or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Municipal Advisor

The City has retained Piper Sandler & Co., Seattle, Washington, as municipal advisor (the “Municipal Advisor”) in connection with the preparation of the City’s financing plans and with respect to the authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the City, the Municipal Advisor may not participate in the underwriting of any City debt.

Underwriting

The Bonds are being purchased by J.P. Morgan Securities LLC (the “Underwriter”) at a price of \$167,724,897.02 (representing the par amount of the Bonds of \$152,565,000, plus an original issue premium of \$15,285,177.30, less an underwriter’s discount of \$125,280.28). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on page (i) of this Official Statement, and such initial offering prices may be changed from time to time by the Underwriter.

Conflicts of Interest

All or a portion of the fees of the Municipal Advisor and Bond Counsel are contingent upon the sale of the Bonds. From time to time Bond Counsel may serve as counsel to the Municipal Advisor or the Underwriter in matters unrelated to the Bonds. Bond Counsel may serve as counsel to the Underwriter on bonds issued by issuers other than the City. None of the members of the City Council or other officers of the City have any conflict of interest in the issuance of the Bonds that is prohibited by applicable law.

Official Statement

This Official Statement is not to be construed as a contract with the owners of any of the Bonds.

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of his, her or their knowledge this Official Statement, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and distribution of this Official Statement have been authorized by the City.

THE CITY OF SEATTLE, WASHINGTON

By: _____

Dwight D. Dively, Director of Finance

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APPENDIX A
THE CITY OF SEATTLE
GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION

APPENDIX A

THE CITY OF SEATTLE

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THE CITY OF SEATTLE

This appendix to this Official Statement provides general information about The City of Seattle (“the City”). The information below is provided as of June 23, 2026, and is prepared in connection with the issuance of The City of Seattle, Washington’s Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A (the “Bonds”) expected to be issued on or about July 15, 2026.

Overview

The City of Seattle is the largest city in Washington State (the “State”), located in western Washington between the Puget Sound to the west and Lake Washington to the east. As of the official April 1, 2025 population estimates prepared by the Washington State Office of Financial Management (“OFM”), the City has a population of approximately 816,600. According to the 2024 American Community Survey released by the U.S. Census Bureau, the City ranks as the 18th most populous city in the nation. The Seattle metropolitan area is home to nearly 4.15 million residents, making it the 15th largest metropolitan area in the country.

The City has ranked as one of the fastest growing metropolitan areas in the country over the last decade. It has enjoyed economic growth and has been a leader in knowledge-based industries such as information technology, health, business, and financial services sectors. See “DEMOGRAPHIC AND ECONOMIC INFORMATION,” below.

The City’s economic growth and financial health can be impacted by shifts in general economic conditions regionally, nationally, and globally, including inflation and recession risks, international conflicts, and political uncertainty. In 2020 and 2021, the City weathered the economic turbulence caused by the COVID-19 pandemic well by taking a number of proactive measures, including receiving and programming federal funding related to the pandemic to maintain key City programs and using City reserves in accordance with City financial policies, which together with other actions largely mitigated direct financial consequences for the City. See “FINANCIAL AND RISK MANAGEMENT—Fiscal Reserves.”

Since January 2025, the City has been operating in an uncertain environment regarding the availability of federal funding, along with other municipalities. While the City’s exposure to changes in federal funding is fairly limited in comparison to the size of the City’s General Fund budget, the City is monitoring risks related to changes in federal funding. The City cannot predict the nature or timing of any future pandemics and other emergencies that may arise and could impact the local economy or the City’s financial condition, nor can the City predict whether or to what extent federal aid would be made available for response or recovery efforts. See “CERTAIN INVESTOR CONSIDERATIONS—Federal Policy Risk and Other Federal Funding Considerations.”

Municipal Government

Incorporated in 1869, the City is incorporated under a Charter and subject to the laws and Constitution of the State. The City is a general purpose government that provides a broad range of services typical of local municipalities, such as streets, parks, libraries, human services, law enforcement, firefighting and emergency medical services, planning, zoning, animal control, municipal court, and utilities. It owns and operates water, electric, solid waste, and drainage and wastewater utilities. It also serves as the county seat for King County (the “County”), which is a separate political subdivision that provides certain services throughout its boundaries, including within the City, such as courts of general jurisdiction, felony prosecution and defense, jail, public health, and transit services.

Form of Government

The City operates as a first-class city organized under the mayor-council form of government. The Mayor, the City Attorney, the Municipal Court judges, and the nine City Council Members are all independently elected officials serving four-year terms.

Certain Elected Officials

— *Mayor*

The Mayor serves as the chief executive officer of the City. The Mayor presents to the City Council annual statements of the financial and governmental affairs of the City, proposes the annual budget and capital improvement plans, and oversees all executive branch functions. The Mayor signs, or causes to be signed on behalf of the City, all ordinances, deeds, contracts, and other instruments.

The nine City Council members include seven members representing geographically defined Council Districts and two members elected at-large. The seven district-based seats are up for election on the same cycle, alternating with the two at-large members. City Council members serve on a full-time basis. The City Council is the legislative body for the City, whose duties include making appropriations through the adoption of the annual budget, levying taxes, setting utility rates, adopting capital improvement plans, and taking up other land use and legislative matters.

CITY BUDGETING AND FORECASTING

City Budgeting Procedures

City Budget Office

City operations are guided by a budget prepared under the direction of the Mayor by the City Budget Office (the “CBO”) pursuant to State statute (ch. 35.32A RCW). The CBO is an executive branch office headed by a Budget Director appointed by and reporting directly to the Mayor’s office. The CBO is responsible for developing and monitoring the City’s annual budget, carrying out budget-related functions, and overseeing fiscal policy and financial planning activities. The CBO provides strategic analysis, regarding the use of revenues, debt, and long-term financing and supports City departments in performing certain financial functions.

Budget Procedures

The Office of the Mayor submits a proposed budget to the City Council not later than 90 days prior to the beginning of each fiscal year, which for the City runs January 1 through December 31. State law requires the City budget to be balanced such that budgeted revenues must be equal to or greater than budgeted expenditures. The proposed budget is based in part on forecasts for the City’s major sources of revenue provided by the City’s Office of Economic and Revenue Forecasts (the “Forecast Office”). See “—Office of Economic and Revenue Forecasts,” below. The CBO forecasts and projects other revenue sources not covered by the Forecast Office, such as excise taxes and public utility taxes, license and service fees, fines, inter- and intra-governmental charges, transfers and shared revenues, grants, interest earnings, and other lesser revenue items.

The City Council considers the Mayor’s proposed budget, holds public hearings, and may revise the budget at its discretion prior to adoption. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which is December 1. Once adopted by the City Council, the Mayor may approve the budget, veto it, or permit it to become law without the Mayor’s signature. The Mayor does not have line-item veto power. The adopted annual budget may be amended from time to time by ordinance.

The 2026 budget was adopted on November 21, 2025 by Council passage of Ordinance 127362. The adopted 2026 General Operating Fund budget is approximately \$2.01 billion, compared to approximately \$1.88 billion for 2025. The “General Operating Fund” is the largest of a set of more than 20 defined funds that are combined into one General Fund for the purposes of compiling the City’s Annual Comprehensive Financial Report (“ACFR”). This Appendix defines the “General Operating Fund” as the financial activity accounted for in the City’s General Operating Fund (00100) and does not reflect financial activity outside of this fund.

The City’s current and past adopted budgets can be found on the City’s website (www.seattle.gov/city-budget-office).

Office of Economic and Revenue Forecasts

The Forecast Office was created in 2021 as an independent source for preparing the economic and revenue forecasts that inform the City’s annual budget. The Forecast Office prepares and delivers a forecast covering the City’s largest general government revenue sources, including sales and use tax, business and occupation (“B&O”) tax, property tax, private utility taxes, and the Payroll Expense Tax. The Forecast Office reports to the Economic and Revenue Forecast Council (the “Forecast Council”), which includes four elected and appointed officials representing both the legislative and executive branches of City government: the Mayor, the Director of Finance, the President of the City Council, and the Chair of the City Council Finance Committee. The Forecast Council annually selects one of its members to serve as Chair of the Forecast Council.

The Forecast Office staffs the Forecast Council, develops economic and revenue forecasts, conducts special studies at the request of the Forecast Council, and provides ad hoc analytical support on economic and revenue estimation for legislative and executive staff consistent with its work program. The Forecast Office produces three economic and revenue forecasts each year, in April, August, and October. The Director of the Forecast Office submits the prepared

forecast for approval by the Forecast Council. Once approved, the forecast serves as the official City economic and revenue forecast and is used as the basis for the estimates of revenues as described in State statutes governing budgeting.

These forecasts use the actual revenue collection data and outputs of the regional model described below as the main inputs to the specific forecasts of City revenues. The regional model is a quarterly regional econometric model produced in collaboration among the City's Forecast Office, the Office of Economic and Financial Analysis at King County, and the Center for Economic and Business Research at Western Washington University and serves as the starting point to develop the Forecast Office's revenue forecasts. The Forecast Office uses econometric modeling and historical data to project how anticipated changes in local economic conditions will affect future City revenues.

Three economic forecast scenarios (pessimistic, baseline, and optimistic) are used to generate three revenue forecast scenarios of the City's economically dependent revenues. Consistent with the direction provided in the legislation that created the Forecast Office, the Director of the Forecast Office recommends which of the three forecast scenarios should be adopted as the official forecast when presenting to the Forecast Council. The Mayor and the City Council each have authority to deviate from the official forecasts in their budget deliberations.

Summary of Most Recent Forecast

In April 2026, the Forecast Office recommended, and the Forecast Council approved, the baseline scenario of the forecast. Total revenues to the General Operating Fund, excluding grants and fund balance transfers, are forecasted to be \$1.784 billion in 2026, which is about \$10 million or 0.6% less than the prior forecast in October 2025. The regional labor market and household spending are weaker than the national average, and the construction sector continues to be in a downturn, which together affect the sales and use and B&O tax revenues. Total revenues to the General Operating Fund, excluding grants and fund balance transfers, are forecasted to increase by 4.1% in each year of 2027 and 2028, over 2026.

Additional detail from the April 2026 revenue forecast can be found on the City's website (www.seattle.gov/economic-and-revenue-forecasts/meetings).

FINANCIAL AND RISK MANAGEMENT

Financial Management

City financial management functions are provided by the Office of City Finance (the "OCF") within the Department of Finance and Administrative Services. The Director of Finance is a Charter position appointed by the Mayor and reporting directly to the Mayor's Office.

Accounting

The accounting and reporting policies of the City conform to generally accepted accounting principles for municipal governments and are regulated by the State Auditor's Office, which maintains a resident staff at the City to perform a continual current audit as well as an annual, post-fiscal year audit of City financial operations. The Citywide Accounting and Payroll Division of the OCF maintains general supervision over the accounting functions of the City.

Auditing

The State Auditor examines the affairs of the City annually. The examination includes, among other things, the financial condition and resources of the City, compliance with the State Constitution and laws of the State, and the methods and accuracy of the accounts and reports of the City. Typically, the City submits year-end financial reports to the State Auditor in early April. The City's audited financial reports are completed, usually in late June, and made publicly available on the websites of the State Auditor (sao.wa.gov) and the OCF (www.seattle.gov/city-finance). In addition, the financial reports of the City's utility enterprises are audited by independent auditors.

The City's most recent audited financial statements for the fiscal year ended December 31, 2024 are available on the OCF's website and on the State Auditor's website. The next annual audit for the fiscal year ending December 31, 2025, is expected to be completed in late June 2026.

Interfund Loans

The City's Debt Management Policies adopted by the City Council in Resolution 31553 describe the procedures and circumstances under which it permits one fund to borrow from another via the City's consolidated cash pool. Requests for interfund loans are reviewed by the City's Debt Management Policy Advisory Committee. Interfund loans bear

interest payable by the borrowing fund to the lending fund. Interfund loan documentation must identify a lending fund and a borrowing fund, a rate or method of calculating interest, and a date by which the loan must be repaid to the lending fund. The Director of Finance may approve interfund loans with a duration of up to 90 days; interfund loans of a longer duration require City Council approval.

As of January 1, 2026, the City had outstanding three interfund loans totaling approximately \$38.1 million, including interest, in amounts between \$9.0 million to \$16.3 million.

Fiscal Reserves

The City has two primary “rainy day” funds set aside as reserves for emergency purposes: the Revenue Stabilization Fund and the Emergency Fund, each described below.

Revenue Stabilization Fund (“RSF”)

The City maintains a Revenue Stabilization Fund (the “RSF”) in the General Fund for revenue stabilization for City operations. The RSF may be used for future City operations and to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in General Operating Fund revenues. Certain required transfers into and restrictions on expenditures from the RSF are set forth in the Seattle Municipal Code (“SMC”) (Chapter 5.80). All expenditures from the RSF require an ordinance that is adopted after Council consideration of operating revenue projections and recommendations for at least partial replenishment within four years.

The RSF is funded by (i) one-time transfers authorized by ordinance, (ii) automatic annual transfers of 0.50% of forecast General Operating Fund tax revenues, and (iii) upon completion of fiscal year accounting, automatic transfers of 50% of the ending balance in the General Operating Fund, less encumbrances, carryforwards as authorized by ordinance or State law, and planned reserve amounts reflected in the adopted budget, that is in excess of the latest revised estimate of the unreserved ending fund balance for that closed fiscal year (as published in the adopted budget). The phrase “tax revenues” means all tax revenues deposited into the General Operating Fund, including but not limited to tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, the portion of admissions tax not dedicated to the Arts and Culture Fund, leasehold excise tax, gambling taxes, and sales and use taxes.

The SMC also provides that automatic transfers will be suspended to the extent that the balance in the RSF exceeds 5% of the forecast General Operating Fund tax revenues for the year, or when forecasts underlying the adopted budget anticipate a nominal decline in General Operating Fund revenues, as compared to the revenue forecasts underlying the adopted budget for the fiscal year immediately prior. Automatic transfers remain suspended until positive revenue growth is reflected in the revenue forecasts underlying the adopted budget and are reinstated at a level of 0.25% of General Operating Fund tax revenues in the first year showing such recovery, followed by 0.50% thereafter.

The City drew on the RSF during the COVID-19 pandemic in 2021-2022 in accordance with its financial policies. Based on the automatic transfer mechanism described above, the City has made contributions to the RSF in each year since, and as of year-end 2025, the RSF was funded up to its cap.

Emergency Fund

The Emergency Fund is the principal reserve within the General Fund for the City to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. The City manages the Emergency Fund pursuant to State law (Revised Code of Washington (“RCW”) 35.32A.060) and City ordinance (Ordinance 116642, as amended by Ordinances 117977 and 125492). State law limits the amount of money the City can set aside in this reserve to an amount not exceeding \$0.375 per \$1,000 of assessed value of property within the City.

The City’s financial policies for the Emergency Fund adopted by the City Council in Resolution 32024 established a minimum Emergency Fund balance of \$60 million in 2017, adjusted each year with the rate of inflation. After a severe event requiring deep or multi-year spending from the Emergency Fund, the financial policies call for contributions to replenish the minimum target balance within a period of five years.

The City drew on the Emergency Fund during the COVID-19 pandemic in 2020 and 2021 in accordance with its financial policies. The City has made contributions to the Emergency Fund in each year since, and as of year-end 2025, the Emergency Fund was fully replenished a year earlier than required by City policy.

Table A-1 shows actual and budgeted transfers and combined ending fund balances in the Revenue Stabilization Fund and the Emergency Fund during 2021 through 2026.

Table A-1.
Summary of Actual and Budgeted Transfers and Fund Balances
in the Revenue Stabilization Fund and the Emergency Fund
(\$ in millions; fiscal years ended December 31)

<i>Fiscal Year</i>	Actual					Budgeted 2026
	2021⁽¹⁾	2022⁽²⁾	2023⁽²⁾	2024⁽²⁾	2025⁽²⁾	
Revenue Stabilization Fund						
Beginning Fund Balance	\$ 31.7	\$ 6.0	\$ 61.7	\$ 65.3	\$ 68.0	\$ 68.2
Transfers to RSF	-	55.7	3.6	2.6	0.3	7.8 ⁽³⁾
Transfers from RSF	(25.7)	-	-	-	-	-
RSF Ending Fund Balance	\$ 6.0	\$ 61.7	\$ 65.3	\$ 68.0	\$ 68.2	\$ 76.1
Emergency Fund						
Beginning Fund Balance	\$ 52.2	\$ 33.7	\$ 43.7	\$ 58.7	\$ 72.8	\$ 85.2
Transfers to Emergency Fund	-	10.0	15.0	14.2	12.3	2.6
Transfers from Emergency Fund	(18.5)	-	-	-	-	-
Emergency Fund Ending Fund Balance	\$ 33.7	\$ 43.7	\$ 58.7	\$ 72.8	\$ 85.2	\$ 87.7
Combined Ending Fund Balance	\$ 39.7	\$ 105.4	\$ 124.0	\$ 140.8	\$ 153.4	\$ 163.8

Totals may not add due to rounding.

(1) Use of reserves related to the City's COVID-19 pandemic response.

(2) Reserves replenished.

(3) Increase due to changes to sales and use taxes and B&O taxes.

Source: Office of City Finance, Citywide Accounting and Payroll Division and City Budget Office, City of Seattle 2026 Adopted Budget

Investments

City Investments and Investment Policies

All cash-related transactions for the City, including its utilities, are administered by the Treasury Services Division of OCF ("City Treasury"). Investments of temporarily idle cash may be made, according to City Council-approved investment policies, by City Treasury in securities described below under "—Authorized Investments Under State Law." State statutes, City ordinances, and OCF policies require the City to minimize market risks by safekeeping all purchased securities according to governmental standards for public institutions and by maintaining safety and liquidity above consideration for returns. Current City investment policies require periodic reporting on the City's investment portfolio to the Mayor and the City Council. The City's investment operations are reviewed by the City Auditor and by the State Auditor. The investment policies applicable to pension funds administered by the City are described under "CITY EMPLOYMENT AND RETIREMENT PLANS—Seattle City Employees' Retirement System ("SCERS")—SCERS Investment of Plan Funds."

The City's investment portfolio consists solely of City funds. As of December 31, 2025, the City's pooled investment portfolio, which excludes pensions, totaled \$4.28 billion in market value, and the annualized earnings yield was 3.69% for the month and 3.72% for the year. The weighted average maturity of the City's investments was 749 days. Approximately 20%, or \$885 million, was invested in securities with maturities of three months or less.

Seattle Social Housing Developer PDA. The Seattle Social Housing Developer ("SSHD") is a public development authority (PDA) approved by voters in 2023. The SSHD is funded by the social housing tax approved by voters in 2025 and is responsible for developing, owning, and maintaining social housing in Seattle. The SSHD manages all of its funds directly according to its own investment policies that were developed by the SSHD and adopted by its Board. The City does not retain any of the funds collected by the City on behalf of SSHD any longer than is needed to collect and process the distribution of the social housing tax funds to SSHD. While holding these funds prior to distribution, the City may invest the funds in accordance with the City's investment policy. All collected funds, along with any interest earned at the City's consolidated cash pool rate, is calculated and remitted to SSHD. The Washington State Local Government Investment Pool ("LGIP") will serve as depository for the SSHD's tax proceeds. See "—Authorized Investments Under State Law," below.

Table A-2 provides the allocation of investments by market value as of December 31, 2024 and 2025.

Table A-2.
Average Daily Balances by Security Class
(\$ in thousands; as of December 31, 2025)

	December 31, 2025		December 31, 2024	
U.S. Government	\$ 2,674,007	62%	\$ 1,924,511	51%
U.S. Government Agencies	803,277	19	1,037,535	27
Washington State Local Government Investment Pool ⁽¹⁾	572,847	13	468,340	12
Supranational	107,191	2	130,250	3
Municipal Bonds	45,931	1	94,386	3
U.S. Government Agency Mortgage-Backed	35,966	1	37,011	1
Corporate Bonds	34,359	1	32,863	1
Repurchase Agreements	11,323	1	11,256	1
Commercial Paper	-	-	48,995	1
Total	\$ 4,284,902	100%	\$ 3,785,148	100%

Totals may not add due to rounding.

(1) See “—*Authorized Investments Under State Law*,” below.

Source: Office of City Finance, Treasury Services Division

Authorized Investments Under State Law

Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds, United States certificates of indebtedness, State bonds or warrants, general obligation or utility revenue bonds or warrants of their own or of any other city or town in the State, their own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law, and any other investment authorized by law for any other taxing district. Under ch. 39.59 RCW, a city or town also may invest in the following: bonds of the State or any local government in the State; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency; registered warrants of a local government in the same county as the government making the investment; certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar-denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder; Federal Home Loan bank notes and bonds, Federal Land Bank bonds and Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve system; bankers’ acceptances purchased on the secondary market; commercial paper purchased in the secondary market, provided that any local government of the State that invests in such commercial paper must adhere to the investment policies and procedures adopted by the Washington State Investment Board; and corporate notes purchased on the secondary market, provided that any local government of the State that invests in such notes must adhere to the investment policies and procedures adopted by the Washington State Investment Board. Under ch. 43.250 RCW, local governments, including the City, may invest in the LGIP (described below), which is managed by the State Treasurer to maximize potential surplus funds while ensuring safety of those funds.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or used for the benefit of the general government in accordance with City ordinances or resolutions.

— Washington State Local Government Investment Pool

The State Treasurer’s Office administers the LGIP, an approximately \$24.6 billion dollar fund (as of March 31, 2026) authorized by ch. 43.250 RCW that invests money on behalf of more than 600 local governments. In its management of the LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. Although not regulated by the U.S. Securities and Exchange Commission (the “SEC”), the LGIP is invested in a manner generally consistent with the SEC guidelines for Rule 2a-7 money market funds; for example, currently it has a maximum weighted average maturity of 60 days and a maximum weighted average life of 120 days. The maximum final maturity is 397 days except for floating and variable-rate securities and securities that are used for repurchase agreements. The weighted average maturity of the LGIP generally ranges from 30 to 60 days. Investments permitted under the pool’s guidelines include U.S. government and agency securities, bankers’ acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified State depositories. The City may withdraw funds in their entirety on less than 24-hours’ notice.

Authorized Investments for Bond Proceeds

Investment of funds derived from the sale of bonds or other instruments of indebtedness are governed by the initiating ordinances, resolutions, or bond covenants consistent with the City’s investment policy. Permitted investments for refunding bond proceeds that are held and administered by a refunding trustee are described in the applicable documents relating to the refunding bonds.

Insurance and Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. Currently the City’s excess liability policy provides \$20 million limits above a \$12.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City’s hydroelectric dams.

The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to \$500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of \$100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy.

The City also maintains cyber insurance to cover business interruption, system failure, data asset protection, event management, and privacy and network security liability. See “CERTAIN INVESTOR CONSIDERATIONS—Cybersecurity and Artificial Intelligence Risk.”

The City insures a primary level of fiduciary, crime liability, inland marine, and various commercial general liability, medical, accidental death and dismemberment, and miscellaneous exposures. Surety bonds are purchased for certain public officials and notaries.

Emergency Management and Preparedness

The City’s Office of Emergency Management (“OEM”) is responsible for coordinating the City’s response and resources during emergencies and disasters through close coordination with City departments and regional partners.

OEM prepares for incidents which may impact the City by coordinating with regional, State, and federal response agencies as well as private sector partners; providing education to the community about emergency preparedness; creating plans for disaster recovery; and working to mitigate known hazards. It has identified, assessed, and planned for many types of hazards that may impact the City, including geophysical hazards (e.g., earthquakes, landslides, tsunamis, seismic seiches, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (e.g., terrorism, active shooter incidents, breaches in cybersecurity, and civil disorder), transportation incidents, fires (including wildfires), hazardous materials, infrastructure failure, and severe weather (e.g., floods, snow, water shortages, and windstorms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region. See “CERTAIN INVESTOR CONSIDERATIONS—Natural Disasters and Other Emergencies” for more information regarding specific disaster risks to the City.

The City’s emergency management program was assessed by a third-party team of emergency management professionals according to the Emergency Management Accreditation Program standards and was accredited in 2016 and reaccredited in 2022. The City will next seek accreditation in 2027, which is expected to last for five years.

If a disaster were to damage or destroy a substantial portion of the taxable property within the City, the assessed value of such property could be reduced, which could result in a reduction of property tax revenues. Other revenue sources, such as sales tax and lodging tax, could also be reduced. In addition, substantial financial and operational resources of the City could be required during any emergency event or disaster and could be diverted to the subsequent repair of damage to City infrastructure.

CITY EMPLOYMENT AND RETIREMENT PLANS

City Employees and Benefits

As of December 30, 2025, the City had 41 separate departments and offices with approximately 15,100 employees (including approximately 12,300 regular and 2,800 temporary employees). Approximately 76% of regular City employees are represented by 25 unions across 60 bargaining units, governed by 32 collective bargaining agreements (“CBAs”). The City extends the same wage increases and benefits provided in the union contracts negotiated with the Coalition of City Unions to virtually all non-represented City employees.

Table A-3 summarizes the number of regular City employees by department as of December 30, 2025.

Table A-3.
Regular Employees by Department
(as of December 30, 2025)

Department	Approximate # of Employees
Non-Utility Departments	
Police	1,610
Fire	1,080
Parks and Recreation	1,070
Transportation	1,050
Seattle Public Library	640
Information Technology	580
Finance and Administrative Services	570
Human Services	450
Construction and Inspections	410
All Others (fewer than 250 regular employees per department)	1,710
Utility Departments	
Seattle City Light	1,720
Seattle Public Utilities	1,410
Total	12,300

Source: Office of City Finance, Citywide Accounting and Payroll

Employee Benefits

The City provides medical, dental, and certain other benefits to eligible City employees as a benefit of employment. The City is self-insured for both the Aetna and Kaiser medical plans, the vision plan, and one of two dental plans. The City also provides or participates in the following benefits as discussed in other sections of this Appendix as noted below.

— Retirement Plans and Post-Employment Benefits

City employees are eligible to participate in the City’s retirement plans and receive post-employment benefits. See “—Overview of Retirement Plans” and “Other Post-Employment Benefits,” below.

— Paid Family and Medical Leave

City employees are covered by the statewide Paid Family and Medical Leave program. See “—State Paid Family and Medical Leave Insurance,” below.

— Long-Term Care Benefits

City employees are eligible to be covered by the statewide WA Cares Program. See “—WA Cares Long-Term Care Services and Supports Benefit Program,” below.

Labor Relations and Collective Bargaining

The collective bargaining agreements listed in Table A-4 are those managed by the Labor Relations Unit within the Seattle Department of Human Resources (“Labor Relations”), which is responsible for engagement with union representatives and management of union contracts. The City is currently in negotiations with a number of bargaining groups whose contracts are expired and the parties will continue to operate under the terms of the expired contracts

until new contracts are entered into. Additional information on specific collective bargaining agreements can be found at the Labor Relations website (www.seattle.gov/human-resources/about-us/labor-relations).

Table A-4 summarizes the collective bargaining agreements in effect.

Table A-4.
Collective Bargaining Agreements
(effective as of December 30, 2025)

Collective Bargaining Agreements	Approximate # of Employees	Expiration Date
Coalition of City Unions ⁽¹⁾	5,540	December 31, 2026
International Association of Fire Fighters - Local 27 (Seattle Firefighters)	960	December 31, 2026
International Brotherhood of Electrical Workers Local 77 – City Light	550	December 31, 2025 ⁽²⁾
International Brotherhood of Electrical Workers Local 77 – IT Professionals	430	December 31, 2026
Seattle Police Officers’ Guild	1,010	December 31, 2027
United Association of Plumbers & Pipefitters Local 32	160	December 31, 2024 ⁽³⁾
Individual CBAs covering less than 100 employees	320	Varies ⁽⁴⁾
Total⁽⁵⁾	8,970	

- (1) The Coalition of City Unions (“Coalition”) leads the negotiations for approximately 42 bargaining units. The Coalition-negotiated CBAs covering the most employees include those for the PROTEC17-Professional, Technical, Senior Business, Senior Professional and Administrative Support bargaining units and for the Joint Crafts Council.
- (2) A tentative agreement is pending ratification by the Union and legislative approval.
- (3) An agreement has been ratified by the Union and is currently under consideration for legislative approval.
- (4) Negotiations are in progress for the Seattle Parking Enforcement Officers’ Guild, and the International Association of Machinists and Aerospace Workers Local 79. Bargaining will soon begin for two International Brotherhood of Electrical Workers Local 77 bargaining units representing construction maintenance operators and power marketers. The expiration dates for these CBAs ranges from December 31, 2023 through December 31, 2025.
- (5) Does not include approximately 560 represented employees of the Seattle Public Library that are reflected in Table A-3 above. The Library manages its own personnel functions, including the collective bargaining process with its employees.

Source: Seattle Department of Human Resources, Labor Relations Unit and Office of City Finance, Citywide Accounting and Payroll Division

In 2024 and 2025, several unions filed grievances and unfair labor practices arising out of the City’s transition from its previous payroll system, EV5, to the current system, Workday. The City is separately defending a class action lawsuit related to Workday brought on behalf of a putative class of approximately 14,000 employees. The lawsuit is proceeding. The City’s ultimate liability, if any, is indeterminate.

Overview of Retirement Plans

City employees are eligible for membership in one of the following defined benefit pension plans: Seattle City Employees’ Retirement System (“SCERS”), Firefighters’ Pension Fund (“FPEN”), Police Relief and Pension Fund (“PPEN”), and the Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”). The first three are administered by the City and are reported as pension trust funds within the City’s ACFR, while the State administers LEOFF through the State Department of Retirement Systems (“DRS”).

Specifically, permanent non-uniformed City employees and certain grandfathered employees of the County (and a predecessor agency of the County) are eligible for membership in SCERS administered by the City. Newly hired uniformed police and fire personnel are generally eligible for membership in the State-administered LEOFF. The City also administers two legacy plans for police and firefighters, FPEN and PPEN, that have been closed to new entrants since 1977. An overview of each is provided below.

- **Seattle City Employees’ Retirement System (“SCERS”)** is an employer-sponsored defined benefit public employee retirement plan, administered by the City, providing retirement, death, and disability benefits.
- **Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”)** was established in 1970 and is administered by the State as a cost-sharing multiple-employer defined benefit plan.
- **Firefighters’ Pension Fund (“FPEN”)** and **Police Relief and Pension Fund (“PPEN”)** are legacy single-employer pension plans established and administered by the City to cover City law enforcement officers and firefighters.

Seattle City Employees' Retirement System ("SCERS")

All employees of the City of Seattle are eligible for membership in SCERS except for uniformed police and fire personnel who are covered under LEOFF.

SCERS is administered as a pension trust fund of the City in accordance with Chapter 4.36 SMC by the Retirement System Board of Administration (the "Board"). The Board consists of seven members, including the Chair of the Finance Committee of the City Council, the City's Director of Finance, the City's Human Resources Director, two active members, one retired member of the system, and one outside board member who is appointed by the other six board members. Elected and appointed Board members serve for three-year terms.

Employees entering the system prior to January 1, 2017 are enrolled in SCERS 1. Employees first entering the system on or after January 1, 2017, are enrolled in SCERS 2, with limited exceptions for certain exempt employees and those with service credit prior to January 1, 2017. Members already enrolled in SCERS 1 do not have an option to switch to SCERS 2. Retirement benefits for all members under both SCERS 1 and SCERS 2 vest after five years of credited service, while death and disability benefits vest after ten years of service. SCERS 1 retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. SCERS 2 retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months. Retirement benefits are actuarially reduced for early retirement. As of January 1, 2025, the average annual salaries of all contributing members was \$119,906 and the average annual benefits across both plans and including all retirees and beneficiaries was \$34,223. The next SCERS actuarial valuation (with a valuation date as of January 1, 2026) is expected to be received and evaluated for acceptance by the Board in July 2026.

Table A-5 summarizes certain demographic data of SCERS membership as provided in the Actuarial Valuation dated as of January 1, 2025.

Table A-5.
Overview of SCERS Membership
(as of January 1, 2025)

Age Range	Active Employees		Retirees and Beneficiaries Receiving Benefits ⁽¹⁾	
	#	%	#	%
<50	5,590	56.7%	8	0.1%
50-59	2,627	26.7	219	2.9
60-69	1,486	15.1	2,194	28.7
70+	152	1.5	5,232	68.4
Total	9,855	100.0	7,653	100.0

Totals may not add due to rounding.

(1) Excludes 98 survivors who are receiving limited benefits for a certain period only. Also excludes 3,763 terminated members, including both vested members entitled to future benefits and non-vested members whose contributions were still on deposit with SCERS as of the valuation date.

Source: January 1, 2025 SCERS Actuarial Valuation

Plan Funding and Funded Status

SCERS is funded from three primary funding sources: (1) contributions from the City, including employer contributions and other budgeted and appropriated funding contributions; (2) contributions from employees; and (3) investment returns. Actuarial calculations to determine employer and employee contributions are prepared for the Board by an independent actuarial consultant. An actuarial valuation is performed every year.

SCERS is subject to the City's internal financial control structure and is required to prepare an annual report (the "SCERS Annual Report") and an annual independent Auditor's Report ("SCERS Audited Financial Report") regarding the financial condition of SCERS. An actuarial report ("SCERS Actuarial Valuation") evaluating the plan funding status is also prepared annually by Milliman Inc., as consulting actuary.

The most recent audited financial report covering the year ended December 31, 2024 (the "2024 SCERS Audited Financial Report") was performed by CliftonLarsonAllen LLP. The most recent actuarial report, with a valuation date as of January 1, 2025 (the "January 1, 2025 Actuarial Valuation") was prepared by Milliman Inc. Both were approved by the Board on July 10, 2025 and are available on the City's website (www.seattle.gov/retirement).

The actuarial computations presented in the January 1, 2025 SCERS Actuarial Valuation were performed for purposes of determining the recommended funding amounts for SCERS. Actuarial computations presented for financial reporting in the 2024 SCERS Audited Financial Report under Governmental Accounting Standards Board (“GASB”) Statements No. 67 (“GASB 67”) and 68 (“GASB 68”) were performed for purposes of assisting SCERS and participating employers in fulfilling their financial accounting requirements. The computations prepared for these two purposes may differ.

— *Plan Funding Ratios*

As of the January 1, 2025 SCERS Actuarial Valuation, the funding ratio was 76.0%, reflecting an increase from the 75.8% ratio calculated in the prior actuarial valuation report, based on the actuarial value of assets (“AVA”). The increase in the funding ratio is attributed to (i) contributions made by the City to pay down the Unfunded Actuarial Accrued Liability (“UAAL”); (ii) slightly higher-than-assumed investment returns (6.8% versus assumed rate of 6.75%) after application of a five-year asset smoothing methodology that recognizes asset gains or losses evenly over a five-year period; and (iii) a decrease in the employer contribution rate that was offset by greater-than-assumed salary increases.

Table A-6 provides historical plan funding information for SCERS. The City sets contribution rates based on the actuarially required contribution (“ARC”) calculated based on the UAAL and funding ratios. This calculation differs from GASB 67/68 calculations of Net Pension Liability. See “—*GASB Reporting of Pension Liability Information*,” below.

Table A-6.
SCERS Historical Schedule of Funding Progress
(*\$ in millions*)

Actuarial Valuation Date (January 1)	Actuarial Value of Assets (AVA)⁽¹⁾	Actuarial Accrued Liability (AAL)⁽²⁾	Unfunded AAL (UAAL)	Funding Ratio	Covered Payroll⁽³⁾	UAAL as % of Covered Payroll
2016	\$ 2,397.1	\$ 3,605.1	\$ (1,208.0)	66.5%	641.7	188.2%
2017	2,564.1	3,766.4	(1,202.3)	68.1	708.6	169.7
2018	2,755.2	3,941.8	(1,186.6)	69.9	733.3	161.8
2019	2,877.4	4,216.7	(1,339.3)	68.2	779.1	171.9
2020	3,040.7	4,411.1	(1,370.4)	68.9	785.6	174.4
2021	3,345.8	4,673.1	(1,327.3)	71.6	876.9	151.4
2022	3,717.2	4,959.0	(1,241.8)	75.0	865.1	143.5
2023	3,903.1	5,158.0	(1,254.9)	75.7	901.5	139.2
2024	4,143.7	5,470.0	(1,326.3)	75.8	946.2	140.2
2025	4,412.3	5,805.0	(1,392.7)	76.0	1,165.5	119.5

(1) Based on five-year asset smoothing.

(2) Actuarial present value of benefits less actuarial present value of future normal cost.

(3) Covered Payroll includes prior year compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

Source: SCERS Actuarial Valuations as of January 1 in the years 2016 through 2025

— *Experience Studies and Actuarial Assumptions*

The Board obtains experience studies to assess the reasonableness of the actuarial assumptions and inform potential changes to those assumptions. The actuarial assumptions shown in Table A-7 below are based on the results of the actuarial experience study for the period January 1, 2018 through December 31, 2021 (the “2018-2021 Experience Study”) prepared by Milliman Inc.

In March 2026, the Board approved a new actuarial experience study based on the period beginning January 1, 2022 through December 31, 2025 (“2022-2025 Experience Study”) prepared by Milliman Inc. The 2022-2025 Experience Study will inform actuarial valuations to be dated January 1 of 2026, 2027, 2028, and 2029. The actuarial assumptions presented in Table A-7 remain unchanged in the 2022-2025 Experience Study, including the 30-year investment return expectation of 6.75%. Experience studies are available on the City’s website (www.seattle.gov/retirement).

The minimum actuarial contribution rates and funding ratios calculated in the January 1, 2025 SCERS Actuarial Valuation reflect the economic assumptions accepted by the Board.

Table A-7.
Actuarial Assumptions
(adopted for the January 1, 2025 SCERS Actuarial Valuation)

	January 1, 2025
Price inflation	2.60%
General wage increases	3.35
Investment return	6.75
Expected increase in membership	0.25
Interest on member accounts ⁽¹⁾	3.85
Cost of Living Adjustments (annual, compounding)	1.50

(1) Contributions made prior to January 1, 2012, are assumed to accrue interest at 5.75%.

Source: January 1, 2025 SCERS Actuarial Valuation

— *GASB Reporting of Pension Liability Information*

In accordance with GASB 67/68, the 2024 SCERS Audited Financial Report included a calculation of total pension liability (“TPL”) and net pension liability (“NPL”) based on the actuarial valuation dated as of January 1, 2024, rolled forward using generally accepted actuarial procedures (assuming a 6.75% investment rate of return and 3.35% salary increases) to December 31, 2024. As of December 31, 2024, the SCERS TPL was \$5,701.8 million, Plan Fiduciary Net Position was \$4,332.6 million, and NPL was \$1,369.2 million, resulting in a ratio of Plan Fiduciary Net Position as a percentage of TPL of 75.99%. See the Notes to the City’s most recent ACFR available on the Office of City Finance website (www.seattle.gov/city-finance/financial-and-audit-reports).

Table A-8 provides a schedule showing the NPL and Pension Expense for SCERS as a whole, and the proportionate shares of NPL and Pension Expense attributable to each of the City’s utility enterprise funds.

Table A-8.
Shares of Net Pension Liability and Pension Expense
(\$ in millions; as of December 31, 2024)

Department	Share of NPL (\$)	Share of NPL (%)	Share of Annual Pension Expense (\$)
Non-Utility Departments	\$ 893.4	65.3%	\$ 106.5
Utility Departments			
Seattle City Light (SCL)	285.3	20.8	34.0
Seattle Public Utilities ⁽¹⁾			
Water System	83.4	6.1	9.5
Drainage and Wastewater System	79.2	5.8	10.4
Solid Waste System	27.5	2.0	2.7
King County Metro ⁽¹⁾	0.3	<0.1	<0.1
TOTAL	\$ 1,369.2	100.0%	\$ 163.3

Totals may not add due to rounding.

(1) Proportionate share of NPL and annual pension expense attributable to employees of King County who established membership in SCERS while their organizations were City departments and were allowed to continue their membership in SCERS. There are currently fewer than 14 active SCERS members in this category.

Source: Office of City Finance, Citywide Accounting and Payroll Division

SCERS Contribution Rates

Member and employer contribution rates for SCERS 1 and SCERS 2 are established separately under Chapter 4.36 of SMC, which requires that the City’s employer contribution for SCERS 1 must match the SCERS 1 member normal contributions. There is no similar restriction with respect to SCERS 2. However, the SMC does require that the City make contributions (in excess of the SCERS 1 employer matching contributions) sufficient to meet the benefit requirements of the system. Moreover, the City’s contracts with labor unions that represent SCERS members limit the ability of the City to pass on increases in pension contribution rates to the employee portion and instead direct any required increases in pension contribution rates to the City’s employer contribution.

ARC rates are recommended annually by the Board, based on the most recent actuarial valuation. The ARC determination is based on the Board's funding policy, using the Entry Age Normal Cost ("EANC") method to set the ARC at the total contribution rate necessary to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan's UAAL over a closed 18-year period. Benefits and contribution rates are set by the City Council. The City Council may adjust the amortization period by resolution. Under the EANC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual's projected compensation between entry age into the system and assumed exit age (e.g., termination or retirement).

Table A-9 shows current and historical contribution rates for SCERS, based on a percentage of employee compensation (exclusive of overtime) during 2017 through 2026.

Table A-9.
SCERS Employer and Employee Contribution Rates

Calendar Years	Employer Rate	Employee Rate⁽¹⁾	Total Contribution Rate	Total ARC⁽²⁾	% of Total ARC Contributed
2017	15.29%	10.03%	25.32%	25.32%	100%
2018	15.23 ⁽³⁾	10.03	25.26	25.00	101 ⁽³⁾
2019	15.26 ⁽³⁾	9.85	25.11	24.40	103 ⁽³⁾
2020	16.14	9.65	25.79	25.79	100
2021	16.10	9.46	25.56	25.56	100
2022	16.10 ⁽³⁾	9.35	25.45	24.68	103 ⁽³⁾
2023	15.82	9.24	25.06	25.06	100
2024	15.17	8.95	24.12	24.12	100
2025	15.17	8.83	24.00	24.00	100
2026	15.06	8.72	23.78	23.78	100

(1) Beginning in 2019, all rates reflect a blended employee contribution rate based on rates for SCERS 1 members (10.03%) and SCERS 2 members (7.00%).

(2) Reflects total actuarial required contribution (i.e., employer plus employee contribution rates). Beginning in 2019, the ARC reflects a blended normal cost for SCERS 1 and SCERS 2.

(3) The City contribution rate was intentionally more than the total ARC in these years in an effort to reduce a projected increase in future contribution rates.

Source: *Seattle Municipal Code; City of Seattle Adopted Budgets; SCERS Actuarial Valuations as of January 1 in the years 2016 through 2025*

Table A-10 shows the historical total employer contributions to SCERS by the City and each of its utilities.

Table A-10.
Historical Employer Contributions to SCERS
(\$ in millions; for fiscal years ended December 31)

	2020	2021	2022	2023	2024
Non-Utility Departments	\$ 73.2	\$ 91.6	\$ 89.8	\$ 95.0	\$ 92.7
Utility Departments					
Seattle City Light (SCL)	28.7	28.9	29.0	29.6	36.8
Seattle Public Utilities (SPU)	17.0	20.7	20.6	20.6	20.7
Total	\$ 118.9	\$ 141.2	\$ 139.4	\$ 145.2	\$ 150.2

Source: *City of Seattle ACFRs and the audited financial statements of the Utility funds for the fiscal years 2020 through 2024*

Table A-11 shows the projected total employer ARC rates for SCERS as reported in the January 1, 2025 SCERS Actuarial Valuation. Assuming the investment assumptions as shown in the table are met, employer contribution rates are projected to increase in 2027 through 2031 due to deferred recognition of lower-than expected investment returns. The average employee contribution rate is expected to continue to decline due to the growing proportion of SCERS 2 members.

Table A-11.
Projected Total Actuarially Required Employer Contribution Rates (SCERS)

Contribution Year⁽¹⁾	Assuming 6.75% Future Returns	90% Asset Return Confidence Interval⁽²⁾
2026	15.06%	15.06% - 15.06%
2027	15.41	14.03 - 16.52
2028	16.08	12.22 - 19.07
2029	15.71	8.72 - 20.98
2030	15.61	8.72 - 23.49
2031	15.61	8.72 - 26.39

(1) Contribution year lags valuation year by one year. For example, the contribution year 2026 is based on the January 1, 2025 SCERS Actuarial Valuation results, amortized over 18 years beginning in 2025 if the contribution rate change takes place in 2026.

(2) Confidence range for asset returns between the 5th and 95th percentile.

Source: January 1, 2025 SCERS Actuarial Valuation

SCERS Investment of Plan Funds

The Board has established an Investment Policy for SCERS plan retirement funds as required by the Revised Code of Washington (RCW). The Investment Policy guides and assists the Board in selecting, monitoring, and managing SCERS investments to fulfill SCERS's mission and in accordance with the "prudent person" rule established in RCW 35.39.060. SCERS invests retirement funds for the long term, anticipating both good and poor performing financial markets. Contributions to SCERS 1 and SCERS 2 are invested together.

In accordance with SCERS's Investment Policy, the Board retains external investment managers ("Managers") to manage components of the SCERS portfolio. Managers have authority to determine investment strategy, security selection, and timing, subject to the Investment Policy, specific manager guidelines, legal restrictions, and other Board direction. Managers do not have authority to depart from the Investment Policy guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control.

Table A-12 shows the historical market value and historical investment returns of assets as of each December 31 between 2016 and 2025.

Table A-12.
SCERS Historical Market Value of Assets and Investment Returns
(\$ in millions)

Year (As of December 31)	Market Value of Assets (MVA)	One-Year Annualized Returns⁽¹⁾
2016	\$ 2,488.5	8.4%
2017	2,852.9	15.7
2018	2,717.4	(3.7)
2019	3,149.9	17.2
2020	3,641.5	12.6
2021	4,134.8	16.8
2022	3,638.9	(9.8)
2023	4,010.6	11.5
2024	4,332.6	8.7
2025	4,936.8	14.8

(1) Calculated net of fees. Reflects MVA and does not incorporate asset smoothing.

Source: SCERS Fund Performance Quarterly Reports

Table A-13 shows the historical summary of SCERS plan net assets at market value.

Table A-13.
SCERS Historical Summary of Plan Net Assets (at Market Value)⁽¹⁾

Plan Net Assets	2021	2022	2023	2024	2025
<u>Assets</u>					
Cash and Cash Equivalents	5.1%	8.8%	9.3%	8.2%	4.6%
Receivables	8.8	1.8	8.0	4.8	4.1
<u>Investments at Fair Value:</u>					
Fixed Income	21.4	22.6	23.7	23.2	26.1
Infrastructure	1.4	1.8	2.4	2.8	2.8
Private Equity	12.5	12.8	14.0	13.8	12.1
Public Equity	50.0	47.4	42.4	44.8	46.2
Real Estate	9.1	10.0	13.1	11.0	9.7
Subtotal Investments at Fair Value	94.4%	94.6%	95.7%	95.6%	96.9%
Securities Lending Collateral ⁽²⁾	0.1	0.2	0.2	0.2	0.1
Prepaid Expenses ⁽³⁾	0.0	0.0	0.0	0.0	0.0
Total Assets	108.5%	105.4%	113.3%	108.7%	105.8%
<u>Liabilities</u>					
Pensions Payable and Other	(0.1)%	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Obligations under Securities Lending	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)
Investment Commitments Payable	(8.2)	(5.1)	(12.9)	(8.5)	(5.5)
Total Liabilities	(8.5)%	(5.4)%	(13.3)%	(8.7)%	(5.8)%
	100.0%	100.0%	100.0%	100.0%	100.0%
Fiduciary Net Position Restricted for Pension Benefits (\$ in millions)	\$ 3,641.5	\$ 4,134.8	\$ 3,638.9	\$ 4,010.6	\$ 4,332.6

Totals may not add due to rounding.

- (1) Information based on Summary of Plan Net Assets (at Market Value), excluding assets consisting of cash and cash equivalents, receivables, securities lending collateral and prepaid expenses; and excluding liabilities.
- (2) The SCERS Investment Policy defines eligible investments to include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are lent from the SCERS investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the SCERS System. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent. Lending is limited to a volume of less than \$75 million.
- (3) Prepaid expenses for all years shown amounted to less than \$1,000,000 in each year.

Source: SCERS Actuarial Valuations as of January 1 in the years 2021 through 2025

Risk and Sensitivity Analysis

The Actuarial Valuation measures both economic and demographic risks. Risks considered in preparation of the January 1, 2025 SCERS Actuarial Valuation include: investment return; payroll variation; salary variation; mortality; service retirement; and terminations. The January 1, 2025 SCERS Actuarial Valuation includes an assessment of these risks, and disclosure regarding plan maturity measures and historical information significant to understanding these risks is described in Section 10 – Risk Disclosure to the January 1, 2025 SCERS Actuarial Valuation.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”)

LEOFF is a statewide, multiple-employer defined benefit plan administered by DRS. Contributions by employees, employers, and the State are based on gross wages. The State has a special funding situation in which the State makes a non-employer contribution through legislative appropriations to subsidize a portion of the local employer contributions.

Substantially all of the City’s current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. Newly hired uniformed police and fire personnel are generally eligible for membership in LEOFF.

According to the Office of the State Actuary (“OSA”) June 30, 2024 Actuarial Valuation, LEOFF Plan 1 had a funded ratio of 160% and LEOFF Plan 2 had a funded ratio of 102%. The assumptions used by OSA in calculating the accrued actuarial assets and liabilities included a 7.25% annual rate of investment return (7.00% for LEOFF 2), 3.25% general

salary increases, and 2.75% consumer price index increase. Liabilities were valued using the EANC method and assets were valued using the AVA, which defers a portion of the annual investment gains or losses over a period of up to eight years.

As of December 31, 2024, the City reported an asset of \$234.7 million for its proportionate share of the Net Pension Asset as follows: \$100.6 million for LEOFF Plan 1 and \$134.1 million for LEOFF Plan 2.

Table A-14 displays the current LEOFF contribution rates of employees and employers set by the State Legislature.

Table A-14.
LEOFF Contribution Rates
(as % of covered payroll; effective as of June 30, 2025 for the State fiscal biennium ending June 30, 2027)

	Plan 1	Plan 2
Employer Contribution	0.20% ⁽¹⁾	5.32% ⁽¹⁾⁽²⁾
State Non-Employer Contribution	N/A	3.41 ⁽²⁾
Employee Contribution	0.00	8.53

(1) Includes a 0.20% DRS administrative expense rate.

(2) The State contributes approximately 39.1% of the total 8.53% employer rate set by the State Legislature for LEOFF Plan 2.

Source: Washington State DRS

The City's contribution on behalf of all employees covered under LEOFF was \$18.5 million in calendar year 2024 and \$20.7 million in calendar year 2025.

In March 2026, the State enacted legislation that will replace the existing LEOFF Plan 1 with a restated plan ("Restated LEOFF") on June 30, 2029. Benefits to LEOFF Plan 1 annuitants will be unchanged as they are transferred into the Restated LEOFF. The legislation provides for a transfer of funds from LEOFF Plan 1 to Restated LEOFF equal to 110% of LEOFF Plan 1 liabilities on June 30, 2029. Remaining assets will be placed into a holding account from which funds may then be transferred to the State General Fund at the direction of the State Legislature.

Additional information about LEOFF is available in the DRS Annual Reports on the DRS website (drs.wa.gov). Actuarial valuations are available from the Office of the State Actuary on its website (leg.wa.gov/about-the-legislature/legislative-agencies/osa). Additional information is provided in the Notes to the City's ACFRs available on the OCF website (www.seattle.gov/city-finance/financial-and-audit-reports).

Firefighters' Pension Fund; Police Relief and Pension Fund

The Firefighters' Pension Fund ("FPEN") and the Police Relief and Pension Fund ("PPEN" and, together with the FPEN, the "Legacy Plans") are Legacy Plans that have been closed to new entrants since 1977. As of January 1, 2025, eligible pension beneficiaries consisted of 447 fire employees and survivors and 542 police employees and survivors.

All City law enforcement officers and firefighters hired before March 1, 1970 are participants in these plans and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Some disability benefits may be available to such persons hired between March 1, 1970, and September 30, 1977. Since the effective date of LEOFF in 1970, no payroll for employees was covered under these City plans, and the primary liability for pension benefits for these City plans shifted from the City to the State LEOFF plan. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan. However, because LEOFF benefits increase with the consumer price index (CPI-Seattle) while some City benefits increase with wages of current active members, the City's projected liabilities vary according to differences between wage and CPI increase assumptions.

— Financial Reporting; Basis of Accounting

The City has determined that according to GASB 68, the Legacy Plans do not meet the criteria for pension plans administered through trusts and therefore since 2015 the accounting and financial reporting for these plans has been prepared in accordance with GASB Statement No. 73. The City does not collect contributions or hold assets in trust for these plans. Any monies provided by the City for future benefit payments are not legally protected from creditors and are not dedicated to the provision of pensions to plan members. Furthermore, because the Legacy Plans are not reported as trust funds, they are accounted for as part of the General Fund. The financial statements for the Legacy Plans were prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Investments are recorded at fair value as shown in the City's ACFRs available on the OCF website (www.seattle.gov/city-finance/financial-and-audit-reports). Fair value of investments is based on quoted market prices.

— Contributions and Reserves

Since the Legacy Plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (“AAL”) of these plans. Contributions are no longer required from plan members or the City departments they represent. General Fund funding is provided to both pension funds as necessary. There are no securities held by the City for these pension funds except for the Firemen’s Pension Actuarial Account described below. No loans are provided by the funds to the City or other related parties.

Under State law, the FPEN receives a share of the state tax on fire insurance premiums. If necessary, partial funding may also be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City. The City does not impose this tax and has no plans to do so. In 1994, the City established an Actuarial Account for the Firefighters’ Pension Fund in order to fully fund the AAL by a target date, which was extended to 2028 and may be extended further to a future date with Council authorization by ordinance. The fair value of the net assets of FPEN was \$33.81 million as of December 31, 2025.

The City funds the PPEN as benefits become due, which is in contrast with the FPEN policy of fully funding the AAL. The PPEN receives police auction proceeds of unclaimed property for administrative expenses. Annual requirements are funded through the General Fund and are appropriated to the PPEN in the City’s adopted budget. Any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

The TPL as of December 31, 2024, based on an actuarial valuation as of January 1, 2024, was \$78.2 million for FPEN and \$84.8 million for PPEN.

Additional information regarding the Legacy Plans described in this section is available in the City’s ACFRs available on the OCF website (www.seattle.gov/city-finance/financial-and-audit-reports).

Other Post-Employment Benefits

The City has liability for two types of OPEB: (i) an implicit rate subsidy for health insurance covering employees retiring under SCERS 1, SCERS 2, or LEOFF Plan 2 and dependents of employees retiring under LEOFF Plan 1, and (ii) medical benefits for eligible beneficiaries of the Legacy Plans. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees.

The City assesses its OPEB liability in accordance with GASB Statement No. 75 (“GASB 75”). While GASB 75 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. The City funds its OPEB liabilities on a pay-as-you-go basis.

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS 1, SCERS 2, or LEOFF plans. Actuarial reports evaluating the funding status for these plans are prepared by Aon, as consulting actuary. The last valuation was based on a measurement date as of January 1, 2025, for the City’s fiscal year ending December 31, 2025, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy as of December 31, 2025, decreased to \$85.5 million from \$86.8 million as of December 31, 2024. The City’s GASB 75 annual expense in 2025 was calculated at \$7.9 million, which compares to \$4.5 million in 2024.

The valuation of the OPEB liability associated with the Legacy Plans are updated annually. Actuarial reports evaluating the funding status for these plans are prepared by Milliman, Inc., as consulting actuary. The most recent valuations were prepared as of January 1, 2025, for the City’s fiscal year ending December 31, 2025.

As of December 31, 2025, the total OPEB liability in the FPEN decreased to \$232.3 million from \$240.7 million. The annual OPEB expense for 2025 was \$6.0 million and the estimated benefit payments were \$14.3 million. As of December 31, 2025, the total OPEB liability in PPEN decreased to \$198.0 million from \$213.2 million. The annual OPEB expense for 2025 was \$1.4 million and the estimated benefit payments were \$13.8 million. The decreases in total OPEB liability under the Legacy Plans were primarily due to an increase in the discount rate used to value future benefits under GASB 75.

For additional information regarding the City’s total OPEB liability, see Note 11 to the City’s 2024 ACFR. For additional information regarding the portion of the City’s OPEB liability attributable to each utility, see the Audited Financial Statements of each utility at www.seattle.gov/investor-relations.

State Paid Family and Medical Leave Insurance

On January 1, 2020, the State became the fifth state in the nation to provide paid family and medical leave benefits to all workers in the State, including State and local government employees. The Paid Family and Medical Leave program is a Statewide insurance program administered by the State Employment Security Department that provides up to 12 to 18 weeks paid leave for eligible workers to give or receive care. Eligible workers are those who have worked at least 820 hours (equivalent to 20.5 full-time weeks) in the qualifying period before the leave begins. Benefits range between \$100 and \$1,647 per week, and the maximum benefit is adjusted annually. The program is funded by a mix of employer and employee premiums.

The City pays the employer share of premiums based on a percentage of wages that are subject to the federal Social Security tax. As of January 1, 2026, the rate is 1.13% of gross wages, up to the Social Security taxable wage cap. The City pays only the employer share of the assessment for most employees (estimated to be \$5.5 million in 2026, or 0.81% of gross wages subject to the Social Security cap) approximately 40% of which will be paid from the General Operating Fund, approximately 25% of the City's utilities, and the remainder of which will be paid by other funds.

WA Cares Long-Term Care Services and Supports Benefit Program

The Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares Program" or "Program") was enacted in 2019 to provide certain long-term care benefits to eligible beneficiaries.

With the exception of workers who have received exemptions based on criteria defined in statute, premiums are imposed on all participating employees in the State; there is no employer contribution required under State law. Employee contributions are collected by employers through employee payroll deductions and remitted to the State. Assessment of premiums commenced on July 1, 2023, and benefits are to become available beginning July 1, 2026. The program also conducted a pilot with 100 participants that began on January 6, 2026, and concluded April 30, 2026. Premiums are assessed at a rate set by State law and subject to adjustment every two years based on actuarial studies and asset valuations to maintain fund solvency. Self-employed persons may opt into the program. Certain employees (e.g., workers who live out of State, military spouses, workers on non-immigrant visas, and certain veterans with disabilities) may opt out of participation in the program.

Any individual employed in the State may become eligible to receive the benefit when they have paid the LTSS trust premiums while working at least 500 hours per year for either 10 years, or three of the last six years. Persons born before 1968 can earn lifetime access to 10% of the full benefit amount for each year they contribute. Program participants eligible to receive benefits must have been assessed by the State Department of Social and Health Services with needing assistance with at least three tasks of daily living, must be at least 18 years old, and must reside in the State. Beginning July 1, 2026, employees or self-employed persons who have left the State may elect to continue participation in the LTSS Trust Program. Starting January 1, 2030, workers who have left the state can also be eligible for benefits if they have contributed in-state for at least three years before leaving, inform the program within one year of leaving that they wish to continue participating, and continue to pay premiums on any covered earnings after leaving. There is a lifetime cap on the benefit of \$36,500 (as of 2026, adjusted automatically for inflation thereafter) for any individual.

As part of the State-wide election held on November 4, 2025, voters approved a State constitutional amendment (Amendment 110) that permits the investment of funds held in the LTSS Trust Account in stocks of private companies, if authorized by law, and requires investment income to be used for LTSS Program beneficiaries. This amendment creates an exception to the general State constitutional prohibition on funds of the State being invested in stock, bonds, or credit instruments of any private company, association, or corporation. Amendment 110 became effective upon certification of the election results; legislation will be required to authorize an expansion of eligible investments for the LTSS Trust Account.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

Located on Puget Sound, Seattle is the largest city in the Pacific Northwest and serves as the county seat for King County. Of the State's population, nearly one-third reside in King County. Of the County's population, one-third live in the City of Seattle.

Table A-15 shows current and historical population estimates for the State of Washington, the County, and the City.

Table A-15.
April 1 Population Estimates

April 1	The City	King County	State of Washington
2016	684,136	2,118,958	7,237,219
2017	694,513	2,149,910	7,344,073
2018	707,555	2,187,460	7,463,479
2019	724,144	2,227,755	7,581,818
2020 ⁽¹⁾	737,015	2,269,675	7,705,281
2021	742,400	2,287,050	7,766,975
2022	762,500	2,317,700	7,864,400
2023	779,200	2,347,800	7,951,150
2024	797,700	2,378,100	8,035,700
2025	816,600	2,411,700	8,115,100

(1) 2020 U.S. Census, resident population.

Source: *Office of Financial Management (April 1 Population Estimates, released June 30, 2025) and U.S. Census Bureau (2020 U.S. Census)*

Income and Employment Statistics

Income Characteristics

The following tables present median household income, total annual personal income, and per capita personal income for King County, the State, and the United States. With the release of gross domestic product ("GDP") and personal income statistics for counties for 2024, U.S. Department of Commerce Bureau of Economic Analysis ("BEA") has discontinued publication of statistics for metropolitan statistical areas, micropolitan statistical areas, metropolitan divisions, combined statistical areas, and metropolitan and nonmetropolitan portions, and has announced that GDP and personal income estimates will be published by county going forward.

Table A-16 provides median household income data for King County and the State for each of the past five years.

Table A-16.
Median Household Income

Year	King County	Washington State
2021	\$ 110,351	\$ 84,155
2022	116,044	91,255
2023	119,926	94,553
2024	125,485	97,970
2025	126,124	98,141

Source: *Washington State Office of Financial Management, February 2026*

Table A-17 presents total and *per capita* personal income statistics for the years 2015 through 2024.

Table A-17.
Annual Personal Income Comparisons

Year	Total Personal Income (\$ in billions)						Per Capita Personal Income (\$ in dollars)		
	King County ⁽¹⁾		State of Washington		United States		King County ⁽¹⁾	State of Washington	United States
	Amount	% Change	Amount	% Change	Amount	% Change			
2015	\$ 157.8	6.9%	\$ 376.4	5.9%	\$15,467.1	4.7%	\$ 74,196	\$ 52,408	\$ 48,062
2016	168.3	6.6	397.3	5.6	15,884.7	2.7	77,621	54,296	48,974
2017	181.6	7.9	423.0	6.5	16,659.0	4.9	82,366	56,800	51,006
2018	195.6	7.7	451.6	6.8	17,514.4	5.1	87,785	59,824	53,311
2019	210.6	7.7	484.5	7.3	18,349.6	4.8	93,612	63,431	55,567
2020	224.8	6.8	522.9	7.9	19,613.1	6.9	98,839	67,665	59,151
2021	249.0	10.8	572.6	9.5	21,484.2	9.5	110,511	73,949	64,692
2022	259.6	4.2	592.7	3.5	22,144.8	3.1	114,289	76,049	66,298
2023	281.7	8.5	637.1	7.5	23,577.2	6.5	122,667	81,087	70,002
2024	301.1	6.9	677.9	6.4	24,897.6	5.6	128,684	85,187	73,204

Standard rounding conventions applied.

(1) Includes the City.

Source: U.S. Department of Commerce Bureau of Economic Analysis (Release dated February 5, 2026, revised statistics for 2020-2023, new statistics for 2024)

Employment

Table A-18 and Table A-19 present employment data for major employers in the Puget Sound area and metropolitan district-level labor force data, respectively.

Table A-18.
Puget Sound Area Major Employers⁽¹⁾

Employer Name	# Employees	Employer Name	# Employees
Amazon.com	92,000	Virginia Mason Franciscan Health	18,000
The Boeing Co.	67,600	Costco Wholesale Corp.	16,300
Microsoft Corp.	54,800	King County Government ⁽²⁾	15,900
Joint Base Lewis-McChord	54,000	City of Seattle ⁽³⁾	15,100
University of Washington (Seattle)	53,500	Starbucks Coffee Co.	12,600
Providence Swedish	45,600	Alaska Air Group Inc.	11,300
Navy Region Northwest	37,000	Seattle Children's Foundation	10,300
Walmart Inc.	23,400	Meta Platforms	8,000
Kroger Co.	21,000	Washington State University ⁽⁴⁾	7,200
Albertsons	20,000		

(1) Data above published by the Puget Sound Business Journal ("PSBJ") and dated as of October 16, 2025. The PSBJ publication states that information was obtained through PSBJ research or supplied by individual employers through questionnaires that PSBJ could not independently verify. In case of ties, organizations are ranked by total employment and then listed alphabetically if ties remain. Certain government entities such as cities, school districts and county offices are not included in the published rankings and have been added. Data may be affected by events occurring after the response date. The City has not independently verified the data.

(2) Source: King County.

(3) Source: The City of Seattle as of December 30, 2025.

(4) Includes employment at all campuses throughout the State.

Source: Puget Sound Business Journal, Book of Lists (Publication Date October 17, 2025; figures are rounded) unless otherwise indicated

Table A-19.
Seattle Resident Civilian Labor Force and Employment
(in thousands)

Seattle	Monthly Averages by Calendar Year					Jan. 2026
	2021	2022	2023	2024	2025	
Resident Civilian Labor Force ⁽¹⁾	464,253	493,058	508,053	511,669	509,109	N/A
Unemployment ⁽¹⁾	18,784	15,270	18,572	19,518	22,666	N/A
Unemployment Rate (%)						
State Unemployment Rate ⁽¹⁾	4.0%	3.1%	3.7%	3.8%	4.5%	N/A
U.S. Unemployment Rate	5.3%	3.6%	3.6%	4.0%	4.3%	4.7%
Seattle-Bellevue Metropolitan District – Nonagricultural Wage and Salary Workers⁽²⁾						
Total Nonfarm Employment	1,401.1	1,470.2	1,477.1	1,477.0	1,473.1	1,459.7
Durable Manufacturing	63.1	66.2	69.5	69.3	68.5	68.3
Aerospace Products Parts & Mfr	31.1	34.4	37.9	38.5	38.9	39.2
Computer & Electronic Products Mfr	7.2	7.0	7.1	7.3	7.3	7.2
Nondurable Manufacturing	24.6	24.8	23.9	23.5	23.3	23.4
Mining and Logging	0.5	0.5	0.5	0.4	0.4	0.4
Construction	77.5	78.8	77.0	72.5	70.4	67.5
Trade, Transportation and Utilities	227.2	230.2	230.2	224.4	222.8	222.7
Information	134.1	141.2	134.9	128.7	126.0	125.6
Software Publishers	75.1	75.0	71.0	67.1	63.9	59.2
Financial Activities	73.4	75.4	74.2	73.2	73.2	71.7
Professional and Business Services	295.2	322.6	313.4	310.1	306.7	303.8
Education and Health Services	183.4	188.7	194.5	199.1	202.9	205.0
Leisure and Hospitality	104.3	125.4	135.4	137.9	138.1	131.5
Other Services	46.0	48.2	48.6	48.6	49.1	48.4
Government	169.8	166.2	172.9	187.0	189.6	189.5

- (1) *Source: U.S. Bureau of Labor Statistics (Release dated January 27, 2026).* Not seasonally adjusted; annual data derived from averages of monthly data. Annual data for 2020 through 2024 were subject to revision on March 5, 2025; information for January 2026 not yet available.
- (2) *Source: Washington State Employment Security Department (Release dated April 2, 2026).* Not seasonally adjusted; annual data derived from averages of monthly data; January 2026 data is preliminary.

Source: U.S. Bureau of Labor Statistics; Washington State Employment Security Department

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Key Economic Indicators

Construction Activity

Table A-20 presents the value of housing construction for which building permits have been issued within the City. The value of public construction is not included in this table.

Table A-20.
Seattle-Tacoma-Bellevue Metropolitan Statistical Area Residential Building Permits

Year	Seattle-Tacoma-Bellevue Metropolitan Statistical Area (\$ in thousands)						United States (\$ in millions)	
	Single Family		Multi-Family		Total		No. Permits	Value
	No. Permits	Value	No. Permits	Value	No. Permits	Value		
2015 ⁽¹⁾	8,646	\$ 2,899,594	16,362	\$ 1,448,17	25,008	\$ 5,347,765	1,182,582	223,611.3
2016 ⁽¹⁾	9,425	3,191,492	16,064	2,083,024	25,489	5,274,516	1,206,642	237,101.6
2017 ⁽¹⁾	9,997	3,429,128	17,337	2,586,880	27,334	6,016,008	1,281,977	258,505.4
2018 ⁽¹⁾	9,134	3,224,959	19,052	2,289,615	28,186	5,514,574	1,328,827	271,119.5
2019	8,737	3,013,747	17,862	2,554,338	26,599	5,568,085	1,386,048	280,534.2
2020	8,860	3,039,186	14,179	1,824,252	23,039	4,863,438	1,471,141	307,209.9
2021	8,828	3,043,477	21,915	3,408,768	30,743	6,452,235	1,736,982	380,036.2
2022	7,029	2,643,867	19,632	3,047,415	26,661	5,691,282	1,680,368	384,447.2
2023	6,296	2,568,363	10,927	1,837,694	17,223	4,406,057	1,511,102	365,373.0
2024	6,489	2,711,437	11,431	2,136,441	17,920	4,847,878	1,478,000	384,618.4
2025 ⁽²⁾	6,170	2,615,390	9,469	1,732,814	15,639	4,348,204	1,426,166	376,757.0
2026 ⁽³⁾	538	219,896	721	107,436	1,259	327,332	100,249	24,633.6

(1) Historical data prior to 2019 last revised November 30, 2022.

(2) Preliminary data.

(3) Preliminary data, year-to-date through January 2026.

Source: U.S. Census Bureau (Last Revised March 19, 2026)

Taxable Retail Sales

Table A-21 provides historical taxable retail sales activity in the City and King County.

Table A-21.
City of Seattle and King County Taxable Retail Sales

Year	City of Seattle	King County ⁽¹⁾
2016	\$ 24,287,539,378	\$ 59,475,029,918
2017	26,005,147,210	62,910,608,935
2018	28,292,065,861	68,889,791,653
2019	29,953,200,188	72,785,180,223
2020	25,904,879,115	66,955,895,952
2021	30,047,705,303	78,419,919,120
2022	33,660,750,206	83,093,708,862
2023	34,696,583,976	88,080,125,666
2024	34,281,375,315	85,512,188,517
2025 ⁽²⁾	25,702,653,936	66,500,226,534

(1) Includes the City.

(2) Through 3rd quarter 2025. For comparison, taxable retail sales during the same period in 2024 were \$25,385,154,827 (City) and \$65,095,306,749 (County).

Source: Washington State Department of Revenue as of April 7, 2026

CERTAIN INVESTOR CONSIDERATIONS

Considerations described in this section relate to the City in general and in relation to its general governmental functions. See APPENDIX B—THE CITY LIGHT DEPARTMENT (“CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS”) for a discussion of utility-specific risk considerations relating to these and other potential risk factors.

Initiative and Referendum

Statewide Measures

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require that legislation passed by the State Legislature be referred to the voters. Any law approved in this manner by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referendum) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. In recent years, several Statewide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Additional tax and fee initiative measures continue to be filed on a regular basis, but it cannot be predicted whether any more such initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Local Measures

Under the City Charter, Seattle voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law. After two years, the law may be amended or repealed by the City Council in the same manner as other laws.

Federal Policy Risk and Other Federal Funding Considerations

Federal Policy Risk—In General

Federal policies on the federal debt ceiling, foreign trade and tariffs, immigration, climate change, clean energy, the issues sometimes referred to as “diversity, equity and inclusion,” and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in dramatic changes in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding. The federal government has issued Executive Orders and other statements on several of the policy areas listed above that appear to conflict with City priorities. It is uncertain how these policy differences will be reflected in federal contracting decisions and/or federal contract administration, especially since several of those decisions are subject to ongoing litigation. The City currently expects a heightened level of uncertainty in federal funding over the next several years due to the change in federal administration and is taking steps to monitor the status of federal funding payable to the City. In addition, the City has been a party to lawsuits challenging federal policies and/or funding conditions that could negatively impact the City. The City cannot predict with certainty any future changes in federal policy or the potential impact (positive or negative) on any related federal funding the City may or may not receive in the future.

Grant Funding Conditions

The City receives federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies. The City also receives State loans and grants that are funded in part or in whole through federal programs. Entitlement to this assistance is generally conditioned upon compliance with the terms of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the City. In addition, a risk exists that funding conditions could be imposed on new or existing grants that reflect federal policy priorities that are inconsistent with City policy priorities or State law, and that such inconsistencies could put certain federal grant funding at risk. In the event of a dispute between the City and funders regarding whether any such conditions are applicable and lawful, the City may

not have access to affected funds for the pendency of any legal proceedings, regardless of whether the City ultimately prevails. The City is monitoring the status of all of its federal funding at this time.

City Exposure to Changes in Federal Funding

In response to a rapidly changing and increasingly uncertain environment regarding the status of federal funding due to the City in early 2025, the City worked with City departments to develop an inventory of its risk exposure to potential changes in federal funding. This inventory identified risks in a variety of areas including the City's transportation, human services, affordable housing, public safety and emergency preparedness, and environmental programs. The City estimated that its dependence on direct federal funding in 2025 was approximately \$400 million in total related to grant awards that were either active or anticipated to be awarded at that time. Of this amount, the City estimated that federal funding risk to the General Operating Fund was about \$53 million. For comparison purposes, this was roughly 3% of the City's \$1.9 billion General Operating Fund adopted budget in 2025.

To address risks related to changes in federal funding, in mid-2025 the City designated a portion of its business and occupation tax revenue to mitigate the impact of federal funding reductions or policy changes in human services programs and transportation projects. As of this writing, many of these risks have not materialized. Although certain targeted grants were impacted by federal actions, several programs were able to access reserved business and occupation tax revenue to offset the respective loss of funding.

Additionally, many of the City's regional governmental partners also receive significant federal resources. Loss of federal funding by those agencies could have indirect fiscal impacts on the City as those agencies may seek financial support from the City, and a change in federal policy regarding what constitutes a disaster or disaster declaration policy would have an impact on City departments. The City is seeking to protect and maintain its federal funding through both legislative advocacy and legal means if and as necessary. Any changes in federal funding will not affect the City's ability to repay the City's bonds.

Federal Shutdown Risk

Partial or full federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential direct risks to the City's receipt of revenues from federal sources and could have indirect impacts due to the shutdown's effect on general economic conditions. The City has not experienced material adverse impacts from the federal government shutdowns that have occurred in the past. However, the City can make no assurances that it would not be materially adversely affected by any future shutdown of the federal government. In addition, federal funding received by the City could be at risk in the event that the federal government approaches its statutory debt limit. The City cannot predict whether or to what extent any specific federally funded program could be affected in such an event.

Federal Tax Law Changes

From time to time, there are legislative proposals in Congress and the IRS for rulemaking activities that could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether future legislation, rules, regulations, or other guidance may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest on the Bonds. Risks to the status of federal tax exemption affecting interest on the Bonds are also discussed under "LEGAL AND TAX INFORMATION—Federal Tax Matters" in the main body of this Official Statement.

Public Health Emergencies

Pandemics and other widespread public health emergencies can and do arise from time to time and can affect broader economic conditions and the State's financial condition. Beginning in 2020, the global COVID-19 pandemic negatively affected local, State, national, and global economic activity and had broad and previously unpredicted economic implications that affected the City's financial condition. Actions taken by the City to provide relief resulted in increased costs, a portion of which was subsequently reimbursed with State and federal aid. Future pandemics and other widespread public health emergencies can and do arise from time to time, which could have similarly unpredictable impacts on economic conditions locally and globally, and on the City's financial condition. The City cannot predict the nature or timing of any future pandemics and other public health emergencies that may arise and could impact the local economy or the City's financial condition, nor can the City predict whether federal aid would be made available for response or recovery efforts.

Natural Disasters and Other Emergencies

Natural disasters (including earthquakes, volcanic eruptions and lahars, tsunamis, seismic seiches, mudslides, wildfires and forest fires, heat waves, floods, windstorms, droughts, and avalanches) and future global health emergencies are possible. The severity of any of these events may be exacerbated by global climate change, as discussed below. The loss of life and property damage that could result from a major earthquake, natural disaster, or global health emergency could have a material and adverse impact on the City and its economy and financial condition. In addition, federal disaster recovery resources (including personnel, supplies, and other direct aid) and financial assistance have been severely curtailed since early 2025. The City cannot predict the nature or timing of any natural disaster or other emergency, nor can the City predict whether federal aid would be made available for response or recovery efforts.

Wildfire and Forest Fire Risk

Washington State has experienced large wildfire seasons during the past several years, including in Western Washington, which has traditionally experienced higher rainfall and generally wetter conditions. Air quality across the City and the region has been negatively impacted during large wildfire events occurring in Washington and throughout the western United States and Canada. Rising temperatures, more frequent and longer lasting heat waves, and drier summers are expected to contribute to larger, more severe wildfires, and current climate modeling predicts that these conditions are likely to continue in the decades ahead. While wildfires have not permeated City limits, the effects of wildfires in general threaten the City's and the region's health, economy, and environment by causing unhealthy levels of air quality that can cause respiratory problems for some people. Wildfire affects surrounding areas by threatening infrastructure, homes, property, and agriculture; destroying forestland and its resources; and damaging habitat for wildlife. There is an increased level of fire risk from the urban-wildland interface.

Drought Risk

Drought can lead to a wide range of environmental, social, and economic impacts; can reduce water availability and quality; and can impact availability of water for hydropower. Drought can be a contributing factor to wildfire when dry, hot, and windy weather combined with dried out (and more flammable) vegetation may increase the probability of large-scale wildfires. For the City, the primary concerns around impacts of drought relate to its utility enterprises, particularly the hydropower resources of Seattle City Light and the water resources for Seattle Public Utilities, as well as the increased wildfire risks associated with prolonged drought conditions.

Landslide Risk

The City and its surrounding areas have steep hills, wet winters, and geology that is prone to landslides, which occur frequently, especially in the winter and early spring. The City is the largest owner of landslide-prone slopes identified in the City's Environmentally Critical Areas Ordinance, which notes that 8.4% of the City's area is identified as slide prone and 81% of the slide-prone area is zoned for open space, the right of way, or single-family residential. The most common landslides in the City are shallow (less than 6–10 feet deep), fast moving (up to 60 km per hour), and occur on undeveloped slopes.

The City has undertaken measures to mitigate vulnerability to landslides including inventorying and mapping landslide prone areas, establishing requirements to stabilize building sites during construction, developing public education, and undertaking slope stabilization projects. Mitigation often requires cooperation between private landowners and the City.

Flood Risk

Western Washington is very prone to flooding, which has the potential to be among the most costly and destructive disasters. The City's flood profile includes three distinct flooding hazards: riverine flooding, coastal flooding, and urban flooding. Urban and riverine flooding are most common. Climate change is projected to cause sea level rise and increase the frequency of heavy rain events, heightening Seattle's future risk of urban and coastal flooding.

- Urban flooding happens suddenly when intense rain overwhelms the capacity of the drainage system. Low lying, bowl-shaped areas like Madison Valley and Midvale are the most likely to flood.
- Coastal flooding is associated with storms, particularly when coinciding with high tides, sometimes referred to as "king tides." Coastal flooding can erode the toes of bluffs and are one factor in landslides. Some areas, like South Park, can experience drainage problems under the same conditions. Coastal flooding in Lake Washington or in Puget Sound could damage a large area. The most common land use near the shore is

residential, but the Port of Seattle and the Burlington Northern Railway might also be affected because of their proximity to the water.

- Riverine flooding occurs when heavy precipitation causes a river or stream to overflow its banks into the adjoining floodplain. Seattle has three primary waterways susceptible to riverine flooding with 100-year floodplains covering the South Park area (surrounding the Duwamish River) and the drainage basins for Thornton Creek (located in north Seattle) and Longfellow Creek (located in west Seattle). Flood control structures have been built in these areas, including the Howard Hanson Dam that controls flow in the Duwamish River. Riverine floods can also affect city infrastructure when high water cuts transportation routes and pipelines. Small segments of two high-traffic volume arterial streets cross the flood plain: State Route 99 crosses the South Park flood plain and State Route 522 crosses along three segments of Thornton Creek.

Earthquake Risk

The City is located in a region of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes occurring nearby. Certain soil types and property in certain areas of the City could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) and could result in landslides following a major earthquake and any aftershocks. The City lies near identified geologic faults, including the Cascadia subduction zone beneath the Pacific Ocean, and the Seattle Fault, both of which are thought to be capable of causing extensive damage. The most notable recent earthquake, which measured 6.8 on the Richter scale, occurred in 2001. Coastal areas of the City also could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States.

Over the last several years, some of the State's most significant infrastructure investments have involved the replacement or retrofitting of the infrastructure assets determined to be most vulnerable to earthquake damage including replacement of the State Route 520 Floating Bridges and the demolition of the Alaskan Way Viaduct, and the replacement of the seawall between downtown Seattle and Puget Sound. The Seattle Department of Transportation has an active Bridge Seismic Retrofit Program, in coordination with other State and regional agencies, to evaluate and mitigate potential risks with bridge structures related to seismic activity. Other City departments and State agencies have responsibilities involving earthquake hazard mapping and emergency management preparations.

Volcanic Hazards

Volcanic hazards include eruptions, pyroclastic flows, volcanic landslides and gas releases, and lahars. Lahars are a type of volcanic risk that can occur at almost any time, and they do not need a volcanic eruption. The water that forms lahars can come from snow and ice melted by heat from the volcano or from hot pyroclastic flows. The water can also come from intense rain events. When enough water mixes with loose volcanic ash and rock on the side of a volcano, the mixture flows downhill and forms a lahar.

The City is located proximate to the Cascade Range in Western Washington, which includes five active volcanoes. Four of these are considered a "very high" threat by the U.S. Geological Survey Volcano Hazards Program in its 2018 update to the national volcanic threat assessment. Threat rankings are based on geologic and historical studies of the volcanoes and quantify how likely their eruptions are to impact people and infrastructure; they are not rankings of likelihood of eruption. The list ranks the two closest to the City, Mount St. Helens and Mount Rainier, among the top five most dangerous volcanoes in the country.

Climate Change Risk

There are potential risks to the City associated with changes to the climate over time and from increases in the frequency, timing, and severity of extreme weather events. Aging infrastructure systems will be more vulnerable to climate-related hazards, as they are less able to mitigate climate-related hazards or cope with extreme events. Extreme events are likely to continue to occur, leading to cascading and compounding impacts for residents, businesses, and systems. While the City's systems and assets are deemed by the City to be fairly resilient to the impacts of climate change, the City, including its utilities, is preparing for continued changing climate conditions and the resulting economic, infrastructure, health, and other community impacts by incorporating climate change into its decision making and identifying actions to enhance the resilience of services and infrastructure.

Over the last decade, the City has adopted numerous resolutions and taken several executive actions to provide long-term planning direction and guide climate protection and adaptation efforts, address and mitigate the effects of climate change, set expectations for new municipal facilities to meet established green building standards, and direct City

departments to work together to prioritize and expand actions that equitably reduce or eliminate greenhouse gas emissions within the transportation sector.

Most recently, an executive order was issued in 2025 directing City departments to develop a modernized Climate Action Plan focused on climate resilience and adaptation, building a green economy, and protecting public health, as well as near-term actions to reduce transportation emissions. An audit of the 2013 Climate Action Plan determined that the City completed or made significant progress on more than half of the actions identified in the 2013 plan while also advancing projects outside the plan. These efforts contributed to a 5.7% reduction in greenhouse gas emissions from 2014 to 2022. The updated plan is currently in development following a community engagement period and it is anticipated that the plan will be finalized in Q2 2027.

Additionally, the City has further incorporated its response to climate change into its Comprehensive Plan. In 2023, the State enacted legislation that updated the State’s planning framework to improve its response to climate change, adding a requirement for many municipalities, including the City, to include a climate change and resiliency element in their comprehensive plans. The City’s most recent Comprehensive Plan Update includes sub-elements addressing goals and policies to reduce carbon pollution, foster resilience to the impacts of climate change, and sustain a healthy environment.

The carbon pollution reduction sub-element incorporates findings from two greenhouse gas inventories. The policies recommended in this sub-element seek to attain carbon neutrality by 2050, reduce emissions-generating vehicle trips, expedite the transition to electric vehicles, direct growth such that new jobs and housing reduce carbon pollution, transition buildings to clean energy use, and emphasize waste prevention by supporting a circular economy that keeps resources in use for as long as possible.

The sub-element regarding resilient communities and environment is centered on the Seattle Climate Vulnerability Assessment (the “CVA”), dated June 2023, which assessed how climate change is already affecting the City, its residents, and its economy. The CVA identified that flooding and sea level rise, extreme heat, wildfire smoke, and extreme precipitation will have wide-ranging and interconnected impacts for the City. The policies recommended in this sub-element identify areas that the City can invest in to address these risks, such as investments in community services such as cooling and clean air centers and access to home cooling and air filtration systems; using open space and green infrastructure to buffer communities from flooding impacts; researching of potential supply chain impacts; monitoring and maintaining transportation systems; improving grid capacity and resilience; prioritizing water and wastewater systems’ resilience to flooding impact; protecting and expanding the City’s tree canopy; and protecting watersheds and salmon habitats.

Cybersecurity and Artificial Intelligence Risk

— Cybersecurity Risks

Cybersecurity threats continue to become more sophisticated and are increasingly capable of negatively impacting the confidentiality, integrity, and availability of City systems and applications, including those of critical control systems. The City’s Information Technology Department (“Seattle IT”) is organized as a single City department under City Code and Ordinance and, in conjunction with the various other City departments, provides centralized cybersecurity governance. City departments with plant operations are allowed to maintain operational technology and departmental systems with higher independence but must still adhere to enterprise security policies and controls.

Seattle IT has instituted processes, training, and controls to maintain the reliability of its systems and protect against cybersecurity threats, mitigate intrusions, and plan for business continuity via data recovery, and updates these periodically. As designated by the City’s Chief Technology Officer, the Chief Information Security Officer holds authority over citywide cybersecurity management, setting security standards, procedures, plans, guidelines and controls across all departments and coordinating with department security leads responsible for critical infrastructure, including utility, transportation, and energy systems.

Cybersecurity incident response plans are reviewed regularly, in alignment with National Institute of Standards and Technology (“NIST”) Special Publication 800-61, and tabletop and other exercises are conducted annually, including exercises for executive leadership, to assess the effectiveness of City plans. Seattle IT and third-party professional services also conduct cybersecurity assessments with the intent to identify areas for continual improvement and develop work plans to address issues and support the cybersecurity program. This includes technical vulnerability assessments, penetration testing, and risk assessments aligned with the National Institute of Standards and Technology Risk Management Framework and security controls based on NIST Special Publication 800-53. Seattle IT has adopted the NIST Cybersecurity Framework 2.0 as its primary cybersecurity maturity model. The City maintains compliance with multiple regulatory frameworks applicable to its operations.

Given recent advances in risks due to artificial intelligence, the City is executing a multi-year cybersecurity modernization program across four strategic domains: governance and risk architecture, zero-trust advancement, cryptographic modernization, and operational excellence. Cybersecurity risks create potential liability for exposure to nonpublic information and could create various other operational risks. The City cannot anticipate the precise nature of any particular breach or the resulting consequences. It has had cybersecurity liability insurance coverage since 2019. Cybersecurity insurance helps mitigate the financial and operational impact of a cyber event by covering first party losses such as data restoration, business interruption, and ransomware payments. Cyber policies coordinate and help pay for incident response services (such as forensic experts, public relations firms, and breach counsel). Cyber policies also respond to third party exposures by funding legal defense, regulatory investigations, and settlements arising from privacy or network security claims. See “FINANCIAL AND RISK MANAGEMENT—Insurance and Risk Management.”

The City has become a desired location for key sporting events and has increasingly strengthened its security posture. Most recently, the City has taken measures to heighten cybersecurity preparedness for the 2026 FIFA World Cup, for which Seattle is a host city with six matches expected to draw over 750,000 visitors to the region, representing the largest event in City history.

The Seattle Public Library (“SPL”), a charter department of the City, operates semi-independently managed IT systems and network infrastructure with a dedicated cybersecurity team, separate from Seattle IT. SPL became aware of a ransomware event affecting its technology systems on May 25, 2024. SPL quickly engaged cybersecurity specialists and law enforcement and took its systems fully offline to interrupt and assess the nature of the event. Security remediations were completed with Seattle IT, and SPL has increased its security posture by implementing additional protections. Restoration of services occurred with no insurance claim.

— *Artificial Intelligence Risks*

Advancements in artificial intelligence (“AI”) have the potential to drastically improve the responsiveness and effectiveness of City services. However, at the same time, AI also introduces significant data privacy, legal, security, and operational risks that organizations, including the City, are still evaluating.

In 2025, the City updated its Responsible AI Program, along with its AI Policy and released its 2025-2026 AI Plan, which expanded governance from generative AI to all AI solutions deployed across City operations. Building off of the foundational work of the City’s Privacy Program, the AI Policy connects its governing principles (innovation, accountability, reliability, fairness, privacy, explainability, and security) to certain uses of AI that are prohibited or have levels of risk that require additional assessment and controls. Further, the AI Policy requires an operational review process to evaluate and establish privacy, security, business value, and other applicable controls aligned with the NIST AI Risk Management Framework for AI solutions prior to implementation and use.

In December 2025, the City hired its first City AI Officer to support this model for responsible AI enablement, coordinating the City’s AI Governance Group that now provides oversight, moving beyond compliance adherence by coordinating technical architecture and data use strategy, and connecting program operationalization under the Chief Technology Officer. The Responsible AI Program continues to operationalize City AI governance through department evaluation of the AI system, assessing risk, and implementing controls aligned with the NIST AI Risk Management Framework. Nonetheless, the City cannot anticipate the particular risks that AI may create or the resulting consequences. The City seeks to mitigate risks with strong oversight and governance.

APPENDIX B
THE CITY LIGHT DEPARTMENT

APPENDIX B THE CITY LIGHT DEPARTMENT

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THE CITY LIGHT DEPARTMENT

This appendix provides an overview of the management and operations of the Seattle City Light Department (“City Light” or the “Department”) of The City of Seattle, Washington (the “City”) as of June 23, 2026. This information is prepared in connection with the City’s Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A (the “Series 2026A Bonds”) and its Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026B (Variable Rate) (the “Series 2026B Bonds” and together with the Series 2026A Bonds, the “Bonds”) expected to be issued on or about July 15, 2026 and July 30, 2026, respectively.

SEATTLE CITY LIGHT

Overview

City Light is a municipally-owned electric utility operated as a department of the City pursuant to the City Charter and the laws of the State of Washington (the “State”). The Department owns and operates generation, transmission, and distribution systems, providing power to retail residential, commercial, and industrial customers within its service area and participating in the wholesale sale of surplus power to regional power markets. In its 2025 Public Power Statistical Report, the American Public Power Association ranks City Light as the 9th largest public power utility in the United States by number of customers served. In 2005, City Light became the first electric utility in the country to achieve zero net greenhouse gas emissions and has continued to maintain a greenhouse gas neutral status every year since.

Department History

The City first began delivering electricity to its customers in 1905 with power generated by the Cedar Falls Hydroelectric Plant. The Cedar Falls Project was the first such municipally-owned facility in the nation and remains in operation today. By 1910, operational responsibility for the City’s electric system was assigned to the City Light Department.

In 1951, City Light purchased generation, transmission, and distribution facilities serving City residents from Puget Sound Power and Light Company. Since that purchase, City Light has operated without competition as the sole retail electricity provider in its service area.

City Light Service Area

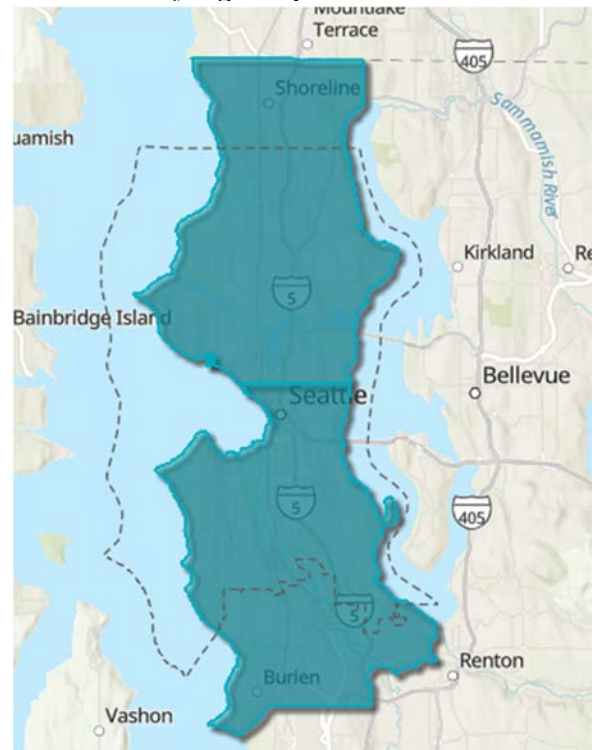
As depicted in green in the map in Figure B-1, City Light’s 131-square-mile service area consists of all territory within the City plus areas extending three to four miles north and south of the City limits. The service area limits have not changed since 1951. Growth of City Light’s electric load has resulted exclusively from development within the service area.

The population of City Light’s service area is approximately 995,000. Sales to customers within the City limits (indicated by the dotted line in Figure B-1) represent approximately 84.7% of retail power sales.

City Light’s Power Resources

Depending on the water year, between 75% and 90% of City Light’s power resources are generated from carbon-neutral hydroelectricity. Typically, about 40% of City Light’s power resources comes from Department-Owned hydroelectric projects on the Skagit River (the “Skagit Project”) and the Pend Oreille River (the “Boundary Project”) located in Washington State. The remaining power is generated from a mix of power sources purchased from the Bonneville Power Administration (“BPA”) and other renewable sources. City Light’s power supply portfolio does not include coal or natural gas resources. However, when necessary, City Light makes power purchases in the wholesale

Figure B-1.
Seattle City Light Department Service Area



Source: Seattle City Light Department, Financial Planning

markets, which may incidentally include coal or natural gas resources. City Light offsets any emissions associated with unspecified market purchases through its greenhouse gas (“GHG”) neutrality policy and the acquisition of renewable energy credits (“RECs”).

Management of the City Light Department

The Light System is operated as a City department and is subject to ordinances and resolutions adopted by the City Council and approved by the Mayor. The Mayor and City Council approve the Department’s budget, set rates, and authorize debt issuances, along with other functions set forth in the City Charter.

The Department operates under the direction of a General Manager and Chief Executive Officer, who is appointed by the Mayor and confirmed by the City Council, subject to reconfirmation every four years. The City Council has also appointed an advisory City Light Review Panel (the “Review Panel”) made up of nine members representing City Light’s customers and partners to provide input into City Light’s Strategic Plan.

Organizational Structure and Leadership

The Department is divided into eight operating units: Office of the General Manager; Customer Care and Energy Solutions; Energy Delivery Operations; Power Supply; Environmental, Engineering, and Project Delivery; Financial Services; People and Culture; and Technology.

Brief descriptions of the backgrounds of certain key City Light officials are provided below:

- **Rob Santoff, Interim General Manager and Chief Executive Officer**, joined City Light in 2020, working as Manager of T&D Field Operations, Director of T&D Field Operations, and Director of Network, Stations, and Shops, and Chief Operating Officer, prior to starting his current role in April 2026. He began his career in 1995 as a member of a tree trimming and removal crew with Asplundh Tree Expert Company, where he later moved up to crew foreman and eventually served as general foreman for 10 years. He became the Supervisor of T&D Operations at National Grid in 2015, then spent a year with Avangrid before joining City Light. Mr. Santoff holds an MBA from the University of Tennessee Chattanooga and completed the Massachusetts Institute of Technology (MIT) COO Certificate Program.
- **Dennis McLerran, Deputy General Manager**, joined City Light in March 2026. He was formerly at Cascadia Law Group representing the largest private utility in Washington State and other municipal clients. Mr. McLerran has an extensive background in energy policy, climate change and environmental law. He has been the leader of multiple public agencies including US EPA Region 10, the Puget Sound Clean Air Agency and previously served as a department director under two Seattle mayors. He has served as a legal advisor to multiple cities and has a Juris Doctor degree from Seattle University School of Law. He currently leads the Environmental team and a host of other responsibilities.
- **Brendan Armstrong, Interim Chief Operating Officer**, joined City Light in 2019 as Physical Security Program Manager before becoming Workplace Logistics Director. In seven years at City Light and four years on the leadership team, Mr. Armstrong has worked side by side with every business unit and division and deepened his utility knowledge through the University of Idaho Energy Executive Course.
- **Kirsty Grainger, Chief Financial Officer**, has been with City Light since 2007, serving in various roles in Corporate Performance and Finance. Before joining City Light, she worked at Puget Sound Energy and at the pharmaceutical company Eli Lilly. Ms. Grainger holds a bachelor’s degree in mathematics from Whitman College and a Master of Science in Engineering – Economic Systems and Operations Research from Stanford University.
- **Leigh Barreca, Chief of Staff**, joined City Light in 1990 and spent the first part of her career in City Light’s Information Technology Division in several leadership roles. Since 2016, she has been the lead for the development of City Light’s Strategic Plan, as well as corporate performance metrics and benchmarking. Prior to joining City Light, she served for three years in the Peace Corps (in Gabon and Togo) and worked for a Seattle non-profit serving the refugee community. Ms. Barreca holds a Bachelor of Arts from the University of Idaho and an MBA from the University of Washington’s Foster School of Business.
- **Siobhan Doherty, Power Supply Officer**, joined City Light in September 2022 as Power Management Director and was appointed to her current position in May 2024. Ms. Doherty has over 20 years’ experience in the energy industry, including as the Director of Power Resources at Peninsula Clean Energy and multiple leadership roles related to project finance, development, and contracting at SunEdison. She holds a bachelor’s

degree from Smith College in Government, and an MBA and a Master of Science with a focus on energy policy, both from the University of Michigan, Ann Arbor.

- **David Logsdon, Interim Chief Customer Officer**, joined City Light in 2020 as Electrification and Strategic Technology Director. He leads the utility's work in electrification, grid modernization, and emerging technology while overseeing programs that advance customer experience, operational efficiency, decarbonization, and equitable outcomes through strong community partnerships. He previously spent a decade at Consolidated Edison in New York and holds a Master of Science in Sustainability Management from Columbia University, a Bachelor of Arts from Texas A&M University, and a Project Management Professional (PMP) certification.
- **Andrew Strong, Engineering and Project Delivery Officer**, joined City Light in 2007 and was appointed to his current position in 2023. Prior to this appointment, he held the position of Director of Engineering and Technology Operations and previously served as the Director of Asset Management and Large Projects and as a manager within the Generation and Engineering division. He is a Mechanical Engineer with experience in the general contracting industry, including large building infrastructure within the City. Mr. Strong is a graduate of the University of Vermont.
- **DaVonna Johnson, Chief People and Culture Officer**, joined City Light in 2004 and was appointed to her current position in 2009. Prior to her appointment to this position, she served as the Talent Acquisition and Development Manager in Human Resources. Before joining City Light, she worked for the City for five years and has worked in both the public and private sectors. Ms. Johnson has bachelor's and master's degrees in business administration from Washington State University.
- **Mujib Lodhi, Chief Information Officer**, joined City Light in 2025 overseeing strategy and operations for utility digitization, grid modernization, and technology and cybersecurity governance, operations, and programs. Prior to this, he held executive leadership roles, including CIO, SVP of Customer Experience, interim CFO, and COO, in public power and water utilities. Mr. Lodhi holds a B.S. in Management Information Systems from the University of Indianapolis, has completed graduate coursework in Leadership at Nyack College, has participated in the Management Development Program at Harvard, and has earned a Strategic Management Certificate from Cornell.
- **Craig Smith, Executive Advisor**, joined City Light in 2014. He has more than 40 years of experience with the electric utility industry, including serving three years as the CEO of Richard Heath and Associates and six years as Assistant General Manager of Snohomish County Public Utility District, as well as Chief Customer Officer and Interim General Manager of City Light. Mr. Smith received a bachelor's degree in urban planning from Antioch College. Mr. Smith plans to retire later this year.

City Light Review Panel

The City Light Review Panel ("Review Panel") is a nine-member advisory board charged with reviewing, assessing, and providing feedback on City Light's proposed Strategic Plan, retail rate setting, and other issues as requested by the Mayor or City Council. The Review Panel is an advisory board and its recommendations are nonbinding. Review Panel members are appointed to three-year terms and are confirmed by the City Council. The panel includes seats for an economist, a financial analyst, and representatives of five specific customer groups (residential, commercial, industrial, suburban franchise, and low-income).

City Light Strategic Plan

The City Light Strategic Plan is a six-year plan that is updated every two years. The 2025-2030 Strategic Plan was approved by the City Council in September 2024. The most recent version of City Light's adopted Strategic Plan and related planning documents are available on the City Light website (www.seattle.gov/city-light/about-us/strategic-plan-and-review-panel).

A new 2027-2032 Strategic Plan has been developed and is expected to be adopted by the City Council in the summer of 2026. The proposed 2027-2032 Strategic Plan (the "Proposed Plan") defines six focus areas with clear long-, mid-, and short-term outcomes to support adaptability in the evolving industry landscape. These focus areas are power supply, reliability, sustainability, customer experience, technology, and workforce. The Proposed Plan also outlines that rate increases much higher than historical increases would be required to achieve the outcomes identified in the Proposed Plan. The Proposed Plan estimates average rate increases of 9.5% would be required in both 2027 and 2028. In addition, rate increases of approximately 7% to 11% would be required in each year of 2029-2032. For information

on the rate setting process, see “RETAIL RATES, BILLING AND COLLECTIONS—Retail Rate Setting Procedures.”

The primary drivers of the expected increased annual revenue requirement in the Proposed Plan include capital recovery and additions to cash reserves, increases in power costs, growth in O&M costs, and taxes. Approximately 42% of net capital requirements over the 2027-2032 period are expected to be funded with operating revenue. Debt service is expected to grow as the Department issues more debt, and approximately \$240 million in cash reserves will be added to support the bond reserve account and to meet its liquidity target of 150 Days Cash on Hand.

Capital requirements are expected to increase significantly, led by replacement of underground infrastructure and implementation of the new Skagit License. Net power costs are expected to grow, with BPA power and transmission costs comprising the largest single component at over \$250 million. The Department also maintains a planning assumption to add an estimated \$239 million for a combination of solar, wind, battery storage, and transmission to meet resource adequacy targets.

O&M is projected to grow steadily, reflecting inflation assumptions of approximately 4% per year from the 2026 adopted O&M budget baseline, reclassification of certain existing hydro relicensing costs from capital to O&M consistent with accounting best practices, and new programs supporting the Proposed Plan's focus area initiatives. Taxes are expected to grow proportionally with revenue.

The Proposed Plan and the proposed rate path are provided for strategic planning purposes only, and the forecast information presented is a “forward-looking statement,” based on the proposed rate increases and spending increases outlined in the Proposed Plan. It speaks only as of the date it was prepared, based on assumptions and information available as of that date. Significant uncertainty exists and actual results may differ materially from forecast. Caution should be exercised when reviewing this information.

Department Employment and Labor Relations

Department Employees

As of March 2026, City Light had approximately 1,900 authorized full-time equivalent positions. Department employees are eligible to participate in the City's pension plan and other post-employment retirement benefits. Information about the City's employment benefits, pension plans, and other post-employment benefits is described in APPENDIX A to the Official Statement under the heading “CITY EMPLOYMENT AND RETIREMENT PLANS.”

Collective Bargaining Units

Collective bargaining agreements for all unions in which City Light has employees are negotiated Citywide through the Seattle Department of Human Resources. Approximately 90% of City Light's regular full-time employees are represented by labor unions. Most of City Light's 17 labor unions are part of the Coalition of City Unions. Certain bargaining units consist entirely of employees of City Light, including International Brotherhood of Electrical Workers Local 77, Inlandboatmens Union, and Council 2 Local 21C. Information about Citywide labor relations and collective bargaining agreements is provided in APPENDIX A to the Official Statement under the heading “CITY EMPLOYMENT AND RETIREMENT PLANS—Labor Relations and Collective Bargaining.”

Retirements and Workforce Development

Based on age, approximately 12% of City Light's workforce is currently eligible to retire. For more than a decade, City Light has employed a robust training and succession planning program to prepare the existing workforce for this change and address its attrition risk, particularly among skilled trades and professional staff. This program includes workforce development programs, college student interns, and apprenticeship programs for high voltage electrical workers. More than 16% of City Light's current skilled trade workers were trained through its internal apprenticeship program.

DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES

The City's Charter authorizes establishment by ordinance of special funds, held separate and apart from the City's general fund, for the purpose of operating City-owned utilities, including City Light. The Charter provides that the transfer of surplus funds from any City owned public utility (including for the collection of taxes) may not be made until provision has been made for paying the utility's outstanding debts and its operating and maintenance expenses. In addition, State statute requires that separate accounts be kept for each department and that all services rendered by or property transferred from one department to another must be paid for at its true and fair value.

The Light Fund is a special fund established by the ordinance creating the Department in 1910. All amounts in the Light Fund are held and invested by the Treasury Services Division of the Office of City Finance in accordance with Citywide financial policies and State law. Citywide financial and investment policies are described in APPENDIX A to the Official Statement under the heading “FINANCIAL AND RISK MANAGEMENT.”

For so long as any Parity Bonds are outstanding, amounts received into the Light Fund may be used only subject to the priority flow of funds set forth in the outstanding Parity Bond Ordinances, which is described in the Official Statement under the heading “SECURITY FOR THE BONDS.”

City Light Financial Policies and Planning Targets

City Light operates under a set of Financial Policies approved by the City Council, which include three main elements:

- **Rate Stabilization Account (“RSA”) Management Policy.** This policy sets parameters for the funding, operation, and expenditure of amounts in the RSA, together with the creation of automatic rate surcharges to replenish the RSA as needed. See “—Rate Stabilization Account,” below.
- **Debt Service Coverage Policy.** This policy sets a guideline to maintain utility rates at a level that will generate Net Revenue sufficient to meet a target debt service coverage ratio (budgeted Net Revenue divided by budgeted Debt Service) of at least 1.80x. This policy target is higher than the Rate Covenant in the Bond Ordinance discussed in the Official Statement under the heading “SECURITY FOR THE BONDS—Summary of Certain Bond Covenants—Rate Covenant.”
- **Targets for Debt Financing of Capital Improvement Program.** The policies set a requirement for City Light to fund approximately 40% of the capital requirements shown in its adopted 6-year Capital Improvement Plan (“CIP”) with cash from operations. See “LIGHT SYSTEM CAPITAL REQUIREMENTS—Adopted Capital Improvement Plan” and the description in the Official Statement under the heading “DEBT OF THE LIGHT SYSTEM—Future Financing Plans.”

In addition, City Light introduced two new financial planning targets in 2024 that were adopted as part of the 2025–2030 Strategic Plan. While not formally included in City Light’s Financial Policies, these key planning targets include:

- **Leverage Goal.** A debt-to-fixed asset ratio planning target of under 60%. The actual debt-to-fixed asset ratio as of December 31, 2025, was 57.0%.
- **Liquidity Goal.** A planning target for a minimum balance of cash on hand equal to 150 days of operating expenses. As of December 31, 2025, City Light’s cash balance equaled 207 days of operating expenses, with an average year-end balance of 178 days over the 2021-2025 period.

Interfund Loans as a Liquidity Support

The City’s Director of Finance is authorized to make loans to individual funds participating in the City’s common investment portfolio (the “Investment Pool”), including the Light Fund, as a source of short-term emergency liquidity. Interfund loans are made in accordance with the City’s Debt Management Policies, which are described in APPENDIX A to the Official Statement under the heading “FINANCIAL AND RISK MANAGEMENT—Financial Management—Interfund Loans.”

Rate Stabilization Account

The City maintains a Rate Stabilization Account in accordance with its Financial Policies and the outstanding Parity Bond Ordinances. The Bond Ordinance covenant to maintain the Rate Stabilization Account is described in the Official Statement under “SECURITY FOR THE BONDS—Rate Stabilization Account.”

The RSA has been in use since 2011 and is managed to smooth out revenue volatility caused by unpredictable factors like weather affecting hydroelectric production or swings in the wholesale power market. City Light actively manages the RSA by making transfers to the Light System Operating Account when revenues from sales of surplus power (“Net Wholesale Revenues”) in any month are below the budgeted amount and by making deposits of Net Wholesale Revenue to the RSA if Net Wholesale Revenues in any month exceed the budgeted amount.

City Ordinance 126502 specifies that the target size of the RSA is no less than \$100 million and no greater than \$125 million. If the balance exceeds the maximum threshold on a measurement date (March 31 and September 30), City Light is required to reduce the balance to \$110 million by transferring funds to the Operating Account of the Light Fund. If the balance is below the minimum threshold on a measurement date, the ordinance authorizes the automatic

imposition of a temporary surcharge on electric rates with the surcharge revenue (adjusted for applicable utility taxes) deposited into the RSA. The amount of the surcharge varies based on the amount of the deficiency. Revenues from the surcharges (adjusted for applicable utility taxes and franchise fees) are deposited to the RSA. Surcharges may be implemented no more than twice per year (January 1 and June 1) and are lifted within 90 days of when the month-end balance has reached the relevant threshold.

Proposed RSA Changes

In May 2026, City Light submitted legislation to the City Council that would amend the RSA mechanism (the “Proposed RSA Changes”). The Proposed RSA Changes would increase the minimum balance and would provide a more comprehensive power cost adjustment mechanism by buffering variability in retail sales in addition to the current focus on short-term wholesale purchases and sales. The Proposed RSA Changes are being considered by the City Council in June and July 2026, for proposed implementation effective January 1, 2027.

If approved by the City Council, the Proposed RSA Changes would buffer “Net Variable Power Costs,” which include (i) costs and revenues from short-term wholesale transactions; (ii) long-term power contracts; (iii) long- and short-term transmission transactions; and (iv) ancillary services. The Proposed RSA Changes would also repeal the BPA pass-through provisions from the Seattle Municipal Code and incorporate the pass-through function into the updated RSA mechanism. As with the current mechanism, the updated RSA mechanism would transfer the difference between actual and budgeted values for each of these categories to/from the operating account. The Proposed RSA Changes would add an adjustment for retail sales variation.

RSA Transfer and Surcharge Rules

Table B-1 outlines the current transfer and surcharge rules and the rules as included in the Proposed RSA Changes.

**Table B-1.
Schedule of Automatic Surcharges and Transfers**

Current Policy	
RSA Balance⁽¹⁾	Action
Greater than \$125 million	Transfer funds to Light Fund Operating Account to bring balance to \$110 million
Less than or equal to \$75 million, but greater than \$50 million	Automatic 2.0% surcharge
Less than or equal to \$50 million, but greater than \$25 million	Automatic 4.0% surcharge
Less than or equal to \$25 million at any month-end	City Council must initiate rate review within 30 days to determine actions, including review of retail rates, necessary to replenish RSA to \$100 million within 24 months
Proposed RSA Changes⁽²⁾	
RSA Balance⁽¹⁾	Action
Greater than \$200 million	Transfer funds to Light Fund Operating Account and maintain a balance of \$200 million.
Less than or equal to \$120 million, but greater than \$80 million	Automatic 2.0% surcharge – remains in place until RSA balance is greater than \$150 million
Less than or equal to \$80 million, but greater than \$25 million	Automatic 5.0% surcharge – remains in place until RSA balance is greater than \$150 million
Less than or equal to \$25 million at any month-end	City Council must initiate rate review within 30 days to determine actions, including review of retail rates, necessary to replenish RSA to \$150 million within 24 months

(1) Measurement dates are as of March 31 and September 30, except that if any month-end balance is below \$25 million, the City Council must be notified within 30 days.

(2) Based on Proposed RSA Changes, as submitted to the City Council in May 2026. If approved, the Proposed RSA Changes are expected to go into effect as of January 1, 2027.

Source: The City Light Department

Rate Stabilization Account Activity

As of February 28, 2026, the balance in the RSA was \$122.0 million. A 4.0% RSA surcharge that went into effect on January 1, 2024 remained in place until April 1, 2026, ninety days after the RSA balance reached \$100 million. This brought in \$13.4 million in additional retail revenue in 2026, which resulted in additional deposits to the RSA of \$12.1 million after taxes. The RSA balance is forecasted to total approximately \$122.5 million at the end of 2026.

Table B-2 summarizes RSA account activity over the past five years and forecasts of transfer activity for 2026.

Table B-2.
Summary of Rate Stabilization Account Activity
(*\$ in millions*)

	Audited					Forecast 2026 ⁽¹⁾
	2021	2022	2023	2024	2025	
Beginning Balance	96.85	99.40	74.99	65.78	68.18	110.40
Net Transfers In/(Out) of Surplus Wholesale Revenues	(22.44)	(26.88)	(108.30)	(33.25)	4.76	-.-
Revenues from Surcharges (Net of Taxes)	6.27	-.-	-.-	39.08 ⁽²⁾	37.53 ⁽²⁾	12.06 ⁽²⁾
Interest Earnings ⁽³⁾	1.36	-.-	-.-	-.-	-.-	-.-
Net Other Transfers To/(From) Incl. true-ups	17.34 ⁽⁴⁾	2.47	99.06 ⁽⁵⁾	(3.43)	9.46	-.-
Ending Balance	99.40	74.99	65.78	68.18	110.40 ⁽⁶⁾	122.47

Totals may not add due to rounding.

- (1) Forecast as of April 30, 2026, based on internal estimates prepared by the Seattle City Light Department, Finance Division.
- (2) A 4.0% surcharge went into effect as of January 1, 2024, triggered by a \$28.5 million balance on the September 2023 measurement date. In December 2025, the RSA balance reached \$100 million, triggering the removal of the 4.0% surcharge, effective April 1, 2026.
- (3) As authorized by Ordinance 126502, interest earned on RSA funds is no longer allocated to the RSA but held in operating cash.
- (4) As authorized by Ordinance 126502, a \$15 million transfer from the operating account to the RSA was completed in December 2021. Smaller true-up transfers throughout the year comprise the remaining \$2.34 million transferred into the RSA.
- (5) As authorized by Ordinance 126819, three transfers totaling approximately \$100 million were made from the operating account to the RSA in May, August, and December 2023.
- (6) In December 2025, the RSA balance reached \$100 million, triggering the removal of the 4.0% surcharge, effective April 1, 2026.

Source: *The City Light Department*

Regulatory Affairs and Federal Energy Regulation Compliance

City Light's Regulatory Affairs Office ("Regulatory Affairs") manages City Light's regulatory programs associated with transmission and wholesale sale of power. Regulatory Affairs ensures compliance, oversees regulatory interactions, and advises on orders, policies, or rules proposed by a regulatory agency. City Light's largest oversight program concerns bulk power system reliability, with moderate programs for other pertinent regulatory areas. The Director of Regulatory Affairs, who also serves as the Chief Compliance Officer, reports to the Chief Financial Officer and has direct access to the General Manager and Chief Executive Officer. Regulatory Affairs functions independently of City Light's operating divisions.

Anti-Market Manipulation Program

The Federal Energy Regulatory Commission ("FERC") and the Commodity Futures Trading Commission ("CFTC") have established anti-market manipulation rules to protect the integrity of their respective markets.

- FERC has rules against market manipulation in electricity and natural gas markets, ensuring transparency and preventing fraudulent practices that exploit consumers. FERC's anti-market manipulation rules expressly apply to City Light through its participation in wholesale energy markets. The fundamental purpose of these rules is to prevent non-competitive trading activities, which include all trades done with the purpose or effect to avoid a bona fide market position.
- CFTC prohibits market manipulation in financial markets, including futures and options, and enforces rules against fraudulent activities that could distort market prices. The regulations and rules broadly apply to and affect municipal utilities such as City Light. The CFTC regulates clearing and exchange requirements for the purchase and sale of commodity derivatives, including energy derivatives. Municipal utilities, and entities

that transact with municipal utilities, are subject to CFTC rules where they engage in covered market activities, such as futures, options and swaps.

City Light requires annual anti-market manipulation training for employees with responsibilities associated with the purchase and sale of energy and transmission, finance/risk management, and regulatory compliance.

Reliability Compliance Program

City Light is required to comply with FERC electric reliability standards under Section 215 of the Federal Power Act. City Light's Electric Reliability Compliance Program ("Compliance Program") policy incorporates a compliance framework of five interdependent elements designed to ensure compliance and prevent, detect, and correct non-compliance. Regulatory Affairs is responsible for conducting assessments, which may be performed internally or by external consultants, based on a risk assessment analysis to determine the frequency of periodic assessments and to select the specific FERC reliability standards to be evaluated. Regular assessments occur triennially and annually. Additional periodic assessments are conducted to evaluate compliance with changes in operations or applicable regulations.

The Western Electricity Coordinating Council ("WECC") audits City Light triennially; its next audit is scheduled for August 31, 2026 to September 11, 2026. WECC will perform a combined audit of Cybersecurity/Critical Infrastructure Protection and Operations and Planning standards. On May 1, 2026, WECC issued its formal Notice of Audit to City Light and identified nine standards and 13 individual requirements for review.

LIGHT SYSTEM CAPITAL REQUIREMENTS

City Light owns, maintains, and operates seven power generation hydroelectric plants, 16 major substations, a retail distribution system consisting of approximately 2,330 miles of overhead and underground wiring in City Light's looped radial system and another 348 miles in its Network system, for a total of 2,678 miles, plus other utility assets. It supplies approximately 9 million MWh of energy to retail residential and general service (commercial and industrial) customers located throughout its service territory annually and sells surplus power to the regional energy markets via interconnections to grid transmission throughout the western U.S.

Historical Energy Requirements and Peak Power Demand

Table B-3 shows historical retail and wholesale energy sales and total energy requirements.

Table B-3.
Historical Retail and Wholesale Energy Sales and Total Energy Requirements
(MWh)

	2021	2022	2023	2024	2025
Total Energy Sales (MWh)⁽¹⁾					
Residential	3,320,729	3,334,209	3,158,610	3,073,143	3,229,894
Non-Residential	5,757,653	5,983,684	5,881,456	5,865,789	5,777,400
Subtotal Retail Sales (MWh)	9,078,382	9,317,893	9,040,066	8,938,932	9,007,294
Wholesale Surplus Energy Sales	1,261,832	802,757	(209,770)	569,221	1,237,064
Total Energy Sales (MWh)	10,340,214	10,120,650	8,830,296	9,508,153	10,244,358
Peak Demand for Power (MW)	1,896	1,917	1,794	2,027	1,816
Energy Requirements (MWh)					
Total Energy Sales	10,340,214	10,120,650	8,830,296	9,508,153	10,244,358
Energy Used in Operation	26,537	27,466	26,797	27,695	21,900
System Losses ⁽²⁾	423,886	472,664	571,666	477,392	475,221
Total Energy Requirements⁽³⁾	10,790,637	10,620,780	9,428,759	10,013,240	10,741,479

(1) Amounts include an allocation for the net change in unbilled revenues.

(2) Includes transmission and distribution losses.

(3) Total firm energy required to supply City Light's service area, plus Wholesale Surplus Energy Sales, which is the net of Wholesale Market Purchases and Wholesale Market Sales.

Source: Seattle City Light Department, Accounting Division

Adopted Capital Improvement Plan

As part of the City budget process, the City Council approves annual updates to City Light's 6-year CIP for repairing, upgrading, and expanding the infrastructure of the Light System.

Table B-4 summarizes the adopted 2026-2031 CIP and other capital requirements that City Light intends to implement over the six-year period. Expenses listed for specific projects reflect those expenses expected to occur during the six-year period only and may not represent the total cost of the project. The Department applies a 90% spending assumption on the adopted CIP budget values in its forecast.

Forecast information presented below speaks only as of the date it was prepared and is a "forward-looking statement." This information reflects only the information and assumptions made as of the date it was prepared, is not fact, and should not be relied upon as being necessarily indicative of future results. Historical information may not be indicative of future expectations. Potential purchasers of the Bonds and the readers of this Official Statement are cautioned not to place undue reliance on the prospective information.

Table B-4.
Summary of Adopted 2026-2031 Capital Improvement Plan and Other Projected Capital Requirements
(*\$ in millions*)

	2026	2027	2028	2029	2030	2031	Total
Planned Uses of Funds							
Central Utility/General Plant ⁽¹⁾	\$ 39.37	\$ 45.95	\$ 36.39	\$ 34.59	\$ 33.89	\$ 38.07	\$ 228.24
Distribution System ⁽²⁾	271.29	270.92	280.27	290.16	296.88	302.11	1,711.63
External Projects ⁽³⁾	29.30	24.11	26.63	23.35	23.85	17.97	145.21
Power Supply ⁽⁴⁾	117.48	118.39	104.81	121.13	112.59	106.67	681.08
Transmission Facilities ⁽⁵⁾	2.88	2.66	3.66	3.76	3.94	4.04	20.94
Total Funding Required	\$ 460.32	\$ 462.03	\$ 451.75	\$ 472.99	\$ 471.14	\$ 468.86	\$ 2,787.09
Expected Sources of Funds							
Cash from Operating Account ⁽⁶⁾	\$ 233.39	\$ 152.20	\$ 148.56	\$ 155.32	\$ 154.19	\$ 154.21	\$ 997.87
Cash from Capital Contributions	46.23	46.89	47.66	50.48	51.73	49.42	292.42
Proceeds of Future Bond Sales ⁽⁷⁾	180.70	262.89	255.60	267.33	265.14	265.15	1,496.80
Total – Expected Funding Sources	\$ 460.32	\$ 462.03	\$ 451.75	\$ 472.99	\$ 471.14	\$ 468.86	\$ 2,787.09

Totals may not add due to rounding.

- (1) Central utility/general plant includes non-electrical system assets, including buildings and maintenance yards, investments in office-related computer equipment and furniture, centralized billing and customer service systems, information and communications systems, vehicle fleets, and transportation electrification projects.
- (2) Distribution system includes substations, network distribution systems, overhead and underground radial distribution systems, operational technology, and other facilities and assets related to the distribution system such as poles, wires and cables, transformers, manholes, vaults, ducts, and other electrical equipment and infrastructure needed to deliver power from the substation to the customer connection at home or business in both network and non-network areas.
- (3) External projects include work related to requests from local jurisdictions such as relocating infrastructure for transportation projects, maintaining, upgrading, and expanding the streetlight system, and various undergrounding work.
- (4) See "—Description of Power Supply Project in CIP," below.
- (5) Transmission facilities include poles, towers, and conductors used to carry electricity from generation facilities to substations.
- (6) Includes funds that will be utilized for debt retirement.
- (7) Net of planned optional debt retirements. Net of expected reserve fund contributions and issuance costs.

Source: Seattle City Light Department, Finance Division

—Description of Power Supply Project in CIP

Power supply includes generation facilities used to produce electricity. Typical assets are reservoirs, dams, waterways, waterwheels, turbines, generators, and accessory electrical equipment. A large percentage of generation investment is dedicated to core Department functions that maintain or add to generation infrastructure and ensure system reliability and power availability to customers, including City Light's generator and turbine runner rebuild program. In connection with its operation of the Skagit Project, the City has entered into an agreement (the "High Ross Agreement") with BC Hydro, a Canadian hydroelectric utility serving the province of British Columbia. Certain payments due to BC Hydro through 2035 are capitalized and are treated as a component of the Department's annual

capital requirements. See “POWER RESOURCES AND COST OF POWER—Department-Owned Resources—*Skagit Project*.”

This category also includes the Department’s conservation (energy efficiency) programs, capitalized expenditures for relicensing of generation facilities (including mitigation measures required as a condition of relicensing), and other costs such as environmental mitigation, toxic cleanup, and City and State taxes on suburban undergrounding. The Department’s conservation programs offer financial incentives (such as rebates, discounts, and loans) to customers who produce energy savings by installing approved energy-saving equipment or weatherization measures or by designing a building to exceed energy code requirements. As it relates to capitalized expenditures of relicensing, these costs are deferred and amortized to expense over the respective project license period or other relevant period. The City Council passed resolutions authorizing the debt financing and/or deferral of certain costs in accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Programmatic conservation costs are amortized to expense over 20 years. As it relates to environmental mitigation, certain mitigation payments involve payments to nonprofit organizations and governmental agencies under contracts for environmental mitigation activities required under certain relicensing settlement agreements. Certain environmental remediation expenditures, most of which are related to the Duwamish Waterway cleanup activities are also capitalized. See “ENVIRONMENTAL MATTERS—Contaminated Site Liability.” Other deferred costs include City and State taxes on suburban undergrounding to match the timing of the repayment by customers of the Franchise Jurisdictions.

New High-Consumption Customer Loads

Digital Infrastructure Customers (Data Centers and Artificial Intelligence)

The Department currently estimates that data center loads have been consistent over the past decade and currently account for roughly 4.5% to 5.0% of total system load. This number is expected to increase as several serious inquiries for new projects have been put forth within the last 18 months. The Department has proposed rate adjustments for large load customers. See “RETAIL RATES, BILLING AND COLLECTIONS—Retail Rate Structure—*Data Centers and Large Load Rates*.”

Although difficult to isolate, aside from direct service requests from large load customers, the Department also expects that data center demand for energy spread across the region is likely to contribute to generalized increases in the cost of transmission and new resources throughout the Pacific Northwest.

On June 9, 2026, the City Council voted to approve a one-year moratorium on the siting of new data centers greater than 20 megavolt-amperes (“MVA”) in the City until regulations including land use and zoning, mitigation measures for probable impacts, and appropriate fee structures for electricity usage are developed.

Transportation Electrification

City Light's service area has experienced significant growth in electric vehicle (“EV”) adoption over the past decade. As of July 2025, there were approximately 59,800 plug-in hybrid and battery-electric vehicles registered within the service area. The Department expects this trend to continue, driven by state and local policy commitments, expanding charging infrastructure, and growing consumer adoption.

In January 2025, the City Council adopted City Light’s 2025-2030 Transportation Electrification Strategic Investment Plan, which identifies the Department's priorities for continued investment in charging infrastructure, grid capacity, and equitable access to clean transportation. The Department estimates that by 2030, the service area will require nearly 1,000 fast chargers and more than 11,000 Level 2 chargers at public and workplace locations to meet projected demand.

The Department also expects the next phase of electrification to be driven in part by medium- and heavy-duty vehicles, including commercial fleets and transit. These vehicle classes present larger, more concentrated loads and distinct charging patterns that will require targeted capital investment in grid infrastructure. The Department’s analysis, conducted in partnership with the International Council on Clean Transportation, estimates that peak charging loads from larger commercial vehicles could reach up to 157 megawatts by 2040.

The Department has incorporated these load forecasts into its capital planning process and continues to evaluate the infrastructure investments necessary to reliably serve this growing segment of customer demand.

RETAIL RATES, BILLING AND COLLECTIONS

The City Council has exclusive jurisdiction with respect to establishing and revising City Light’s retail rates, subject only to State law, which requires that rates be fair, nondiscriminatory, and fixed to produce revenue that is adequate to pay operation and maintenance expenses of City Light and to meet all debt service requirements payable from such revenue. In its retail rate-setting capacity, the City Council is not subject to control by the Washington Utilities and Transportation Commission or any other state regulatory body. However, it is subject to certain rate-making provisions of the federal Public Utility Regulatory Policies Act of 1978, administered by FERC. City Light has never been cited by FERC for failing to comply with these federal provisions.

Retail Rate Setting Procedures

The City Council reviews City Light’s rates every two to three years. The Council receives a rate proposal developed by City Light in conjunction with submission of the Department’s proposed operating budget, CIP, load forecast, resource plans, and other planning documents. The City Council then receives input from the public at public hearings and from the City Light Review Panel. See “SEATTLE CITY LIGHT—Management of the City Light Department—*City Light Review Panel*.”

City Light’s rate proposals are based on producing sufficient revenue to meet City Light’s revenue requirements. The revenue requirement and rates are developed in accordance with adopted City and Department financial policies and incorporate recommendations of the Review Panel. The Review Panel’s recommended rate-setting objectives include: maintaining transparency for customers, meeting City Light’s annual revenue requirements, maintaining stable and predictable cost-based rates, encouraging efficiency, encouraging progress in meeting the City’s Climate Action Plan (“CAP”) goals of decarbonization, maintaining affordable rates (including discounted rates for qualified low-income residential customers), and providing for customer choice in rates and billing options to reflect the diversity of customers’ energy needs and interest.

The City Council sets rates by passage of a rate ordinance. The current rate ordinance (Ordinance 127122) was passed on November 21, 2024 and approved rates in effect for calendar years 2025 and 2026. Rates for 2027 and 2028 are being considered by the City Council in June and July 2026.

Retail Rate Structure

City Light retail base rates are set to recover the revenue requirement. Base rates consist of base service charges, energy charges, and demand charges for medium and large commercial and industrial customers. Effective rates that customers pay may also include automatic adjustments in the form of RSA surcharges and franchise multipliers. Rates are approved for residential customers (“Residential Rates”) and for business customers (“General Service Rates”). General Service customers are divided into rate classes based on their maximum demand.

Rates charged to customers outside the City limits also include adjustments for franchise fees, local utility taxes, and capital surcharges to reimburse the Department for expenditures on certain capital investments located in those cities.

Residential Base Rates

The standard residential rate structure includes a base service charge plus a flat rate per kilowatt hour (“kWh”) of electricity consumed. The current rate ordinance (Ordinance 127122), adopted in November 2024, introduced optional time-of-use (“TOU”) rates intended to encourage electricity use during off-peak hours. The TOU rates have different prices per kWh during peak, mid-peak, and off-peak hours in addition to the base service charge. TOU rates became available to residential customers in May 2026.

General Service Rates

Business customers are divided into rate classes based on their maximum demand, which is determined based on the range into which more than half of a business’s maximum demand falls. Businesses are classified as Small General Service (less than 50 kW maximum demand), Medium General Service (between 50 and 1,000 kW maximum demand), Large General Service (between 1,000 and 10,000 kW maximum demand), and High Demand (10,000 kW or greater maximum demand). Medium and Large General Service customers are further divided into network (the “Downtown Network”) and non-network (radial service) rate classes. Downtown Network customers receive redundant service, which provides greater reliability but at a higher cost, and the Downtown Network rates reflect these cost differences.

The Department expects to make TOU rates available as an option for Small and Medium General Service customers by the fourth calendar quarter of 2026, depending on system readiness. Large and High Demand customers all have TOU rates.

Rates and Rate Adjustments for Customers Outside City Limits

City Light provides electric service to the residents and businesses in the Franchise Jurisdictions and unincorporated parts of King County under individual franchise agreements. The Department passes through utility taxes on behalf of the Cities of Lake Forest Park and Normandy Park. The City Council adopts “suburban” rates for all customer classes which are subject to adjustments based on the applicable contract or franchise agreements. See “—State and Local Utility Taxes and Franchise Fees,” below.

Table B-5 displays the current adopted retail rates for in-City Residential and General Service (business) rate classes.

Table B-5.
Summary of Current Adopted Retail Rates
(effective January 1, 2026)⁽¹⁾

Standard In-City Rates	Service Charge (per day)	Energy Usage (per kWh)	Demand Charge (per kWh)	Transformer Investment Charge (per kWh)
Residential Standard Rate	\$ 0.4103	\$ 0.1392	N/A	N/A
General Service – Downtown Network⁽²⁾				
Small (<50kW)	\$ 0.85	0.1291	N/A	\$ 0.32
Medium (50-999 kW)	3.13	0.1150	\$ 12.68	0.32
Large (1,000-9,999 kW)	56.62	0.1367 (peak) ⁽⁴⁾ 0.0683 (off-peak) ⁽⁵⁾	11.49 (peak) ⁽⁴⁾ 0.32 (off-peak) ⁽⁵⁾	0.32
High Demand (10,000 kW+)	185.17	0.1156 (peak) ⁽⁴⁾ 0.0578 (off-peak) ⁽⁵⁾	5.39 (peak) ⁽⁴⁾ 0.32 (off-peak) ⁽⁵⁾	0.32

- (1) Rates shown do not reflect any RSA Surcharge or BPA Pass-through that may be in effect. See “—Automatic Pass-Throughs and Surcharges,” below.
- (2) General Service rates are applicable to all non-residential customers. General Service rates for Medium and Large customers reflect the rates applicable to Downtown Network customers. See “—General Service Rates,” above.
- (4) Peak hours are 6 a.m. to 10 p.m. Mondays through Saturdays, excluding holidays.
- (5) Off-Peak hours are 10 p.m. to 6 a.m. every day and all day on Sundays and holidays.

Source: Seattle City Light Department

Table B-6 displays the TOU rates for 2026 that have been adopted and became available on a voluntary basis in May 2026 for Residential customers. TOU rates are expected to become available on a voluntary basis for Small and Medium General Service customers later in 2026.

Table B-6.
Summary of Adopted Time of Use Rates
for Residential and Small/Medium Business Customers
(effective January 1, 2026)⁽¹⁾

Optional In-City TOU Rates	Service Charge (per day)	Energy Usage (per kWh)	Demand Charge (per kWh)	Transformer Investment Charge (per kWh)
Residential	\$ 0.4103	\$ 0.1674 (peak) ⁽²⁾ 0.1465 (mid-peak) ⁽³⁾ 0.0837 (off-peak) ⁽⁴⁾	N/A	N/A
General Service – Downtown Network				
Small (<50kW)	\$ 0.85	\$ 0.1585 (peak) ⁽²⁾ 0.1387 (mid-peak) ⁽³⁾ 0.0792 (off-peak) ⁽⁴⁾	N/A	N/A
Medium (50-999 kW)	3.13	\$ 0.1414 (peak) ⁽²⁾ 0.1238 (mid-peak) ⁽³⁾ 0.0707 (off-peak) ⁽⁴⁾	\$ 12.68 (peak) ⁽⁵⁾ 0.32 (off-peak) ⁽⁴⁾	N/A

Notes on following page.

Notes to Table B-6:

- (1) Rates shown are in-City rates and do not reflect any RSA Surcharge or BPA Pass-through that may be in effect. General Service rates for Medium customers reflect the rates applicable to Downtown Network customers. See “—Residential Base Rates”, “—General Service Rates”, and “—Automatic Pass-Throughs and Surcharges.”
- (2) Peak hours are 5 p.m. to 9 p.m., Monday through Saturday, except on North American Electric Reliability Corporation (“NERC”) holidays.
- (3) Mid-Peak hours are 6 a.m. to 5 p.m. and 9 p.m. to midnight, Monday through Saturday. On Sundays and NERC holidays, mid-peak pricing applies from 6 a.m. to midnight (with no peak hours).
- (4) Off-Peak hours are midnight to 6 a.m., every day.
- (5) Peak hours are 6 a.m. to midnight, Monday through Saturday, except on NERC holidays.

Source: Seattle City Light Department

Automatic Pass-Throughs and Surcharges

— BPA Rate Pass-Through

City Light base rates are set based on forecast values for the cost of power purchased from BPA, including the costs of power and transmission services. If BPA implements new rates for power and/or transmission services, the updated contract cost for the subsequent 12-month period is compared to the Department’s cost assumptions used in setting retail rates for that time period. If the calculated difference is greater than \$1.5 million, the difference is passed through to customers by implementation of an adjustment to all rate schedules then in effect. The adjustment is set at a fixed per-kWh amount, such that the cost difference is collected from or credited to customers over a 12-month period beginning on the date of the adjustment. These changes are implemented by the Department without any additional action by the City Council as allowed by Ordinance 120247. For information about the Department’s contracts with BPA, see “POWER RESOURCES AND COST OF POWER—Long-Term Power Supply Arrangements.”

The Proposed RSA Changes submitted by City Light in May 2026 would repeal the BPA pass-through provision from the Seattle Municipal Code and incorporate its function into the updated RSA. See “DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES—Rate Stabilization Account.”

— RSA Surcharge

City Light maintains an RSA to smooth rate volatility. See “DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES—Rate Stabilization Account.” However, if the balance in the RSA falls below the minimum threshold set by ordinance, a surcharge is added to rates and remains in place until the balance is restored to a target value. This surcharge is automatic and does not require action by the City Council.

In May 2026, City Light submitted legislation to amend the RSA mechanism. See “DEPARTMENT FINANCIAL MANAGEMENT, INVESTMENTS, AND FINANCIAL POLICIES—Rate Stabilization Account—Proposed RSA Changes.”

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Table B-7 provides a summary of historical base rate increases, RSA surcharges, and BPA pass-throughs in place between 2016 and 2026.

Table B-7.
Summary of Adopted Changes to City Light Retail Rates, Surcharges and Pass-Throughs

Effective Date		Base Retail Rate⁽¹⁾ % increase (decrease)	RSA Surcharge % increase (decrease)	BPA Pass-Through % increase (decrease)
2016	January 1	4.9%	--	--
	August 1	--	1.5%	--
2017	January 1	5.6	--	--
	October 1	--	--	(1.6)
2018	January 1	5.6		
2019	January 1	5.8	--	--
	November 1	--	1.5	(1.9)
2020	January 1	5.5	--	--
2021	April 1	3.0	(3.0)	--
2022	January 1	3.9	--	(1.8)
2023	January 1	4.5	--	--
2024	January 1	4.5	4.0	1.1
2025	January 1	5.4	--	--
2026	January 1	5.4	--	--
	April 1	--	(4.0)	--

(1) Average change in base rate across Residential and General Service Rate classes.

Source: Seattle City Light Department

Data Centers and Large Load Rates

City Light has observed a recent significant increase in inquiries from data center developers for new large load capacity. See “LIGHT SYSTEM CAPITAL REQUIREMENTS—New High-Consumption Customer Loads—*Digital Infrastructure Customers (Data Centers and Artificial Intelligence)*.” In order to address new forecasted capital requirements, City Light, in May 2026, submitted legislation to create a new rate class and policies that apply to data center customers with new or expanded service of 10 MVA or greater. The proposal would impose fees or charges related to the capital investment needed to service this load, depending on the location of the new load and the cost to provide the needed level of service. The legislation is being considered by the City Council in June and July 2026.

Voluntary Green Power Program

Since 2002, City Light has provided its customers the option of making voluntary payments to fund new renewable resources. The primary implementation is the “Green Up” program, which allows customers to purchase RECs through their regular electric bill. Customers have the option to purchase RECs in 100 kWh blocks; as a percentage of their billed consumption; as a one-time purchase for LEED points; or to mitigate the consumption of an event, travel, or construction. City Light acquires RECs for the Green Up program from renewable projects in the region and by purchasing the rights to RECs generated from local solar projects. Green Up revenue is also used to administer and market the program. Green Up revenue in 2025 totaled approximately \$790,000. In 2025, Green Up purchased \$1.37 million in RECs from local solar projects hosted by a public or non-profit organization that provide either housing or services to low-income customers, totaling 379 kW DC of solar capacity. Green Up also purchased 85,000 MWh of RECs from larger solar and wind projects in the western U.S. in 2025. As of December 31, 2025, approximately 8,200 customers were participating in Green Up through payments on their bills.

State and Local Utility Taxes and Franchise Fees

City Light operates as a utility enterprise that is subject to the State public utility tax and is subject to local utility taxes or franchise payments in the jurisdictions within which it operates, including the City.

The State imposes a public utility tax at a rate of 3.8734% of gross revenues from all sales within the State, less certain adjustments. For this purpose, the term gross revenues has a meaning described in State statute and includes revenues derived from operations, regardless of customer location.

Local utility taxes and franchise fees are passed on to customers based on the customer's location:

- ***In-City - City of Seattle Utility Tax.*** The City imposes a utility tax equal to 6% of gross revenues from retail services, less certain adjustments. Under the City Charter (Article VIII, Section 15), utility revenues may not be diverted to pay this tax “until ample provision has been made for the servicing of the debts and obligations of the utility and for necessary betterments and replacements for the current year.”
- ***Suburban Service - Franchise Agreements and Local Utility Taxes.*** Customers in areas outside of Seattle city limits collectively represent approximately 15.3% of power sales. Service to customers in the cities of Shoreline, Burien, Lake Forest Park, Normandy Park, SeaTac, and Tukwila and portions of unincorporated King County (collectively, the “Franchise Jurisdictions”) is provided pursuant to franchise agreements between the Department and Franchise Jurisdictions. The Department adjusts the adopted “suburban rates” by the franchise payments and local utility taxes by applying multipliers to arrive at the effective rates for the various jurisdictions. Rates for Franchise Jurisdictions are up to 8.04% higher than the suburban rates based on franchise fees as specified in the agreements (Burien, King County, Shoreline, SeaTac, and Tukwila), utility taxes imposed by those cities (Normandy Park), or a combination of the two (Lake Forest Park).

Table B-8 describes the rate multipliers applied to rates for customers in the suburban cities under franchise or utility tax agreements.

Table B-8.
Suburban Jurisdiction Franchise Fee and Utility Tax Rate Multipliers
(as of January 1, 2026)

Suburban Area	Franchise and Tax Multiplier	Agreement Expiration Date⁽¹⁾
Burien	8.00%	2030
Lake Forest Park	8.04	2030
Normandy Park	6.38	N/A ⁽²⁾
Shoreline	8.00	2029
SeaTac	8.00	2030
Tukwila	7.00-8.00	2018 ⁽³⁾
Unincorporated King County	8.00	2033

(1) The Franchise Agreements and utility tax agreements typically have a term of 10-15 years.

(2) Negotiations with Normandy Park have been ongoing since that city requested a formal franchise agreement in 2021.

(3) The agreement with Tukwila expired in 2018 and services are continuing under the expired agreement until ongoing negotiations can result in a new agreement.

Source: Seattle City Light Department, Finance Division

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Rate and Bill Comparisons

Table B-9 shows average rates and bills paid by customer class, based on the assumptions for monthly electricity consumption shown.

Table B-9.
Representative Average Rates per kWh and Average Monthly Bills
(by customer class, as of April 1, 2026)

Customer Class	Average Revenue (\$ per kWh)			Average Monthly Bill (in \$, rounded)		
	City Standard ⁽¹⁾	Downtown Network ⁽²⁾	Suburban ⁽³⁾	City Standard ⁽¹⁾	Downtown Network ⁽²⁾	Suburban ⁽³⁾
Residential Rates						
1,000 kWh/month	\$ 0.146	⁽⁴⁾	\$ 0.148	\$ 146	⁽⁴⁾	\$ 148
General Service Rates						
Small						
10,000 kWh/mo (40kW)	0.127	⁽⁴⁾	0.118	1,266	⁽⁴⁾	1,184
Medium						
20,000 kWh/mo (60kW)	0.120	0.152	0.120	2,393	3,035	2,393
200,000 kWh/mo (500kW)	0.112	0.141	0.112	22,480	28,215	22,480
Large						
400,000 kWh/mo (1,000 kW)	0.114	0.139	0.114	45,499	55,542	45,499
1,800,000 kWh/mo (5,000 kW)	0.112	0.139	0.112	201,542	249,670	201,542
High Demand						
6,000,000 kWh/mo (20,000 kW)	0.106	⁽⁵⁾	0.106	636,104	⁽⁵⁾	636,104
18,000,000 kWh/mo (60,000 kW)	0.105	⁽⁵⁾	0.105	1,894,480	⁽⁵⁾	1,897,480

(1) Based on standard rates; does not reflect Residential, Small, or Medium TOU Rates first introduced by the Department in 2026.

(2) Downtown Network rates apply to Medium and Large General Service customers in downtown Seattle that are served by an underground distribution network.

(3) Suburban rates apply to all jurisdictions outside the City limits; for customers in Franchise Jurisdictions with franchise fees or cities with a utility tax pass-through agreement, the Suburban rates are the rates to which the multipliers apply. See “—State and Local Utility Taxes and Franchise Fees.”

(4) Residential and Small General Service customers receiving Downtown Network service are charged City standard rates.

(5) All High Demand General Service customers are located in Seattle (not in the Network area) or in Tukwila.

Source: Seattle City Light Department, Finance Division

Table B-10 compares City Light’s monthly electric bills for selected comparable residential, commercial and industrial loads with neighboring public and private utilities. The representative monthly electric bills shown are based on comparable customer types and usage profiles, and on the specific rate schedules for each utility. Use of different schedules applicable to particular customers would yield different results. Utilities differ in whether they include state and local utility taxes or franchise fees in their published rates.

Table B-10.
Comparison of Typical Monthly Electric Bills
(as of April 1, 2026, except as noted)

Utility Provider	Residential ⁽¹⁾	Commercial /General Service			
		Small ⁽²⁾	Medium ⁽³⁾	Large ⁽⁴⁾	High Demand ⁽⁵⁾
Puget Sound Energy ⁽⁶⁾	\$ 210	\$ 627	\$ 33,871	\$ 208,807	\$ 3,255,053
City Light⁽⁷⁾	146	397	22,480	124,215	1,897,480
Snohomish PUD ⁽⁸⁾	135	326	20,959	126,620	1,467,000
Tacoma Power ⁽⁹⁾	116	290	16,871	79,729	1,575,432

(1) Assumes 1,000 kWh energy consumed per month.

(2) Assumes 1,000 kWh energy consumed per month and maximum billed demand of 10 kW.

(3) Assumes 2,000 kWh energy consumed per month and maximum billed demand of 500 kW.

Notes continue on following page.

Notes to Table B-10(continued):

- (4) Assumes 1,000,000 kWh energy consumed per month and maximum billed demand of 5,000 kWh.
- (5) Assumes 18,000,000 kWh energy consumed per month and maximum billed demand of 60,000 kWh.
- (6) Puget Sound Energy's Large Demand General Service is compared to City Light's Medium, Large, and High Demand General Service. Bills are adjusted by 5% to reflect city taxes.
- (7) City Light's rates include municipal taxes.
- (8) Snohomish PUD's General Service, Medium Load, is compared to City Light's Medium, Large, and High Demand General Service. Bills are adjusted by 6% to reflect the City of Everett's utility tax rate.
- (9) Tacoma Power's Small General Service is compared to City Light's Small General Service. Its General Service is compared to City Light's Medium General Service. The High Voltage General Service rate is used for the Large General Service example. The New Large Load Electric rate is used to compare to City Light's High Demand General Service rate. Electric rates include municipal taxes.

Source: Seattle City Light Department, Finance Division

Retail Customer Statistics

Retail sale volumes in City Light's service area are driven by economic activity and weather conditions. Temperature is a key driver. Annual peak load occurs in the winter, driven largely by residential electric heating and shorter days increasing use of both residential and non-residential lighting. Summer peak loads, while well below winter levels, are driven largely by non-residential air conditioning. Residential cooling is playing a growing role as adoption expands across the region.

Table B-11 shows the average number of customer accounts, energy sales, peak demand, and energy requirements during 2021 through 2025.

Table B-11.
Historical Retail Customer Accounts, Energy Sales, and Energy Requirements

	2021	2022	2023	2024	2025
Average Number of Customer Accounts					
Residential	433,686	441,926	451,055	460,925	472,309
Non-Residential	51,469	51,737	52,166	52,579	52,731
Total Customer Accounts	485,155	493,663	503,221	513,504	525,040
Energy Sales (MWh)⁽¹⁾					
Residential	3,320,729	3,334,209	3,158,610	3,073,143	3,229,894
Non-Residential	5,757,653	5,983,684	5,881,456	5,865,789	5,777,400
Total Energy Sales	9,078,382	9,317,893	9,040,066	8,938,932	9,007,294
Peak Demand (MW)	1,896	1,917	1,794	2,027	1,816
Energy Requirements (MWh)					
Total Energy Sales	9,078,382	9,317,893	9,040,066	8,938,932	9,007,294
Energy Used in Operation	26,537	27,466	26,797	27,695	26,859
System Losses ⁽²⁾	423,886	472,664	571,666	477,392	446,819
Total Energy Requirements⁽³⁾	9,528,805	9,818,023	9,638,529	9,444,019	9,480,972

(1) Amounts include an allocation for the net change in unbilled revenues.

(2) Includes transmission and distribution losses.

(3) Firm energy required in City Light's service area.

Source: Seattle City Light Department, Accounting Division

Table B-12 provides a list of City Light’s ten largest customers in 2025 by amount billed.

Table B-12.
Top Ten Customer Accounts
(2025)

Customer Name	Customer Profile	Annual Amount Billed	% of Total Retail Revenue
University of Washington	Higher Education	\$ 40,877,253	3.41%
Nucor	Steel Manufacturer	30,740,681	2.57
Sabey Corporation	Data Center	18,299,927	1.53
Boeing	Airplane Manufacturer	17,848,306	1.49
Amazon	Technology Company	17,021,002	1.42
2001 Sixth LLC	Data Center	11,226,981	0.94
King County	Government	10,649,592	0.89
City of Seattle	Government	9,282,795	0.77
U.S. Government	Government	7,891,958	0.66
Urban Renaissance Group	Real Estate	6,832,980	0.57

Totals may not add due to rounding.

Source: Seattle City Light Department, Finance Division

Billing and Collection Procedures

City Light shares a combined billing system with Seattle Public Utilities (“SPU”), which provides water, drainage and wastewater, and solid waste services throughout the City. The City’s Information Technology Department (“Seattle IT”) provides technical support for the billing system and other customer information system. The SPU Contact Center serves as the primary point of contact, including a walk-in center for in-person inquiries.

City Light currently bills most residential customers and some small commercial customers bi-monthly and all other customers monthly. Some customers may opt into a levelized payment program that allows for monthly payments. Customers also have the option to make payments by mail, over the phone, or in person, to make one-time payments online, or to sign up for recurring automatic online payments using debit/credit cards or bank account information.

All bills are due within 21 days of receipt and a late fee of 1% is assessed for each billing period that is past due. If charges are not paid, service may be disconnected following reasonable and appropriate notice to the customer by the Department. The Department permits customers to request a payment plan if the customer is not able to pay the entire amount of the billed charges by the due date. Payment plans currently require a 25% down payment and the balance to be paid within 60 calendar days.

Collections Procedures and Delinquencies

As of January 2026, the total balance of residential and commercial accounts overdue for more than 30 days was approximately \$33.1 million (\$22.2 million residential and \$10.9 million commercial). This compares to a total delinquent balance of \$44.6 million in January 2025. The Department has made considerable progress in reducing delinquencies after multiple years of high overdue balances due in large part to the suspension of disconnects from 2016 through 2024.

Progress in collecting delinquent accounts has been made by resuming disconnects, aided by advanced metering technology that has improved City Light’s ability to conduct residential disconnects and reconnects remotely. With resumption of disconnection activities and regular, consistent collections activities, City Light expects the delinquencies to decline over the next few years. The current level of delinquencies, while higher than City Light’s goal, will not affect City Light’s ability to service its debt or comply with its debt-related covenants.

Low-Income Assistance Programs

Income-eligible customers can apply to the Utility Discount Program (“UDP”), which provides a 60% discount on electric rates for ongoing utility bills. Eligibility is based on household size and a gross household income that is at or below 70% of State Median Income. City Light submitted proposed legislation to the City Council in May 2026 to expand eligibility to households at or below 60% of the Area Median Income, effective April 2027.

Financial assistance is also available to customers with past due or delinquent accounts through the Emergency Bill Assistance (“EBA”) Program, which can assist income-eligible customers by providing up to \$710 per calendar year towards these delinquencies for the 2026 program year. Households with children under the age of 18 may be eligible for up to \$1,420 in assistance per calendar year. Eligibility is based on household size and a gross household income that is at or below 80% of State Median Income. City Light submitted proposed legislation to the City Council in June 2026 to (1) expand eligibility to households at or below 80% of Area Median Income, and (2) modify the assistance benefit to equal the customer’s two most recent bimonthly bills (or four most recent monthly bills) and simplify program operations, effective April 2027.

Finally, the Project Share program utilizes customer-donated funds to provide up to \$250 towards assisting income-eligible customers with their delinquent debt once per year. Eligibility for Project Share is based on household income scaled to household size. Additional eligibility requirements are available on the City Light website. Project Share funds are typically utilized last, after a customer has received EBA and still needs further financial assistance.

POWER RESOURCES AND COST OF POWER

Overview of Power Resources

City Light’s three primary sources of power are hydroelectric: the Boundary Project, the Skagit Project (which includes the Ross, Diablo, and Gorge hydroelectric plants), and a long-term power supply contract (the “BPA Contract”) with BPA, which markets power from the Federal Columbia River Power System (the “Columbia River Power System”), which is primarily hydroelectric. There are several additional smaller sources of power.

Figure B-2 displays a map indicating the approximate locations of City-Light’s energy resources, including Department-Owned hydropower resources, treaty rights from British Columbia, long-term hydropower contracts, and other long-term contracts. City Light’s power contract with BPA is inclusive of resources across the Northwest.

Department-Owned Power Resources

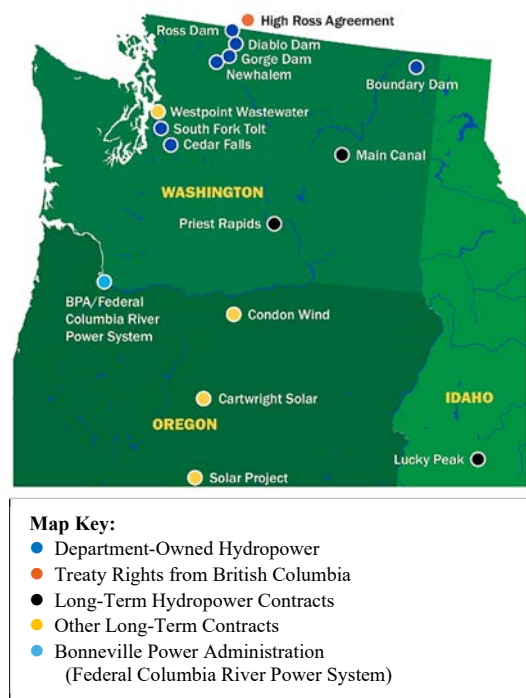
Department-Owned resources make up approximately 44% of City Light’s total department resources. The Boundary Project and the Skagit Project include four large hydroelectric facilities and provide the bulk of generating capacity of the Department-Owned resources. Department-Owned resources also include two small hydroelectric facilities, the Cedar Falls Project and the South Fork Tolt River Hydroelectric Project (together, the “Small Hydro Projects”). The Department recently initiated the decommissioning process for the Newhalem Creek Project. See “—Department-Owned Resources,” below.

Purchased Power Arrangements

Power purchase agreements and related contracts make up approximately 56% of City Light’s total department resources.

In addition to the BPA Contract, the Department purchases power from several other hydroelectric projects and Small Non-Hydro renewable projects. See “—Long-Term Power Supply Arrangements,” below. In addition, changes in water conditions, weather, and customer demand cause supply and demand to fluctuate throughout the year. To manage these fluctuations, the Department transacts in the wholesale energy market to balance its power supplies and bring in revenue to the benefit of ratepayers. Together, the Department-Owned power resources, plus its purchased power arrangements, meet or exceed City Light’s retail demand on an annual basis.

Figure B-2.
Seattle City Light Energy Resources



Source: Seattle City Light Department

Summary Power Resources Statistics

Table B-13 and Table B-14 summarize City Light’s Department-Owned resources and purchased power resources, respectively, and provide estimates output for both, under average water conditions, based on historical data. The Department does not assign individual capital or debt service allocations to Department-Owned resources and, therefore, does not calculate a comprehensive cost of power for each resource.

Table B-13.
Summary of Department-Owned resources
(as of January 1, 2026)

Department-Owned Resource	Nameplate Capacity (MW)	Average Output⁽¹⁾ (aMW)	FERC License Expiration (Year)
Boundary Project ⁽²⁾	1159.30	408.7	2055
Skagit Project	839.98	265.5	2025 ⁽³⁾
Gorge Dam	207.58	105.2	2025 ⁽³⁾
Diablo Dam	182.40	82.5	2025 ⁽³⁾
Ross Dam	450.00	77.8	2025 ⁽³⁾
Small Hydro Projects ⁽⁴⁾	46.80	13.6	Varies

Totals may not add due to rounding.

- (1) Reflects average of historical energy production over all water conditions for the period 2000 through 2025.
- (2) Amounts shown do not include reductions from a contractual obligation to deliver power to Public Utility District No. 1 of Pend Oreille County (“Pend Oreille PUD”) described under “—Department-Owned Resources—*Boundary Project*,” below.
- (3) For a description of the status of relicensing for the Skagit Project, see “—Department-Owned Resources—*Skagit Project*,” below.
- (4) See “—Department-Owned Resources—*Small Hydro Projects*,” below.

Source: Seattle City Light Department

Table B-14.
Summary of Purchased Power Arrangements
(as of January 1, 2026)

Purchased Power Arrangement	Average Output⁽¹⁾ (aMW)	FERC License Expiration (Year)	Contract Start (Year)	Contract Expiration (Year)
BPA (Block) ⁽²⁾	492.1	N/A	2008	2028
High Ross ⁽³⁾	35.0	N/A	1986	2066
Priest Rapids Project	11.7	2052	2002	2052
Columbia Basin Hydropower ⁽⁴⁾	5.6	2031	1980	2026
Lucky Peak ⁽⁵⁾	35.6	2030	1984	2038
Small Non-Hydro Renewables ⁽⁶⁾	9.6	N/A	Various	Various

Totals may not add due to rounding.

- (1) Reflects average of historical energy received for varying periods based on contract data availability.
- (2) City Light purchases BPA’s “Block” product, under which the Department receives a fixed amount of energy each month. The purchased amount varies by month to track City Light’s retail requirements and is highest in the winter months. City Light does not own a fixed percentage of nameplate capacity. City Light began using the Block product in October 2017. City Light executed a new contract with BPA in December 2025 and will start receiving power under the new contract in October 2028. See “—Long-Term Power Supply Arrangements—*Bonneville Power Administration*.”
- (3) See “—Department-Owned Resources—*Skagit Project*” and “—Long-Term Power Supply Arrangements—*High Ross Agreement with BC Hydro*,” below.
- (4) Historically consisted of five contracts with CB Hydropower, four of which expired between 2022 and 2025. City Light expects to allow the remaining contract, Main Canal, to expire on December 31, 2026. See “—Long-Term Power Supply Arrangements—*Other Hydroelectric Resources*,” below.
- (5) See “—Long-Term Power Supply Arrangements—*Other Hydroelectric Resources*,” below.
- (6) Small Non-Hydro Renewables include King County West Point Treatment Plant and the Condon Wind Facility. Average output is based on historic performance under each contract. The Department has signed two power purchase agreements for solar projects located in central Oregon, one of which began generating in 2026. See “—Long-Term Power Supply Arrangements—*Small Non-Hydro Renewables*,” below.

Source: Seattle City Light Department

Table B-15 shows the historical cost of power resources during 2021 through 2025.

Table B-15.
Historical Cost of Purchased Power Supply Resources
(\$000; reflects actuals)

	Actuals					Forecast
	2021	2022	2023	2024	2025	2026
Energy Purchases						
BPA (Block) ⁽¹⁾	\$ 151,190	\$ 102,868	\$ 134,438	\$ 161,327	\$ 159,834	\$ 171,414
High Ross	13,126	12,985	13,031	13,030	13,036	13,189
Priest Rapids Dam	1,100	1,374	1,373	1,249	23,814	21,527
Columbia Basin Hydropower	8,008	8,449	6,015	7,244	1,016	1,793
Lucky Peak	6,618	7,463	9,457	9,031	9,871	11,085
Small Non-Hydro Renewables						
Condon Wind Facility	-	-	-	3,146	1,837	2,794
Columbia Ridge Landfill Gas Project ⁽²⁾	6,063	5,957	5,116	3,090	241	-
King County West Point Treatment Plant	1,174	1,305	827	2,491	2,078	2,257
Stateline Wind Project ⁽³⁾	25,198	2,930	-	-	-	-
Prineville Solar Project ⁽⁴⁾	-	-	-	-	-	9,189
Total Energy Purchases	\$ 212,477	\$ 143,333	\$ 170,258	\$ 200,608	\$ 211,727	\$ 233,248
Contracted Resources (MWh)	5,409,774	4,805,472	5,071,366	5,318,626	5,272,910	5,443,344
Average Unit Cost (Dollars/MWh) ⁽⁵⁾	\$ 39	\$30	\$ 34	\$ 38	\$ 40	\$ 43

Totals may not add due to rounding.

- (1) Net of billing credits received from BPA for the South Fork Tolt Project.
- (2) Columbia Ridge Landfill Gas Project contract ended in 2025. See “—Long-Term Power Supply Arrangements—*Small Non-Hydro Renewables*,” below.
- (3) Pursuant to an agreement effective from 2002 through 2021, City Light purchased wind-generated power and associated renewable energy credits (“RECs”) from Stateline in eastern Washington and Oregon. The contract expired on December 31, 2021. Energy generated in December 2021 was received in January 2022. City Light no longer purchases power from Stateline but will continue to receive RECs from Stateline through 2026.
- (4) The Department signed a PPA in 2024 for a 40 MW solar resource located in Prineville, Oregon, which began generating power as of April 2026. See “—Long-Term Power Supply Arrangements—*Small Non-Hydro Renewables*,” below, for discussion of this resource.
- (5) Average cost of purchased power supply resources excluding exchanges and wholesale market purchases.

Source: Seattle City Light Department, Accounting Division

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Table B-16 shows actual output for power resources during 2021 through 2025, and a forecast for 2026, including exchanges and market sales and purchases.

Table B-16.
Historical and Forecast Energy Resources
(MWh)

	Actuals					Forecast ⁽¹⁾
	2021	2022	2023	2024	2025	2026
Department-Owned Generation						
Boundary Project	3,211,443	3,712,739	2,851,570	3,025,434	3,105,237	3,740,767
Skagit Project	2,659,712	2,329,752	1,691,073	1,464,698	1,822,730	2,198,511
Gorge Dam	988,738	989,832	726,576	689,925	769,960	882,895
Diablo Dam	847,067	590,907	551,388	363,142	519,627	694,482
Ross Dam	823,907	749,013	413,109	411,631	533,143	621,134
Small Hydro Projects	138,082	142,254	56,241	51,726	102,801	119,260
Cedar Falls Project	83,424	83,538	25,809	6,841	53,949	58,576
South Fork Tolt Project	54,658	58,716	30,432	44,885	48,852	60,684
Subtotal Department Generation	6,009,237	6,184,745	4,598,884	4,541,858	5,030,768	6,058,538
Energy Purchases						
BPA (Block)	4,119,204	3,789,870	4,039,150	4,278,100	4,326,469	4,377,430
High Ross	315,101	305,764	303,454	313,966	311,328	310,245
Priest Rapids Dam	23,601	26,770	19,221	19,184	163,233	127,910
Columbia Basin Hydropower	265,850	262,947	249,373	251,860	52,621	52,619
Lucky Peak	221,981	233,722	331,849	290,641	311,147	314,272
Small Non-Hydro Renewables	464,037	171,318	118,985	153,029	108,361	169,844
Condon Wind Facility	n/a	n/a	33,437	73,796	74,007	72,482
Columbia Ridge Landfill Gas Project ⁽²⁾	92,937	86,968	78,333	69,586	19,893	-
King County West Point Treatment Plant	10,909	10,189	7,215	9,647	14,461	18,542
Stateline Wind Project ⁽³⁾	360,191	74,161	-	-	-	-
Prineville Solar Project ⁽⁴⁾	-	-	-	-	-	78,820
Seasonal and Other Exchange ⁽⁵⁾	536,005	538,386	529,608	252,652	124,996	60,358
Wholesale Market Purchases ⁽⁶⁾	1,281,656	1,148,487	1,574,433	1,195,161	1,237,097	512,473
Subtotal Energy Purchases	7,227,435	6,492,345	7,166,270	6,754,773	6,635,252	5,925,151
Total Department Resources	13,236,672	12,677,090	11,765,154	11,296,631	11,666,020	11,983,689
Less Offsetting Energy Sales						
Firm Energy Transactions & Marketing Losses (Gains) ⁽⁷⁾	695,102	426,932	187,728	(173,356)	(392,772)	-
Seasonal and Other Exchange ⁽³⁾	469,277	480,891	574,234	261,586	103,659	45,077
Wholesale Market Sales ⁽⁸⁾	2,543,488	1,951,244	1,364,663	1,764,382	2,474,161	2,486,369
Total Net Energy Resources	9,528,805	9,818,023	9,638,529	9,444,019	9,480,972	9,452,243

Totals may not add due to rounding.

- (1) Forecast data prepared as of April 30, 2026 for rate-setting purposes only. *These forward-looking statements speak only as of the date they were prepared and events or circumstances may have altered the forecast since its preparation. The Department internally updates its forecasts on an ongoing basis. No assurance can be given that the future results shown will be achieved, and actual results may differ materially from the forecasts shown.*
- (2) Columbia Ridge Landfill Gas Project contract ended in 2025. See “—Long-Term Power Supply Arrangements—*Small Non-Hydro Renewables*,” below.
- (3) Pursuant to an agreement effective from 2002 through 2021, City Light purchased wind-generated power and associated renewable energy credits (“RECs”) from Stateline in eastern Washington and Oregon. The contract expired on December 31, 2021. Energy generated in December 2021 was received in January 2022. City Light no longer purchases power from Stateline but will continue to receive RECs from Stateline through 2026.
- (4) The Department signed a PPA in 2024 for a 40 MW solar resource located in Prineville, Oregon, which began generating power as of April 2026. See “—Long-Term Power Supply Arrangements—*Small Non-Hydro Renewables*,” below, for discussion of this resource.

Notes continue on following page.

Notes to Table B-16 (continued):

- (5) Includes exchange contracts with Public Utility District No. 2 of Grant County (“Grant PUD”) and the Lucky Peak Project. See “—Long-Term Power Supply Arrangements—*Other Hydroelectric Resources*,” below.
- (6) Purchases to compensate for low water conditions and to balance loads and resources.
- (7) Includes energy provided to Pend Oreille PUD under a contractual agreement. Figures on this line also include incremental transmission losses due to expanded activity in the wholesale market.
- (8) Wholesale market sales are highly dependent on regional hydro flows. See “—Wholesale Market Sales of Power,” below, for a discussion of the 2025 water year and market prices.

Source: Seattle City Light Department, Accounting Division

Wholesale Markets and Resource Coordination

City Light has historically bought and sold power in wholesale power markets to balance its loads and resources and participates in regional resource coordination arrangements to support regional resources. City Light has generally been a net seller of power on an annual basis, even under adverse water conditions. However, according to the Department’s Integrated Resource Plan, described below, the utility will need to acquire new resources to meet growing customer load in the coming years. See “—Wholesale Market Sales of Power” and “—Resource Coordination Arrangements,” below.

Clean Energy and Resource Planning – Overview

— Renewable Portfolio and Clean Energy Standards

The Department is subject to State clean energy requirements under Initiative 937 (“I-937” or the “Energy Independence Act”) and the Clean Energy Transformation Act (“CETA”). I-937 was approved by State voters in 2006 and requires large utilities, such as City Light, to serve certain percentages of retail load with eligible renewable resources and/or purchase equivalent quantities of RECs. Enacted in 2019, CETA sets additional milestones for reaching 100% renewable or non-emitting electricity supply by 2045. See “—Renewable Portfolio Standards and Greenhouse Gas Emissions Mitigation,” below.

— Integrated Resource Planning

Every two years, the Department develops and presents to the City Council an Integrated Resource Plan (“IRP”), which is a long-term plan for meeting anticipated customer energy needs over a 20-year horizon, outlining a strategy and goals for supplying reliable electricity to customers at a reasonable cost and risk, while protecting the environment and ensuring service equity. The IRP is based on a 20-year load forecast and is developed with input from customers, stakeholders and the general public around preferences related to electricity options through public meetings and other outreach. As a long-term plan, it identifies possible energy resource options, but it requires regular review and refinement to respond to changing market conditions and future uncertainties. State law (ch. 19.280 RCW) requires utilities with greater than 25,000 customers to prepare an IRP outlining their electricity needs. It also requires approval by the consumer-owned utilities’ governing board after public notice and hearing and subsequent filing with the State of Washington Department of Commerce by September 1, 2026. See “—Renewable Portfolio Standards and Greenhouse Gas Emissions Mitigation,” below.

Department-Owned Resources

City Light’s Department-Owned resources include the Boundary Project and the Skagit Project, plus three Small Hydro Projects. Together Department-Owned resources contributed more than 5 million MWh of electrical energy, or about 43% of City Light’s total Department-Owned resources in 2025. Like most non-federal hydroelectric projects in the United States, City Light’s hydroelectric plants are licensed by FERC, except for the Cedar Falls Project, which is a State-jurisdictional project.

- ***Boundary Project.*** Located on the Pend Oreille River in northeastern Washington near the British Columbia and Idaho borders near the city of Metaline Falls, Washington, the Boundary Project hydroelectric project was placed in service in 1967.
- ***Skagit Project.*** The Gorge, Diablo, and Ross hydroelectric developments, which comprise the Skagit Project, began operation in 1924, 1936, and 1952, respectively. The Skagit Project is located on a 35-mile stretch of the Skagit River above Newhalem, Washington, approximately 120 miles northeast of Seattle.
- ***Small Hydro.*** The Department owns three additional small hydroelectric projects, two of which are currently in operation. The Cedar Falls Project, built in 1905, is located on the Cedar River, approximately 30 miles

southeast of Seattle. The Newhalem Project is located on Newhalem Creek, a tributary of the Skagit River, and was built in 1921 to supply power for the construction of the Skagit Project; Newhalem is not currently producing power and is in the process of being decommissioned. The South Fork Tolt Project is located approximately 30 miles east of Seattle on the South Fork Tolt River and was placed in commercial operation in 1995.

Boundary Project

— Project Description

The Boundary Project was placed in service in 1967 and is a significant contributor to City Light’s ability to meet its load requirements, typically providing between 20% and 30% of City Light’s total resources. In 2025, it supplied approximately 27% of City Light’s total power resources, or more than 3.1 million MWh. Its current net nameplate capability is 1,159 MW and its expected net power output is approximately 3.4 million MWh under average water conditions.

— FERC License

The current FERC license for the Boundary Project, which was received in 2013 and amended in 2016, has a 42-year term. The 2016 amendment granted the Department’s request to reflect efficiency upgrades to two of the generating units, resulting in an increased authorized installed capacity of 992 MW.

— Mitigation Requirements Under the FERC License

The project’s FERC license requires the Department to undertake certain measures to mitigate the impacts of Boundary’s operations on recreational, fisheries, land, cultural, and wildlife resources, incorporating certain terms and conditions set forth in a 2010 settlement (the “2010 Boundary Project Settlement”) among City Light, multiple State and federal agencies, a tribal government, several environmental groups, and Pend Oreille PUD. The levelized cost of these measures over the license term is estimated to be less than \$5/MWh; the total estimated cost for the remainder of the license period is approximately \$330 million. A portion of City Light’s CIP includes environmental and other improvements to the Boundary Project that meet these requirements. In addition, under agreements entered into in conjunction with obtaining the 2013 FERC License, the Department is required to make payments to Pend Oreille County and other affected local governments, to mitigate other impacts of the Boundary Project. For the period 2020 through 2029, these payments total \$29.8 million and certain costs will be capitalized over the next several years. See “LIGHT SYSTEM CAPITAL REQUIREMENTS—Adopted Capital Improvement Plan.”

— Dam Safety Inspections

FERC mandates dam safety inspections every five years. The most recent inspections of the Boundary Project were a Part 12D periodic inspection conducted by a FERC-approved independent consultant in August 2025 and included a Level 2 semi-quantitative risk analysis. The inspector’s final report was published in December 2025. In addition, City Light conducts daily, weekly, and monthly visual inspections, along with quarterly manual instrument readings performed by experienced and trained City Light staff, including operators, engineers, and dam safety staff. Annual inspections are also performed jointly by FERC and Department staff. City Light remains committed to working closely with FERC and the independent consultant to ensure the continued safety and integrity of the Boundary Project.

— Other Agreements

- *Boundary Power Assignment Agreement.* Under an agreement with Pend Oreille PUD (the “Assignment Agreement”), City Light will deliver up to 48 MW of capacity and associated energy at cost to Pend Oreille PUD through the term of the 2013 Boundary License. In 2021, City Light and Pend Oreille PUD agreed to a temporary modification of the original agreement, which delivers 26MW to 68MW at a fee that escalates each year. This temporary agreement expires at the end of 2029, after which time, the terms of the original agreement will resume.
- *Downstream Facilities – Arrangement with BC Hydro.* BC Hydro operates facilities on the Pend Oreille River in Canada, including its Seven Mile Dam Hydroelectric Project, located downstream of the Boundary Project. BC Hydro has, since 1988, been permitted to increase the reservoir elevation behind its Seven Mile Project, extending its reservoir across the international border to the tailrace of the Boundary Project and encroaching on City Light’s operations. Pursuant to a 1989 agreement between City Light and BC Hydro, BC Hydro is required to deliver energy to City Light to completely offset the encroachment. The term of this agreement is concurrent with the High Ross Agreement. See “—Long-Term Power Supply Arrangements—

High Ross Agreement with BC Hydro,” below. In 2025, encroachment amounted to 0.72% of the Boundary Project’s total electrical energy output. See also “—Resource Coordination Arrangements—*Columbia River Treaty*,” below.

- *Upstream Facilities – Agreements with Upstream Dam Operators.* The United States Bureau of Reclamation (the “Bureau”), the Army Corps of Engineers (the “Army Corps”), Avista Utilities, Pend Oreille PUD, and EnergyKeepers operate various storage dams in Washington, Idaho, and Montana, upstream of the Boundary Project. Under the Federal Power Act, the Department pays for the headwater benefits associated with the operations of these upstream dams. See “—Resource Coordination Arrangements—*Pacific Northwest Coordination Agreement (PNCA)*,” below.

Skagit Project

— Project Description

The Skagit River Hydroelectric Project is located in Whatcom, Skagit, and Snohomish Counties in the upper watershed of the Skagit River in the Cascade Mountains. The Skagit Project consists of three hydroelectric developments – Ross, Diablo, and Gorge dams, which began operation in 1924, 1936, and 1952, respectively. The Skagit Project also includes two double-circuit, Department-Owned 230,000-volt transmission lines extending over 100 miles from the Diablo Switchyard through Whatcom, Skagit, and Snohomish Counties to the Bothell Substation. The operational priorities are flood control, downstream fish protection, recreation, and power production.

Because Diablo and Gorge are located immediately downstream from Ross, operation of the three developments is coordinated and operated as a single system. The usable storage capacity of each reservoir is 1,052,000 acre-feet (Ross Lake, which extends into Canada), 50,000 acre-feet (Diablo Lake), and 6,600 acre-feet (Gorge Lake). The combined nameplate capability of the three developments is 840 MW. Expected power output under average water conditions is approximately 2.5 million MWh. The Skagit Project supplied more than 1.82 million MWh or 16% of City Light’s total department resources in 2025.

— FERC License

The Skagit Project is licensed as a single unit by FERC under a license that expired on April 30, 2025. City Light is engaged in the FERC Integrated Licensing Process (“ILP”) in good standing and continuing normal operations under annual licenses issued by the FERC that annually extend the 1995 License requirements until a new long-term license is issued at the culmination of the ILP. City Light formally began the ILP relicensing process in 2018, and between 2020 and 2023, City Light collaborated with local partners to develop an application for a new license that will last for the next 30-50 years. The license will include requirements around protecting the environment and the cultural resources of the watershed. In September 2025, City Light requested and was granted additional time to resolve outstanding matters relating to a comprehensive settlement agreement with 38 licensing participants that include state and federal regulatory bodies; local governments; tribal and first nations entities; and nonprofit organizations. A comprehensive settlement agreement was reached in March 2026 and approved by Seattle City Council in April 2026. The comprehensive settlement agreement was finalized and executed in May 2026 by license participants and the City of Seattle. The Department filed an amended license application in April 2026 and expects a new 50-year license to be issued by FERC for the Skagit Project by 2030.

The current FERC license requires City Light to take various mitigating actions relating to fisheries, wildlife, erosion control, archaeology, historic preservation, recreation, and visual quality resources. City Light expects that the new license will contain similar requirements, based on the terms of the comprehensive settlement agreement that has been executed with the licensing participants, described above.

— Dam Safety Inspections

FERC mandates dam safety inspections every five years. The most recent inspections of the Skagit Project were conducted by a FERC-approved independent consultant in 2022, including a Level 2 semi-quantitative risk analysis, and revealed no significant dam safety issues. Additionally, the next Part 12D Periodic Inspection by an independent consultant team is scheduled for May 2026 with the report completion expected by March 2027. In addition, City Light conducts daily, weekly, and monthly visual inspections, along with quarterly manual instrument readings performed by experienced and trained City Light staff including operators, engineers and dam safety staff. Annual inspections are also performed jointly by FERC and Department staff. City Light remains committed to working closely with FERC and the independent consultant to ensure the continued safety and integrity of the Skagit Project.

— Other Agreements

- *High Ross Agreement with British Columbia.* The original plans for the Skagit Project would have raised the height of Ross Dam by 122.5 feet to maximize the hydroelectric potential of the plant and, as a result, would have extended the reservoir (Ross Lake) even further into Canada. The Canadian province of British Columbia objected on environmental and other grounds, resulting in an 80-year agreement effective as of 1986, after many years of negotiation (the “High Ross Agreement”).

The High Ross Agreement provides for the delivery of BC Hydro power to City Light in exchange for certain payments to BC Hydro. See “Long-Term Power Supply Arrangements—*High Ross Agreement with BC Hydro*,” below. The High Ross Agreement is subject to review by the parties every ten years. The next review will be in 2033. The parties do not expect any changes to the High Ross Agreement as part of the current FERC relicensing process for the Skagit Project.

Small Hydro Projects

— Cedar Falls Project

The Cedar Falls Project, built in 1905, is located on the Cedar River, approximately 30 miles southeast of Seattle. The Cedar River and the South Fork of the Tolt River (discussed below) also contain water facilities that are operated by SPU as part of the City’s Water System and comprise a critical part of the City’s water supply infrastructure. Power is delivered through an interconnection with Puget Sound Energy. The nameplate capability of the plant is 30 MW. Power production in 2025 at the Cedar Falls Project was 53,949 MWh. The Cedar Falls Project was constructed before the adoption of the Federal Water Power Act of 1920 and is not subject to licensing by FERC, making it a State-jurisdictional project under the Washington State Department of Ecology (“Ecology”). As a State-jurisdictional project, the Cedar Falls Project is not required to have independent inspections. Nonetheless, City Light conducts periodic independent inspections, most recently in 2022, including a semi-quantitative risk analysis. The independent dam safety inspection report was finalized in June 2023 and no major issues were identified. Daily, weekly, and monthly visual inspections and drain measurements are performed by City Light and SPU crews.

— South Fork Tolt Project

The South Fork Tolt Project is located approximately 30 miles east of Seattle on the South Fork Tolt River and was placed in commercial operation in 1995. The nameplate capability of the installed single turbine unit is 16 MW. Power production at the South Fork Tolt Project was 48,852 MWh in 2025. The South Fork Tolt Project operates under a 40-year FERC license that expires in 2029. The process for renewing the FERC license began in 2022. City Light expects to file the final application for relicense in 2027 and expects a new FERC license to be issued in 2029. The most recent FERC-required five-year independent dam safety inspection was completed in 2023 and included a Level 2 semi-quantitative risk analysis. The independent report concluded that the South Fork Tolt Project was safe for continued operation. Daily, weekly, and monthly visual inspections and manual readings of all instruments are conducted by SPU crew and dam safety staff and reviewed by City Light dam safety staff. Annual dam safety inspections are performed by FERC, City Light, and SPU staff. See “CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS—Enterprise Risk Management and Emergency Response—*Dam Safety*.”

Billing Credits Generation Agreement with BPA. In 1993, to reduce its cost of power from the South Fork Tolt Project, City Light entered into a Billing Credits Generation Agreement (“Billing Credits Agreement”) with BPA, which expires in 2028. Such agreements are intended to encourage development of new power generation in lieu of increased purchases from BPA. Under the Billing Credits Agreement, BPA makes payments to City Light that have the effect of reducing the cost of power from the South Fork Tolt Project to a level approximately equal to the cost of equivalent power from BPA. Payments to City Light under the agreement amounted to approximately \$3.65 million in 2025. Without this agreement, the cost of power would still be relatively low, as all project debt has been paid off and the only expenses are associated with operations and capital refurbishment.

— Newhalem Project (In Process for Decommissioning)

The Newhalem Project, located on Newhalem Creek, a tributary of the Skagit River, was built in 1921 to supply power for the construction of the Skagit Project. The Newhalem Project has not been in consistent service since 2010. In 2022, after a series of equipment and structural issues exacerbated by wildfire and landslide, City Light filed with FERC to surrender its license rather than renew it upon expiration on January 31, 2027. The Department has reached an agreement with the federal land administrator on the scope of decommissioning and the FERC proceeding to decommission is currently underway, with nine coordinating parties including resource agencies, Tribes, and non-governmental organizations. City Light has proposed to remove the dam and other headwork components, seal the

power tunnel, and retain the powerhouse and penstock for their important historic value. FERC is also evaluating an alternative plan to remove the powerhouse and penstock and return the land to nature.

Long-Term Power Supply Arrangements

In 2025, City Light purchased approximately 57% of its total department resources from other utilities and energy suppliers in the region under long-term purchase contracts summarized here with additional information below.

- **Bonneville Power Administration.** City Light’s most significant long-term power arrangement is its BPA Contract, which supplied approximately 4.3 million MWh to City Light in 2025, constituting approximately 37% of the Department’s total department resources.
- **High Ross Agreement.** The Department receives approximately 300,000 MWh per year from BC Hydro in an exchange under the High Ross Agreement relating to the Department-Owned Skagit Project.
- **Other Hydroelectric Resources.** Other long-term power arrangements include contracts to take power from three other hydroelectric projects under long-term contracts, namely, Priest Rapids, Columbia Basin Hydropower, and Lucky Peak, which together provided more than 527,000 MWh in 2025.
- **Small Non-Hydro Renewables.** The Department has power supply contracts with small, non-hydroelectric renewable resources: Condon Wind Project and the King County West Point Treatment Plant Co-Generation Facility. The Department also manages a “Renewable Plus” program, under which the Department contracted to purchase power and RECs on behalf of large customers that started in 2026. Collectively, the small non-hydro renewables arrangements supplied less than 110,000 MWh to the Department in 2025. In 2024, City Light executed two power purchase contracts for up to 87 MW of solar energy generated at facilities at Fort Rock and Prineville, Oregon. The first energy delivery to City Light from these projects occurred in April 2026, with additional power deliveries anticipated later in 2026 and 2027.

Bonneville Power Administration

— Overview of BPA

BPA was created by an act of Congress in 1937 to market electric power from the Bonneville Dam located on the Columbia River, and to construct facilities necessary to transmit that power. Congress has since designated BPA to be the marketing agent for wholesale power sales from all the federally owned hydroelectric projects in the Pacific Northwest (the “Columbia River Power System”). BPA also provides transmission services throughout its service territory, which extends across eight states, covering the entire U.S. portion of the Columbia River Basin, including more than 300,000 square miles with a population of about 15 million. BPA develops, sets rates, and contracts for power supply (the sale of power from the Columbia River Power System) and for transmission services (the transfer of power over BPA’s high-voltage transmission lines) separately.

- **Wholesale Power Marketing.** BPA is one of four regional Federal power marketing agencies within the U.S. Department of Energy (“DOE”). BPA markets wholesale electrical power from the Columbia River Power System, which consists of 31 federal hydroelectric projects in the Northwest, the Columbia Generating Station (a nonfederal nuclear plant owned and operated by Energy Northwest), and several small nonfederal power plants. The Columbia River Power System hydroelectric projects are built and operated by the Bureau of Reclamation and the Army Corps and are located primarily in the Columbia River basin. The Columbia River Power System currently produces approximately a third of the electric power consumed in the region.
- **Transmission Services.** BPA also controls approximately 75% of the high-voltage (230kV and higher) transmission capacity in the region and is responsible for more than 15,000 circuit miles of electrical lines and 261 substations. The Department’s arrangements with BPA for transmission services are described below under “TRANSMISSION AND DISTRIBUTION—Transmission Services Contracts—*Bonneville Power Administration Transmission Services.*”

— BPA Power Supply and Transmission Rate Setting

BPA typically establishes separate rates to be charged for power services and for transmission services for two- or three-year periods through a rate proceeding, which is a formal evidentiary hearing process before FERC pursuant to the federal Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). BPA’s rates must be set so that BPA will be able to recover its total costs, including obligations to repay its debt to the Federal Treasury. The rate proceedings require public input and customer review. Proposed rates are then submitted to the

BPA Administrator, who issues a Final Record of Decision setting forth BPA’s final proposed rates, which are then submitted to FERC for confirmation and approval.

The current rates for both power sales and transmission services were approved for a three-year period from October 1, 2025 through September 30, 2028. BPA has indicated that it is conducting an expedited rate case process to address the expected financial impact of a U.S. District Court of Oregon Order and Opinion, in which it will propose limited revisions to power rates from fiscal years 2026-2028. This process has not yet been completed and, at this time, the Department cannot predict the outcome of the BPA *ad hoc* case. See “RETAIL RATES, BILLING AND COLLECTIONS—Retail Rate Structure—*Automatic Pass-Throughs and Surcharges*” for a discussion of how the Department incorporates changes in BPA power and transmission rates into its retail rates.

— *BPA Power Sales Agreements and Current Power Supply Rates*

BPA sells electric power at cost-based wholesale rates to more than 135 utility, industrial, and governmental customers in the Pacific Northwest. In its role as the marketing agent for Columbia River Power System wholesale power sales, BPA is required by federal law to meet firm load requirements for consumer-owned or publicly-owned utilities and customers in the Pacific Northwest (“preference customers”). BPA has estimated that, under low water conditions, it will have approximately 7,110 average annual megawatts (“aMW”) available to sell at BPA’s cost-based rate to preference customers, including City Light. One aMW is the number of megawatt hours of electric energy used, transmitted, or provided over the course of a year and is equal to 8,760 MWh.

Under the BPA contract, the amount of power that a preference customer (including City Light) may purchase under BPA’s cost-based rate (the “Tier 1 Rate”) is limited to a proportional share of the total generating output of the current Columbia River Power System, with some limited amounts of augmentation. Preference customers may purchase power from BPA above this base amount at a Tier 2 Rate, which reflects the incremental cost to BPA of obtaining additional power to meet the increased load. Each preference customer’s right to purchase power at Tier 1 Rates is based in part on the proportion that its net requirements bore to all preference customers’ net requirements placed on BPA in a defined period.

City Light’s current Power Sales Agreement with BPA extends over a 17-year period ending September 30, 2028. Since exercising a contract option in 2017, the Department’s purchase has consisted entirely of BPA’s shaped “Block” product, which provides a planned amount of firm power to meet City Light’s planned annual net requirements load. The Block product provides a predefined amount of power each hour and can be purchased in two different shapes: a flat annual block shape (provides the same amount of power every hour in a defined year) or a shaped block (shaped to the utility’s forecast net requirement, where amounts of power can vary by month and time of day). City Light’s BPA purchase for FFY 2025 is 494 aMW, shaped from a high of 875 aMW in heavy load hours in January to a low of zero aMW in June. City Light is responsible for using non-BPA resources to meet any load in excess of its planned monthly BPA Block purchase. City Light currently purchases all power received under its BPA Power Sales Agreement at the Tier 1 Rate and has determined not to purchase additional Tier 2 energy from BPA for the contract period through 2028.

The next Power Sales Agreement, under BPA’s new Provider of Choice policy (the “POC Policy”), will be in place from October 1, 2028 through September 30, 2044. Contract documents were finalized in December 2025 and power deliveries under the new contract will begin October 1, 2028. The POC Policy provided for how BPA would design the POC Contract High Water Mark (“CHWM”) Contracts it will offer beginning on October 1, 2028. BPA is currently in the POC Policy contract implementation phase throughout FFY 2026 through 2028, during which it will determine each priority firm (“PF”) customer’s CHWM, which establishes that customer’s maximum eligibility to access power priced at a PF Tier 1 rate in the POC Contracts under the rate construct for the duration of the contract term, with limited opportunities for adjustments. During the POC Contract term, City Light has elected to purchase power through BPA’s “Slice/Block” product, which provides a planned amount of firm power (“Block”) and a variable amount of power (“Slice”) at a fixed rate indexed to a percentage of available firm and surplus power in the FFY. The “Slice/Block” product was selected to provide capacity benefits and greater flexibility during the contract term and estimated delivery amounts will be available in 2027. The beginning of the term of the new Power Sales Agreements will coincide with the determination of new rates for below and above CHWM deliveries. The rate case for the period beginning October 1, 2028 is expected to begin in 2027.

— *Net Billing Arrangement Relating to Columbia Generating Station and Energy Northwest*

The Columbia Generating Station, located on the Hanford Nuclear Reservation near Richland, Washington, is the sole operating nuclear power station developed by Energy Northwest, the successor to the Washington Public Power Supply System. Energy Northwest is organized as a joint operating agency under State law, whose members currently include 29 municipalities and public utilities, including City Light, providing electric service within the State.

Originally known as Project 2, the Columbia Generating Station was placed in commercial operation in 1984; construction of four additional plants was terminated in the 1980s and 1990s. All of the power generated at the Columbia Generating Station is marketed by BPA under certain net billing arrangements (“Net Billing Arrangements”). The Net Billing Arrangements also address certain remaining stranded costs related to Projects 1 and 3, which were among the terminated projects (together with Columbia Generating Station, the “Net Billed Projects”). These obligations exist regardless of the status, operability, or output of the Net Billed Projects.

Under the Net Billing Arrangements, City Light purchased a share of the Net Billed Projects (approximately 8.6% of Project 1 and approximately 7.2% of each of Project 3 and Columbia Generating Station) from Energy Northwest and assigned that share to BPA. In exchange, City Light is obligated to (1) pay Energy Northwest its share of the total annual costs of the Net Billed Projects, including debt service on bonds outstanding with respect to the Net Billed Projects (approximately \$5.6 billion as of June 30, 2025), and (2) accept assignment of the shares of defaulting participants, subject to a cap of 25% of City Light’s share. However, City Light’s payment obligations to Energy Northwest are satisfied by amounts that it receives as credits or payments from BPA under the Net Billing Arrangements, which require BPA to credit City Light the amount of City Light’s share (plus any assigned shares of defaulting participants) under the Power Sales Agreement between BPA and City Light. If City Light’s obligations under its Power Sales Agreement are not sufficient to allow BPA to credit City Light with its full share, BPA is obligated, after certain assignment procedures, to pay the uncredited and unassigned amount to City Light, subject to available appropriations.

In 2006, to simplify these arrangements, Energy Northwest and BPA executed direct pay agreements (the “Direct Pay Agreements”) permitting BPA to pay directly to Energy Northwest all costs (including the debt service on the outstanding bonds) for the Net Billed Projects, including City Light’s share directly to Energy Northwest. As long as the Direct Pay Agreements remain in place, all amounts due to City Light from BPA (as credits or as payments) are instead paid directly to Energy Northwest, in satisfaction of City Light’s obligations to Energy Northwest. This has resulted in no payments by or credits to City Light under the Net Billing Agreements since 2006. If BPA fails to make a payment to Energy Northwest, or if the parties otherwise terminate the Direct Pay Agreements, the original obligations of the Net Billing Agreements would resume. To date, BPA has always met all of its obligations to Energy Northwest.

High Ross Agreement with BC Hydro

The City and British Columbia entered into an 80-year treaty that commenced in 1986, in conjunction with the development of City Light’s Skagit Project. In exchange for forgoing the right to develop the Ross Dam to a taller height that would increase its generating capacity, City Light agreed to take power from BC Hydro to replace that lost capacity. The agreement also requires certain payments by City Light to BC Hydro relating to the costs to develop that additional supply. The High Ross Agreement is subject to review by the parties every ten years. The next review will be in 2033. The parties do not expect any changes to the High Ross Agreement as part of the current FERC relicensing process for the Skagit Project. See “—Department-Owned Resources—*Skagit Project*.”

— Power Delivered to City Light

Under the High Ross Agreement, British Columbia, through BC Hydro, supplies City Light with an amount of power equivalent to the increased output of the Ross hydroelectric plant that would have been available if the dam’s height had been extended. BC Hydro’s obligation is to provide capacity from November through March in an amount equal to 532 MW minus the actual peak capability of the existing Ross plant, which fluctuates with reservoir levels and the number of units in service. From April through October each year, BC Hydro is required to deliver power in an amount up to 150 MW minus system losses. Power delivered by BC Hydro under the High Ross Agreement amounted to 311,328 MWh in 2025.

Power supplied to City Light by B.C. Hydro under the High Ross Agreement is transmitted over BPA’s lines under a BPA Point-to-Point Transmission Services Agreement (“PTP Agreement”) extending through 2035. See “TRANSMISSION AND DISTRIBUTION—Transmission Services Contracts—*Bonneville Power Administration Transmission Services*.” This agreement has been assigned to Powerex Corporation, a British Columbia corporation tasked with carrying out certain responsibilities of B.C. Hydro with respect to the High Ross Agreement, including the delivery of High Ross power. Under the provisions of the assignment of the PTP Agreement, Powerex pays BPA directly for all costs associated with the High Ross PTP Transmission Agreement.

— Payments Made by City Light

In exchange for the power received by BC Hydro, City Light is obligated to make annual payments to British Columbia representing (1) the estimated debt service costs that City Light would have incurred in constructing the height

extension to the dam, and (2) an amount equivalent to certain maintenance and operation costs and other charges that would have been incurred to maintain and operate the dam if its height had been extended. The original schedule calculated the portion attributable to foregone debt service costs at \$21.8 million per year through 2020. However, beginning in 2000, City Light deferred \$9.1 million of each annual payment and, in 2021, began amortizing those payments over 15 years. The payment attributable to foregone operating and maintenance costs was approximately \$291,000 in 2025.

If BC Hydro were to discontinue power deliveries, the High Ross Agreement authorizes City Light to proceed with the originally proposed construction and obligates British Columbia to return to City Light sufficient funds to permit City Light to increase the height of Ross Dam and make other improvements as originally proposed. The obligation of British Columbia has been guaranteed by the federal government of Canada.

Other Hydroelectric Resources

Some of the purchased power arrangements described below include contracts that obligate City Light to pay its share of the costs of the generating facilities providing the power, including debt service on bonds issued to finance construction, whether or not City Light receives any power. City Light treats payment of such costs as part of its purchased power expense and includes such costs in its operating and maintenance expenses. See discussion of pledge of Net Revenues in the Official Statement under the heading “SECURITY FOR THE BONDS.”

— Priest Rapids Project

Under two agreements effective through 2052, City Light purchases a portion of the output of the Priest Rapids Project on the Columbia River, which is owned and operated by Public Utility District No. 1 of Grant County (“Grant PUD”). Under the contracts, the Department is obligated to purchase a fixed percentage of the plant’s output after Grant PUD meets its retail load and has the option to purchase another percentage of the output of the project. In 2025, City Light exercised its option to purchase additional output, for a total allocation of the project of just over 2%. Because the purchases are set as a percentage of surplus power, the amount of power is reduced as Grant PUD’s retail load increases to a minimum of 1.75%. Under these contracts, City Light also receives a portion of the revenues from the auction of 30% of the Priest Rapids Project’s surplus power output. These contracts also assign to City Light responsibility for a percentage share of project costs, including both operating and maintenance expenses and debt service on bonds issued to finance improvements to the Priest Rapids Project. In 2025, City Light received approximately 163,000 MWh and approximately \$5.2 million in auction revenues, offset by approximately \$1.8 million reflecting the Department’s share of project costs.

— Lucky Peak Hydroelectric Power Plant

The Lucky Peak Hydroelectric Project (“Lucky Peak”) is located on the Boise River, approximately 10 miles southeast of Boise, Idaho, near the Washington and Oregon borders, at the Lucky Peak Dam and Reservoir. The Lucky Peak Dam was originally constructed by the Army Corps for flood control in the 1950s; hydroelectric power generating capacity was developed later by three Idaho irrigation districts and one Oregon irrigation district (the “FERC License Holders”). The FERC license for Lucky Peak expires in 2030. Since the Lucky Peak Project began producing power in 1988, City Light has purchased all power output in exchange for payment of costs associated with the project and FERC License royalty payments to the FERC License Holders. Power generation in 2025 was 311,147 MWh. The nameplate capacity is 113 MW, but the project operates only during the irrigation season, so it provides no peak capacity during City Light’s winter peak period. City Light has from time to time entered into power exchange arrangements to deliver Lucky Peak hydropower in exchange for firm winter power. For a description of arrangements for transmission of purchased power from Lucky Peak, see “TRANSMISSION AND DISTRIBUTION—Transmission Services Contracts—*Other Transmission Contracts.*”

— Columbia Basin Hydropower

Columbia Basin Hydropower (“CB Hydropower”) manages the hydroelectric projects of three Columbia River basin irrigation districts, consisting of five hydropower projects located along irrigation canals in the Columbia Basin and utilizing water released during the summer irrigation season. The plants have no winter peak capability. The generation from the five projects operated and maintained by CB Hydropower is purchased by City Light, the City of Tacoma Department of Public Utilities, Light Division (“Tacoma Power”), and Avista Corporation. While City Light had historically maintained five 40-year contracts with CB Hydropower, four of the contracts expired between 2022 and 2025. As of January 2026, City Light has one remaining contract with CB Hydropower, which expires December 31, 2026. In 2025, this remaining contract provided approximately 52,000 MWh. City Light expects to let this contract expire.

Small Non-Hydro Renewables

— Condon Wind Facility

The Condon Wind Facility is an approximately 50 MW wind project in north-central Oregon, currently owned and operated by ALLETE Clean Energy, a subsidiary of ALLETE, a publicly held energy investment company that invests in renewable energy infrastructure. Currently, City Light purchases 100% of the output of this facility and associated RECs under a five-year purchase contract executed in 2023. In 2025, City Light received approximately 74,000 MWh. This arrangement is intended to diversify its supply portfolio and meet reliability and clean energy goals for non-hydro renewables.

— Columbia Ridge Landfill Gas Project

The Columbia Ridge Landfill Gas Project is owned and operated by WM Renewable Energy LLC (“WMRE”), a subsidiary of waste management company Waste Management, Inc. (“WM”), and is located at the Columbia Ridge Landfill in north-central Oregon. The plant burns methane produced by the decomposition of solid waste in the landfill and has a nameplate capacity of 12.8 MW. City Light entered into two separate power purchase agreements in 2009 and then 2012 for a total of 100% of the plant’s output and associated RECs. In 2024, WMRE requested negotiations to modify or terminate the agreement, and in 2025, WMRE and the City came to an agreement to end the contract effective September 2025. Prior to ending the contract, City Light received 69,586 MWh in 2025.

— King County West Point Treatment Plant

King County operates a 4.6 MW cogeneration facility located in Seattle at the County’s West Point Treatment Plant, which treats wastewater from Seattle and surrounding areas. City Light purchases the entire output of this facility under a contract that includes specific prices and annual escalation, expiring in 2034. City Light received 14,461 MWh in 2025.

— Renewable Plus Program

City Light is in the initial roll-out of a new program, “Renewable Plus,” that offers eligible large customers a program to receive electricity sourced from new Pacific Northwest renewable energy projects bundled with the associated environmental attributes in the form of RECs purchased on a long-term subscription basis, which the customer can apply toward its own carbon neutrality goals. In 2024, City Light executed power purchase agreements with two solar projects (87 MW in total) dedicated to this program, one located in Prineville, Oregon, and one in Fort Rock, Oregon. Delivery of power and RECs from the Prineville project began in 2026, with additional power anticipated to be delivered from the Fort Rock project later in 2026 or 2027. The program will use energy generated from these facilities to initially serve three large non-residential customers. The Department expects to enter into additional renewable power purchase agreements in the future as demand for the program increases. The program allows these larger customers to voluntarily meet their carbon neutrality goals through the investment of new renewable projects in the region.

Wholesale Market Sales of Power

City Light sells its surplus power in the wholesale power markets and the revenue generated is used to offset costs that would otherwise be borne by City Light’s retail ratepayers. City Light’s wholesale energy marketing activities are managed by its Power Supply Division. City Light has historically bought and sold power in wholesale power markets to balance its loads and resources. The amount of wholesale power purchased or sold varies with water conditions and changes in City Light’s loads and firm resource base. Market sales are generally highest during the spring and early summer, when river flows and runoff are the highest. Market sales are generally lowest, and City Light may purchase power, in the late summer and early fall, when river flows and runoff are lowest.

Historical Wholesale Market Sales and Purchases

Table B-17 displays a summary of City Light’s historical and budgeted/forecast purchases and sales of power in the wholesale market.

Table B-17.
Summary of Historical Wholesale Market Sales and Purchases

	Actuals/Audited					Budgeted/ Forecast ⁽¹⁾
	2021	2022	2023	2024	2025	2026
Wholesale Purchase Costs						
Cost of Purchases (\$000s) ⁽²⁾	\$ 52,258	\$ 90,546	\$ 136,923	\$ 68,892	\$ 60,509	\$ 24,555
MWh of Energy Purchased (in 000s) ⁽³⁾	1,282	1,148	1,574	1,195	1,237	512
Average Cost (\$/MWh)	\$40.76	\$78.87	\$86.99	\$57.65	\$48.92	\$33.42
Wholesale Sales Revenues						
Revenue from Sales (\$000s) ⁽²⁾	\$ 89,822	\$ 103,671	\$ 68,649	\$ 80,631	\$ 91,952	\$ 71,630
MWh of Energy Sales (in 000s) ⁽³⁾	2,543	1,951	1,365	1,764	2,474	2,486
Average Revenue (\$/MWh) ⁽⁴⁾	\$35.32	\$53.14	\$50.29	\$45.71	\$37.16	\$23.39
Net Wholesale Revenue (Cost) (\$000s)⁽²⁾	\$ 37,564	\$ 13,125	\$ (68,274)	\$ 11,739	\$ 31,443	\$ 47,075
Net MWh of Energy Sold (Purchased) (in 000s)⁽³⁾	1,261	803	(209)	569	1,237	1,974

Totals may not add due to rounding.

- (1) Forecast data prepared as of April 30, 2026 for rate-setting purposes only. *These forward-looking statements speak only as of the date they were prepared and events or circumstances may have altered the forecast since its preparation. The Department internally updates its forecasts on an ongoing basis. No assurance can be given that the future results shown will be achieved, and actual results may differ materially from the forecasts shown.*
- (2) Shown as gross, prior to netting of bookouts. Audited financial statements are shown net of bookouts (only short-term bookouts netted against purchases while both short-term and long-term bookouts netted against sales). Bookouts occur when energy is financially settled net without physical delivery, upon agreement among the counterparties, because sales and purchases were separately transacted for delivery at the same time and point of delivery.
- (3) On April 1, 2020, City Light entered the WEIM. Since the WEIM is not a traditional bilateral market, MWh volume statistics are currently unavailable and not reported in this table. If the MWh volumes were included, the average cost and average revenue per MWh would be lower than presented.
- (4) Represents a weighted average price based on when expected sales and purchases occur throughout the year.

Source: Seattle City Light Department (actuals from Accounting Division; budgeted/forecast values from Finance Division)

Energy Market Risk

City Light places high importance on the management of the risks associated with engaging with the wholesale energy market. City Light’s principal objective when engaging in the wholesale energy markets is to ensure that retail customer demand is met. Production of additional value from its generation portfolio, with due consideration of risk, is a secondary objective. Energy market risks may take the form of adverse water conditions that limit generating capacity and fluctuations in the price of wholesale energy. Many factors contribute to energy market risk, including regional planned and unplanned generation plant outages, transmission constraints or disruptions, the number of active creditworthy market participants willing to transact, and environmental regulations that influence the availability of generation resources. See also “CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS—Risk Factors Specific to the Electric Utility Industry.”

The City has adopted a formal Wholesale Energy Risk Management Policy (“WERM Policy”), described below, and has documented risk tolerance levels in a WERM Procedures document. Additional policies, procedures, and processes have been established by the Department to manage, control, and monitor these risks and ensure proper segregation of duties. City Light’s exposure to variable output from its hydroelectric resources and market price risk is managed within City Light by the Senior Manager of Power Operations and Marketing under the supervision of the Power Supply Officer, with oversight and approval from a Risk Oversight Council (“ROC”) as further described below. Under the oversight of ROC, City Light engages in market transactions to meet its load obligations and to realize earnings from surplus energy resources. Except for limited intraday and day-ahead transactions, to take advantage of the ability to store water at certain generating facilities to meet operational obligations, City Light does not take speculative market positions in anticipation of generating revenue.

To limit energy risk exposure to speculative arrangements with longer terms, City Council approval is required for any arrangement to buy or sell physical energy and associated products in the wholesale energy market more than 60 months prior to the hour of delivery.

Wholesale Energy Risk Management

City Light's WERM Policy is implemented by the Risk Oversight Division and is overseen by the ROC, which serves as the primary body with the authority and has the responsibility for leading City Light's energy risk management efforts. The ROC consists of three voting members (the Director of Risk Oversight (Chair), Chief Financial Officer, and the Power Supply Officer) and two non-voting members (Senior Manager of Power Operations and Marketing and the Risk Oversight Strategic Advisor). The ROC meets regularly to review recent events in the wholesale power markets and City Light's market positions, exposures, WERM Policy compliance, and portfolio-balancing strategies and plans.

Under the WERM Policy, City Light may enter into agreements to manage various risks associated with power transactions as long as any agreements are not purely speculative and can be tied to managing an underlying power purchase, asset, or price risk. City Light has not entered into any hedging agreements under an International Swaps and Derivatives Master Agreement. However, City Light does enter into certain forward purchase and sale of electricity contracts that meet the Governmental Accounting Standards Board ("GASB") definition of a "derivative instrument" intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Additional information can be found in Note 19 of the Department's audited financial statements attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF CITY LIGHT.

Wholesale Counterparty Credit Risk

City Light regularly purchases power through WSPP Inc. (formerly Western Systems Power Pool) under the WSPP Agreement and the Power Sales Agreement. Some of those agreements include an obligation on the part of City Light to post collateral contingent upon the occurrence or nonoccurrence of certain future events, such as future credit ratings or payment defaults. City Light also has entered into, and may in the future enter into, agreements that include an obligation on the part of City Light to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events that are beyond the control of City Light. Such contingent obligations are permitted to be characterized as maintenance and operation charges and would be payable from Gross Revenues of City Light prior to the payment of Parity Bond debt service.

If a counterparty to a wholesale power arrangement fails to perform on its contractual obligation to deliver power to City Light, the Department may find it necessary to procure or sell electricity at current market prices, which may be unfavorable compared to the contract price. If a counterparty fails to pay its obligation in a timely manner, this has an impact on City Light's revenue and cash flow. As with market risk, City Light has policies and procedures in place to mitigate credit risk.

Wholesale counterparties are assigned credit limits based on evaluations of their financial condition, including consideration of liquidity, cash flow, credit ratings, and other indicators from debt and capital markets as deemed appropriate. Credit limits are also used to manage counterparty concentration risk. There is potential for the concentration of credit risk related to geographic location, as a large number of counterparties with which City Light transacts are in the western U.S. This concentration of counterparties and of geographic location may impact City Light's overall exposure to credit risk, either positively or negatively, because counterparties may be similarly affected by changes in conditions.

Credit limits, exposures, and credit quality are actively monitored by City Light. Despite such efforts, defaults by counterparties may occur. City Light's risk policies and some of its contracts require either party to post collateral if certain conditions occur. Posted collateral may be in the form of cash or letters of credit and may represent prepayment or credit exposure assurance. City Light is not currently posting collateral under any of its contracts and does not expect to do so.

Resource Coordination Arrangements

CAISO Western Energy Imbalance Market (WEIM)

City Light has been a participant in the California Independent System Operator's ("CAISO") Western Energy Imbalance Market ("WEIM") since 2020. The WEIM is a real-time wholesale energy trading market that supports integration of renewable resources by enabling participants to buy and sell imbalance energy in response to changes in supply and demand. In addition to CAISO, the WEIM currently includes 23 balancing authorities (as of March

2026, with two additional balancing authorities entering the market later in 2026) across 11 western states. Participants provide load and resource information to the WEIM platform, which automatically identifies lower-priced resources to meet demand while managing congestion on transmission lines to maintain grid reliability. It will then dispatch all resources to serve load at the lowest price, given the availability of supply resources and available transmission.

Pacific Northwest Coordination Agreement (PNCA)

The Pacific Northwest Coordination Agreement (“PNCA”) was first signed in 1964 by 16 electric utilities and federal water and power agencies, with the purpose of committing the participants to coordinate operations of their respective power generation systems to maximize efficiency across the system. The PNCA was revised in 1997, in part to recognize dam operations that protect migrating fish in the spring and summer and reduce hydropower generation as a result. Under the PNCA, downstream parties, including City Light, have ongoing obligations to compensate upstream storage reservoir owners for “headwater benefits,” as required under the Federal Power Act. The PNCA expired in 2024, and an interim arrangement is in place while parties negotiate a new long-term agreement to address the headwater benefits compensation. A filing related to continuing obligations for headwater benefits was made to FERC in April 2026 and is expected to be approved later in 2026.

Columbia River Treaty

The U.S. and Canada entered into the 1964 Columbia River Treaty (the “Treaty”) to increase reservoir capacity in the Canadian reaches of the Columbia River basin for the purposes of power generation and flood control. Although the Treaty does not expire under its own terms, either the U.S. or Canada may elect to terminate it by providing not less than ten years’ notice. The Treaty impacts stream flow and power generation in the Columbia River and some of its tributaries. The Treaty’s computation of energy benefits that result from the Canadian improvements to upstream storage is of particular interest to utilities because it creates an energy return obligation (the “Canadian Entitlement”) for U.S. operators of Columbia River dams, including BPA. As described below, treaty modernization could impact energy received under City Light’s BPA and Priest Rapids Project contracts, as well as stream flows and generation at the Boundary Project. See “—Long-Term Power Supply Arrangements—*Bonneville Power Administration*,” “—Other Hydroelectric Resources—*Priest Rapids Project*,” and “—Department-Owned Resources—*Boundary Project*.”

In mid-2024, both the U.S. and Canada announced they had reached an Agreement in Principle (“AIP”) to modernize the terms of the Treaty for the next 20 years. Though negotiations regarding modifications to an international Treaty are conducted by the U.S. State Department and its Canadian counterpart, City Light was an active participant in a regional review process leading up to the modernization recommendation first submitted to the U.S. State Department in 2013 to modernize the Treaty to more fairly reflect the distribution of operational benefits between the U.S. and Canada, to ensure that flood risk management and other key river uses are preserved, and to address key ecosystem functions to protect Columbia River basin fish and wildlife.

The AIP outlines a modified Treaty that will require the parties to continue coordinated operations of reservoir storage space in Canada to optimize hydropower generation, provide for the U.S. to purchase Canadian reservoir storage for preplanned flood-risk management, significantly reduce U.S. obligations to return Canadian Entitlement energy, and add new mutually beneficial transmission and ecosystem benefits. Agreements to reduce Canadian Entitlement energy and capacity obligations went into effect in August 2024 and are legally binding and continue until 2044.

Until March 2025, when the new U.S. federal administration announced a pause in Treaty talks, negotiators for the U.S. and Canada, in collaboration with affected Tribes and First Nations, were actively engaged in working through the AIP implementation details. While long-term disposition of the AIP is on hold, stakeholders are still hoping to negotiate resolution of the remaining issues over the next year or more. Ultimately, any modifications must be memorialized in a Treaty amendment ratified by both the U.S. and Canadian federal governments. The precise implications of the Treaty amendments will remain unknown until the details of the amendments are finalized. City Light cannot predict if or when ratification of the Treaty amendments by both federal governments may occur or whether federal international policy shifts may delay the negotiations.

Renewable Portfolio Standards and Greenhouse Gas Emissions Mitigation

In 2000, the City Council set a long-term goal for City Light to achieve greenhouse gas neutrality while meeting all of the electricity needs of the City. In 2005, City Light became the first electric utility in the country to achieve zero net greenhouse gas emissions and has maintained greenhouse gas-neutral status every year since.

City Light is also subject to State renewable portfolio standards, greenhouse gas emissions reduction targets and associated State climate cap-and-invest programs, and integrated resource planning requirements.

Washington's Climate Commitment Act

The Washington State Climate Commitment Act of 2021 (“CCA”) establishes a Cap-and-Invest program, which caps and reduces the greenhouse gas emissions associated with the largest emitting sources and industries in the State. The program is intended to allow Washington to meet statutory greenhouse gas limits by certain deadlines. To meet these statutory commitments, the CCA limits greenhouse gas emissions from most sectors of the economy, including the electric utility sector, over time.

Entities covered under this program, including City Light, are required to provide eligible instruments to cover their compliance obligations. Ecology allocates no-cost allowances to electric utilities such as City Light to help offset the cost burden associated with program compliance. These no-cost allowances can be used to meet the utility’s compliance obligations.

City Light has a compliance obligation when it imports energy into the state of Washington from wholesale power from emitting sources, or in cases when the specific generating source cannot be documented. The first CCA compliance period is 2023 to 2026 and City Light expects to demonstrate full compliance with the program.

California Cap-and-Trade Program Compliance

As a participant in the CAISO WEIM, City Light is required to comply with California’s Cap-and-Trade program on the same basis as any other entity selling power into California. See “—Resource Coordination Arrangements—CAISO Western Energy Imbalance Market (WEIM).” The California Cap-and-Trade program is intended to allow California to meet its outlined greenhouse gas limits by certain deadlines. Under the program, City Light is required to purchase allowances for applicable sales into California based on the carbon intensity of those sales. To date, the cost to City Light to comply with the program has not been material.

Initiative 937 (I-937)

I-937, also referred to as the Energy Independence Act, was approved by voters Statewide in 2006. It sets forth a renewable portfolio standard and conservation requirements that apply to utilities such as City Light with more than 25,000 retail customers. I-937 requires subject utilities to meet certain Renewable Portfolio Standards and certain Conservation Requirements (each, described below). The law also imposes compliance and reporting deadlines for meeting its portfolio and conservation targets.

- ***I-937 Renewable Portfolio Standards*** require the utility to serve at least 15% of retail load with “eligible renewable resources” and/or purchase equivalent quantities of RECs. For purposes of renewable portfolio compliance, existing hydropower is not considered a renewable resource, except for incremental additional hydropower resulting from qualifying energy efficiency improvements to those resources. Because City Light’s existing hydropower resources are not eligible renewable resources, the Department met the portfolio compliance requirement for 2025 by securing at least 15% of its retail load with RECs from qualifying resource types.
- ***I-937’s Conservation Requirements*** require the utility to pursue “all available” conservation that is cost-effective, reliable, and feasible (the “Conservation Requirements”). Under I-937, City Light is required to establish two-year conservation targets. For the 2026-2027 biennium, the I-937 target is 16.0 aMW. In 2025, City Light achieved 10.10 aMW (88,489 MWh) of energy savings from completed projects, at a cost of \$34.63 million in incentives and expenditures associated with the delivery of the energy savings. Total savings in place in 2025 amounted to 131.40 aMW (1,151,073 MWh), representing approximately 13% of City Light’s total retail sales in 2024.

City Light considers I-937’s requirements during the preparation of its Integrated Resource Plan (“IRP”), discussed below, with a focus on implementing cost-effective, reliable, and feasible conservation measures derived from more efficient energy use by customers, and by City Light’s production and distribution facilities. City Light measures energy conservation results in terms of cost, amount, and duration of savings using regionally and nationally recognized methods.

Clean Energy Transformation Act (CETA)

Enacted in 2019, the Washington Clean Energy Transformation Act (“CETA”) sets milestones for reaching 100% renewable or non-emitting electricity supply by 2045. CETA requires utilities such as City Light to adopt a clean energy implementation plan (“CETA Implementation Plan”) to meet greenhouse gas reduction goals (“GHG reduction goals”) set forth in statute:

- By 2025, utilities must eliminate coal-fired electricity from their supply purchases.
- By 2030, utilities must supply energy from 100% greenhouse gas-neutral resources, allowing for the use of RECs. The 2030 milestone specifies that at least 80% of retail sales must be met with generation sources that do not emit greenhouse gases and remaining sources of greenhouse gas emissions must be offset with energy transformation projects or RECs.
- By 2045, utilities must supply customers in the State with electricity that is 100% renewable or non-emitting.

CETA includes provisions to study the effects of these goals on cost and reliability and provides off-ramps and alternative compliance means at various points. CETA also requires utilities to provide an equitable transition to cleaner energy through consideration of the energy and non-energy impact of resource decisions.

In 2022, the City Council adopted a resolution approving City Light’s preliminary CETA Implementation Plan setting its own targets for energy efficiency, demand response, and renewable energy, as required by CETA, and approved a second resolution in 2025 for its next CETA Implementation Plan. City Light owns no coal-fired resources, and only contracts for resources or wholesale power that meet the no-coal requirement. City Light is well positioned to meet the 2030 GHG reduction goal, given its low carbon energy portfolio. Over the next several years, City Light expects to develop strategies to meet the 2045 GHG reduction goal.

Integrated Resource Plan

City Light’s Integrated Resource Plan (“IRP”) is a long-term plan with a goal to meet anticipated customer energy needs over the next 20 years. The Department develops and presents a new full IRP to the City Council every four years and provides a partial update two years into the 4-year IRP in the form of a Progress Report. The IRP is developed after seeking input from customers, stakeholders, and the general public through public meetings and other outreach. Upon Council approval, the Department’s IRP (or Progress Report) must be submitted to the Washington State Department of Commerce (“Commerce”) by September 1 of the year in which it is due. The IRP outlines a forecasted strategy to maintain reliable electricity service to customers at a reasonable cost and risk, while protecting the environment and ensuring service equity. The IRP and the Demand Side Management Potential Assessment, which evaluates demand-side resources like energy efficiency and demand response, are now evaluated during a similar timeframe by the same long-term model and these reports are two of several planning tools used by City Light to inform Strategic Plan development.

The IRP evaluates a range of resource portfolios that are designed to meet the utility’s future resource needs in compliance with State statutory and regulatory requirements, taking into account changes in customers’ power needs, existing power supply, and assumptions on new energy resource technologies to help inform resource acquisition decisions. The IRP preferred resource portfolio is selected after being evaluated against four criteria: reliability, cost, environmental impact, and risk. City Light’s resource evaluation framework integrates CETA requirements and includes the impacts of climate change, energy efficiency, and clean technology advancements on the regional resource mix. As the energy market continues to evolve, City Light is continuing to evaluate and upgrade the analytical tools it uses to complete the IRP and is currently working to modernize the IRP modeling to better optimize the supply and demand side portfolio outputs.

City Light’s 2024 Progress Report was approved by the City Council and filed with Commerce before the deadline of September 1, 2024. It indicated a need for City Light to acquire 2,350 nameplate MWs in new resources by 2043 to meet growing customer load. The 2026 IRP full report has been prepared with City Council approval pending and is expected to be filed with Commerce by September 1, 2026. City Light’s next Progress Report will be due to Commerce by September 1, 2028.

TRANSMISSION AND DISTRIBUTION

Overview of Transmission and Distribution

Introduction

City Light owns, operates, and maintains overhead and underground transmission and distribution facilities. City Light utilizes its transmission and distribution system, together with its transmission service contracts to deliver energy and provide service to its customers within its 131-square-mile service territory.

City Light’s assets and contracts provide sufficient transmission capacity to meet projected winter peak load and for delivering maximum output from remote resources. However, City Light and the Pacific Northwest are experiencing

growth that forecasts need for both additional transmission and generation services, as further discussed under the headings “LIGHT SYSTEM CAPITAL REQUIREMENTS” and “POWER RESOURCES AND COST OF POWER.”

Transmission

City Light owns and operates 653 circuit miles of 230 kilovolt (“kV”) and 115 kV transmission infrastructure, which fall into three general categories: (1) transmission infrastructure that connects City Light’s Skagit Project to its service area; (2) transmission infrastructure that connects the Boundary, South Fork Tolt, and Cedar Falls Projects with transmission systems owned and operated by BPA and Puget Sound Energy (“PSE”); and (3) transmission infrastructure within and connecting City Light’s service area to BPA, PSE, and Snohomish County Public Utility District No. 1 (“Snohomish PUD”).

— Transmission Capacity Rights

City Light owns life-of-facility capacity rights (“Capacity Rights”) on the Northwest AC Intertie (“NWACI”), which consists of portions of several 500 kV transmission lines and associated substations, facilities, and equipment in central Oregon, connecting the Pacific Northwest with California. Together, BPA, PacifiCorp, and Portland General Electric (“PGE”) are the NWACI Facility Owners.

City Light acquired its Capacity Rights from BPA, granting City Light a 1/30th share of BPA’s share of the transmission capability over the NWACI, amounting to 160 MW of transmission capacity at full rating. City Light’s Capacity Rights allow it access to the California-Oregon Border.

— Wholesale Transmission Service

For over 30 years, City Light has provided wholesale transmission service under legacy bilateral legal agreements with Snohomish PUD and PSE. These agreements are approaching the end of their terms, which will occur in the next two to twelve years.

In 2009, the City Council authorized City Light to provide transmission services under an open access transmission tariff (“OATT”) modeled on the *pro forma* OATT established by FERC; the OATT’s current terms, conditions, and rates were adopted by the City Council in 2021, with a proposed 2027 update planned by City Light.

While service under City Light’s OATT has been a longstanding option, City Light did not receive a formal request until 2024, with subsequent requests in 2025 and 2026. At this time, City Light has two active requests, a generation interconnection and a transmission service request; both contemplate service by late 2028. Finally, as its legacy agreements end or expire, City Light expects to offer OATT service as a replacement for the expiring legacy agreements.

Distribution

City Light’s distribution system is comprised of a looped radial system and a network system (referred to as the Downtown Network system). The looped radial system consists of approximately 2,330 miles of overhead and underground infrastructure whose design consists of single feeder providing energy to customers.

The Downtown Network system consists of a multiple-feeder distribution network system operated by City Light to serve customers in the downtown Seattle, University District, and First Hill neighborhoods. By design, network systems provide greater reliability through redundancy, fault isolation, and operational flexibility that single feeder radial systems lack. City Light’s Downtown Network distribution system consists of 348 miles of 13 kV and 26 kV underground wiring.

City Light operates 16 major substations throughout the service area, which supply power from the transmission system to the distribution system’s primary feeders and ultimately to City Light customers.

Transmission Services Contracts

Bonneville Power Administration Transmission Services

— BPA Transmission Rate Setting

BPA Transmission Services delivers energy across 15,000 miles of high-voltage transmission wire across the Pacific Northwest and beyond. BPA sets rates for Transmission Services periodically through proceedings similar to the proceedings for setting BPA’s power sales rates. See “—Long-Term Power Supply Arrangements—*Bonneville Power Administration*,” above, for a description of the rate-setting process. BPA’s current Open Access Transmission Tariff

(“BPA OATT”) for transmission services was approved for a three-year period from October 1, 2025 through September 30, 2028. The BPA OATT defines the terms and conditions of point-to-point and network integration transmission services, ancillary services, and generator interconnections offered by BPA Transmission Services. BPA is a participant in the WEIM and in the Western Power Pool’s Western Resource Adequacy Program (“WRAP”), a regional reliability planning and compliance program. For a discussion of regional resource coordination arrangements, see “POWER RESOURCES AND COST OF POWER—Resource Coordination Arrangements.” For a discussion of how the Department incorporates changes in BPA power and transmission rates into its retail rates, see “RETAIL RATES, BILLING AND COLLECTIONS—Retail Rate Structure—*Automatic Pass-Throughs and Surcharges.*”

— *BPA Transmission Services Agreements*

- **Point-to-Point Agreement.** For the Boundary Project and most of its remote long-term power resources, City Light acquires transmission services under Point-to-Point Transmission Services Agreements (“PTP Agreements”). The PTP Agreement is a reservation of capacity to receive energy at a designated point of receipt and to transfer energy to a designated point of delivery in accordance with BPA’s current OATT. Under the PTP Agreement, the Department may use this capacity to serve its load or to market surplus power to wholesale customers. It may also resell unused transmission capacity to third parties. PTP Agreements are take-or-pay contracts, regardless of whether City Light is using the full capacity of its reservation. Under BPA’s OATT, City Light has the right to continue to take transmission service from BPA when its contract expires, rolls over, or is renewed. City Light’s PTP Agreement with BPA represents 2,241 MW of transmission capacity. This capacity amount ensures that City Light can deliver the output of the Boundary Project and power supplied by the BPA Power Sales Agreement to City Light customers and intertie points.
- **Multiple-to-Multiple Agreement.** City Light had a “multiple-to-multiple” transmission service contract with BPA that expired on July 31, 2025. City Light and BPA are currently in a formal dispute regarding how the rollovers of the “multiple-to-multiple” transmission service was processed, and BPA has reduced City Light’s transmission by 431 MW. City Light filed an application to FERC on May 20, 2025, and continues to pursue resolution of this matter. Regardless of the outcome, City Light expects to continue to provide reliable, affordable service using BPA transmission.

Other Transmission Contracts

City Light has long-term contracts with PSE for transmission services from its Department-Owned resources at the Cedar Falls and South Fork Tolt Projects. The Department also has long-term transmission services contracts in connection with its remote Long-Term Power Purchase arrangements at Lucky Peak (transmission contract with Idaho Power) and CB Hydropower (transmission contracts with Avista Corp. and Grant PUD). Transmission of energy to City Light from BC Hydro under the High Ross Agreement is the responsibility of BC Hydro and is assigned to a third party. See “POWER RESOURCES AND COST OF POWER—Long-Term Power Supply Arrangements—*High Ross Agreement with BC Hydro.*”

City Light may require additional purchases of transmission in the future to accommodate the delivery of power from additional resource acquisitions to City Light’s retail customers. City Light may purchase short-term and/or non-firm transmission for its sales of power in the wholesale market and may sell excess transmission that is not needed to serve load and balance resources.

Transmission Grid Coordination

City Light is a participant in NorthernGrid (formerly ColumbiaGrid), a regional transmission grid planning organization. NorthernGrid provides inter-utility regional transmission planning services to its members in the Pacific Northwest. It is not a Regional Transmission Organization under FERC policies but provides services on a bilateral, contractual basis. Its planning role enables City Light to meet federal requirements for regional transmission planning. NorthernGrid’s goals include collaborating on transmission-related matters relevant to the Pacific Northwest and Intermountain region and facilitating FERC transmission planning compliance, including economic studies and cost allocation.

Operation and Maintenance of Transmission and Distribution Facilities

Transmission and Distribution System Operations

City Light updates its load forecast periodically to track changes in electricity consumption throughout the distribution system. Based on this forecast, City Light makes provisions and recommendations for capacity projects related to transmission, substation, telecommunications, and distribution facilities to serve the system loads.

City Light's System Control Center controls hydroelectric power operations and monitors delivery of power to the service area. Staff use a real-time Energy Management System that provides information about loads and resources to the power dispatchers so they can properly balance load and resources and respond to system disturbances.

City Light is in the process of updating its Outage Management System, which is designed to improve operational efficiencies and provide timely information to dispatchers and customers while operations staff are responding to service interruptions.

Inspection and Maintenance

The Department conducts periodic inspections and maintenance on the vaults through which transmission lines run, on the batteries that supply control power to protection systems for certain higher capacity transmission lines, and for steel lattice tower and monopole transmission equipment. Protective relays are tested and maintained on a periodic basis to satisfy NERC requirements.

City Light maintains a work and asset management system that tracks generation, transmission, and distribution assets to assist in work scheduling and asset cost tracking and to act as a data repository.

High-priority maintenance and replacement programs in the current CIP include:

- ***Pole Maintenance.*** City Light maintains nearly 92,000 wood poles in its service area. City Light has inspected and replaced 12,000 wood poles between 2010 and 2019. In April 2019, an incident occurred involving the simultaneous failure of a section of 26 wood poles during a high wind event. City Light engaged an engineering firm to conduct an independent review of the incident and identify potential causes of the failure. A final report was published in November 2019. Some of the key recommendations included a narrowing of the rating criteria and establishment of a program for the rapid replacement of the aging wood poles in the service area. Subsequently, the Accelerated Pole Replacement Program was launched to help replace 6,000 pole backlogs and continue to identify replacement and rehabilitation candidates through the new test and treatment program. Wood pole maintenance is an ongoing program.
- ***Underground Cable Replacement.*** The Underground Cable Replacement program began in 2013 and is an ongoing system-wide reliability-improvement program. Since the program began, over 11 miles of new duct systems have been installed and another 11 miles is either in design or in construction, thus advancing toward the goal of replacing the approximately 300 miles of the remaining old direct buried cables by 2040. The estimated total program cost is \$2 billion. In order to accelerate direct bury cable replacement, City Light will pursue a Progressive Design Build ("PDB") project, in addition to traditional design-bid-build projects. City Light has contracted the services of outside subject matter experts, known as "Owner Advisors" within the design-build industry, to assist City Light through procurement, selection, and administration of the PDB project. The Request for Qualifications for the PDB contract is scheduled to be distributed in the fourth quarter of 2026, followed by a Request for Proposals in the second quarter of 2027.

ENVIRONMENTAL MATTERS

Overview of Environmental Matters

City Light is subject to a variety of environmental regulations in connection with its routine operations. City Light manages its legal obligations for environmental protection through numerous compliance programs. Noncompliance creates the potential for violations that can result in civil and criminal penalties and substantial fines. Some of these laws also impose strict liability for environmentally damaging releases, including costs of investigation and cleanup, damages, restoration, and the costs of agency oversight and enforcement. Although the Department cannot predict the outcome or effect of the matters described in this section, it does not expect that any of these matters will adversely affect its ability to pay the principal of and interest on the Bonds.

- ***Power Generation and Delivery.*** The generation and delivery of electric power are regulated by federal, state, and local laws that prescribe standards, work practices, and training requirements, requiring extensive documentation to ensure the protection of the environment and human health.
- ***Greenhouse Gas Emissions and Renewable Portfolio Standards.*** City Light’s operations are subject to State renewable portfolio standards, State greenhouse gas emissions reduction targets, and State integrated resource planning requirements. See “POWER RESOURCES AND COST OF POWER—Renewable Portfolio Standards and Greenhouse Gas Emissions Mitigation.”
- ***Waste Management and Disposal.*** Routine operations also generate a variety of wastes, including dangerous wastes, subject to federal and State regulation. The Department’s practices attempt to reduce recurrent waste generation and disposal costs, and promote regulatory compliance through operations manuals, staff training, and periodic internal inspections or audits. Besides the dangerous waste regulations, internal inspections are used to monitor compliance with other laws, including the Toxic Substances Control Act, Clean Water Act, and Underground Storage Tank regulations. See “—Contaminated Site Liability,” below.
- ***Endangered Species Protection.*** The federal Endangered Species Act (“ESA”) is administered by the U.S. Fish and Wildlife Service (“USFWS”) and the National Oceanic and Atmospheric Administration (“NOAA”). Three fish species that are listed as endangered or threatened inhabit territory impacted by City Light’s hydropower generating facilities. Recovery plans for ESA-listed fish affect Department operations and power purchases. See “—Endangered Species Act,” below.
- ***Clean Water Act.*** City Light is subject to regulatory requirements under the federal Clean Water Act, including Water Quality Certifications required as a precondition to FERC licensing of its hydro facilities. See “—Federal Clean Water Act,” below.

Contaminated Site Liability

The federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (“CERCLA”) created the federal Superfund, the EPA’s program that addresses contaminated sites. The Department has environmental liabilities under CERCLA and related federal and State laws and regulations relating to historical disposal of hazardous wastes at four active cleanup sites: the Lower Duwamish Waterway (“LDW”) site; Harbor Island – East Waterway (“East Waterway”); the Georgetown Steam Plant (“GTSP”) site; and the Ross Lake National Recreation Area (“Ross Lake NRA”).

As of December 31, 2025, City Light had recorded environmental liability amounts net of recoveries of \$135.3 million under applicable GASB reporting requirements. This amount is evaluated semi-annually and is subject to adjustment based on future developments. No assurances can be given that other contaminated sites do not exist or will not be discovered in the future. City Light’s policy has been to undertake voluntary cleanup or ordered actions when contamination is discovered during regular maintenance and construction.

Lower Duwamish Waterway (LDW)

The LDW was listed by the U.S. Environmental Protection Agency (“EPA”) as a Superfund site in 2001. The site is a five-mile segment of the Duwamish River, which flows through an area that has served as Seattle’s major industrial corridor since the early 1900s, accumulating toxic chemicals from many sources, ranging from stormwater runoff, wastewater, and industrial practices.

Following years of investigation, EPA’s Record of Decision (“ROD”) estimates the total remediation costs to be about \$668 million. SPU’s current estimate of the total cost is \$1.267 billion. SPU has a cost share of 26.7% under an agreement pertaining to the allocation of the total liability. The performing parties are pursuing reimbursement of costs from other potentially responsible parties (“PRPs”). The City’s share of the clean-up costs is currently expected to be approximately \$400 million, of which approximately \$339 million is allocated to SPU. The City expects to receive approximately \$88 million due to settlements with other parties. After receiving these settlement amounts, SPU expects its annual share to total approximately \$10 million to \$30 million per year until cleanup is completed, which is anticipated to be ten years after work begins. Monitoring of the remedy will be ongoing indefinitely.

EPA in 2024 issued a Unilateral Administrative Order that continues the ongoing design work as described under the prior Administrative Order on Consent, as amended, and allows for construction of remedial actions to begin in 2024. The Unilateral Administrative Order governs the work until the LDW Consent Decree (described below) becomes effective.

On March 4, 2026, EPA, the U.S. Department of Justice, and the State of Washington reached agreement on a proposed settlement (the “LDW Consent Decree”), with more than 100 PRPs to address hazardous substances released into the LDW. Under the settlement, the Lower Duwamish Waterway Group – which consists of the Boeing Company, the City, and King County – agreed to design and perform the cleanup plan EPA selected for the in-water portion of the LDW Superfund site. The LDW Consent Decree was lodged in U.S. District Court for the Western District of Washington and is subject to a 30-day public comment period (which expired on April 13, 2026), and to final court approval.

City Light’s ultimate liability remains indeterminate until the cleanup work is complete. Work began in 2024 and is expected to be completed no earlier than 2034. SPU and City Light have been sharing the City’s portion of costs for the LDW work and will continue to do so. See Note 15 in the audited financial statements of the Department attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF CITY LIGHT.

Harbor Island – East Waterway (East Waterway)

Immediately downstream of the Lower Duwamish Waterway is the East Waterway and Harbor Island. Harbor Island was listed as a Superfund Site by EPA in 1983 and includes a 420-acre industrial island in Elliott Bay that was built in the early 1900s to support commercial and industrial activities, whose operations contaminated groundwater, sediment, and soil.

The Harbor Island Superfund Site is large and complicated and is broken up into smaller operable units (“OUs”) to make cleanup easier and more manageable. The East Waterway was created during the construction of Harbor Island and is maintained by the Army Corps. The potential sources of contaminants are both legacy pollutants and from potentially ongoing sources. Contaminated sediments within the East Waterway were designated as an OU of the larger Harbor Island Superfund site in 2001.

Currently the PRPs, which include the City (City Light and the SPU Drainage and Wastewater System), the Port of Seattle, and King County are implementing an administrative settlement agreement and order on consent agreed to by EPA in 2025. Although clean-up construction timing and cost estimates won’t be known until EPA identifies a preferred remedy, in 2024 EPA released an interim record of decision with an estimated cost of approximately \$401 million. The City’s ultimate share of costs for investigation and remediation of the East Waterway is unknown. Other PRPs are also expected to share in any costs. The City’s ultimate liability, and the proportion of cleanup costs to be borne by City Light, are indeterminate. See Note 15 in the audited financial statements of the Department attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF CITY LIGHT.

Georgetown Steam Plant (GTSP)

The GTSP was a steam-powered electrical generating plant originally built by the Seattle Electric Company in 1906-1907 on 18 acres of land along the Duwamish River. The site was acquired by City Light in 1951 and is now part of a larger area designated in 2008 by the Washington State Department of Ecology for investigation and identification of contaminants of concern. The area under investigation includes the GTSP, North Boeing Field, and the King County Airport. The PRPs submitted the draft final Remedial Investigation report to Ecology in January 2026 and anticipate beginning the Feasibility Study sometime in 2026. Additional investigations regarding perfluoroalkyl and polyfluoroalkyl substances (“PFAS”) contaminants are also continuing. Preliminary PFAS field investigations were completed in 2025; and the need and timing for additional investigations is unknown.

City Light completed interim cleanup actions at the Georgetown Steam Plant property in 2012 and is now implementing a plan with Seattle Parks and Recreation (“Seattle Parks”) and the Seattle Department of Transportation (“SDOT”) to develop park and bicycle/pedestrian trail facilities on a portion of the site that has been remediated. Investigations to characterize any residual contamination in this area have been completed. Remediation and construction activities began in late 2025 and are expected to be complete by Q2 2026. The City’s ultimate liability remains indeterminate. Additional information can be found in Note 15 of the Department’s audited financial statements attached to the Official Statement as APPENDIX F—2025 AUDITED FINANCIAL STATEMENTS OF CITY LIGHT.

Ross Lake National Recreation Area (Ross Lake NRA)

The National Park Service (“NPS”) is conducting cleanup operations at three sites located within the North Cascades National Park Complex, Ross Lake National Recreation Area, which are associated with City Light’s historical operation of the Skagit Project: the Newhalem Penstock site, the Diablo Dry Dock facility, and the Ladder Creek Settling Tank. City Light is party to an Administrative Settlement Agreement Order on Consent (“Ross Lake NR Settlement”) to perform certain removal and remediation actions. The required actions at the Ladder Creek site were

completed and a notice of completion received from the NPS in early 2025. The NPS issued a no further action memorandum for the Newhalem Penstock site in September 2023 and requires annual restoration monitoring through 2028. As of March 2026, an evaluation and cost analysis is underway for the Diablo Dry Dock facility. Total expenditures for the three sites as of December 31, 2024, were approximately \$1.6 million. Estimated additional costs for cleanup at the Diablo Dry Dock facility are \$1.7 million.

Endangered Species Act

Recovery plans for ESA-listed species affect Department operations and power purchases. Three species of fish listed as “threatened” or “endangered” (“ESA-listed species”) under the Endangered Species Act inhabit waters directly impacted by City Light’s hydropower generating facilities. Listed species also inhabit waters impacted by projects located upstream or downstream of City Light’s facilities, which can affect the operations at City Light’s facilities. Listed species may also affect operations of other generating facilities from whom City Light purchases power and may affect demand and prices in the wholesale markets to whom City Light sells surplus power.

Below is a brief description of ESA-listed species recovery efforts, organized by major geographic area, that materially affect City Light’s operations.

Eastern Washington – Columbia River Basin

Approximately 27 stocks of ESA-listed salmon and steelhead inhabit the Columbia River Basin. To better address the species and population recovery needs and conservation measures identified in the 2020 National Marine Fisheries Service (also known informally as NOAA Fisheries) Biological Opinion issued under the ESA and reach the population recovery targets of the earlier NOAA-led Columbia Basin Partnership, the states of Washington, Oregon, Idaho, and Montana initiated the Columbia Basin Collaborative (“CBC”) that same year. CBC’s goal was to prioritize and progress actions needed to accelerate ESA-listed species recovery.

Independently of the CBC, President Biden in 2023 issued a Presidential Memorandum directing federal agencies in the management of the Columbia River Power System (the “Memorandum on Restoring Healthy and Abundant Salmon, Steelhead, and Other Native Fish Populations in the Columbia River Basin” or the “Biden Memorandum”). This was followed by the Resilient Columbia Basin Agreement (“RCBA”) signed in early 2024 by President Biden, confirming a commitment among the U.S. federal government, four Tribal Sovereign Nations (Umatilla, Nez Perce, Yakama, and Warm Springs), and the states of Washington and Oregon, with associated financial resources. However, in June 2025, President Trump issued a new Presidential Memorandum (the “Trump Memorandum”) revoking the Biden Memorandum and directing federal agencies to withdraw from agreements implementing the Biden Memorandum and to take other actions related to the Columbia River Basin. Environmental groups have filed litigation challenging the Trump Memorandum and the federal agency actions that followed.

In response to the uncertainty, the CBC was reinitiated in early 2026, serving a primary role of communicating to federal agencies and elected officials the funding needed to implement the consensus-based priority restoration actions identified through the CBC process and through related basin planning efforts.

— Boundary Project

The 2013 FERC license for the Boundary Project requires City Light to enhance the habitat for Bull Trout and suppress non-native trout. Recovery efforts for Bull Trout affect the cost of operations at the Boundary Project, but not power generation. City Light’s power generation at the Boundary Project is also affected by operations at federal dams/storage reservoirs upstream of Boundary Dam. Fish and wildlife protection under the ESA is a factor in the operations of upstream dams. Any new federal directive, recovery plan, or Biological Opinion issued by NOAA can result in changes in flows at federal projects that could have an impact on the Boundary Project.

Western Washington – Skagit, Tolt, and Cedar River Watersheds

There are three primary ESA-listed species that affect Department operations in western Washington: Bull Trout, Chinook salmon, and steelhead. City Light’s Skagit Project and two small hydropower facilities (Cedar Falls and South Fork Tolt) are affected by these listings.

- ***Puget Sound Steelhead.*** Puget Sound steelhead were listed as threatened by NOAA Fisheries in 2007. Areas downstream of City Light’s dams on the Skagit, Cedar, and Tolt Rivers are designated as “critical habitat.” A final recovery plan for Puget Sound steelhead was published by NOAA Fisheries in December 2019.
- ***Bull Trout.*** Bull Trout were listed as threatened by the USFWS in 1998. The Skagit River within and downstream of the Skagit Project and the major tributaries to all three Skagit Project reservoirs are listed as

“critical habitat.” A final recovery plan for Bull Trout was released by USFWS in 2015 and is subject to five-year status reviews, the most recent of which was published in 2024.

- ***Puget Sound Chinook Salmon.*** Puget Sound Chinook salmon were listed as threatened by NOAA Fisheries in 1999, and are present in the Skagit, Cedar, and Tolt Rivers downstream of City Light’s hydroelectric facilities. These river reaches were designated as “critical habitat” for Chinook Salmon by NOAA Fisheries. A recovery plan for the Puget Sound Chinook was published in 2007 and contains sub-basin plans for each watershed where City Light’s operations interact with the species and its habitat.

City Light has undertaken a wide range of actions to reduce and mitigate potential adverse impacts of its operations on these listed fish species. On the Cedar River, City Light’s activities are covered by a Habitat Conservation Plan that governs operations of the Cedar Falls Project with regard to all listed species and by an incidental take permit.

Both the Skagit Project and the South Fork Tolt Project were licensed through a collaborative FERC licensing process involving State and federal regulatory agencies, including NOAA Fisheries, USFWS, the Washington State Department of Fish and Wildlife (“WDFW”), and tribes. These agreements include extensive measures to protect fish, including flow management measures and non-flow measures such as habitat restoration, conservation land acquisition, and research and monitoring. City Light expects to continue these required conservation measures through the Skagit Project relicensing process and anticipates no significant effect on City Light’s operations at the Skagit Project. Ongoing settlement negotiations for the Skagit Project’s new license will result in a new Biological Opinion, and effects on future operations cannot be fully predicted at this time. City Light is continuing current license implementation on the Tolt Project with current conservation measures and is in the study phase of relicensing, which will also lead to a Biological Opinion and anticipated license modifications.

In addition, City Light has acquired over 4,000 acres of high-quality habitat for ESA-listed fish species in these watersheds for permanent conservation protection under the terms of its Skagit Project FERC license and, separately, as part of the ESA Early Action Program operated by City Light under City Council Resolution 29905 to protect salmonid habitat as authorized by City Ordinance 121114.

Federal Clean Water Act

Section 401 of the federal Clean Water Act (“CWA”) requires states to provide a Water Quality Certification (a “401 Certification”) as a condition of licensing a hydroelectric project. Ecology is the State agency responsible for issuing 401 Certifications, which certify that discharges from a particular facility comply with state water quality standards, including various physical and chemical parameters and other factors. Ecology last implemented updates to its water quality standards in 2007, which updates included standards for minimum stream flows to protect ESA-listed fish species such as bull trout, chinook salmon, and steelhead.

The Boundary Project received a 401 Certification from Ecology in 2011. The Skagit Project does not have a 401 Certification and is currently in the process of seeking 401 Certification associated with a new FERC license. Current issues under discussion with Ecology include ramping rates, minimum flows, total dissolved gas (TDG), streamflow data, and water temperature. A draft TDG compliance schedule is under review by Ecology as part of that process. The South Fork Tolt Hydroelectric Project received a 401 Certification in 1983 in conjunction with its FERC license. The Water Quality Certification was revised in 1993 prior to the construction of the project. The revised certification captured changes to the original project proposal and changes to the State’s water quality regulations and incorporated a settlement agreement.

Ecology from time to time adopts updates to its water quality standards. Updates are incorporated into periodic attainment reviews conducted under the 401 Certifications. Significant updates adopted in the last five years include:

- Under Section 301(a) of the CWA, it is unlawful to discharge any pollutant without a National Pollutant Discharge Elimination System (NPDES) permit. Although previously not required, in recent years Ecology has implemented an NPDES permit process for hydroelectric projects. The Skagit Project submitted permit applications for all three developments in 2024 and permits are expected in 2026. The Boundary Project will submit an NPDES permit application in 2026. The impact of these new permits is expected to be minimal for City Light.
- In 2020, Ecology revised its temperature metrics to address chronically elevated water temperatures in the Pend Oreille River affecting the Boundary Project. City Light is working with Ecology to develop a new Temperature Attainment Plan for the Boundary Project with Ecology’s approval expected in 2026. The Department does not at this time believe that any major changes at the Boundary Project will be required.

- In 2022, Ecology adopted new minimum dissolved oxygen level standards in order to better protect water quality and physical habitat for incubating eggs and young salmon in rivers and streams. The impact of these rule changes is expected to remain minimal for City Light.
- In 2022, Ecology announced its intent to review and revise, as necessary, the State’s current aquatic life toxics criteria to ensure consistency with nationally recommended criteria issued by EPA. A final rule was adopted in August 2024 that added 14 new toxic substances to the 28 already listed and updated criteria for 16 of the already-listed substances. City Light continues to believe these updates do not represent a material risk or material financial impact to City Light at this time.

CERTAIN RISK FACTORS AND OTHER INVESTOR CONSIDERATIONS

Investor Considerations and Risk Factors Applicable to the City Generally

Various risk factors and investment considerations applicable to the City generally are described in APPENDIX A — THE CITY OF SEATTLE (“CERTAIN INVESTOR CONSIDERATIONS”). These include State and local initiative and referendum, federal policy risk and other federal funding considerations, public health emergencies, various natural disasters, climate change risk, and cybersecurity and artificial intelligence risks.

Enterprise Risk Management and Emergency Response

City Light evaluates and monitors strategic risks at the enterprise level. Key risk factors are discussed below in the context of considerations specific to City Light and should be considered in addition to those risk factors applicable to the City generally.

Emergency Response and Disaster Recovery

City Light has an active Emergency Management Program that meets Federal Emergency Management Agency (“FEMA”) standards and conducts semi-annual exercises and testing of its emergency response program. The Department’s Continuity of Operations Plan defines City Light’s program to prepare for and respond to all hazards. It establishes a response organization structure (consistent with the National Incident Management System and Incident Command System structure) designed to enhance coordination with other agencies and improve outage restoration responses. An Incident Management Team, comprised of approximately 150 trained management and staff members, can be activated during any man-made or natural event and serves the function of managing City Light’s emergency response activities.

City Light continues to refine and document its information technology, business continuity, and disaster recovery program. City Light has built and currently conducts operations from an out-of-region co-located data center and instituted various iterative processes in support of Departmental resiliency and rapid recoverability.

Dam Safety

City Light’s Dam Safety Program oversees the federal and state regulatory compliance program for safety of City Light’s regulated dams by implementing and coordinating the Owners Dam Safety Program (“ODSP”) to protect life, health, property, and the environment. The Chief Dam Safety Engineer/Dam Safety Program Manager is responsible for the implementation of the ODSP and reports directly to the Engineering and Project Delivery Officer. FERC annually issues a letter, signed by the FERC Regional Engineer, reminding City Light of City Light’s obligations and responsibilities as the FERC license holder for City Light’s FERC-regulated hydropower facilities. The FERC annual letter informs City Light about changes in dam safety regulations and requirements and its responsibilities to ensure that the licensed hydroelectric projects are operated and maintained in compliance with FERC Regulations and the terms and conditions of City Light licenses. City Light operates, manages, and maintains its dams as safely and effectively as is reasonably possible as required by FERC, Ecology, and City Light’s Standard Operating Procedure for the ODSP, which is annually reviewed and updated by the Chief Dam Safety Engineer and signed by Department executive team members.

City Light regularly inspects all of its projects to ensure safety, and has current Emergency Action Plans, Public Safety Plans, Dam Safety Surveillance and Monitoring Plans, Physical and Cyber Asset Security Plans, ongoing operations and maintenance and CIP projects, and other common requirements for all of its dams. FERC requirements apply at the Boundary, Skagit, South Fork Tolt, and Newhalem Creek Projects. The same requirements apply to the Cedar Falls Project under City Light’s ODSP, even though it is regulated by Ecology. City Light anticipates increases in O&M and CIP work during the 2026-2030 timeframe for project improvements resulting from recent five-year

independent consultant inspection reviews and Level 2 risk assessments for the Boundary, Skagit, Cedar Falls, and South Fork Tolt Projects as informed by recent seismic hazard assessments, focused spillway inspections, detailed appurtenant structures (outlet works, power plants) and gate inspections and analyses, updated Supervisory Control and Data Acquisition systems, and changes in regulatory requirements.

Seismic Risks

City Light's service area and its generating facilities are located in a region of seismic activity, with frequent small earthquakes and occasionally moderate and larger earthquakes. Certain soil types and property in certain areas could become subject to liquefaction (the transformation of soil from a solid state to a liquid state) and could result in landslides following a major earthquake and any aftershocks. The region includes identified geologic faults, including the Cascadia subduction zone beneath the Pacific Ocean, which is thought to be capable of causing extensive damage. The most notable recent earthquake in the region, which measured 6.8 on the Richter scale, occurred in 2001. The coastal parts of the region could experience the effects of a tsunami following a major earthquake on the West Coast or in areas outside the United States. In addition to its internal risk mitigation efforts, City Light attends annual coordination meetings with other West Coast utilities related to seismic resiliency to establish policy consistency throughout earthquake-prone regions.

Due to the risk of seismic activity in the Puget Sound region and the age of portions of the utility infrastructure, City Light maintains a seismic hazard assessment program for substations and facilities consistent with requirements identified in documents and standards such as the International Building Code. As upgrades and/or improvements are made to these substations and facilities, appropriate seismic mitigation features are incorporated into the infrastructure. The seismic hazard assessment also includes a method for establishing priorities within City Light's service territory beginning with control centers, substations, and service centers. Seismic risk evaluations are applied to City Light's generation facilities as part of ongoing FERC relicensing, dam safety reviews and assessment, and reporting obligations.

In addition to improving City Light's own seismic resiliency, City Light has identified the need to more closely coordinate with other critical infrastructure operators, including SPU and King County's Wastewater Treatment Division, and other local emergency response agencies.

Climate Change

City Light is engaged in researching and monitoring the potential effects of climate change on City Light's business. In 2016, the Department completed a Climate Change Vulnerability Assessment and Adaptation Plan to identify climate vulnerabilities and potential actions to reduce risks associated with climate change. The Department is in the process of updating this plan and creating a Climate Action Roadmap.

As described in this Official Statement, City Light is heavily dependent on hydro-based generation. The physical effects of climate change are expected to affect the amount, timing, and availability of water resources for hydroelectric generation in the future. City Light actively participates in several industry workgroups evaluating the effects of climate change on hydropower operations and planning. City Light is also studying how projected changes in temperature and precipitation will affect water temperatures and snowmelt in the Tolt River Watershed, which could affect compliance and stream flow, and thus future output from City Light's South Fork Tolt Project. This study is a cooperative effort among the Seattle Public Utilities, USGS, and outside consultants. Similar work is underway in the Skagit River Watershed in collaboration with the University of Washington's Civil and Environmental Engineering Department ("UW CEE"). City Light is also collaborating with DOE's Pacific Northwest National Laboratory to study changes to atmospheric rivers, which can affect flood hazards such as was experienced in December 2025. New research was initiated in 2025 with the University of Northern British Columbia to re-inventory glaciers in the Skagit to better understand changes in summer glacier-meltwater contributions to streamflow into reservoirs. These research collaborations are being used to support relicensing and other long-term planning and designs related to City Light's hydroelectric projects. City Light has also conducted research in collaboration with other partners on landslide hazards from climate change at its Skagit facilities that will be useful for relicensing, transmission planning, operations, and dam safety.

To support long-range planning, climate change scenarios have been added into the resource adequacy analysis conducted for the IRP. Several best available climate change datasets were evaluated and filtered to capture the range of temperature and streamflow variability into the future, which could affect energy demand and supply. These data were used in load forecasting and energy production refill models to understand climate change impacts on winter and summer risks to resource adequacy. Analyses indicate that climate change may increase both the winter and summer needs to varying amounts, depending on the global climate model and greenhouse gas emissions used in the scenario.

Although City Light expects to be negligibly affected by sea level rise in the near term, two new studies are underway by the UW CEE to assess potential change in groundwater elevation and saltwater intrusion on underground infrastructure. Climate science has also informed federal grant applications supporting climate resilience in the Duwamish River area.

Wildfire Risk

Certain areas within the State, particularly central and eastern Washington, routinely experience seasonal wildfires that can threaten remote Department-Owned generation and transmission infrastructure. In July 2023, the Sourdough Fire in the North Cascades mountain range led to two multi-day transmission outages of the Diablo and Ross facilities at the Skagit Project, one for seven days and one for six days, requiring spilled water through the spill gates to maintain flow to the Gorge powerhouse and the Skagit River. The estimated cost of purchasing supplemental energy on the wholesale market was approximately \$2.6 million. Normal operations resumed by late August, with no structural damage. A similar event occurred in 2015 when the Goodell Creek Fire resulted in damages to communications infrastructure and led to a shutdown of transmission lines, requiring supplemental power purchases. Total costs were partially offset by approximately \$2.3 million in FEMA reimbursements toward City Light's firefighting, repair, and emergency management expenses. An additional approximately \$1.0 million was spent on supplemental energy.

To reduce wildfire risk in areas within and adjacent to generation sites and transmission rights of way, City Light has implemented defensible space planning practices, enhanced proactive vegetation management, improved evacuation readiness, and published a Wildfire Risk Reduction Strategy that was finalized in 2023 and updated in 2024. A Vegetation Management and Wildfire Mitigation Manager was hired in 2024 to lead implementation of the strategy. City Light also participates in the State's Utility Wildland Fire Prevention Advisory Committee and was awarded over \$221,000 in FEMA funding for designing a 57-acre defensible space project at Cedar Falls.

There is also wildfire risk to generation and transmission facilities serving City Light through power and transmission contracts. BPA, which makes up the vast majority of City Light's purchased power and transmission contracts, as described above, established a formal wildfire mitigation plan in 2022.

Cybersecurity

Cyberattacks are becoming more sophisticated and increasingly capable of impacting control systems and components. City Light, working in conjunction with the Seattle Information Technology Department ("Seattle IT"), has instituted a program that includes processes, training, and controls to maintain the reliability of its systems and protect against cyber threats as well as to mitigate intrusions and plan for business continuity via data recovery. City Light leverages relationships with numerous local, State, and Federal organizations to maintain awareness of cyber threats, collaborate on mitigation best practices, and protect its systems and services. The City also maintains insurance coverage for Cybersecurity events. The policy covers all City departments, including City Light.

Work plans specific to City Light are developed to address issues and recommendations to support the Cybersecurity program. City Light's program to protect critical infrastructure also conforms to North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection standards. FERC/NERC standards regularly evolve and change, with Critical Infrastructure Protection standard requirements being some of the most dynamic. City Light has established structured and coordinated processes to ensure Department compliance with all current and evolving standard obligations, even as new infrastructure, systems, or contractual obligations are added.

Physical Plant Security

The power grid in the Pacific Northwest and across the United States continues to face a range of physical security threats that pose significant risks to system reliability and resilience. According to the Electricity Information Sharing and Analysis Center (E-ISAC) and subsequent 2025 industry reporting, physical security incidents affecting electric infrastructure remain elevated compared to pre-2023 levels, with no meaningful decline in overall threat activity.

The 2024 data showed a sharp increase in total incidents driven largely by vandalism and theft. Early 2025 reporting indicates that these trends have persisted, particularly low-sophistication but high-impact events such as copper theft, equipment vandalism, and unauthorized access. More targeted attack methods, including ballistic damage, have varied year to year but continue to present a serious risk due to their potential for widespread disruption.

E-ISAC and federal partners assess with high confidence that the threat environment remains dynamic and concerning, with both opportunistic criminal activity and potential malicious actors contributing to ongoing risk. Critical infrastructure assets, including substations, transmission lines, dams, and control centers, remain vulnerable to physical attack, sabotage, and intrusion.

The U.S. Department of Energy continues to emphasize the need for strengthened physical security measures, expanded monitoring and surveillance capabilities, and enhanced coordination between utilities, law enforcement, and federal agencies. These efforts are essential to improving situational awareness and mitigating risk across the sector.

City Light is actively advancing these priorities by enhancing physical security measures, including updated fencing standards at critical facilities, expanded surveillance capabilities, and increased coordination with security partners.

Property Insurance

City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by a property insurance policy. Additional information about the City's risk management and insurance is found under the heading "FINANCIAL AND RISK MANAGEMENT" in APPENDIX A—THE CITY OF SEATTLE.

Risk Factors Specific to the Electric Utility Industry

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities, including the Department, and the level of utilization of generating and transmission facilities; federal environmental, fiscal, and economic policy uncertainty; and global economic and security risks. The following list is not intended to be exhaustive, but rather indicative of additional types of risks that will continue to exist over time:

- *Organizational Constraints*: City Light's ability to successfully implement its strategic objectives; attract and retain qualified, skilled, and experienced personnel; manage load expansion and integrate power supply acquisitions; City Light's ability to access capital markets, bank financing, and other financing sources; the Department's ability to raise revenues from its customers.
- *Global, National, and Local Conditions*: weather conditions, natural disasters and pandemic diseases, war, acts of terrorism, and cybersecurity attacks; population growth rates and demographic patterns; effects of emerging technology; limitations in available regional transmission capacity and congestion management restricting access to preferred resources or markets; impact of changes in regional planning and interconnection procedure; unanticipated impacts arising from regional transition from bilateral energy trading and scheduling to participation in organized day-ahead energy markets, including changes in market design, governance, and price formation; the potential for new settlement risks, operational and compliance requirements; and uncertainty regarding how future market participation may affect power costs, revenue volatility and dispatch flexibility; natural disasters or other physical calamities, including, but not limited to, earthquakes, tsunamis, floods, mud slides, volcanic eruptions, wildfires, droughts, and wind storms; man-made physical and operational disasters, including but not limited to terrorism, security (including Cybersecurity) breaches, cyber attacks, and collateral damage from untargeted computer viruses; variations in the weather and changes in the climate; failures of or other issues with infrastructure; effects of local, state, and national government response or business response to the outbreak of a pandemic disease.
- *General Economic Conditions*: effects of changes in the global, national, or local economy, including effects of inflation on the operating and maintenance costs of an electric utility and its facilities; changes in availability of key materials and supplies; impacts of commodity prices on City Light and its customers; federal and state regulatory and legislative actions that impact power industry economics; changes resulting from the imposition of tariffs on the importation of wholesale energy or on finished or raw goods essential to utility supply chains.
- *Conditions Specific to the Power Industry*: changes resulting from national energy policy; wholesale power market conditions, including increases or decreases in the price of energy purchased or sold on the open market that may occur in times of high peak demand or supply; effects of possible manipulation of the electric markets; the effects of competition for wholesale customers, including increased competition from independent power producers and marketers, brokers, and federal power marketing agencies; effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing and storing low-cost electricity; the effects of increased deployment of distributed low-carbon electricity generation resources; transmission capacity and the integration of wind, solar, and other intermittent power generation and large-scale battery storage; changes resulting from conservation and demand-side management programs on the timing and use of electric energy; changes to certain federal statutes that would have the effect of increasing the competitiveness of investor-

owned utilities; changes from projected future load requirements, including the rapid expansion of data centers supporting artificial intelligence supercomputing and the expansion of electric vehicle charging infrastructure; potential for large customers, including data centers, to pursue partial or full energy self-supply, microgrid or islanded operations, altering regional balancing area coordination, or impact regional transmission system planning; increases in costs and uncertain availability of capital; shifts in the availability and relative costs of different fuels (including the cost of natural gas).

- *Legal and Regulatory Conditions:* changes in and compliance with laws and regulations, or changes in tax rates or policies; the outcome of legal and administrative proceedings (whether civil or criminal) and settlements; impacts of climate change and future regulation to restrict the emissions of greenhouse gases or other environmental impacts, including impacts of laws and regulations related to renewable and distributed generation; effects of compliance with changing environmental, safety, licensing, regulatory, and legislative requirements; effects of restructuring initiatives in the electric industry affecting the Department's purchased power arrangements; other legislative changes, voter initiatives, referenda, statewide ballot propositions, sequestration, and other failures of Congress to act.
- *Financial Conditions:* changes in interest rates and the performance of the financial markets; changes in operating expenses and capital expenditures; project delays or changes in project costs; inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity.

In addition to the risk factors referred to above, or any assumptions or risks referenced in connection with specific forward-looking statements set forth in this Official Statement, all forward-looking statements are qualified in their entirety by reference to the following important factors that could cause the Light System's actual results to differ materially from those indicated in the forward-looking statements.

APPENDIX C
SUMMARY OF BOND ORDINANCE

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SUMMARY OF SELECTED DEFINITIONS AND PARITY BOND PROVISIONS IN THE BOND ORDINANCE

This Appendix contains a summary of certain definitions and other provisions of Ordinances 127345 and 126940 (together, the “Bond Ordinance”). Generally, provisions relating to Junior Lien Bonds have been omitted, as there are none outstanding and the City has no current plans to issue Junior Lien Bonds. Those provisions may be found in the Bond Ordinance, particularly Sections 13(b), 16, and 18(b). Other information and defined terms have been omitted for purposes of this summary, and the reader is directed to the Bond Ordinance to review the complete text and full definitions of any capitalized terms that are not defined below. A complete copy of the Bond Ordinance is available from the City Clerk or on the City’s website.

DEFINITIONS

Section 1 of the Bond Ordinance defines certain capitalized terms. Below are definitions of certain terms used in this Appendix and elsewhere in the Official Statement.

“Accreted Value” means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount determined for such Valuation Date in accordance with the applicable Bond Documents, and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and (B) the difference between the Accreted Values for such Valuation Dates.

“Adjusted Net Revenue” means Net Revenue, less any deposits into the Rate Stabilization Account and plus any withdrawals from the Rate Stabilization Account. In calculating Net Revenue, the City may include the Tax Credit Subsidy Payments the City expects to receive from the federal government in respect to the interest on any Tax Credit Subsidy Bonds (or with respect to which the federal government will provide direct payments). In a Parity Certificate, Adjusted Net Revenue is subject to further adjustment as set forth in subsection 18(a)(ii) of the Bond Ordinance.

“Alternate Reserve Security” means Qualified Insurance or a Qualified Letter of Credit that is used by the City to satisfy part or all of the Reserve Fund Requirement, and that is not cancelable on less than five years’ notice.

“Annual Debt Service” means, with respect to either Parity Bonds (or a series of Parity Bonds) (“Annual Parity Bond Debt Service”) the sum of the amounts required in a calendar year to pay the interest due in such calendar year (excluding interest to be paid from the proceeds of the sale of bonds), the principal of Serial Bonds maturing in such calendar year, and the Sinking Fund Requirements for any Term Bonds due in such calendar year. Additionally, for purposes of this definition:

- (a) *Calculation of Interest Due – Generally.* Except as otherwise provided in this definition, interest shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is payable in respect of the relevant series of Parity Bonds, taken as a whole, at the rate or rates set forth in the applicable Bond Documents.
- (b) *Capital Appreciation Bonds.* The principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in the Bond Documents applicable to such Capital Appreciation Bonds.
- (c) *Variable Interest Rate Bonds.*
 - (i) *Assumed Interest on Variable Interest Rate Parity Bonds.* The amount of interest deemed to be payable on any series of Parity Bonds that are Variable Interest Rate Bonds shall be calculated under the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding five years.
- (d) *Interest on Bonds with Respect to Which a Payment Agreement is in Force.* In general, debt service on any Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the applicable Bond Documents and the terms of the Payment Agreement. For example, if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a variable interest rate is to produce an obligation bearing interest at a fixed rate,

the relevant series of bonds shall be treated as fixed rate bonds. And if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a fixed interest rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any series of Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in or determined pursuant to the applicable Bond Documents, plus Payment Agreement Payments, minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component on the series of bonds to which the Payment Agreement is related, it shall be assumed that: (i) the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement, and (ii) the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the applicable Bond Documents. Notwithstanding the other provisions of this definition, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

- (e) *Parity Payment Agreements.* For any period during which Payment Agreement Payments under a Parity Payment Agreement are taken into account in determining Annual Debt Service on the related Parity Bonds under subsection (d) of this definition, no additional debt service shall be taken into account with respect to that Parity Payment Agreement. However, for any period during which Payment Agreement Payments are not taken into account under subsection (d) of this definition because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, payments on that Payment Agreement shall be taken into account by assuming:
 - (i) *If City Is Obligated to Make Payments Based on a Fixed Rate.* If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, it shall be assumed that payments by the City will be based on the assumed fixed payor rate, and that payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made.
 - (ii) *If City Is Obligated to Make Payments Based on a Variable Rate Index.* If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, it shall be assumed that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.
- (f) *Balloon Bonds.* In calculating Annual Debt Service for any series of Parity Bonds, the City may in its discretion treat the debt service requirements with respect to Parity Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Parity Bonds.
- (g) *Adjustments for Defeased Bonds.* For purposes of determining compliance with the rate covenant, calculating the Reserve Fund Requirement, and making coverage ratio calculations in connection with the delivery of a Parity Certificate, Annual Debt Service shall be adjusted as set forth in Section 20(d) of the Bond Ordinance, which provides that if the refunding or defeasance plan provides (i) that the Defeased Bonds (or the refunding bonds issued to redeem those Defeased Bonds) are to be secured by money and/or Government Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then only the debt service on such Bonds as are not Defeased Bonds (and any refunding bonds, the payment of which is not so secured by the refunding plan) shall be included in the calculation of Annual Debt Service.
- (h) *Reimbursement Obligations.* If any payment under a Parity Reimbursement Obligation is then due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles

and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Debt Service for purposes of delivering a Parity Certificate.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity of a Series, or such other minimum authorized denominations as may be specified in the applicable Bond Documents.

“Average Annual Debt Service” means, for purposes of calculating the Reserve Fund Requirement with respect to all Parity Bonds outstanding at the time of calculation, the sum of the Annual Parity Bond Debt Service remaining to be paid to the last scheduled maturity of the applicable Parity Bonds, divided by the number of years such Parity Bonds are scheduled to remain outstanding.

“Balloon Bonds” with respect to the Bonds means any series of Parity Bonds, the aggregate principal amount (including Sinking Fund Requirements) of which becomes due and payable in any calendar year in an amount that constitutes 25% or more of the initial aggregate principal amount of such series.

“Bond Documents” means (a) the Bond Ordinances; (b) the authenticated bond form; (c) the Bond Purchase Contract; and (d) the Paying Agent Agreement.

“Bond Owners’ Trustee” means a bank or trust company organized under the laws of the State, or a national banking association, appointed in accordance with Section 24(e) of the Bond Ordinance to act as trustee on behalf of the owners, from time to time, of the Outstanding Parity Bonds.

“Bond Sale Terms” with respect to the Bonds means the terms and conditions for the sale of the Bonds approved by the Director of Finance consistent with the parameters set forth in Section 5 of the Bond Ordinance, as set forth in the Bond Purchase Contract and Paying Agent Agreement.

“Code” means the Internal Revenue Code of 1986, or any successor thereto, as amended at any time, and regulations thereunder.

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

“Director of Finance” or **“Director”** means the City’s Director of Finance or such other official who succeeds to substantially all of the responsibilities of that office.

“Event of Default” has the meaning given in Section 24 of the Bond Ordinance. A “Parity Bond Event of Default” shall refer to those Events of Default relating to nonpayment of Parity Bonds, or defaults in respect of the Parity Bond covenants set forth in the Bond Ordinance and in the applicable Parity Bond Documents giving rise to remedies available to the owners of Parity Bonds.

“Future Parity Bond Ordinance” means any ordinance passed by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance amending or supplementing the provisions of any such ordinance.

“Future Parity Bonds” means, with reference to any Series designated as Parity Bonds, any revenue obligations of the Light System issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien upon Net Revenue equal in priority with the charge and lien upon such Net Revenue for the payment of the amounts required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure payment of the Parity Bonds in accordance with Section 14 of the Bond Ordinance. Future Parity Bonds include Parity Payment Agreements, Parity Reimbursement Obligations and any other obligations issued in compliance with the Parity Conditions.

“Government Obligations” means, unless otherwise limited in the Bond Documents for a particular Series of the Bonds, any government obligation as that term is defined in RCW 39.53.010, as now in effect or as may later be amended.

“Gross Revenues” means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Light System; (b) 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; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include: (i) insurance proceeds compensating the City for the loss of a capital asset; (ii) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues; (iii) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions

of the Code; (iv) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues under the Bond Ordinance; (v) the proceeds of any borrowing for capital improvements (or the refinancing thereof); and (vi) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

“Intermediate Lien Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit, under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue junior in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the Parity Bonds, but senior to the lien and charge upon such Net Revenue required to be paid into the Junior Lien Debt Service Fund to pay and secure the payment of the Junior Lien Bonds. For purposes of determining percentages of ownership of Bonds under the Bond Ordinance or under any Bond Documents, Intermediate Lien Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Intermediate Lien Reimbursement Obligations.

“Light Fund” means the special fund of that name previously created and established by the City.

“Light System” means the municipal light and power generation, transmission, and distribution system now belonging to or that may later belong to the City.

“Maximum Annual Debt Service” means, with respect to Parity Bonds the maximum amount of Annual Debt Service that shall become due in the current calendar year or in any future calendar year with respect to those Parity Bonds that are outstanding as of the calculation date.

“Net Revenue” for any period means Gross Revenues less Operating and Maintenance Expense.

“Operating and Maintenance Expense” means all reasonable charges incurred by the City in causing the Light System to be operated and maintained in good repair, working order and condition, including but not limited to all operating expenses under applicable generally accepted accounting principles included in the annual audited financial statements of the Light System, except those excluded in this definition. Operating and Maintenance Expense does not include: (a) extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System, (b) non-cash expenses relating to a mark-to-market treatment of energy-related contracts, (c) any costs or expenses (including interest expense) for new construction, replacements, or renewals of Light System property, (d) Deferred Hydroelectric Project Relicensing Costs, the High Ross Capital Payments, or other similar payments under any agreement for the development or licensing of a capital improvement or asset, under which agreement the City agrees to make periodic payments in respect of its share of the capital expense, (e) any allowance for depreciation, amortization, or similar recognitions of non-cash expense items made for accounting purposes only (including non-cash pension expense), (f) any taxes levied by or paid to the City (or payments in lieu of taxes) upon the properties or earnings of the Light System, or (g) any obligation authorized pursuant to ordinance or resolution specifically excluding the payment of such obligation from Operating and Maintenance Expense.

“Parity Bond” means, generally, any bond or obligation secured by a lien and charge on Net Revenue that is prior and superior to any other liens or charges whatsoever, in accordance with the priority of payment set forth in Section 14 of the Bond Ordinance. The term Parity Bond may refer to: (a) the Outstanding Parity Bonds identified in Exhibit A; (b) each Series of the Bonds designated by the Director of Finance as a Series of Parity Bonds upon satisfaction of the Parity Conditions; (c) any Future Parity Bonds; and (d) any Parity Payment Agreement entered into upon satisfaction of the Parity Conditions.

“Parity Bond Documents” means those Bond Documents applicable to a series of Parity Bonds.

“Parity Bond Fund” means the special fund of the City known as the Seattle Municipal Light Revenue Parity Bond Fund established within the Light Fund pursuant to Ordinance 92938 for the purpose of paying and securing the payment of principal of and interest on Parity Bonds (including Parity Payment Agreement Payments) and payments under Parity Reimbursement Obligations.

“Parity Certificate” means a certificate delivered pursuant to Section 18(a)(ii) of the Bond Ordinance, and the corresponding provisions of the Outstanding Parity Bond Ordinances, for purposes of satisfying the Parity Conditions in connection with the issuance of the Bonds and any Future Parity Bonds.

“Parity Conditions” means, (a) for purposes of establishing that a Series of the Bonds may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on parity with a Series of the Bonds, the conditions described in the preceding clause (a) together with the conditions set forth in Section 18(a) of the Bond Ordinance.

“Parity Payment Agreement” means a Payment Agreement that is entered into in compliance with the Parity Conditions and under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure the payment of principal of and interest on Parity Bonds in accordance with Section 14 of the Bond Ordinance. For purposes of determining percentages of ownership of Parity Bonds under the Bond Ordinance or under any Bond Documents, Parity Payment Agreements shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Payment Agreement.

“Parity Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit (other than Qualified Insurance or a Qualified Letter of Credit obtained to satisfy all or part of the Reserve Fund Requirement), under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the principal of and interest on the Parity Bonds. Parity Reimbursement Obligations accruing as a result of a mandatory tender for purchase of Parity Bonds shall be excluded from the calculation of Annual Debt Service for all purposes. For purposes of determining percentages of ownership of Parity Bonds, Parity Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Reimbursement Obligation.

“Payment Agreement” means a written agreement entered into by the City and a Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of managing or reducing the City’s exposure to fluctuations or levels of interest rates, or for other interest rate, investment, or asset or liability management purposes, and which provides for (i) an exchange of payments based on interest rates, ceilings, or floors on such payments, (ii) options on such payments; (iii) any combination of the foregoing, or (iv) any similar device. A Payment Agreement may be entered into on either a current or forward basis. A Payment Agreement must be entered into in connection with (or incidental to) the issuance, incurrence, or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money (which may include leases, installment purchase contracts, or other similar financing agreements or certificates of participation in any of the foregoing).

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

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

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

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

“Qualified Insurance” means any municipal bond insurance policy, surety bond, or similar credit enhancement device, issued by any insurance company licensed to conduct an insurance business in any state of the United States, by a service corporation acting on behalf of one or more such insurance companies, or by any other financial institution, the provider of which, as of the time of issuance of such credit enhancement device, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

“Qualified Letter of Credit” means any letter of credit, standby bond purchase agreement, or other liquidity facility issued by a financial institution for the account of the City in connection with the issuance of any Parity Bond, which institution maintains an office, agency or branch in the United States and, as of the time of issuance of such instrument, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

“Rate Stabilization Account” means the account of that name previously established in the Light Fund pursuant to Ordinance 121637.

“Reserve Fund” means that special fund of the City known as the Municipal Light and Power Bond Reserve Fund, established pursuant to Ordinance 71917 and maintained pursuant to the Outstanding Parity Bond Ordinances and the Bond Ordinance as a separate account within the Light Fund to secure the payment of the Parity Bonds.

“Reserve Fund Requirement” means, for any Series of Bonds designated as Parity Bonds, the Reserve Fund Requirement established in the Bond Sale Terms for that Series and any other Series issued as part of a single “issue” of Parity Bonds, consistent with Section 15 of the Bond Ordinance. For any series of Future Parity Bonds, the Reserve Fund Requirement means the requirement specified for that series in the bond sale terms associated with that issue. The aggregate Reserve Fund Requirement for all Parity Bonds shall be the sum of the Reserve Fund Requirements for each series of Parity Bonds. For purposes of this definition, “issue” means all series of Parity Bonds issued and sold pursuant to a common set of bond sale terms. For the purposes of calculating the Reserve Fund Requirement only, the City shall deduct from Annual Debt Service the Tax Credit Subsidy Payments the City is scheduled to claim from the federal government in respect of the interest on a series of Parity Bonds that are Tax Credit Subsidy Bonds (or with respect to which the federal government is otherwise scheduled to provide direct payments).

“SIFMA Municipal Swap Index” means the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index, calculated and published by Bloomberg and overseen by SIFMA’s Municipal Swap Index Committee, or a substantially similar recognized market successor index representing a seven-day market index comprised of certain high-grade tax-exempt variable rate demand obligations.

“Valuation Date” means, with respect to any Capital Appreciation Bond, the date or dates, determined as set forth in the applicable Bond Documents, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

“Variable Interest Rate” means any interest rate that fluctuates during the stated term of a bond (or during a stated period during which the bond is designated as a Variable Interest Rate Bond), whether due to a remarketing, a market index reset, or other mechanism set forth in the applicable Bond Documents. The Bond Documents for any Series of the Bonds bearing interest at a Variable Interest Rate shall set forth: (a) the available method(s) of computing interest (the “interest rate modes”); (b) the particular period or periods of time (or manner of determining such period or periods of time) for which each value of such Variable Interest Rate (or each interest rate mode) shall remain in effect; (c) provisions for conversion from one interest rate mode to another and for setting or resetting the interest rates; and (d) the time or times upon which any change in such Variable Interest Rate (or any conversion of interest rate modes) shall become effective.

“Variable Interest Rate Bond” means, for any period of time, any Parity Bond that bears interest at a Variable Interest Rate during that period. A bond shall not be treated as a Variable Interest Rate Bond if the net economic effect of (a) interest rates on a particular series of Parity Bonds, as set forth in the applicable Bond Documents, and (b) either (i) interest rates on another series of Parity Bonds issued at substantially the same time, or (ii) a Payment Agreement related to that particular series, in either case, is to produce obligations that bear interest at a fixed interest rate. Any Parity Bond with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

DELEGATION AND BOND SALE TERMS

Sections 2 and 3 of the Bond Ordinance concern certain findings with respect to carrying out a plan of refunding and authorization of the issuance of Bonds.

Section 4 of the Bond Ordinance concerns the manner of sale of the Bonds.

Section 5 of the Bond Ordinance provides:

- (a) **Designated Representative.** The Director of Finance is appointed to serve as the City’s designated representative in connection with the issuance and sale of the Bonds in accordance with RCW 39.46.040(2) and the Bond Ordinance.
- (b) **Parameters for Bond Sale Terms.** The Director of Finance is authorized to approve, on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series, and in connection with each such sale, to execute a Bond Purchase Contract confirming the Bond Sale Terms and such related agreements as may be necessary or desirable, consistent with parameters set forth in the Bond Ordinance concerning the maximum principal amount, issue date, denominations, interest rates, payment dates, final maturity, redemption prior to maturity, price and certain other terms and conditions.

Sections 6 through 12 of the Bond Ordinance provide for matters relating to registration and transfer; payment and appointment of the paying agent; redemption and purchase; notice of redemption; failure to pay; form and execution of the Bonds; and provisions regarding the deposit and use of bond proceeds, which provisions are described in the Official Statement.

SECURITY FOR THE BONDS; FLOW OF FUNDS

Section 13 of the Bond Ordinance sets forth the pledge and security for the Bonds, as described under “SECURITY FOR THE BONDS” in the Official Statement.

Section 14 of the Bond Ordinance sets forth the flow of funds and priority for expenditure of Gross Revenues deposited in the Light Fund. It provides that Gross Revenues shall be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

- (a) To pay the Operating and Maintenance Expense of the Light System;
- (b) To make, when due, all payments into the Parity Bond Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund Requirements, and all net payments under Parity Payment Agreements, and to make all payments required to be made (if any) in respect of Parity Reimbursement Obligations;
- (c) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required to be made under Section 15(c)(i)(B) of the Bond Ordinance into a special account within the Light Fund for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, and to pay any reimbursement obligations under any Alternate Reserve Security;
- (d) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;
- (e) To make all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations, when due;
- (f) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds and the Junior Lien Bonds; and
- (g) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

Section 15 of the Bond Ordinance concerns the Parity Bond Fund and Reserve Fund and is described in the Official Statement under “SECURITY FOR THE BONDS—Reserve Fund and the Reserve Fund Requirement.”

Section 16 of the Bond Ordinance concerns the Junior Lien Debt Service Fund and accounts that may be created therein.

BOND COVENANTS

Section 17 of the Bond Ordinance provides:

- (a) **Parity Bond Covenants.** The City covenants with the Owner of each Bond that is designated as a Parity Bond, for so long as such Bond remains outstanding, as follows:
 - (i) *Sale or Disposition of the Light System.*
 - (A) The City may dispose of all or substantially all of the Light System only if the City simultaneously causes all of the Parity Bonds to be, or be deemed to be, no longer outstanding.
 - (B) Except as provided below, the City will not dispose of any part of the Light System in excess of 5% of the value of the net utility plant of the Light System in service unless prior to such disposition:
 - (1) there has been filed with the Director of Finance a certificate of a Professional Utility Consultant

stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 17(a)(ii) of the Bond Ordinance, in which the Professional Utility Consultant may make those assumptions permitted in delivering a Parity Certificate under Section 18(a) of the Bond Ordinance; or (2) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts: (I) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that Gross Revenues for the twelve preceding months attributable to the part of the Light System being sold or disposed of bears to the total Gross Revenues for such period; or (II) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System being sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

- (C) Notwithstanding the foregoing, the City may dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out or unfit to be used, or no longer necessary for, material to, or useful in the operation of the Light System.
- (D) If the ownership of all or part of the Light System is transferred from the City through the operation of law, the City shall reconstruct or replace the transferred portion using any proceeds of the transfer unless the City Council determines that such reconstruction or replacement is not in the best interests of the City and the Owners of the Parity Bonds, in which case any proceeds shall be used to purchase, defease, or redeem Parity Bonds prior to maturity.
- (ii) *Rates and Charges.* The City will establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts that are required by the Bond Ordinance to be applied to the payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been paid in full, and to pay all bonds, warrants, and indebtedness for which any revenues of the Light System shall have been pledged.
- (iii) *Operation and Maintenance of the Light System.* The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; will maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Light System and every part and parcel thereof in good repair, working order and condition; and from time to time will make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all times the business carried on in connection therewith will be properly and advantageously conducted.
- (iv) *Books and Financial Statements.* The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities; will generally adhere to the uniform system of accounts prescribed by the State Auditor's Office and the Federal Energy Regulatory Commission (if any); and will prepare, on or before 180 days after the end of each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement, and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner of any Parity Bonds. A copy of such financial statements shall be sent to any owner of Parity Bonds upon request in writing setting forth the name and address to which such financial statements may be sent.

ADDITIONAL BONDS

Section 18 of the Bond Ordinance provides the Parity Conditions, including the test for issuing Future Parity Bonds, which is described under "SECURITY FOR THE BONDS—Additional Debt" in the Official Statement. It also provides a test for the issuance of Additional Junior Lien Bonds.

RATE STABILIZATION ACCOUNT

Section 19 of the Bond Ordinance provides that the City may at any time deposit in the Rate Stabilization Account Net Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Net Revenue for any applicable year of the City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Adjusted Net Revenue.

REFUNDING OR DEFEASANCE OF THE BONDS

In Section 20 of the Bond Ordinance, the Bonds are designated as “Refundable Bonds” eligible to be refunded under the Omnibus Refunding Ordinance in the future. The provisions regarding refunding and defeasance of the Bonds are described in the Official Statement under “DESCRIPTION OF THE BONDS—Refunding or Defeasance of the Bonds.”

TAX AND SECURITIES LAW MATTERS

Section 21 of the Bond Ordinance covers tax matters that are described in the Official Statement under “TAX MATTERS.”

Section 22 of the Bond Ordinance covers preparation of a Preliminary Official Statement, a Final Official Statement and Continuing Disclosure matters. The Continuing Disclosure Agreement is described in the Official Statement under “LEGAL INFORMATION—Continuing Disclosure Undertaking.”

SUPPLEMENTAL OR AMENDATORY BOND DOCUMENTS

Section 23 of the Bond Ordinance provides that the Bond Ordinance and other Bond Documents may not be supplemented or amended in any respect subsequent to the Issue Date of the Bonds except in accordance with the following provisions:

- (a) *Amendments Without Bond Owners’ Consent.* From time to time and at any time, without the consent of or notice to the owners of any Parity Bonds, the City may supplement or amend the Bond Documents applicable to any Series of the Bonds for any of the purposes set forth in this subsection (a). Any such supplement or amendment may be passed, adopted, or otherwise approved in writing by the City, without requiring the consent of the registered owners of any Parity Bonds, but may become effective only upon receipt by the City of an opinion of Bond Counsel to the effect that such supplement or amendment is permitted by the terms of the Bond Ordinance. The City shall deliver a copy of any such supplement or amendment to each Rating Agency prior to its passage, adoption, or approval (as applicable) by the City. The types of supplements and amendments permitted under this subsection (a) are as follows:
 - (i) To add to any Parity Bond Documents additional covenants and agreements that do not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power reserved to or conferred upon the City in any Bond Documents.
 - (ii) To cure any ambiguities or to cure, correct, or supplement any defective provision in any Bond Documents, in regard to matters or questions arising under such Bond Documents, as the City may deem necessary or desirable and not inconsistent with the Bond Ordinance, and which do not materially adversely affect the interests of the owners of any Parity Bonds then outstanding.
 - (iii) To make such changes as may be necessary to permit the Bonds to be held in registered certificate form or in Book-Entry Form, as the case may be, and to make similar amendments or modifications of a technical nature.
- (b) *Amendments Permitted Upon Bond Owners’ Consent.*
 - (i) *Parity Bond Documents.* With the consent of the registered owners representing not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City may pass, adopt, or otherwise provide its written approval of any supplement or amendment to add to, change, or eliminate any provision of the Bond Documents applicable to a Series of the Bonds designated as Parity Bonds in any manner other than a supplement or amendment effecting a change described in subsection (c)(i) below.
- (c) *Amendments Prohibited Except Upon Unanimous Consent.*
 - (i) *Amendments to Parity Bond Documents.* Nothing contained in the following provision shall permit or be construed as permitting an amendment or supplement that would:
 - (A) Except upon consent from the registered owners of or on behalf of all Parity Bonds so affected, extend the fixed maturity of any Parity Bond, reduce the rate of interest on any Parity Bond (other than a change in interest rate permitted under the applicable Parity Bond Documents then in effect), extend the times of payment of interest from their respective due dates, reduce the principal amount of any Parity Bond, or reduce any redemption premium; or

- (B) Except upon consent from the registered owners of or on behalf of all of the Parity Bonds then outstanding, reduce the percentage of ownership required under subsection (b)(i), above, to approve any supplement or amendment.
- (d) *Notice and Consents.* If at any time the City passes, adopts, or otherwise approves in writing a supplement or amendment for any of the purposes requiring consent under subsection (b) or (c) above, it shall provide a notice to each registered owner and to each Rating Agency briefly summarizing the nature of the proposed supplement or amendment and stating that a copy of such supplement or amendment is on file at the office of the City Clerk. It shall not be necessary to obtain consent to or approval of the particular form of any proposed supplement or amendment, but it shall be sufficient if the consent shall approve the substance thereof. For purposes of determining whether consents representing the requisite percentage of principal amount of Parity Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount.
- (e) *Effect of Amendment or Supplement.* Upon the effective date of any amendment or supplement to any Bond Documents, such Bond Documents shall be deemed to be amended and modified in accordance with such amendment or supplement. Thereafter, the respective rights, duties, and obligations of the City under the applicable Bond Documents shall be determined, exercised, and enforced subject in all respects to such supplement or amendments, and all the terms and conditions of any such supplement or amendment shall be deemed to be a part of the terms and conditions of those Bond Documents for any and all purposes. The effective dates of such amendments and supplements shall be as follows:
- (i) An amendment and supplement permitted under subsection (a) shall become effective immediately upon (A) the passage, adoption, or other approval of such amendment or supplement (or upon the effective date of such document as stated therein, if any), and (B) the delivery of the required opinion of Bond Counsel stating that such amendment or supplement is permitted under the Bond Ordinance.
 - (ii) A supplement or amendment permitted under subsection (b) or (c) shall become effective on the date on which the City has received the written consents of the requisite percentage of registered owners. If the requisite percentage of registered owners of Parity Bonds, as applicable, have given their consent to any such amendment or supplement, no owner of any Bond shall have any right (i) to object to the passage, adoption, or approval of such supplement or amendment, (ii) to object to any of the terms and provisions contained therein or the operation thereof, (iii) in any manner to question the propriety of the passage, adoption, or approval thereof, (iv) to enjoin or restrain the City, or any authorized official thereof, from passing, adopting, or otherwise approving the same, or (v) to enjoin or restrain the City, any authorized official thereof, or the Bond Registrar from taking any action pursuant to the provisions thereof.
- (f) *Notation on Bonds.* Any Bonds executed and delivered after the effective date of any amendment or supplement that is passed, adopted, or otherwise approved in writing pursuant to the Bond Ordinance may include a notation as to any matter provided for in such amendment or supplement. The City may, in its discretion, prepare and deliver replacement bonds, modified to reflect any such amendment or supplement, to the registered owner(s) thereof upon surrender of the original bonds for cancellation.

DEFAULTS AND REMEDIES

Section 24 of the Bond Ordinance provides the following Events of Default with respect to Parity Bonds:

- (a) *Parity Bond Events of Default.* Each of the following shall constitute an Event of Default with respect to the Bonds designated as Parity Bonds, except as set forth in subsection (c) below:
- (i) If a default is made in the payment of the principal of (including Sinking Fund Requirements and any redemption premium thereon, if any) or interest on any Parity Bond when the same shall become due and payable; or
 - (ii) If the City defaults in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in the Bond Ordinance or the applicable Parity Bond Documents (except as otherwise provided for in the Bond Ordinance or in such Parity Bond Documents) and such default or defaults shall have continued for a period of six months (the “cure period”) after the City shall have received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or from a Bond Owners’ Trustee duly appointed as set forth in subsection (c), below) a written notice specifying and demanding the cure of such default. However, if such default is one that cannot be completely remedied within the cure period, it shall not

be an Event of Default with respect to the Parity Bonds, so long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

- (b) *Junior Lien Bond Events of Default.* Section 24(b) of the Bond Ordinance addresses Events of Default with respect to Junior Lien Bonds.
- (c) *Exceptions.* Notwithstanding anything in the Bond Ordinance to the contrary, the failure of the City or any obligated person to comply with a Continuing Disclosure Agreement shall not constitute an Event of Default, and the sole remedy of any holder of any Parity Bond or Junior Lien Bond, as applicable, shall be to seek an order of specific performance from an appropriate court to compel the City to comply with the Continuing Disclosure Agreement. For purposes of determining whether an Event of Default has occurred and is continuing with respect to the rate covenant set forth in Section 17 of the Bond Ordinance, if such covenant is met for any fiscal year, it shall be deemed to have been met for all prior fiscal years.
- (d) *Remedies; No Acceleration.* In the case of a Parity Bond Event of Default, an owner of a Parity Bond shall have the remedies set forth in Section 10 of the Bond Ordinance and in the applicable Parity Bond Documents as limited by subsection (e) below.
- (e) *Bond Owners' Trustee.* A Bond Owners' Trustee appointed in the manner provided in the Bond Ordinance, and each successor thereto, is declared to be a trustee for all of the owners of the Parity Bonds in the case of a Parity Bond Event of Default and is empowered to exercise all the rights and powers conferred on the Bond Owners' Trustee in the Parity Bond Ordinance.
 - (i) *Appointment of Bond Owners' Trustee; Removal.* Upon the occurrence and continuance of an Event of Default described in subsection (a) above, the registered owners of 25% in principal amount of the then outstanding Parity Bonds may appoint a Bond Owners' Trustee by an instrument or concurrent instruments in writing signed by such registered owners (or by their duly authorized attorneys-in-fact) and delivered to such Bond Owners' Trustee, with notification of such appointment given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. The entity acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of more than 50% in principal amount of the Parity Bonds then outstanding (in the case of a Parity Bond Event of Default) by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners or by their duly authorized attorneys-in-fact.
 - (ii) *Cure of Event of Default.* If the Bond Owners' Trustee furnishes to the City a certificate stating that, in its sole judgment, an Event of Default that has occurred has been cured, such Event of Default shall be conclusively deemed to be cured, and the City, the Bond Owners' Trustee, and the registered owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.
 - (iii) *Suits at Law or in Equity.* Upon the occurrence of an Event of Default and during the continuance thereof, the Bond Owners' Trustee in its discretion may (and, upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding, shall) take such steps and institute such suits, actions, or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the Bond Ordinance or set forth in any of the applicable Bond Documents.

Any action, suit or other proceeding instituted by the Bond Owners' Trustee under the Bond Ordinance shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or under any of the Parity Bonds or the provisions of the Bond Ordinance may be enforced by the Bond Owners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law.
 - (iv) *Effect of Appointment of Bond Owners' Trustee.* Any suit, action, or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all of the owners of the Parity Bonds, subject to the provisions of the Bond Ordinance. The respective owners, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective owners, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that

the owner might have done in person. Nothing in the Bond Ordinance shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any owner of the Parity Bonds (or Junior Lien Bonds, as applicable), any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

- (v) *Bond Owners' Direction of Proceedings.* By an instrument or concurrent instruments in writing executed and delivered to the Bond Owners' Trustee, the owners of more than 50% in aggregate principal amount of the Parity Bonds then outstanding shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners (or the Bond Owners' Trustee for the benefit of the owners) under the applicable Bond Documents. Notwithstanding the foregoing, the Bond Owners' Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Owners' Trustee, in reasonable reliance on advice of counsel, would be unjustly prejudicial to owners not parties to such direction.
- (vi) *Limitation on Remedies; Limitations on Individual Actions.* No owner of a Parity Bond, in the case of a Parity Bond Event of Default, shall have any right in any manner whatever by its action to affect, disturb, or prejudice the security pledged in the Bond Ordinance or the rights of any other owners, or to enforce any right under the applicable Bond Documents or applicable law except in the manner provided in the Bond Ordinance, and that all proceedings at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner provided in the Bond Ordinance and for the equal and ratable benefit and protection of all owners of the Parity Bonds, subject to the provisions of the Bond Ordinance.
- (vii) *Limitations on Individual Actions.* No owner of a Parity Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless (A) such owner previously shall have given to the Bond Owners' Trustee written notice of the occurrence of an Event of Default; (B) the owners of more than 50% in aggregate principal amount of the then outstanding Parity Bonds (in the case of a Parity Bond Event of Default) shall have made a written request to the Bond Owners' Trustee to exercise the powers granted above or to institute such suit, action, or proceeding in its own name; (C) such owners shall have tendered to the Bond Owners' Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Bond Owners' Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Owners' Trustee. The conditions set forth in (A) through (D) in the preceding sentence have been declared to be conditions precedent to the exercise by any owner of a Parity Bond (in the case of a Parity Bond Event of Default) of any remedy under the applicable Bond Documents or under applicable law.
- (viii) *Duties and Obligations of Bond Owners' Trustee.* The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth in the Bond Ordinance. During any period in which an Event of Default has occurred and is continuing as to the Parity Bonds the Bond Owners' Trustee shall exercise such of the rights and powers vested in it by the Bond Ordinance, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act under the Bond Ordinance except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of the Bond Ordinance, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into the Bond Ordinance. The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct. The fees and expenses of the Bond Owners' Trustee shall be borne by the owners of the Parity Bonds and not by the City. A Bond Owners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties. The Bond Owners' Trustee shall not be bound to recognize any person as a registered owner of any Parity Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction. The Bond Owners' Trustee may consult with counsel, and the opinion of such counsel

shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Bond Ordinance in good faith and in accordance with the opinion of such counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

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APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events

To meet the requirements of SEC Rule 15c2-12(b)(5) (“Rule 15c2-12”), as applicable to the participating Underwriter for the Bonds, the City will execute a Continuing Disclosure Certificate (the “Undertaking”) for the benefit of holders of the Bonds, summarized below.

Annual Financial Information

The City will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB:

- (i) annual financial information and operating data of the type included in this Official Statement as generally described below (“annual financial information”). The timely filing of unaudited financial statements will satisfy the requirements and filing deadlines described below under “Type of Annual Financial Information Undertaken to Be Provided,” so long as audited financial statements are filed if and when they are otherwise prepared and available to the City; and
- (ii) timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For purposes of this Undertaking, the term “financial obligation” means a (i) debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to Be Provided

The annual financial information that the City undertakes to provide will consist of:

- annual financial statements of the Light System prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law;
- a statement of Outstanding Parity Bonds, Junior Lien Bonds (if any), and any other bonded indebtedness secured by Net Revenue of the Light System;

- debt service coverage ratios for the then-Outstanding Parity Bonds, Junior Lien Bonds (if any), and any other bonded indebtedness secured by Net Revenue of the Light System;
- sources of Light System power and the MWh produced by those sources; and
- the average number of customers, revenues, and energy sales by customer class.

Annual financial information, as described above, will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing in 2027 with the City's fiscal year ended December 31, 2026. The annual financial information may be provided in a single document or in multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of Undertaking

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12, including: (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (ii) the undertaking, as amended, would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar with federal securities laws), or by approving vote of bondholders pursuant to the terms of the Bond Ordinance at the time of the amendment.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

Termination of Undertaking

The City's obligations under the Undertaking with respect to the Bonds will terminate upon the legal defeasance, prior repayment, or payment in full of all of such outstanding Bonds. In addition, the City's obligations under the Undertaking will terminate if those provisions of Rule 15c2-12 that require the City to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking

The City has agreed to proceed with due diligence to cause any failure to comply with the Undertaking to be corrected as soon as practicable after the City learns of that failure. No failure by the City (or any other obligated person) to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

Compliance with Continuing Disclosure Undertakings of the City

The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City's review of its compliance during the past five years did not reveal any failure to comply, in a material respect, with any undertakings in effect during this time.

APPENDIX E
FORM OF BOND COUNSEL OPINION

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[PROPOSED FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington

\$152,565,000 Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2026A

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the City and certifications of others furnished to us, without undertaking to verify them by independent investigation.

The Bonds are issued by the City, a first class city organized under its charter and the laws of the State of Washington, pursuant to the laws of the State of Washington and Ordinance 127345 (the “New Money Ordinance”) and Ordinance 126940 (the “Refunding Ordinance” and, together with the New Money Ordinance, the “Bond Ordinances”) to provide the funds (i) to finance certain capital improvements to and conservation programs for the Light System (the “Plan of Additions”); (ii) to provide for the Reserve Fund Requirement, (iii) to refund, on a current basis, a portion of certain outstanding obligations of the Light System, and (iv) to pay the costs of issuing the Bonds and administering the Refunding Plan, all as set forth in the Bond Ordinances.

Reference is made to the Bond Ordinances for the definitions of capitalized terms used and not otherwise defined herein.

Based on the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington.
2. The City has duly authorized and approved the Bond Ordinances and the Bonds have been duly authorized and executed by the City and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Ordinances ,and other ordinances and resolutions of the City relating thereto.
3. The Bonds constitute valid and binding obligations of the City payable solely out of the Gross Revenues of the Light System (after reasonable charges for maintenance and operation) and money in the Parity Bond Fund and the Reserve Fund, enforceable in accordance with their terms.
4. The Bonds are not general obligations of the City.
5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be excludable from gross income for federal income tax purposes under section 103 of the Code. The City has covenanted to comply with all such requirements. Failure to comply with such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.
6. To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is also excludable from Washington taxable income for purposes of the tax imposed by the State of Washington on income received by individuals on and after January 1, 2028.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Very truly yours,

APPENDIX F

2025 AUDITED FINANCIAL STATEMENTS OF THE DEPARTMENT

The financial statements of the Department as of and for the fiscal year ended December 31, 2025, have been audited by Baker Tilly US, LLP, independent auditors. SPU has not requested that Baker Tilly US, LLP provide permission for inclusion of its report on the audited financial statements in this Official Statement, and Baker Tilly US, LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Baker Tilly US, LLP has not participated in any way in the preparation or review of this Official Statement. None of the City's independent auditors, the State Auditor, or any other independent accountants has compiled, examined, or performed any procedures with respect to this Official Statement or any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information, and they assume no responsibility for, and disclaim any association with, this Official Statement and such information.

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***The City of
Seattle—City Light
Department***

Enterprise Fund of The City of Seattle

*Financial Statements as of and for the
Years Ended December 31, 2025 and 2024,
Required Supplementary Information,
Other Information, and
Independent Auditors' Report*

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

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Independent Auditors' Report

To the Parks and City Light Committee of
City of Seattle, City Light Department

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Seattle, City Light Department (Department), an enterprise fund of the City of Seattle, Washington, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department, as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in the financial position, and cash flows of only the Department. They do not purport to, and do not, present fairly the financial position of the City of Seattle, Washington, as of December 31, 2025, and 2024, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information as identified in the table of contents. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2026 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
April 30, 2026

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

The following discussion and analysis of the financial performance of The City of Seattle—City Light Department (the Department) provides a summary of the financial activities for the years ended December 31, 2025, and 2024. This discussion and analysis should be read in combination with the Department's financial statements, which immediately follow this section.

ORGANIZATION

The Department is the public electric utility of The City of Seattle (the City). As an enterprise fund of the City, the Department owns and operates generating, transmission and distribution facilities and delivers electricity to approximately 525,000 customers in Seattle and certain surrounding communities, and other City agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department's accounting records are maintained in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Department's accounting records also follow the Uniform System of Accounts for Public Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

This discussion and analysis serve as an introduction to the Department's financial statements, which are composed of the financial statements and the notes to the financial statements and include the following:

Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows—The financial statements provide an indication of the Department's financial health. The Statements of Net Position include all the Department's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting, and indicate which assets may be utilized for general purposes and which are restricted due to bond covenants and other commitments. The statements of revenues, expenses, and changes in net position report all the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for bond principal and capital additions and betterments.

Notes to the Financial Statements—The notes to the financial statements provide additional information needed for a full understanding of the data provided in the financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024**

CONDENSED STATEMENTS OF NET POSITION

	December 31		
<i>(\$ in millions)</i>	2025	2024	2023
Assets:			
Utility plant—net	\$ 5,156.6	\$ 4,970.9	\$ 4,762.1
Restricted assets	289.7	224.1	225.9
Current assets	740.6	622.9	615.4
Other assets	<u>510.1</u>	<u>496.7</u>	<u>490.0</u>
Total assets	<u>6,697.0</u>	<u>6,314.6</u>	<u>6,093.4</u>
Total deferred outflows of resources	<u>110.3</u>	<u>90.3</u>	<u>113.2</u>
Total assets and deferred outflows of resources	<u>\$ 6,807.3</u>	<u>\$ 6,404.9</u>	<u>\$ 6,206.6</u>
Liabilities:			
Long-term debt	\$ 2,994.6	\$ 2,833.9	\$ 2,783.5
Noncurrent liabilities	478.9	425.2	441.3
Current liabilities	355.7	341.2	360.2
Other liabilities	<u>39.5</u>	<u>41.7</u>	<u>36.3</u>
Total liabilities	<u>3,868.7</u>	<u>3,642.0</u>	<u>3,621.3</u>
Total deferred inflows of resources	<u>197.8</u>	<u>162.7</u>	<u>169.8</u>
Net position:			
Net investment in capital assets	2,377.2	2,338.5	2,185.5
Restricted:			
Rate stabilization account	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
Total restricted	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
Unrestricted—net	<u>338.6</u>	<u>236.7</u>	<u>205.0</u>
Total net position	<u>2,740.8</u>	<u>2,600.2</u>	<u>2,415.5</u>
Total liabilities, deferred inflows, and net position	<u>\$ 6,807.3</u>	<u>\$ 6,404.9</u>	<u>\$ 6,206.6</u>

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

ASSETS

Utility Plant—Net

2025 Compared to 2024 Utility plant assets net of accumulated depreciation and amortization increased \$185.7 million to \$5,156.6 million in 2025. The following table sets forth the increases in utility plant (before depreciation and amortization) year over year:

Utility Plant Assets:	2025	increase	2024
Hydroelectric Production Plant	1,076.0	9.1	1,066.9
Transmission Plant	387.6	6.5	381.1
Distribution Plant	4,026.2	150.5	3,875.7
General Plant	501.7	20.6	481.1
Intangibles Plant	885.0	31.0	854.0
Total	6,876.5	217.7	6,658.8

The \$217.7 million increase in utility plant assets to \$6,876.5 million was partially offset by a \$173.3 million increase in accumulated depreciation and amortization to \$2,784.5 million. The components of the increase in utility plant assets include the following:

- The \$9.1 million increase in Hydro Assets is primarily due to a \$10.0 million increase for miscellaneous Hydro Equipment, a \$1.4 million increase for Hydro Turbines, a \$1.4 million increase for Roads and Bridges, a \$0.6 million increase in Hydro Structures, and \$4.3 million decrease due to the quanta settlement.
- The \$6.5 million increase in Transmission is primarily due to a \$5.7 million increase for Transmission Station Equipment, a \$0.6 million increase for Transmission Underground Lines and other, and a \$0.2 million increase for Transmission Structures.
- The \$150.5 million increase in Distribution Plant is due to a \$42.2 million net increase for Underground, a \$29.3 million increase for Overhead, a \$23.8 million increase for Poles, an increase of \$23.7 million related to Services, Station Equipment, Street Lights, a \$16.7 million increase for Network, a \$6.4 million increase for Meters, and \$8.4 million system accrual adjustment.
- The \$20.6 million increase in General Plant is primarily due to a \$19.1 million increase for General Structure improvements, \$8.0 million increase for Equipment and Tools, partially offset by \$5.6 million in vehicle and truck retirements, and offset by \$0.9 million system accrual adjustment.
- The \$31.0 million increase in Intangible Assets is primarily due to a net \$26.6 million increase in relicensing costs for Skagit and Boundary, \$4.2 million for software, and 0.2 million for Tolt Mitigation costs.

Other components of utility plant include:

- Construction work-in-progress (CWIP) of \$878.4 million, an increase of \$137.1 million over the prior year, driven by an addition of \$352.8 million offset by capitalization of \$215.7 million.
The \$878.4 million CWIP is for ongoing construction in the following areas:
 - \$464.7 million for improvements to Distribution System
 - \$126.1 million for Hydro
 - \$108.8 million for General Tools and Equipment
 - \$135.5 million for Software & Licenses
 - \$43.3 million for Transmission
- Nonoperating property has a balance of \$21.8 million, which is an increase of \$0.6 million.
- Assets held for future use is \$3.1 million, slightly less than the prior year by \$29.4 thousand.
- Land and land rights is \$161.3 million, which is an increase of \$3.6 million.

See Note 3 Utility Plant of the accompanying financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

2024 Compared to 2023 Utility plant assets net of accumulated depreciation and amortization increased \$208.8 million to \$4,970.9 million in 2024. The following table sets forth the increases in utility plant (before depreciation and amortization) year over year:

Utility Plant Assets:	2024	increase	2023
Hydroelectric Production Plant	1,066.9	31.7	1,035.2
Transmission Plant	381.1	9.6	371.5
Distribution Plant	3,875.7	183.3	3,692.4
General Plant	481.1	40.6	440.5
Intangibles Plant	854.0	15.9	838.1
Total	6,658.8	281.1	6,377.7

The \$281.1 million increase in utility plant assets to \$6,658.8 million was partially offset by a \$159.7 million increase in accumulated depreciation and amortization to \$2,611.2 million. The components of the increase in utility plant assets include the following:

- The \$31.7 million increase in Hydro Assets is primarily due to a \$25.1 million increase for miscellaneous Hydro Equipment, a \$5.7 million increase in Hydro Structures, a \$0.7 million increase for Hydro Turbines, a \$0.1 million increase for Hydro Dams, and a \$0.1 million increase for Roads and Bridges.
- The \$9.6 million increase in Transmission is primarily due to a \$6.4 million increase for Transmission Station Equipment, a \$3.0 million increase for Transmission Structures, and a \$0.2 million increase for Transmission Underground Lines and other.
- The \$183.3 million increase in Distribution Plant is due to a \$54.0 million net increase for Underground, an increase of \$39.0 million related to Services, Station Equipment, Street Lights, a \$29.2 million increase for Network, a \$28.1 million increase for Overhead, a \$25.0 million increase for Poles, and a \$8.0 million increase for Meters.
- The \$40.6 million increase in General Plant is primarily due to a \$28.9 million increase for Equipment and Tools, a \$13.5 million increase for General Structure improvements, partially offset by \$1.8 million in vehicle and truck retirements.
- The \$15.9 million increase in Intangible Assets is primarily due to a net \$15.9 million increase in Software related to Customer Service Portal and Advanced Meter Infrastructure Upgrades.

Other components of utility plant include:

- Construction work-in-progress (CWIP) of \$741.3 million, an increase of \$84.3 million over the prior year, driven by an addition of \$395.8 million offset by capitalization of \$311.5 million.
The \$741.3 million CWIP is for ongoing construction in the following areas:
 - o \$64.6 million for Substations and structures,
 - o \$305.4 million for improvements to Distribution System
 - o \$102.1 million for Hydro
 - o \$104.5 million for General Tools and Equipment
 - o \$123.9 million for Software & Licenses
 - o \$40.8 million for Transmission
- Nonoperating property has a balance of \$21.2 million, which is an increase of \$2.2 million.
- Assets held for future use is \$3.1 million, same as the prior year with a slight decrease of \$0.03 million.
- Land and land rights is \$157.7 million, which is an increase of \$1.0 million.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

Restricted Assets

2025 Compared to 2024 Restricted assets increased by \$65.6 million to \$289.7 million.

Construction funds balance did not change as funds had been fully depleted by the end of 2025 and 2024.

The Rate Stabilization Account (RSA) increased by a net \$42.2 million to \$110.4 million. Details are below:

(\$ in millions)	2025	2024
Rate Stabilization Account		
Beginning balance	\$ 68.2	\$ 65.8
Council authorized transfer to RSA	-	-
Surcharge revenue	40.9	39.4
Operating revenue	<u>1.3</u>	<u>(37.0)</u>
Ending balance	<u>\$ 110.4</u>	<u>\$ 68.2</u>

In 2025, actual net wholesale revenue was \$0.9 million higher than budgeted. The \$1.3 million net transfer reflects a true-up from the previous year made to the RSA from the operating cash account during the year. Transfers to the RSA were increased by \$40.9 million resulting from the 4.0% surcharge that went into effect on January 1, 2024. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets increased by \$23.4 million to \$179.3 million. The bond reserve account increased by \$10.1 million due to \$4.2 million in 2025 interest income and a \$5.9 million contribution from the 2025 Bond issue. The debt service account decreased by \$0.6 million mainly due to the lower bond interest and principal payment pending for payment at the end of 2025. Special deposits and other restricted assets increased by \$13.3 million due to payments related to the Climate Commitment Act of \$3.0 million and Make Ready Work and other deposits of \$9.2 million and a higher fair value adjustment of \$1.6 million.

2024 Compared to 2023 Restricted assets decreased by \$1.8 million to \$224.1 million.

Construction funds balance decreased by \$13.5 million in 2024 compared to 2023 as the funds had been fully depleted by the end of 2024.

The Rate Stabilization Account (RSA) increased by a net \$2.4 million to \$68.2 million. Details are below:

(\$ in millions)	2024	2023
Rate Stabilization Account		
Beginning balance	\$ 65.8	\$ 75.0
Council authorized transfer to RSA	-	100.0
Surcharge revenue	39.4	-
Operating revenue	<u>(37.0)</u>	<u>(109.2)</u>
Ending balance	<u>\$ 68.2</u>	<u>\$ 65.8</u>

In 2024, actual net wholesale revenue was \$33.7 million less than budgeted primarily due to hydro generation substantially below the historical average. The \$37.0 million net transfer reflects a true-up from the previous year made from the RSA to the operating cash account during the year. Transfers from the RSA were partially offset by \$39.4 million resulting from the 4.0% surcharge that went into effect on January 1, 2024. See Note 4 Rate Stabilization Account of the accompanying financial statements.

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Other restricted assets increased by \$9.3 million to \$155.9 million. The bond reserve account increased by \$3.9 million due to 2024 interest income. The debt service account decreased by \$0.7 million mainly due to the lower bond interest and principal payment pending for payment at the end of 2024. Special deposits and other restricted assets increased by \$6.1 million due to an increase in customer prepayments by \$13.0 million and Climate Commitment Act related payments by \$2.2 million, partially offset by lower Make Ready Work and other deposits of \$9.1 million.

Current Assets

2025 Compared to 2024 Current assets increased by \$117.7 million to \$740.6 million.

Operating cash increased by \$128.8 million to \$398.2 million.

Accounts receivable decreased by \$20.6 million to \$174.0 million in 2025 compared to 2024 due to the following components:

- \$3.9 million increase in retail electric receivables net of allowance was primarily due to the 2025 rate increase.
- \$2.2 million decrease in short-term payment arrangements due to tightened restrictions surrounding qualifying events.
- \$18.6 million decrease in non-electric service receivables, net of allowance, primarily driven by a \$13.4 million reduction in receivables from Time and Materials and Make Ready Work projects and a \$3.4 million decrease in receivables related to ongoing payments from local jurisdictions for underground infrastructure improvement loans.
- \$12.6 million decrease in due from other governments due to a \$14.6 million decrease from FEMA funds received during 2025, partially offset by a \$2.0 million net increase from receivables recorded during 2025.
- \$11.1 million increase in short-term wholesale energy and transmission receivable, attributable to an increase in 2025 net sale transactions compared to 2024.
- \$1.0 million decrease in grants accounts receivable.
- \$1.2 million decrease in federal interest subsidies for bonds.

Unbilled revenues decreased by \$4.5 million due to lower unbilled retail consumption compared to December 2024, partially offset by the 5.4% average rate increase in 2025.

Materials, supplies, and inventory increased by \$13.6 million to \$73.7 million in 2025 compared to 2024.

The key drivers of this change were:

- Inventory materials accounted for \$0.9 million of the increase with the largest contributor being the wire and cable commodity category, which increased by \$1.8 million. Of this amount, \$1.3 million was driven by price increases and \$0.5 million due to higher volume. These increases were partially offset by a reduction of \$0.7 million from capital spars placed into service and \$0.2 million from scrapping of non-repairable switches.
- \$12.7 million increase due to newly recorded environmental instrument inventory resulting from the reclassification of environmental instruments that were previously expensed, in accordance with the Federal Energy Regulatory Commission Order No. 898, which requires environmental instruments to be treated as inventory effective January 1, 2025.

Other current assets decreased by \$0.3 million to \$5.5 million in 2025.

2024 Compared to 2023 Current assets increased by \$7.5 million to \$622.9 million.

Operating cash increased by \$6.2 million to \$269.4 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

Accounts receivable increased by \$0.8 million to \$194.6 million in 2024 compared to 2023 due to the following components:

- \$3.2 million decrease in retail electric receivables net of allowance. The \$7.0 million year-over-year increase in the allowance was mainly due to additional Service Agreement types included in the calculation for the allowance for doubtful accounts partially offset by the \$3.8 million increase in retail electric receivables primarily due to a 2024 rate increase.
- \$2.5 million decrease in short-term payment arrangements due to tightened restrictions surrounding qualifying events.
- \$7.2 million increase in non-electric service receivables net of allowance mostly due to the Time and Materials and Make Ready Work projects.
- \$2.0 million decrease in short-term wholesale energy and transmission receivable, attributable to a decrease in 2024 net sale transactions compared to 2023.
- \$1.3 million increase in grants accounts receivable.

Unbilled revenues decreased by \$4.2 million due to lower unbilled retail consumption compared to December 2023 partially offset by the average rate increase in 2024.

Materials, supplies, and inventory increased by \$4.6 million to \$60.1 million in 2024 compared to 2023 due to the following components:

- The utility electric materials commodity contributed \$2.2 million to the increase. Inventory volume and mix added \$1.7 million, and cost contributed \$0.5 million. The year over year volume growth mitigated increased lead times.
- There was an addition of 376 utility poles in inventory, resulting in a \$1.1 million increase. 84% of the increase can be attributed to two pole types (40-foot, class 3 and 75-foot class 1).
- An increased demand for Switches has added \$0.7 million with volume impacting \$0.4 million and price \$0.3 million.
- The spares commodity increased \$0.2 million primarily driven by volume.
- The remaining \$0.4 million increase is attributed to a mix of volume and price across other inventory commodities.

Other current assets increased by \$0.1 million to \$5.8 million in 2024.

Other Assets

2025 Compared to 2024 Total Other assets of \$510.1 million increased by \$13.4 million from 2024.

The \$13.4 million year over year increase included the following:

- Regulatory assets for environmental cleanup increased by \$17.0 million. These are the estimated costs to remediate several Superfund sites along the Duwamish River for which the Department has been designated a responsible party.
- Conservation costs increased by \$5.2 million due to additions to various programs. See Note 7 Other Assets of the accompanying financial statements.
- The \$4.8 million decrease in long-term receivable is the result of the GASB Statement No. 87 entry.
- The \$1.9 million decrease is due to reclassifications of the long-term portion for deferred retail customer payment plans.
- The \$1.6 million decrease is due to a higher balance in Project Share program available at the end of 2025.
- The \$1.6 million increase for ongoing payment from local jurisdictions for underground infrastructure improvements loans.
- \$2.0 million decrease in study costs, and other \$0.1M.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

2024 Compared to 2023 Total Other assets of \$496.7 million increased by \$6.7 million from 2023.

The \$6.7 million year over year increase included the following:

- Regulatory assets for environmental cleanup increased by \$19.8 million. These are the estimated costs to remediate several Superfund sites along the Duwamish River for which the Department has been designated as a responsible party.
- Conservation costs increased by \$0.8 million due to additions to various programs. See Note 7 Other Assets of the accompanying financial statements.
- The \$4.8 million decrease in long-term receivable is the result of the GASB Statement No. 87, entry.
- The \$3.3 million decrease in FERC land use fee refund credit.
- The \$2.9 million decrease in the long term payment arrangements balance due to ongoing payment and tightened restrictions surrounding qualifying events.
- The \$2.0 million decrease for ongoing payment from local jurisdictions for underground infrastructure improvements loans.
- Other, \$0.9 million decrease.

Deferred Outflows of Resources

2025 Compared to 2024 Deferred outflows of resources increased by \$20.0 million to \$110.3 million.

In 2025, pension-related deferred outflows increased by a net \$21.7 million due to a \$23.6 million increase in the difference between expected and actual experience, a \$12.1 million increase in the difference between employer contributions and proportionate share, partially offset by a \$9.6 million decrease in the difference between projected and actual earnings, a \$4.2 million decrease related to changes in actuarial assumptions, and a \$0.2 million decrease in contributions. The most recent actuarial experience study was used to update assumptions, including for salary increase, mortality, and retirement rates. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, decreased by \$0.9 million.

Charges on advance refunding account balance decreased by a net \$0.8 million due to 2025 amortization of \$2.1 million offset by the 2025 Bond refunding loss of \$1.3 million.

2024 Compared to 2023 Deferred outflows of resources decreased by \$22.9 million to \$90.3 million.

In 2024, pension-related deferred outflows decreased by a net \$25.1 million due to a \$26.6 million decrease in the difference between projected and actual earnings and a \$7.0 million decrease related to changes in actuarial assumptions, partially offset by a \$7.2 million increase in contributions and a \$1.3 million increase in the difference between expected and actual experience. The most recent actuarial experience study was used to update assumptions, including for salary increase, mortality, and retirement rates. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, increased by \$4.1 million.

Charges on advance refunding account balance decreased by a net \$1.9 million due to 2024 amortization.

LIABILITIES

Long-Term Debt

2025 Compared to 2024 Long-term debt increased a net \$160.7 million to \$2,994.6 million during 2025.

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The Department issued fixed rate bonds in the amount of \$446.5 million. The fixed bond proceeds were used for ongoing capital improvement programs, to refund \$146.7 million of the 2010A bonds and \$21.6 million of the 2015A Bonds on a current basis, and to make a \$5.9 million contribution to the reserve fund.

Debt to capitalization ratio was 50.9% at the end of 2025, an increase from 50.8% in 2024.

Net revenues available to pay debt service in 2025 were equal to 2.12 times principal and interest on all bonds. See Note 9 Long-Term Debt of the accompanying financial statements.

2024 Compared to 2023 Long-term debt increased a net \$50.4 million to \$2,833.9 million during 2024.

The Department issued fixed rate bonds in the amount of \$199.7 million. The fixed bond proceeds were used for ongoing capital improvement programs and for a \$20.8 million refunding of the 2014 bonds on a current basis.

Debt to capitalization ratio was 50.8% at the end of 2024, a decrease from 52.2% in 2023.

Net revenues available to pay debt service in 2024 were equal to 1.84 times principal and interest on all bonds.

Noncurrent Liabilities

2025 Compared to 2024 Total noncurrent liabilities decreased by \$53.7 million to \$478.9 million.

Net Pension liability increased by \$21.1 million based on the most recent actuarial report. This was caused primarily by an increase in total pension liability due to a change in the effect of demographic losses in 2024 compared to 2023. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Provision for injuries and damages increased \$17.2 million. Of that amount, environmental liability increased by \$13.6 million. The increase is due to increases in (1) the projected number of years to complete construction in the Lower Duwamish Waterway Superfund Site, (2) estimated costs to complete remediation at the Interbay Pole Yard Substation and the 8th & Roy Substation Sites, and (3) an increase in estimated costs to address site conditions at the Newhalem Penstock Site due to decommissioning the Newhalem Hydroelectric Project. See Note 15 Environmental Liabilities of the accompanying financial statements. Other injuries and damages claims increased by \$3.6 million.

The remaining increase of \$15.4 million is due to a \$15.5 million increase in newly-recorded environmental allowance and environmental credit compliance obligations and a \$0.4 million increase in Compensated absences, partially offset by a \$0.3 million decrease in Other Post-Employment Benefits (OPEB) liability and a \$0.2 million decrease in the non-current portion of the bond arbitrage tax liability.

2024 Compared to 2023 Total noncurrent liabilities decreased by \$16.1 million to \$425.2 million.

Net Pension liability decreased by \$38.4 million based on the most recent actuarial report. This was caused primarily by an increase in plan fiduciary net position due to a better investment performance in 2023 compared to 2022. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental liability increased by \$13.1 million. The increase is largely due to increased projected cost for East Waterway, Harbor Island Superfund Site due to the recent update of estimated projected remediation costs at the request of Environmental Protection Agency. City Light and other entities are sharing the cost of investigating contamination in EW. City Light's involvement stems from its sale of transformers to a company on Harbor Island. See Note 15 Environmental Liabilities of the accompanying financial statements.

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The remaining increase of \$9.2 million is due to a \$4.9 million increase in Other Post-Employment Benefits (OPEB) liability and a \$4.3 million increase in non-current accrued vacation time primarily due to 2024 and 2023 retroactive annual wage increases. See Note 14 Other Postemployment Benefits (OPEB) of the accompanying financial statements.

Current Liabilities

2025 Compared to 2024 Current liabilities increased by \$14.5 million to \$355.7 million due to the following:

- \$13.7 million increase in customer prepayments primarily for Make Ready Work projects.
- \$5.3 million decrease in short-term wholesale power payable primarily due to a decrease in the average purchase price per MWh partially offset by an increase in purchase volume in 2025 compared to 2024.
- \$9.2 million decrease in accounts payable liability.
- \$4.5 million for higher interest payable within one year due to increased bonds outstanding at the end of 2025.
- \$3.0 million increase in compensated absences balance.
- \$1.8 million increase in claims payable.
- \$0.4 million in lower debt due within one year.
- \$0.9 million for higher taxes payable at the end of 2025 due to higher revenue in 2025.
- \$1.4 million increase in Environmental Instruments liability.
- \$3.3 million increase in Due to other departments.
- \$0.8 million increase in other accounts payable.

2024 Compared to 2023 Current liabilities decreased by \$19.0 million to \$341.2 million due to the following:

- \$4.3 million decrease in short-term wholesale power payable primarily due to a decrease in purchase volume, and a decrease in the average purchase price per MWh in 2024 compared to 2023.
- \$20.6 million decrease in accounts payable liability.
- \$5.1 million increase in customer prepayments primarily for Make Ready Work projects
- \$4.1 million increase in claims payable.
- \$6.6 million in lower debt due within one year.
- \$1.6 million for lower interest payable within one year due to decreased bonds outstanding at the end of 2024.
- \$1.2 million for higher taxes payable at the end of 2024 due to higher revenue in 2024.
- \$3.7 million increase in payroll and related taxes payable at the end of 2024 due to wage increases.

Other Liabilities

2025 Compared to 2024 Other liabilities decreased by net \$2.2 million to \$39.5 million due to primarily an increase in deferred revenue for contributions in aid of construction.

2024 Compared to 2023 Other liabilities increased by net \$5.4 million to \$41.7 million due to a \$13.0 million increase in customer prepayments offset by a \$7.6 million increase in deferred revenue for contributions in aid of construction.

Deferred Inflows of Resources

2025 Compared to 2024 Deferred inflows of resources increased by \$35.1 million for a total of \$197.8 million.

The GASB Statement No. 87 transaction resulted in a \$5.2 million decrease in deferred inflow. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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The rate stabilization unearned revenue account increased by \$42.2 million.

Deferred inflows related to pension liability decreased by \$2.9 million. The decrease is due to the difference between projected and actual experience of \$1.0 million plus a \$1.9 million decrease related to changes between employer contributions and proportionate share of contributions.

Deferred inflows of resources pertaining to OPEB decreased by \$0.1 million for actuarial changes of assumptions, based on the most recent actuarial experience study.

Other deferred inflows increased \$2.7 million due to continued participation in the Department's Energy Conservation Agreement with Bonneville.

The gain on refunding was \$1.5 million lower in 2025 than in 2024.

2024 Compared to 2023 Deferred inflows of resources decreased by \$7.1 million for a total of \$162.7 million.

GASB Statement No. 87 transaction resulted in a \$5.7 million decrease in deferred inflow. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The rate stabilization unearned revenue account increased by \$2.4 million.

Deferred inflows related to pension liability decreased by \$1.1 million. The decrease is due to the difference between projected and actual experience of \$1.6 million partially offset by a \$0.5 million increase related to changes between employer contributions and proportionate share of contributions.

Deferred inflows of resources pertaining to OPEB decreased by \$0.8 million for actuarial changes of assumptions, based on the most recent actuarial experience study.

Other deferred inflows decreased \$2.1 million which is comprised of a decrease in FERC land use fee refund credit and other miscellaneous power transactions of \$3.3 million, and an increase related to the Department's Energy Conservation Agreement with Bonneville of \$1.2 million.

The gain on refunding was \$0.3 million higher in 2024 than in 2023.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

RESULTS OF OPERATIONS

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

(\$ in millions)	Year Ended December 31		
	2025	2024	2023
Operating revenues	\$1,309.3	\$1,254.2	\$1,190.9
Nonoperating revenues	<u>31.8</u>	<u>33.0</u>	<u>35.9</u>
Total revenues	<u>1,341.1</u>	<u>1,287.2</u>	<u>1,226.8</u>
Operating expenses	1,134.3	1,094.6	1,053.3
Nonoperating expenses	<u>101.2</u>	<u>95.8</u>	<u>91.6</u>
Total expenses	<u>1,235.5</u>	<u>1,190.4</u>	<u>1,144.9</u>
Income before capital contributions and grants	<u>105.6</u>	<u>96.8</u>	<u>81.9</u>
Capital contributions	29.4	70.6	43.0
Capital grants	<u>5.6</u>	<u>17.3</u>	<u>0.3</u>
Total capital contributions and grants	<u>35.0</u>	<u>87.9</u>	<u>43.3</u>
Change in net position	<u>\$ 140.6</u>	<u>\$ 184.7</u>	<u>\$ 125.2</u>

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

SUMMARY

2025 Compared to 2024 The change in net position for 2025 was \$140.6 million, a decrease of \$44.1 million or 23.9% from the 2024 change in net position of \$184.7 million.

The major contributors for the lower net position:

- higher transfers to RSA, \$39.8 million
- higher operating expenses, \$39.7 million
- lower capital contributions and grants, \$52.9 million
- lower non-operating revenue, net \$1.2 million
- higher interest expense, \$5.4 million

These were partially offset by the following components:

- higher retail electric sales, \$68.5 million
- higher short-term wholesale power revenue, \$13.5 million
- higher other power-related revenue, \$3.5 million
- higher other operating revenue, \$9.4 million

2024 Compared to 2023 The change in net position for 2024 was \$184.7 million, an increase of \$59.5 million or 47.5% from the 2023 change in net position of \$125.2 million.

The major contributors for the higher net position:

- higher retail electric sales, \$91.5 million
- higher short-term wholesale power revenue, \$19.4 million
- higher other operating revenue, \$0.7 million
- higher capital contributions and grants, \$44.6 million
- higher non-capital grants, \$0.9 million
- higher interest revenue, \$2.1 million
- higher other non-operating revenue, \$2.3 million

These were partially offset by the following components:

- lower other power-related revenue, \$36.7 million
- higher transfers to RSA, \$11.6 million
- higher operating expenses, \$41.3 million
- lower fair value adjustment, \$8.2 million
- higher interest expense, \$4.2 million

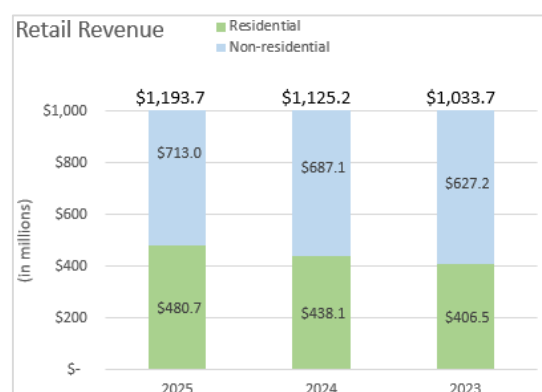
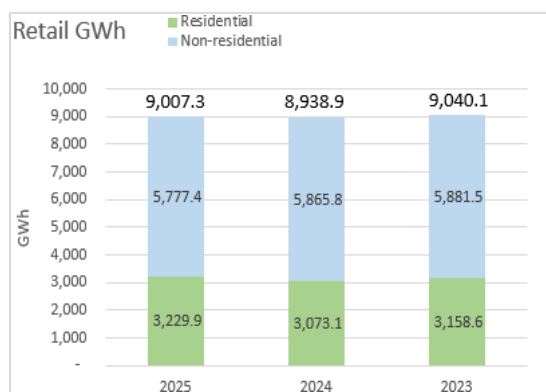
REVENUES

2025 Compared to 2024 Total operating revenue was \$1,309.3 million, an increase of \$55.1 million or 4.4% from 2024. Retail power revenues at \$1,193.7 million increased \$68.5 million, Short-term wholesale power revenues at \$89.1 million increased \$13.5 million, Other power-related revenues at \$37.9 million increased \$3.5 million, Transfers to RSA increased by \$39.8 million, and Other operating revenues at \$30.8 million increased by \$9.4 million.

Higher Retail power revenues of \$68.5 million were the net result of higher residential revenues, \$42.6 million, and higher nonresidential revenues, \$25.9 million. There was a retail rate increase on January 1, 2025, of approximately 5.4% on average.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024



Transfers from/(to) the RSA are determined by the departure of actual net wholesale power revenues from budget. In 2025, actual net wholesale revenue at the time of the December transfer was \$0.9 million higher than forecasted. The \$1.3 million transfer reflects a true-up from the previous year, as well as an estimate for the December transfer (which was true up in January 2026). Transfers to the RSA were increased by a \$40.9 million surcharge revenue resulting from the 4.0% surcharge. See Note 4 Rate Stabilization Account of the accompanying financial statements.

(\$ in millions)	2025	2024
Rate Stabilization Account		
Beginning balance	\$ 68.2	\$ 65.8
Council authorized transfer to RSA	-	-
Surcharge revenue	40.9	39.4
Operating revenue	1.3	(37.0)
Ending balance	<u>\$ 110.4</u>	<u>\$ 68.2</u>

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of retail sales and other obligations and were \$89.1 million, an increase of \$13.5 million compared to \$75.6 million in 2024. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales, and commodity prices.

City Light is active in the wholesale power market, both buying and selling energy. For a more comprehensive overview of wholesale energy transactions City Light management often reviews net wholesale revenue, where wholesale purchases are deducted from wholesale sales. Net wholesale revenues were \$31.5 million in 2025, \$19.7 million higher than in 2024 and exceeded plan due to strong late-year rainfall offset partially by soft wholesale market prices.

Net Wholesale Revenue, \$ Million

	2025	2024	2023
Wholesale Power Revenue	\$ 89.1	\$ 75.6	\$ 56.2
Wholesale Power Purchases	(57.6)	(63.8)	(124.5)
Net Wholesale Revenue	<u>\$ 31.5</u>	<u>\$ 11.8</u>	<u>\$ (68.3)</u>

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

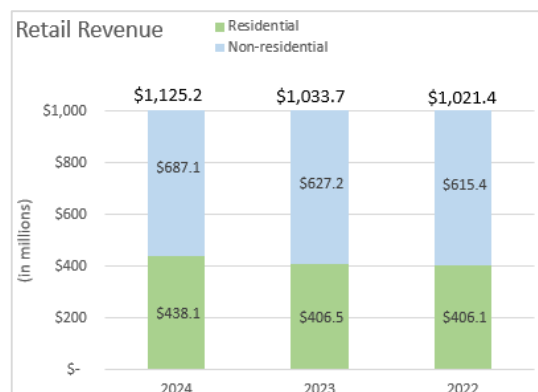
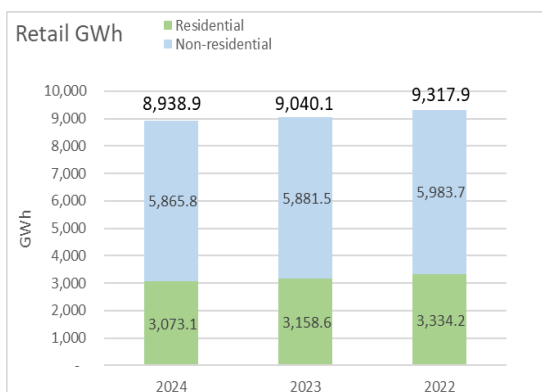
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

Other power-related revenues, net, increased by \$3.5 million. This is attributable to the receipt of an \$11.0 million payment related to an early contract termination, a \$0.9 million increase in other miscellaneous revenues, partially offset by a \$4.6 million decrease in exchange contract valuations, and a \$3.8 million decrease in transmission-related revenues.

Other operating revenue increased by \$9.4 million mainly due to a \$5.3 million increase in environmental allowances disposition gains, a \$3.3 million increase in service connection billings, and a \$0.8 million net increase in late fees.

2024 Compared to 2023 Total operating revenue was \$1,254.2 million, an increase of \$63.3 million or 5.3% from 2023. Retail power revenues at \$1,125.2 million increased \$91.5 million, Short-term wholesale power revenues at \$75.6 million increased \$19.4 million, Other power-related revenues at \$34.4 million decreased \$36.7 million, Transfers to RSA increased by \$11.6 million, and Other operating revenues at \$21.4 million increased by \$0.7 million.

Higher Retail power revenues for \$91.5 million were the net result of higher residential revenues, \$31.6 million, and higher nonresidential revenues, \$59.9 million. There was a retail rate increase on January 1, 2024 of approximately 4.5% on average.



Transfers from/(to) the RSA are determined by the departure of actual net wholesale power revenues from budget. In 2024, actual net wholesale revenue was \$33.7 million less than forecasted. The \$37.0 million transfer reflects a true-up from previous year, as well as an estimate for the December transfer (which was true up in January 2025). Transfers from the RSA were partially offset by a \$39.4 million surcharge revenue resulting from the 4.0% surcharge. See Note 4 Rate Stabilization Account of the accompanying financial statements.

(\$ in millions)	2024	2023
Rate Stabilization Account		
Beginning balance	\$ 65.8	\$ 75.0
Council authorized transfer to RSA	-	100.0
Surcharge revenue	39.4	-
Operating revenue	(37.0)	(109.2)
Ending balance	<u>\$ 68.2</u>	<u>\$ 65.8</u>

Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of retail sales and other obligations and were \$75.6 million, an increase of \$19.4 million compared to \$56.2

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

million in 2023. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales, and commodity prices.

City Light is active in the wholesale power market both buying and selling energy. For a more comprehensive overview of wholesale energy transactions City Light management often reviews net wholesale revenue, where wholesale purchases are deducted from wholesale sales and adjusted for book-outs. Net wholesale revenues were \$11.8 million in 2024, \$80.1 million higher than in 2023, but lower than forecasted due to historically low hydro generation and high average wholesale market prices.

Net Wholesale Revenue, \$ Million

	2024	2023	2022
Wholesale Power Revenue	\$ 75.6	\$ 56.2	\$ 97.7
Wholesale Power Purchases	(63.8)	(124.5)	(86.2)
Booked out Long-Term Purchases	-	-	1.6
Net Wholesale Revenue	\$ 11.8	\$ (68.3)	\$ 13.1

Other power-related revenues, net, decreased by \$36.7 million. This is attributable to a \$28.5 million decrease from the Lucky Peak exchange contract, a \$5.8 million decrease in the valuation of energy exchange contracts, and a \$5.1 million decrease in BPA loss returns, partially offset by a \$2.7 million increase in other miscellaneous revenues. Lucky Peak generation was used to meet City Light's load requirements in 2024. BPA loss returns are treated as a cash expense with no offsetting fair value revenue starting in 2024.

Other operating revenue increased by \$0.7 million mainly due to an increase of \$2.7 million in late fees partially offset by \$2.0 million decrease in service connections billing.

EXPENSES

2025 Compared to 2024 Operating expenses totaled \$1,134.4 million, an increase of \$39.7 million or 3.63% from \$1,094.6 million in 2024.

2025 power-related operating expenses at \$461.3 million were higher by \$20.9 million or 4.7% compared to \$440.4 million in 2024 due to the following:

- Long-term purchased power expenses of \$211.7 million increased by \$11.1 million. Please refer to Note 20 of the accompanying financial statements.
- Short-term wholesale power purchases of \$57.6 million decreased by \$6.2 million.
- Other power expenses of \$107.8 million increased by \$12.6 million.
- Transmission expenses of \$84.2 million increased by \$3.4 million due to an increase of \$3.7 million in owned Transmission costs partially offset by a \$0.3 million decrease in other wheeling purchases in 2025 compared to 2024.

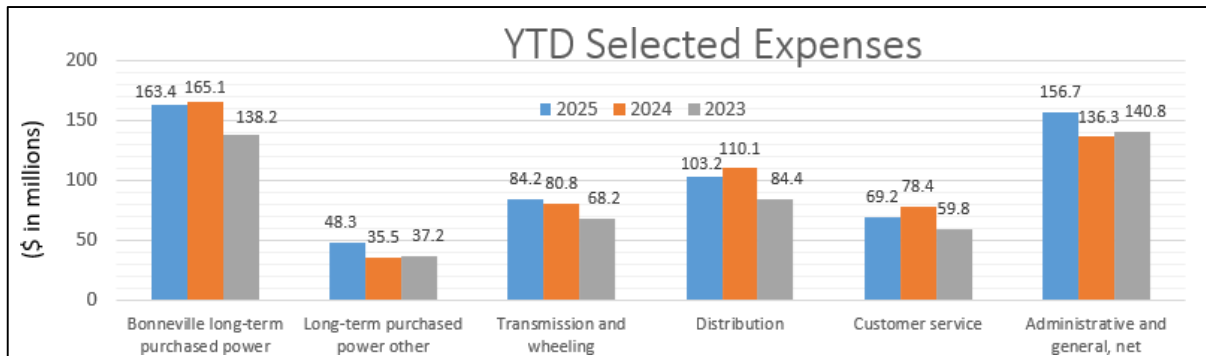
Non-power operating expenses increased by \$2.7 million to \$355.3 million or 1.0% from \$352.6 million in 2024 due to the following:

- Distribution expenses of \$103.3 million decreased by \$6.8 million due to lower costs of overhead system by \$2.9 million, underground system costs by \$4.6 million and metering costs by \$1.1 million partially offset by higher station equipment costs and other by \$1.8 million.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

- Customer service of \$69.2 million decreased by \$9.2 million due to the lower bad debt expense of \$16.4 million partially offset by higher collecting and other customer service costs of \$7.1 million.
- Conservation expenses of \$26.1 million decreased by \$1.7 million due to lower participation in various conservation programs.
- Administrative and general expense of \$156.7 million increased by \$20.4 million compared to 2024 primarily due to increased pension and benefits expense.



Taxes in 2025 increased by \$8.3 million primarily due to a higher operating revenue in 2025.

Depreciation and amortization of \$180.7 million increased by \$7.8 million primarily due to replacements and additions to software of \$0.8 million, additions to Distribution of \$5.1 million, and increases to others of \$1.9 million.

2024 Compared to 2023 Operating expenses totaled \$1,094.6 million, an increase of \$41.3 million or 3.9% from \$1,053.3 million in 2023.

2024 power-related operating expenses at \$440.4 million were lower by \$29.6 million or 6.3% compared to \$470.0 million in 2023 due to the following:

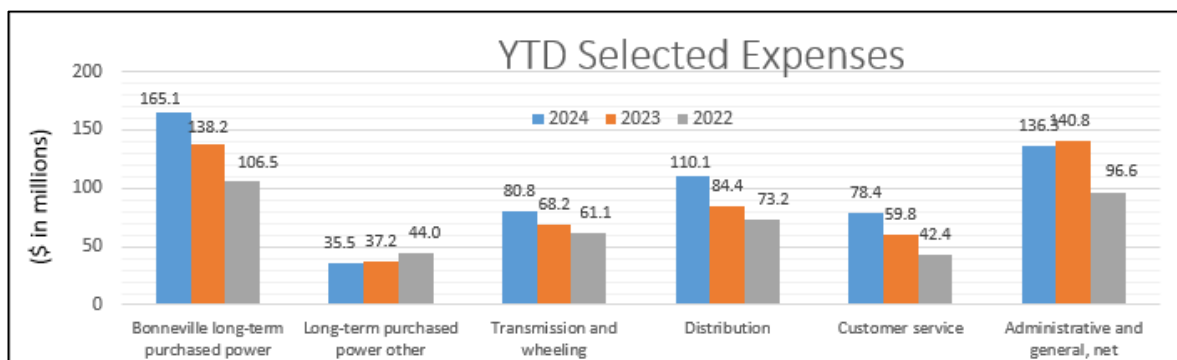
- Long-term purchased power expenses of \$200.6 million increased by \$25.2 million. Please refer to Note 20 of the accompanying financial statements.
- Short-term wholesale power purchases of \$63.8 million decreased by \$60.7 million.
- Other power expenses of \$95.2 million decreased by \$6.7 million.
- Transmission expenses of \$80.8 million increased by \$12.6 million mostly due to the higher O&M costs for City Light's transmission and higher BPA wheeling costs.

Non-power operating expenses increased by \$41.2 million to \$352.6 million or 13.2% from \$311.4 million in 2023 due to the following:

- Distribution expenses of \$110.1 million increased by \$25.7 million due to a higher overtime.
- Customer service of \$78.4 million increased by \$18.6 million due to the higher bad debt expense of \$8.8 million and various other costs of \$9.8 million due to wage settlements, including retro payments, as well as higher overtime, which includes the response to the windstorm in November.
- Conservation expenses of \$27.8 million increased by \$1.4 million due to higher participation in various conservation programs.
- Administrative and general expense of \$136.3 million decreased by \$4.5 million compared to 2023 primarily due to decreased pension and benefits expense, \$28.3 million, and an increase in General expense, \$24.8 million due to wage settlements, including retro payments, as well as higher overtime, which includes the response to the windstorm in November.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024



Taxes in 2024 increased by \$16.3 million primarily due to a higher operating revenue in 2024.

Depreciation and amortization of \$172.9 million increased by \$13.4 million primarily due to replacements and additions to software of \$6.8 million, additions to Distribution of \$5.1 million, and increases to other of \$1.5 million.

NONOPERATING REVENUES AND (EXPENSES), CAPITAL CONTRIBUTIONS AND GRANTS

2025 Compared to 2024 The unfavorable variance of \$6.6 million in net non-operating revenues (expenses) is mainly due to increased interest expense of \$5.4 million and a decline in other non-operating income of \$1.2 million.

Capital contributions and grants decreased by \$52.9 million mainly due to a \$27.5 million adjustment related to prior years and lower volume of processed billing of Time and Materials and Make Ready Work projects, \$13.7 million, and lower grants, \$11.7 million.

2024 Compared to 2023 Nonoperating revenues, net decreased by \$2.9 million due to the lower fair value adjustment of \$8.2 million, partially offset by the higher grant revenue, net by \$0.9 million and higher interest income by \$2.1 million and other non-operating revenue by \$2.3 million.

Interest expenses decreased by \$4.2 million year over year.

Capital contributions and grants increased by \$44.6 million mainly due to the higher volume of processed billing of Time and Materials and Make Ready Work projects, \$27.6 million, and higher grants, \$17.0 million.

RISK MANAGEMENT

Each Division of the Department individually evaluates and monitors its own strategic risks, including emergency response, cybersecurity, physical plant security and seismic risks.

The Department's Risk Oversight Council (ROC) is a cross-functional executive committee that has the authority and responsibility for overseeing and implementing the Department's risk management efforts related to wholesale marketing activities. ROC meets at least twice per month to review recent events in the wholesale power markets and the Department's market positions, exposures, policy compliance, and wholesale trading strategies and plans.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

Wholesale energy marketing activities are managed by Power Operations and Marketing. Risk Oversight Division manages the market and settlement risks related to all wholesale marketing activities and carries out the middle office functions of the Department. This includes risk control, deal review & valuations, independent reporting of market positions and portfolio performance, counterparty credit risk, risk modeling, model validations, settlements, and ensuring adherence to wholesale trading policy and procedures. The wholesale trading and risk management functions report to separate officers to ensure checks and balances.

Hydro Risk

Due to the Department's reliance on hydroelectric generation, weather can significantly affect its operations. Hydroelectric generation depends on the amount of snowpack in the mountains upstream of the Department's hydroelectric facilities, springtime snowmelt timing, run-off, and rainfall. Hydroelectric operations are also influenced by flood control and environmental considerations including protection of fish. In low water years when generation is reduced, the Department will utilize purchased power to meet retail demand. Normally, the Department's retail demand peaks in winter; however, extreme weather conditions affecting either heating or cooling needs could increase costs. In addition, economic trends (increase or decrease in business activity, housing sales and development of properties) can affect demand and costs.

Energy Market Risk

For the Department, energy market risk is the risk of adverse fluctuations in the price of wholesale electricity, which is compounded by volumetric changes affecting the availability of, or demand for, electricity. Factors that contribute to energy market risk include regional planned and unplanned generation plant outages, transmission constraints or disruptions, the number of active creditworthy market participants willing to transact, and environmental regulations that influence the availability of generation resources.

The Department's exposure to hydro volumetric and energy market risk is managed by the ROC and approved hedging strategies are executed by Power Operations and Marketing (POM) under Power Supply Business Unit. The Department engages in market transactions to meet its load obligations and to realize earnings from surplus energy resources. With a portion of the Department's revenue expectations associated with wholesale energy market transactions, emphasis is placed on the management of risks associated with this activity. Policies, procedures, and processes designed to manage, control and monitor these risks are in place. A formal front, middle, and back-office structure is in place to ensure proper segregation of duties.

The Department measures the risk in its energy portfolio using a model that utilizes historical simulation methodology and incorporates not only price risk, but also the volumetric risk associated with its hydro-dominated power portfolio. Scenario analysis is used for stress testing.

Credit Risk

Credit risk is the risk of loss that would be incurred as a result of nonperformance by a counterparty of their contractual obligations. If a counterparty fails to perform on its contractual obligation to deliver electricity, then the Department may find it necessary to procure electricity at current market prices, which may be higher than the contract price. If a counterparty failed to pay its obligation in a timely manner, this would have an impact on the Department's revenue and cash flow. As with market risk, the Department has policies governing the management of credit risk.

Wholesale counterparties are assigned credit limits based on publicly available and proprietary financial information. Along with ratings provided by national ratings agencies, an internal credit scoring model is used to classify counterparties into one of several categories with permissible ranges of credit limits. Specific counterparty credit limits are set within this prescribed range based on qualitative and quantitative factors. Credit limits are also used to manage counterparty concentration risk. The Department actively strives to reduce concentration of credit risk related to geographic location of counterparties as it only transacts in the

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

western energy markets. This geographic concentration of counterparties may impact the Department's overall credit exposure because counterparties may be affected by similar conditions.

Credit limits, exposures and credit quality are actively monitored. Despite such efforts, there is potential for default; however, the Department has not faced a counterparty default in nearly 15 years. The Department transacts with counterparties on an uncollateralized and collateralized basis. Posted collateral may be in the form of cash, letters of credit, or parental guarantees.

REQUESTS FOR INFORMATION

For more information about Seattle City Light, contact Communications at 206-684-3000 or at P.O. Box 34023, Seattle, WA 98124-4023

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF NET POSITION - ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AS OF DECEMBER 31, 2025 AND 2024

(\$ in millions)	2025	2024
ASSETS		
UTILITY PLANT—At original cost:		
Plant -in-service—excluding land	\$ 6,876.5	\$ 6,658.8
Less accumulated depreciation and amortization	<u>(2,784.5)</u>	<u>(2,611.2)</u>
Total plant-in-service—net	4,092.0	4,047.6
Construction work-in-progress	878.4	741.3
Nonoperating property—net of accumulated depreciation	21.8	21.2
Assets held for future use	3.1	3.1
Land and land rights	<u>161.3</u>	<u>157.7</u>
Total utility plant—net	<u>5,156.6</u>	<u>4,970.9</u>
RESTRICTED ASSETS:		
Rate stabilization account	110.4	68.2
Municipal light and power bond reserve account	120.3	110.2
Special deposits and other restricted assets	<u>59.0</u>	<u>45.7</u>
Total restricted assets	<u>289.7</u>	<u>224.1</u>
CURRENT ASSETS:		
Cash and equity in pooled investments	398.2	269.4
Accounts receivable, net of allowance of \$57.7 and \$59.6	174.0	194.6
Interfund receivables	2.2	1.5
Unbilled revenues	87.0	91.5
Materials and supplies at average cost	73.7	60.1
Prepayments and other current assets	<u>5.5</u>	<u>5.8</u>
Total current assets	<u>740.6</u>	<u>622.9</u>
OTHER ASSETS:		
Conservation costs—net	261.6	256.4
Environmental costs—net	153.2	136.2
Other charges and assets—net	<u>95.3</u>	<u>104.1</u>
Total other assets	<u>510.1</u>	<u>496.7</u>
TOTAL ASSETS	<u>6,697.0</u>	<u>6,314.6</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to Pension and OPEB	103.4	82.6
Charges on advance refunding	<u>6.9</u>	<u>7.7</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>110.3</u>	<u>90.3</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,807.3</u>	<u>\$ 6,404.9</u>

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF NET POSITION - LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION AS OF DECEMBER 31, 2025 AND 2024

(\$ in millions)	2025	2024
LIABILITIES		
LONG-TERM DEBT:		
Revenue bonds	\$ 2,836.1	\$ 2,682.9
Plus bond premium—net	283.1	276.0
Less revenue bonds—current portion	<u>(124.6)</u>	<u>(125.0)</u>
Total long-term debt	<u>2,994.6</u>	<u>2,833.9</u>
NONCURRENT LIABILITIES:		
Net pension liability	285.3	264.2
Accumulated provision for injuries and damages	141.5	124.3
Compensated absences	24.7	24.3
Other noncurrent liabilities	<u>27.4</u>	<u>12.4</u>
Total noncurrent liabilities	<u>478.9</u>	<u>425.2</u>
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	164.3	160.2
Accrued payroll and related taxes	15.3	12.0
Compensated absences	4.3	1.3
Accrued interest	47.2	42.7
Long-term debt—current portion	<u>124.6</u>	<u>125.0</u>
Total current liabilities	<u>355.7</u>	<u>341.2</u>
OTHER LIABILITIES	<u>39.5</u>	<u>41.7</u>
TOTAL LIABILITIES	<u>3,868.7</u>	<u>3,642.0</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization unearned revenue	85.4	43.2
Deferred inflow s related to pension and OPEB	12.2	15.3
Other deferred inflow s of resources	<u>100.2</u>	<u>104.2</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>197.8</u>	<u>162.7</u>
NET POSITION		
Net investment in capital assets	2,377.2	2,338.5
Restricted:		
Rate stabilization account	<u>25.0</u>	<u>25.0</u>
Total restricted	<u>25.0</u>	<u>25.0</u>
Unrestricted—net	<u>338.6</u>	<u>236.7</u>
Total net position	<u>2,740.8</u>	<u>2,600.2</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 6,807.3</u>	<u>\$ 6,404.9</u>

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(\$ in millions)	2025	2024
OPERATING REVENUES:		
Retail power revenues	\$ 1,193.7	\$ 1,125.2
Short-term wholesale power revenues	89.1	75.6
Other power-related revenues	37.9	34.4
Transfers from/(to) rate stabilization account	(42.2)	(2.4)
Other operating revenues	<u>30.8</u>	<u>21.4</u>
Total operating revenues	<u>1,309.3</u>	<u>1,254.2</u>
OPERATING EXPENSES:		
Long-term purchased power—Bonneville and other	211.7	200.6
Short-term wholesale power purchases	57.6	63.8
Other power expenses	107.8	95.2
Transmission	84.2	80.8
Distribution	103.3	110.1
Customer service	69.2	78.4
Conservation	26.1	27.8
Administrative and general	156.7	136.3
Taxes	137.0	128.7
Depreciation and amortization	<u>180.7</u>	<u>172.9</u>
Total operating expenses	<u>1,134.3</u>	<u>1,094.6</u>
OPERATING INCOME	<u>175.0</u>	<u>159.6</u>
NONOPERATING REVENUES AND (EXPENSES):		
Other revenues and (expenses)—net	31.8	33.0
Interest expense		
Interest expense—net	(123.0)	(119.0)
Amortization of bond costs—net	<u>21.8</u>	<u>23.2</u>
Total interest expense	<u>(101.2)</u>	<u>(95.8)</u>
Total nonoperating revenue and (expenses)	<u>(69.4)</u>	<u>(62.8)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>105.6</u>	<u>96.8</u>
CAPITAL CONTRIBUTIONS AND GRANTS:		
Capital contributions	29.4	70.6
Capital grants	<u>5.6</u>	<u>17.3</u>
Total capital contributions and grants	<u>35.0</u>	<u>87.9</u>
CHANGE IN NET POSITION	140.6	184.7
NET POSITION:		
Beginning of year	<u>2,600.2</u>	<u>2,415.5</u>
End of year	<u>\$ 2,740.8</u>	<u>\$ 2,600.2</u>

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(\$ in millions)	2025	2024
OPERATING ACTIVITIES:		
Cash received from customers and counterparties	\$ 1,297.3	\$ 1,214.6
Cash paid to suppliers and counterparties	(534.1)	(511.5)
Cash paid to employees	(166.5)	(161.3)
Taxes paid	(137.1)	(126.6)
Net cash provided by operating activities	<u>459.6</u>	<u>415.2</u>
NONCAPITAL FINANCING ACTIVITIES:		
Interfund operating cash paid	(57.2)	(60.2)
Principal paid on long-term debt	(11.4)	(16.1)
Interest paid on long-term debt	(10.4)	(14.6)
Noncapital grants received	1.0	21.8
Bonneville receipts for conservation	4.6	3.5
Payment to vendors on behalf of customers for conservation	(25.8)	(26.4)
Net cash used in noncapital financing activities	<u>(99.2)</u>	<u>(92.0)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	276.2	181.1
Proceeds from long-term debt premiums	30.1	21.5
Bond issue costs paid	(0.4)	(0.3)
Principal paid on long-term debt	(113.6)	(115.6)
Interest paid on long-term debt	(106.4)	(105.0)
Acquisition and construction of capital assets	(340.3)	(365.2)
Interfund payments for acquisition and construction of capital assets	(17.1)	(31.3)
Capital contributions	67.9	54.2
Interfund receipts for capital contributions	-	(1.4)
Capital grants received/(paid)	6.6	16.0
Interest received for suburban infrastructure improvements	2.2	2.3
Proceeds on sale of property	0.1	0.4
Decrease in other assets	(1.6)	2.0
Net cash used in capital and related financing activities	<u>(196.3)</u>	<u>(341.3)</u>
INVESTING ACTIVITIES:		
Interest received (paid) on cash and equity in pooled investments	<u>30.3</u>	<u>22.5</u>
Net cash provided by (used in) investing activities	<u>30.3</u>	<u>22.5</u>
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	194.4	4.4
CASH AND EQUITY IN POOLED INVESTMENTS:		
Beginning of year	<u>493.5</u>	<u>489.1</u>
End of year	<u>\$ 687.9</u>	<u>\$ 493.5</u>

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS - RECONCILIATION FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(\$ in millions)	2025	2024
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 175.0	\$ 159.6
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash items included in operating income:		
Depreciation	180.7	172.9
Amortization of other assets	37.8	35.8
Bad debt expense	13.7	27.3
Power revenues	(21.1)	(28.2)
Power expenses	33.8	40.9
Provision for injuries and damages	4.2	0.9
Other non-cash items	(11.0)	(35.7)
Change in:		
Accounts receivable	23.4	41.0
Unbilled revenues	4.5	4.2
Materials and supplies	(47.5)	(8.0)
Prepayments, interest receivable, and other receivables	0.1	(0.1)
Other assets	(36.4)	(40.6)
Provision for injuries and damages and claims payable	30.1	32.0
Accounts payable and other payables	33.3	13.8
Deferred inflows	(3.2)	(3.0)
Rate stabilization unearned revenue	42.2	2.4
Total adjustments	<u>284.6</u>	<u>255.6</u>
Net cash provided by operating activities	<u>\$ 459.6</u>	<u>\$ 415.2</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Amortization of debt related costs—net	\$ 21.8	\$ 23.2
Power exchange revenues	6.1	10.7
Power exchange expenses	(6.1)	(10.7)
Power revenue netted against power expenses	5.8	6.6
Power expense netted against power revenues	(9.3)	(10.9)
Bond proceeds deposited into an escrow account for purposes of refunding	170.3	21.2

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Light Department (the Department) is the public electric utility of The City of Seattle (the City). The Department is an enterprise fund of the City. The Department owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 525,000 residential, commercial, and public customers in the City of Seattle. The Department also supplies electrical energy to other City agencies at rates prescribed by City ordinances, and to certain neighboring communities under franchise agreements. The establishment of the Department's rates is within the exclusive jurisdiction of the Seattle City Council. A requirement of Washington State law provides that rates must be fair, nondiscriminatory, and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department pays occupation taxes to the City based on total revenues.

The Department's revenues for services provided to other City departments were \$23.2 million and \$21.5 million in 2025 and 2024, respectively, and \$1.2 million and \$1.2 million for non-energy services, respectively.

The Department's receivables from other City departments totaled \$2.2 million on December 31, 2025, and \$1.5 million for 2024, respectively. The Department's payables to other City departments were \$0.0 million on December 31, for 2025 and 2024, respectively. The balances receivable and payable are the result of transactions incurred in the normal course of operations.

The Department receives certain services from other City departments and paid \$120.6 million in 2025 and \$140.6 million in 2024, for such services. Amounts paid include central cost allocations from the City for services received including treasury services, risk financing, purchasing, data processing systems, vehicle maintenance, personnel, payroll, legal, administrative, information technology and building rentals, including for the Department's administrative offices.

Basis of Presentation and Accounting Standards—The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Department has applied and is current through 2025 with all applicable GASB pronouncements.

GASB Statement No. 102 - GASB Statement No. 102, *Certain Risk Disclosures*, establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority. A government may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending. There was no impact on the disclosures related to the financial statements when the Department implemented Statement No. 102 effective January 1, 2025.

GASB Statement No. 103 - GASB Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Governments engaged only in business type activities should present revenues by major source distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses. This statement will be effective for the Department in 2026. The Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 104 - GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain information regarding capital assets to be presented by major class. This Statement also requires additional disclosures for capital assets held for sale. This statement will be effective for the Department in 2026. The Department is currently evaluating the impact of implementation on the financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

GASB Statement No. 105 - GASB Statement No. 105, *Subsequent Events*, is expected to improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and non-recognized events and (2) specifying the information items that are required to be disclosed about subsequent events. This statement will be effective for the Department in 2027. The Department is currently evaluating the impact of implementation on the financial statements.

FERC Order No. 898 – FERC Order No. 898, *Accounting and Reporting Treatment of Certain Renewable Energy Assets*, establishes, among other things, the accounting treatment of allowances and environmental credits (environmental instruments) that previously were not recognized as assets. The FERC Order establishes a single method of accounting for environmental instruments based on the principle that environmental instruments are assets. Under the FERC Order, entities are required to recognize an environmental instrument as an asset, recognize the occurrence of compliance events as liabilities, recognize retirements of environmental instruments as expenses, recognize prepayments and penalties, and recognize gains or losses, as appropriate, when environmental instruments are sold or otherwise disposed of. The Department implemented this accounting guidance prospectively effective January 1, 2025 which resulted in a change in accounting principle. The prior year was not restated due to lack of materiality. The Materials and Supplies section below, Note 10 Noncurrent Liabilities, and Note 21 Environmental Instruments provide additional information about the financial impact of environmental instruments for 2025.

Fair Value Measurements—Descriptions of the Department's accounting policies on fair value measurements for items reported on the statements of net position at December 31, 2025 and 2024, are as noted in Note 2 Fair Values, Note 5 Cash and Equity in Pooled Investments and Investments, Note 6 Accounts Receivable and Note 20 Long-Term Purchased Power, Exchanges, and Transmission.

Fair Value of Financial Instruments—The Department's financial instruments reported on the statements of net position at December 31, 2025 and 2024, as Restricted assets and Cash and equity in pooled investments are measured at fair value. These instruments consist primarily of the Department's share of the City-wide pool of investments (see Note 5 Cash and Equity in Pooled Investments and Investments). Gains and losses on these financial instruments are reflected in Investment income in the statements of revenues, expenses, and changes in net position. The fair value of long-term debt at December 31, 2025 and 2024 is discussed in Note 9 Long-Term Debt.

Net Position—The Department classifies its net position into three components as follows:

- **Net investment in capital assets**—This component consists of capital assets, net of accumulated depreciation and amortization, reduced by the net outstanding debt balances related to capital assets net of unamortized debt expenses.
- **Restricted**—This component consists of net position with constraints placed on use. Constraints include those imposed by creditors (such as through debt covenants and excluding amounts considered in net capital, above), grants, or laws and regulations of other governments, or by enabling legislation, The City of Seattle Charter, or by ordinances legislated by the Seattle City Council.
- **Unrestricted**—This component consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of Net investment in capital assets or Restricted.

Restricted and Unrestricted Net Position—The Department's policy is to use restricted net position for specified purposes and to use unrestricted net position for operating expenses. The Department does not currently incur expenses for which both restricted and unrestricted net position is available.

Assets Held for Future Use—These assets include property acquired but never used by the Department in electrical service and therefore, held for future service under a definitive plan. Also included is property previously used in service but retired and held pending its reuse in the future under a definitive plan. As of December 31,

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2025 and 2024, assets held for future use included the following electrical plant assets: land for future substations, communication system and risk mitigation structures was \$3.1 million.

Materials and Supplies—Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued utilizing the average cost method and charged to construction or expense when used. Allowances and environmental credits (environmental instruments) held for regulatory compliance are included in materials and supplies. Such environmental instruments are recorded at historical cost and classified as inventory until used or retired to meet regulatory requirements (see Note 21 Environmental Instruments).

The table below details Materials, supplies, and inventory at average cost for the Department at December 31, 2025, and December 31, 2024:

(\$ in millions)

	2025	2024
Materials, supplies, and inventory at average cost		
Materials and supplies at average cost	\$ 61.0	\$ 60.1
Environmental instruments inventory	12.7	-
Total	<u>\$ 73.7</u>	<u>\$ 60.1</u>

Revenue Recognition—Service rates are authorized by City ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements as unbilled revenue within Retail power revenues.

The Department's customer base accounted for electric energy sales at December 31, 2025 and 2024, as follows:

	2025	2024
Residential	40.3%	39.9 %
Nonresidential	<u>59.7%</u>	<u>61.1 %</u>
Total	100.0%	100.0%

Revenues earned in the process of delivering energy to customers, wholesale energy transactions, and related activities, as well as proceeds from the sale of environmental instruments, are considered operating revenues in the determination of change in net position. Investment income, nonexchange transactions, and other revenues are considered Nonoperating revenues.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Other nonoperating revenues and (expenses), net for the years 2025 and 2024 consisted of the following:

(\$ in millions)	2025	2024
Nonoperating Revenues and (Expenses)		
Other revenues and (expenses) - net		
Investment income	\$ 32.5	\$ 24.7
WA families clean energy grant	-	19.1
Clean energy grant funds disbursed	-	(18.8)
Other income (expense) - net	(0.7)	8.0
Total Other revenues and (expenses) - net	\$ 31.8	\$ 33.0

Expense Recognition—Expenses incurred in the process of delivering energy to customers, wholesale energy transactions, and related activities, including environmental compliance expenses, are considered operating expenses in the determination of net income. Debt interest expense, debt related amortization, and certain other expenses are considered Nonoperating expenses.

Administrative and General Overhead Costs Applied—Certain administrative and general overhead costs are allocated to construction work-in-progress, major data processing systems development, programmatic conservation, relicensing mitigation projects, and billable operations and maintenance activities based on rates established by cost studies. Pension and benefit costs are allocated to capital and operations and maintenance activities based on a percentage of labor dollars.

The administrative and general overhead costs applied totaled \$56.9 million and \$57.0 million in 2025 and 2024, respectively. Benefit costs applied were \$45.0 million and \$47.0 million in 2025 and 2024, respectively. Administrative and general expenses, net of total applied overhead, were \$156.7 million and \$136.3 million in 2025 and 2024, respectively.

Nonexchange Transactions—Capital contributions and grants in the amount of \$35.0 million and \$87.9 million, and noncapital grants in the amount of \$1.0 million and \$21.8 million for 2025 and 2024 respectively are reported in the statements of revenues, expenses, and changes in net position as nonoperating revenues from non-exchange transactions. Capital contributions and grant revenues are recognized based on the accrual basis of accounting. In-kind capital contributions are recognized at estimated acquisition value in the period when all eligibility requirements have been met as described in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Federal and state grant revenues are recognized as earned and are subject to contract and other compliance audits.

Compensated Absences—Regular employees of the Department earn vacation time in accordance with length of service. A maximum of 480 hours may be accumulated for the most tenured employees and, upon termination, employees are entitled to compensation for unused vacation. Upon retirement, employees receive compensation equivalent to 25% of their accumulated sick leave. Employees represented by unions who voted in favor of a Healthcare Reimbursement Arrangement (HRA) receive 35% of their sick leave balance tax-free through an HRA account for healthcare expenses post-retirement. Because of the special tax arrangement, the sick leave balance may only go into the HRA account; it may not be taken as a cashout. The HRA program is administered by an independent third-party administrator, Meritain Health. HRA investments are managed by HRA Voluntary Employee Beneficiary Association (VEBA) Trust. The Department accrues all costs associated with compensated absences, including payroll taxes.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Use of Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Department used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, accumulated provision for injuries and damages and workers' compensation, environmental liabilities, environmental instruments compliance obligation liabilities, accrued sick leave, net pension liability, other postemployment benefits, and other contingencies. Actual results may differ from those estimates.

Significant Risk and Uncertainty—The Department is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include financial market liquidity and economic uncertainty; prices on the wholesale markets for short-term power transactions; interest rates and other inputs and techniques for fair valuation; water conditions, weather, climate change, and natural disaster-related disruptions; terrorism; collective bargaining labor disputes; fish and other Endangered Species Act (ESA) issues; Environmental Protection Agency (EPA) regulations; compliance with clean and renewable energy legislation; local and federal government regulations or orders concerning the operations, maintenance, and/or licensing of hydroelectric facilities; other governmental regulations; restructuring of the electrical utility industry; and the costs of constructing transmission facilities that may be incurred as part of a Northwest regional transmission system, and related effects of this system on transmission rights, transmission sales, surplus energy, and governance.

Deferred Outflows of Resources—A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. See Note 8 for additional information.

Deferred Inflows of Resources—A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. See Note 17 for additional information.

2. FAIR VALUE MEASUREMENT

The Department records certain assets, liabilities, and deferred inflows of resources in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The Department uses the market approach for the valuation of pooled investments, a combination of the market and income approaches for the valuation of the undelivered forward portion of energy exchanges and other nonmonetary transactions, and the cost approach for the valuation of environmental instrument compliance obligation liabilities.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The valuation methods of the fair value measurements are disclosed as noted below.

Cash resources of the Department are combined with cash resources of the City to form a pool of cash and investments that is managed by the City's Department of Finance. The City records pooled investments at fair value based on quoted market prices.

The Department obtained the lowest level of observable input of the fair value measurement of energy exchanges and other non-monetary transactions in its entirety from subscription services or other independent parties. The observable inputs for the settled portion of the energy exchange contracts are Dow Jones price indices. The observable inputs for the undelivered forward portion of energy exchanges and other non-monetary transactions are Kiodex forward curves and present value factors based on the interest rate for Treasury constant maturities, bond-equivalent yields.

The Department obtained unobservable inputs of the fair value measurement of the unfunded portion of environmental instrument compliance obligation liabilities in its entirety from internal environmental instrument acquisition data. The Department records environmental instrument compliance obligation liabilities at fair value using the cost approach based on the value of environmental instruments presently held in inventory.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Department's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The following fair value hierarchy table presents information about the Department's assets and liabilities, reported at fair value on a recurring basis or disclosed at fair value as of December 31, 2025 and 2024:

(\$ in millions)

2025	Credit Rating	Level 1	Level 2	Total
Assets				
Fair value investments				
Corporate Bonds	AA2 to A1	\$ -	\$ 5.5	\$ 5.5
International Bank for Reconstruction & Development	AAA	-	17.2	17.2
Local Government Investment Pool	N/A	92.0	-	92.0
Municipal Bonds	AA2	-	7.4	7.4
Repurchase Agreements	N/A	1.8	-	1.8
U.S. Government Agency Mortgage-Backed Securities	AA1	-	44.6	44.6
U.S. Government Agency Securities	AA1	-	90.1	90.1
U.S. Treasury and U.S. Government-Backed Securities	AA1	429.3	-	429.3
Total fair value investments		523.1	164.8	687.9
Total Assets at fair value		\$ 523.1	\$ 164.8	\$ 687.9

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(\$ in millions)

2024	Credit Rating	Level 1	Level 2	Total
Assets				
Fair value investments				
Corporate Bonds	AA+ to A	\$ -	\$ 4.3	\$ 4.3
Commercial Paper	A1	-	6.4	6.4
International Bank for Reconstruction & Developm	AAA	-	17.0	17.0
Local Government Investment Pool	N/A	61.1	-	61.1
Municipal Bonds	AA2	-	12.3	12.3
Repurchase Agreements	N/A	1.5	-	1.5
U.S. Government Agency Mortgage-Backed Secu	AAA	-	37.8	37.8
U.S. Government Agency Securities	AAA	-	102.2	102.2
U.S. Treasury and U.S. Government-Backed Seci	AAA	250.9	-	250.9
Total fair value investments		313.5	180.0	493.5
Total Assets at fair value		\$ 313.5	\$ 180.0	\$ 493.5

3. UTILITY PLANT

Utility Plant—Utility plant is recorded at original cost, which includes both direct costs of construction or acquisition and indirect costs.

The capitalization threshold for tangible assets was \$10,000 and \$5,000 for 2025 and 2024 respectively, and \$500,000 for intangible assets in 2025 and 2024. Plant constructed with capital contributions or contributions in-aid-of construction received from customers is included in Utility plant. Capital contributions and capital grants totaled \$35.0 million in 2025 and \$87.9 million in 2024. The Department uses a straight-line composite method of depreciation and amortization and, therefore, groups assets into composite groups for purposes of depreciation. Estimated economic lives range from four to 50 years. Depreciation and amortization expense as a percentage of depreciable utility plant-in-service was approximately 2.6% in 2025 and 2024. When operating plant assets are retired, their original cost together with retirement costs and removal costs, less salvage, is charged to accumulated depreciation or amortization, if applicable. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments are capitalized. The Department periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable over their economic lives. There were no impairments in 2025 or 2024.

Intangible assets are those that lack physical substance, are nonfinancial in nature, and have useful lives extending beyond a single reporting period. The Department's intangible assets are reported as capital assets under Utility Plant. The Department's intangible assets consist of easements, purchased and internally developed software, transmission rights, capitalized relicensing costs for Skagit and Boundary hydroelectric projects, Tolt hydroelectric project mitigation costs, and costs capitalized under the High Ross Agreement.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

Utility plant-in-service at original cost, including land on December 31, 2025, and 2024, was:

		Hydroelectric					
		Production	Transmission	Distribution	General	Intangibles	Total
2025							
<i>(\$ in millions)</i>							
Utility Plant-in-service - At original cost:							
Plant-in-service, excluding Land:							
1/1/2025 Balance	\$	1,066.8	\$ 381.1	\$ 3,875.8	\$ 481.1	\$ 854.0	\$ 6,658.8
Acquisitions		13.5	7.6	158.0	27.8	31.2	238.1
Dispositions		-	(1.3)	(17.2)	(6.3)	-	(24.8)
Transfers and adjustments		(4.3)	-	9.6	(0.9)	-	4.4
12/31/2025 Balance		<u>1,076.0</u>	<u>387.4</u>	<u>4,026.2</u>	<u>501.7</u>	<u>885.2</u>	<u>6,876.5</u>
Accumulated depreciation and amortization:							
1/1/2025 Balance	\$	437.0	\$ 105.3	\$ 1,299.1	\$ 304.6	\$ 465.2	\$ 2,611.2
Increase in accumulated depreciation and amortization		19.8	8.4	111.8	15.6	52.2	207.8
Retirements		0.1	(1.9)	(25.4)	(7.3)	-	(34.5)
Gain/Loss on Retirements		-	-	-	-	-	-
12/31/2025 Balance		<u>456.9</u>	<u>111.8</u>	<u>1,385.5</u>	<u>312.9</u>	<u>517.4</u>	<u>2,784.5</u>
Sub Total Plant-in-service - Net, excluding Land:		<u>\$ 619.1</u>	<u>\$ 275.6</u>	<u>\$ 2,640.7</u>	<u>\$ 188.8</u>	<u>\$ 367.8</u>	<u>\$ 4,092.0</u>
Land and land rights:							
1/1/2025 Balance	\$	61.5	\$ 3.0	\$ 86.6	\$ 6.6	\$ -	\$ 157.7
Acquisitions		3.6	-	-	-	-	3.6
Dispositions		-	-	-	-	-	-
Transfers and adjustments		-	-	-	-	-	-
12/31/2025 Balance		<u>65.1</u>	<u>3.0</u>	<u>86.6</u>	<u>6.6</u>	<u>-</u>	<u>161.3</u>
Construction work-in-process:							
1/1/2025 Balance	\$	102.1	\$ 40.8	\$ 370.0	\$ 104.5	\$ 123.9	\$ 741.3
Additions		41.2	12.3	254.1	29.5	15.7	352.8
Closings		(17.2)	(9.8)	(159.4)	(25.2)	(4.1)	(215.7)
12/31/2025 Balance		<u>126.1</u>	<u>43.3</u>	<u>464.7</u>	<u>108.8</u>	<u>135.5</u>	<u>878.4</u>
* Total Plant-in-service - Net, including Land and CWIP:		<u>\$ 810.3</u>	<u>\$ 321.9</u>	<u>\$ 3,192.0</u>	<u>\$ 304.2</u>	<u>\$ 503.3</u>	<u>\$ 5,131.7</u>

** Excludes Nonoperating property and Assets Held For Future Use.*

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

		Hydroelectric					
		Production	Transmission	Distribution	General	Intangibles	Total
2024							
(\$ in millions)							
Utility Plant-in-service - At original cost:							
Plant-in-service, excluding Land:							
1/1/2024 Balance	\$	1,035.2	\$ 371.5	\$ 3,692.4	\$ 440.5	\$ 838.1	\$ 6,377.7
Acquisitions		31.6	10.8	201.6	42.4	15.9	302.3
Dispositions		-	(1.2)	(18.2)	(1.8)	-	(21.2)
Transfers and adjustments		-	-	-	-	-	-
12/31/2024 Balance		<u>1,066.8</u>	<u>381.1</u>	<u>3,875.8</u>	<u>481.1</u>	<u>854.0</u>	<u>6,658.8</u>
Accumulated depreciation and amortization:							
1/1/2024 Balance	\$	417.3	\$ 99.4	\$ 1,226.7	\$ 292.6	\$ 415.5	\$ 2,451.5
Increase in accumulated depreciation and amortization		19.8	8.1	106.8	13.8	49.7	198.2
Retirements		(0.1)	(2.2)	(34.4)	(1.8)	-	(38.5)
Gain/Loss on Retirements		-	-	-	-	-	-
12/31/2024 Balance		<u>437.0</u>	<u>105.3</u>	<u>1,299.1</u>	<u>304.6</u>	<u>465.2</u>	<u>2,611.2</u>
Sub Total Plant-in-service - Net, excluding Land:	\$	<u>629.8</u>	\$ <u>275.8</u>	\$ <u>2,576.7</u>	\$ <u>176.5</u>	\$ <u>388.8</u>	\$ <u>4,047.6</u>
Land and land rights:							
1/1/2024 Balance	\$	60.6	\$ 3.0	\$ 86.6	\$ 6.6	\$ -	\$ 156.8
Acquisitions		0.9	-	-	-	-	0.9
Dispositions		-	-	-	-	-	-
Transfers and adjustments		-	-	-	-	-	-
12/31/2024 Balance		<u>61.5</u>	<u>3.0</u>	<u>86.6</u>	<u>6.6</u>	<u>-</u>	<u>157.7</u>
Construction work-in-process:							
1/1/2024 Balance	\$	81.6	\$ 30.0	\$ 339.9	\$ 109.6	\$ 95.9	\$ 657.0
Additions		48.5	24.0	244.3	36.4	42.6	395.8
Closings		(28.0)	(13.2)	(214.2)	(41.5)	(14.6)	(311.5)
12/31/2024 Balance		<u>102.1</u>	<u>40.8</u>	<u>370.0</u>	<u>104.5</u>	<u>123.9</u>	<u>741.3</u>
* Total Plant-in-Service - Net, including Land and CWIP:	\$	<u>793.4</u>	\$ <u>319.6</u>	\$ <u>3,033.3</u>	\$ <u>287.6</u>	\$ <u>512.7</u>	\$ <u>4,946.6</u>

* Excludes Nonoperating property and Assets Held For Future Use.

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4. RATE STABILIZATION ACCOUNT

The Rate Stabilization Account (RSA) is a restricted cash reserve established to reduce the need for rapid and substantial rate increases solely to comply with the Department's bond covenants.

In March 2010, the Seattle City Council adopted Resolution No. 31187 and Ordinance No. 123260, establishing revised financial policies and parameters for the operation of the RSA created by Ordinance No. 121637 in 2004. Ordinance No. 123260 identified the sources of significant funding of the RSA and specified parameters for its operation. The RSA is drawn down to supplement revenues when surplus power sales revenues are below the budgeted amount, and conversely, deposits are to be made to the RSA when the surplus power sales revenues are greater than budgeted. Deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year.

Ordinance No. 123260 established a target size for the RSA of no less than \$100.0 million and no greater than \$125.0 million and authorized the imposition of automatic temporary surcharges on electric rates when the RSA balance is within specified levels. In December 2021, the Seattle City Council adopted Ordinance No. 126502, which established new thresholds and surcharge rates for the RSA applicable for 2025 and 2024 as follows:

RSA Balance at March 31 or September 30	Action
Less than or equal to \$75.0 million but greater than \$50.0 million:	Automatic 2.0% surcharge until RSA balance reaches \$100.0 million
Less than or equal to \$50.0 million but greater than \$25.0 million:	Automatic 4.0% surcharge until RSA balance reaches \$100.0 million
Less than or equal to \$25.0 million:	City Council must initiate rate review within 45 days and determine actions to replenish RSA to \$100.0 million within 24 months

In 2025, actual net wholesale revenue was \$0.9 million higher than budgeted. The \$1.3 million net transfer includes a true-up to the previous year to the RSA from the operating cash account during 2025. Transfers to the RSA were increased by \$40.9 million surcharge revenue resulting from the 4.0% surcharge implemented January 1, 2024. At September 30, 2025, the RSA balance was \$91.5 million, short of the \$100.0 million needed to remove the rate surcharge in 2025. The surcharge remained in effect during 2025 and should be lifted within 90 days of when the RSA month-end balance reaches the relevant threshold in accordance with Ordinance No. 126502. The RSA balance was \$110.4 million at December 31, 2025.

In 2024, actual net wholesale revenue was \$33.7 million less than budgeted. The \$37.0 million net transfer includes a true-up to the previous year from the RSA to the operating cash account during 2024. At September 30, 2023, the RSA balance was \$28.5 million (below the \$50.0 million threshold) which triggered a 4.0% rate surcharge effective January 1, 2024. Transfers from the RSA were partially offset by \$39.4 million surcharge revenue resulting from this 4.0% surcharge. The RSA balance was \$68.2 million at December 31, 2024.

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The RSA at December 31, 2025, and 2024, consisted of cash from the following sources:

(\$ in millions)	2025	2024
Rate Stabilization Account		
Beginning balance	\$ 68.2	\$ 65.8
Council authorized transfer to RSA	-	-
Surcharge revenue	40.9	39.4
Operating revenue	<u>1.3</u>	<u>(37.0)</u>
Ending balance	<u>\$ 110.4</u>	<u>\$ 68.2</u>

RSA transactions are recorded in accordance with GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The regulatory deferred inflow of resources rate stabilization unearned revenue account at December 31, 2025, and 2024, consisted of the following:

(\$ in millions)	2025	2024
Unearned revenue - Rate Stabilization Account		
Beginning balance	\$ 43.2	\$ 40.8
Council authorized transfer to RSA	-	-
Surcharge revenue	40.9	\$ 39.4
Operating revenue	<u>1.3</u>	<u>(37.0)</u>
Ending balance	<u>\$ 85.4</u>	<u>\$ 43.2</u>

The RSA includes \$25.0 million from the Contingency Reserve Account. This amount is not included in unearned revenue and is not available to be transferred to operating cash. The Contingency Reserve Account was established in 2005 with proceeds that had been deposited in the Bond Reserve Fund, which was replaced with a surety bond.

Net transfers from/(to) the RSA in the statements of revenues, expenses and net position for the periods ended December 31, 2025, and 2024 were as follows:

(\$ in millions)	2025	2024
Transfers from/(to) Rate Stabilization Account	<u>\$ (42.2)</u>	<u>\$ (2.4)</u>

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5. CASH AND EQUITY IN POOLED INVESTMENTS AND INVESTMENTS

Cash and Equity in Pooled Investments—Cash resources of the Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance. Under the City's investment policy, all temporary cash surpluses in the pool are invested. The Department's share of the pool is included on the statements of net position as Cash and Equity in Pooled Investments or as restricted assets. The pool operates like a demand deposit account in that all departments, including the Department, may deposit cash at any time and can also withdraw cash, out of the pool, up to the amount of the Department's fund balance, without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments. The City considers investments in financial instruments having a maturity of 90 days or less as a cash equivalent.

Custodial Credit Risk – Deposits—Custodial credit risk of deposits is the risk that in the event of bank failure for one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner.

As of December 31, 2025, and 2024, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2025, and 2024, the City held \$15,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Investments—The Department's cash resources may be invested by the Department of Finance separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Department. As of December 31, 2025, and 2024, the Department did not have any dedicated investments. The City's Statement of Investment Policy was revised in 2026 in effect at December 31, 2025 and includes, but is not limited to, the topics of Standards of Care, Objectives, Strategy, Investment Parameters and Diversification.

The City follows a set of Standards of Care when it comes to its investments that include the following:

- **Social Policies:** A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- **Prudence:** The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule" and will be applied in the context of managing an overall portfolio.
- **Ethics and Conflict of Interest:** The Finance Director, Treasury Services Director and employees involved in the investment process must refrain from any personal business activity that could conflict with proper execution of the investment program. Employees must comply with the City's Ethics Code (SMC 4.16.080) and annually submit a Financial Interest Statement to the City's Ethics & Elections Commission that identifies any potential financial interest that could be related to the performance of the City's investment portfolio.

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- Delegation of Authority: The City Finance Director is authorized to manage the City's investment program and may delegate the day-to-day management responsibility to the City's Treasury Services Director who may delegate authority for program administration to appropriate individuals. No persons may engage in an investment transaction except as provided under the terms of the City Statement of Investment Policy and the procedures established therein.
- Governing Authority: The ultimate responsibility and authority for the investment of City funds resides with the City Council who has the authority to direct the management of the City investment program.

The three objectives in managing the City of Seattle's investments define its risk profile and guide implementation of its investment strategy. In order of importance, they are Safety of Principal, Maintenance of Liquidity, and Investment Income.

Eligible investments for the City are those securities and deposits authorized by statute (RCW 39.59.040) and include, but are not limited to:

- A. Bonds of the state of Washington and any local government in the state of Washington
- B. General obligation bonds of a state and general obligation bonds of a local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency
- C. Subject to compliance with RCW 39.56.030, registered warrants of a local government in the same county as the government making the investment
- D. Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States
- E. United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that at the time of investment, the institution has the United States government as its largest shareholder
- F. Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system
- G. Bankers' acceptances purchased in the secondary market
- H. Commercial paper purchased in the secondary market
- I. Corporate bonds purchased in the secondary market

State statute also permits investment in the following types of securities:

- A. Certificates of deposit or demand deposits with financial institutions made in accordance with the provisions of Chapter 39.58 RCW
- B. Washington State Local Government Investment Pool (LGIP), Chapter 43.250 RCW
- C. Repurchase agreements collateralized by the above eligible securities issued by the U.S. Government and its sponsored entities

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As of December 31, 2025 and 2024, the City's pooled investments were as follows:

	2025		2024	
	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)	Fair Value of City Pooled Investments	Weighted-Average Maturity (Days)
(\$ in millions)				
Corporate Bonds	\$ 34.4	180	\$ 32.9	544
Commercial Paper	-	-	49.0	164
International Bank for Reconstruction & Development	107.2	739	130.3	942
Local Government Investment Pool	572.8	-	468.3	-
Municipal Bonds	45.9	816	94.4	591
Repurchase Agreements	11.3	8,766	11.3	9,131
U.S. Government Agency Mortgage-Backed Securities	277.9	1,237	290.3	1,508
U.S. Government Agency Securities	561.4	763	784.2	599
U.S. Treasury and U.S. Government-Backed Securities	2,674.0	811	1,924.5	710
Total	<u>\$ 4,284.9</u>		<u>\$ 3,785.2</u>	
Portfolio Weighted Average Maturity		738		682

As of December 31, 2025 and 2024, the Department's share of the City pool was as follows:

(\$ in millions)	2025	2024
Operating cash and equity in pooled investments	\$ 398.2	\$ 269.4
Restricted cash	<u>289.7</u>	<u>224.1</u>
Total	<u>\$ 687.9</u>	<u>\$ 493.5</u>
Balance as a percentage of City pool cash and investments	16.1%	13.0%

Fair Value of Pooled Investments—The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 2 Fair Value Measurement. Fair value of the City's pooled investments fluctuates with changes in interest rates and the underlying size of the pooled investment portfolio. To mitigate interest rate risk in the City's pooled investment portfolio, the City typically holds its investments to maturity and manages its maturities to ensure sufficient monthly cash flow to meet its liquidity requirements. In the fourth quarter of 2025, interest rates continued to decline as the Fed cut interest rates twice for a total of 50 basis points. One-month Treasury yields fell by 50 basis points to 3.60%, while the 2-year Treasury yield dropped by 13 basis points to 3.47%. The yield on the 5-year Treasury note remained relatively unchanged, ending the quarter at 3.73%. The Federal Open Market Committee (FOMC) justified the rate cuts by pointing to economic data that continue to indicate a softening labor market, along with a broad consensus that the recent uptick in inflation is unlikely to persist. The rate cut at their latest meeting in December lowered the fed funds rate to a median 3.625% and the FOMC is forecasting only one rate cut in 2026 and one in 2027. The labor market remained sluggish in Q4 with the unemployment rate rising from 4.4% at the end of Q3 to a 5-year high of 4.6% in November. Inflation cooled

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in November to a yearly 2.7% while core prices decelerated to 2.6%. GDP growth advanced in Q3 by 4.3%, driven by consumer spending and notable contribution from net exports but is expected to slow.

The City held \$572.8 million in 2025, and \$468.3 million in 2024 in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

To provide for the City's investment objectives, parameters have been established that guide the investment officers. Management of the Pool is subject to the restrictions outlined in the following sections.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk, the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75 percent and 125 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. government obligations, U.S. government agency obligations, LGIP, demand accounts, repo, sweep, commercial paper and Banker's Acceptances.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

To mitigate credit risk, municipal bonds must have one of the three highest credit ratings of a Nationally Recognized Statistical Rating Agency (NRSRO) at the time of purchase. The Office of the State Treasurer interprets the three highest credit ratings to include AAA, AA and A including gradations within each category. For example, the lowest credit rating allowable is A3 by Moody's and A- by S&P and Fitch.

Commercial paper and corporate bond investments must adhere to the Washington State Investment Board Policy Number 2.05.500, and together are defined as the "credit portfolio" with the following constraints in place to mitigate credit risk:

Commercial paper investments may not have maturities exceeding 270 days and must hold the highest short-term credit rating by all the major credit rating agencies that rate the issuer at the time of purchase.

Corporate bonds must be rated at least weak single-A or better by all the major rating agencies that rate the note at the time of purchase. Corporate bonds rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate bonds downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may continue to be held. No additional purchases are permitted.

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Municipal bonds must have a credit rating of weak single-A or better by all the major rating agencies that rate the issuer at the time of purchase. No single issuer may exceed five percent of the Pool's fair value.

Concentration Risk—Concentration Risk is the risk of loss attributed to the magnitude of investments in a single issuer. The City manages concentration risk by limiting its investments in any one issuer in accordance with the City's investment policy and state statutes. The policy limits vary for each investment category.

The maturity of a corporate bond shall be 5.5 years or less at the time of purchase. The maximum duration of aggregate corporate bond investments shall not exceed 3 years. No corporate bond issuer may exceed 3 percent of the fair value of the assets of the total portfolio. The percentage of corporate bonds that may be purchased from any single issuer rated AA or better by all major rating agencies that rate the bond is 3 percent of assets of the total portfolio. The percentage of corporate bonds that may be purchased from any single issuer in the broad single-A category from all the major rating agencies that rate the security is 2 percent of the total portfolio.

The credit portfolio may not exceed 25 percent of the Pool's fair value. Credit investments must be diversified by sector and industry. Commercial paper and corporate bonds must be purchased in the secondary market and directly from an issuer. No single issuer shall exceed 3 percent of the total portfolio's fair value.

The individual country limit of non-U.S. and non-Canadian exposure is 2 percent of the total portfolio. The exposure is determined by the country of domicile of the issuer.

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State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. There is a maximum of 5 percent of the Pool in any municipal issuer. The City's investments in which 5% or more is invested in any single issuer as of December 31, 2025 and 2024 are as follows:

(\$ in millions)		2025	
<u>Issuer</u>		Fair Value	Percent of Total Investments
U.S. Treasury and Government-Backed Securities		\$ 2,674.0	62%
Local Government Investment Pool		572.8	13%
Federal Agriculture Mortgage Corporation		509.0	12%
Federal Home Loan Mortgage Association		260.4	6%
		<u>\$ 4,016.2</u>	<u>93%</u>
(\$ in millions)		2024	
<u>Issuer</u>		Fair Value	Percent of Total Investments
U.S. Treasury and Government-Backed Securities		\$ 1,924.5	51%
Federal Agriculture Mortgage Corporation		741.0	20%
Local Government Investment Pool		468.3	12%
Federal Home Loan Mortgage Association		256.1	7%
		<u>\$ 3,389.9</u>	<u>90%</u>

Custodial Credit Risk – Investments—Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. The City maintains a custody relationship with Wells Fargo under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method. By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk—The City's pooled investments do not include securities denominated in foreign currencies.

The City of Seattle's Annual Comprehensive Financial Report may be obtained by writing to The City of Seattle, Department of Finance and Administrative Services, P.O. Box 94689, Seattle, WA 98124-4689; telephone: (206) 684-2489, or on-line at <http://www.seattle.gov/financial-services/comprehensive-annual-financial-report>.

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6. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2025 and 2024, consist of:

(\$ in millions)	Retail Electric	Wholesale Power	Other Operating	Operating Subtotal	Nonoperating Subtotal	Total
2025						
Accounts receivable	\$ 114.4	\$ 17.5	\$ 23.2	\$ 155.1	\$ 76.6	\$ 231.7
Less allowance for doubtful accounts	<u>(33.8)</u>	<u>-</u>	<u>(12.2)</u>	<u>(46.0)</u>	<u>(11.7)</u>	<u>(57.7)</u>
	<u>\$ 80.6</u>	<u>\$ 17.5</u>	<u>\$ 11.0</u>	<u>\$ 109.1</u>	<u>\$ 64.9</u>	<u>\$ 174.0</u>
2024						
Accounts receivable	\$ 112.5	\$ 6.4	\$ 41.2	\$ 160.1	\$ 94.1	\$ 254.2
Less allowance for doubtful accounts	<u>(33.7)</u>	<u>-</u>	<u>(13.5)</u>	<u>(47.2)</u>	<u>(12.4)</u>	<u>(59.6)</u>
	<u>\$ 78.8</u>	<u>\$ 6.4</u>	<u>\$ 27.7</u>	<u>\$ 112.9</u>	<u>\$ 81.7</u>	<u>\$ 194.6</u>

There was no exchange energy at fair value under long-term contracts within Wholesale power receivables at December 31, 2025 and 2024. (see Note 20 Long-Term Purchased Power, Exchanges, and Transmission).

7. OTHER ASSETS

Seattle City Council passed resolutions authorizing debt financing and reporting as regulatory assets certain costs in accordance with Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*. Programmatic conservation costs incurred by the Department and not funded by third parties, Endangered Species Act costs, and environmental costs are reported as regulatory assets in accordance with GASB Statement No. 62. Conservation costs reported as regulatory assets are amortized over 20 years. Endangered Species Act costs reported as regulatory assets are amortized over the remaining license period (see Note 22 Commitments and Contingencies). Environmental costs reported as regulatory assets are amortized over 25 years, beginning in the year costs are paid.

Other assets, which are not covered under GASB Statement No. 62, consist of:

- Suburban infrastructure long-term receivables are underground electrical infrastructure costs for suburban jurisdictions, which are recovered through rates from customers within the respective jurisdictions for a period of approximately 25 years, as approved by the Seattle City Council.
- Long-term interfund receivable for expected recoveries related to environmental costs covered under GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (see Note 15 Environmental Liabilities).
- Long-term lease receivable, amortized over the life of various leases (See Note 18 Leases).
- Studies, surveys, and investigations are reported as other assets until such time they result in active projects, or when it is determined no assets will result, at which time they are expensed.
- Long-term customer loans receivable and the remaining components of other assets are not amortized.

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Regulatory assets and other assets, net, at December 31, 2025 and 2024, consisted of the following:

(\$ in millions)	2025	2024
Regulatory assets:		
Conservations costs--net	\$ 261.6	\$ 256.4
Endangered Species Act costs-net	0.3	0.5
Environmental costs	153.2	136.2
	<u>415.1</u>	<u>393.1</u>
Other charges and assets--net		
Suburban infrastructure long-term receivables	41.3	39.7
Long-term interfund receivable for environmental costs	6.8	6.8
Long-term lease receivable	48.0	52.8
Studies, surveys, and investigations	0.4	2.3
Long-term customer notes receivable	0.6	2.5
Other	(2.1)	(0.5)
	<u>95.0</u>	<u>103.6</u>
Total Other Assets	<u>\$ 510.1</u>	<u>\$ 496.7</u>

8. DEFERRED OUTFLOWS OF RESOURCES

In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the Department recognizes pension contributions made between the pension plan measurement date and the Department's fiscal year end as deferred outflows of resources. Also recognized as deferred outflows of resources are losses resulting from differences between projected and actual earnings on plan investments, which are amortized over a closed five-year period, and losses related to differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, which are amortized to pension expense over a period equal to the expected remaining service life of employees receiving pension benefits. See Note 13 Seattle City Employees' Retirement System.

In accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, the Department records the contributions subsequent to the net OPEB liability measurement date, but before the end of the reporting period, as deferred outflows of resources. Also, the deferred outflows of resources result from (1) differences between expected and actual experience, (2) changes in assumptions, and (3) differences between projected and actual investment earnings. Deferred outflows of resources from assumption changes and experience differences are amortized using a systematic and rational method over a closed period equal to the average remaining service lives of all plan participants. Deferred outflows from investment earnings differences are amortized over a closed five-year period. See Note 14 Other Postemployment Benefits.

The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt are reported as Deferred outflows of resources and amortized as a component of interest expense using the effective interest method over the terms of the issues to which they pertain. See Note 9 Long-term Debt.

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Deferred outflows of resources at December 31, 2025 and 2024 consisted of the following:

(\$ in millions)	2025	2024
Deferred outflows of resources:		
Unrealized contributions and losses related to pension	\$ 98.3	\$ 76.6
Unrealized contributions and losses related to OPEB	5.1	6.0
Charges on advance refunding	6.9	7.7
Total	<u>\$ 110.3</u>	<u>\$ 90.3</u>

9. LONG-TERM DEBT

At December 31, 2025 and 2024, the Department's long-term debt consisted of the following prior lien or parity bonds:

LONG-TERM

(\$ in millions)

		Rate	Maturity Year	Original Issuance	2025	2024
Prior Lien Bonds:						
2025	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.250%	2055	\$ 446.5	\$ 446.5	\$ -
2024	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.000%	2054	199.7	193.5	199.7
2023A	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.000%	2053	273.6	262.9	268.8
2023B	ML&P Refunding Revenue Bonds	variable rates	2046	85.8	81.1	83.5
2022	ML&P Improvement and Refunding Revenue Bonds	5.000%–5.000%	2052	257.7	201.2	220.8
2021A	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2051	259.8	224.9	234.2
2021B	ML&P Refunding Revenue Bonds	variable rates	2045	100.6	100.6	100.6
2020A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2050	198.3	187.0	189.4
2019A	ML&P Improvement Revenue Bonds	5.000%–5.000%	2049	210.5	189.0	193.0
2019B	ML&P Refunding Revenue Bonds	5.000%–5.000%	2026	140.3	19.5	46.2
2018A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2048	263.8	229.5	235.2
2017C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2047	385.5	280.3	293.9
2016A	ML&P Revenue Bonds	4.050%–4.050%	2041	31.9	31.9	31.9
2016B	ML&P Refunding Revenue Bonds	4.000%–5.000%	2029	116.9	51.8	63.2
2016C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2046	160.8	107.2	110.4
2015A	ML&P Revenue Bonds	4.000%–5.000%	2045	171.9	61.9	90.1
2014	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2044	265.2	61.7	61.8
2012A	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2041	293.3	39.3	39.3
2012C	ML&P Clean Renewable Energy Bonds	3.400%–3.750%	2033	43.0	43.0	43.0
2011B	ML&P Clean Renewable Energy Bonds	5.750%–5.750%	2027	10.0	10.0	10.0
2010A	ML&P Build America Bonds	4.447%–5.570%	2040	181.6	-	154.6
2010C	ML&P Recovery Zone Economic Development Bonds	5.590%–5.590%	2040	13.3	13.3	13.3
Total prior lien bonds				<u>\$ 4,110.0</u>	<u>\$ 2,836.1</u>	<u>\$ 2,682.9</u>

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The Department had the following activity in long-term debt during 2025 and 2024:

<i>(\$ in millions)</i>	Balance at 1/1/25	Additions	Reductions	Balance at 12/31/25	Current Portion
2025					
Prior Lien Bonds - fixed rate	\$ 2,498.8	\$ 446.5	\$ (290.9)	\$ 2,654.4	\$ 118.7
Prior Lien Bonds - variable rate	<u>184.1</u>	<u>-</u>	<u>(2.4)</u>	<u>181.7</u>	<u>5.9</u>
	<u>\$ 2,682.9</u>	<u>\$ 446.5</u>	<u>\$ (293.3)</u>	<u>\$ 2,836.1</u>	<u>\$ 124.6</u>
 <i>(\$ in millions)</i>					
	Balance at 1/1/24	Additions	Reductions	Balance at 12/31/24	Current Portion
2024					
Prior Lien Bonds - fixed rate	\$ 2,449.3	\$ 199.7	\$ (150.2)	\$ 2,498.8	\$ 122.6
Prior Lien Bonds - variable rate	<u>186.4</u>	<u>-</u>	<u>(2.3)</u>	<u>184.1</u>	<u>2.4</u>
	<u>\$ 2,635.7</u>	<u>\$ 199.7</u>	<u>\$ (152.5)</u>	<u>\$ 2,682.9</u>	<u>\$ 125.0</u>

Prior Lien Bonds—In July 2025, the Department issued \$446.5 million of tax-exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2025 Bonds). Proceeds from the 2025 Bonds were used to finance certain capital improvement and conservation programs, to refund \$146.7 million of the 2010A Bonds and \$21.6 million of the 2015A bonds on a current basis, and to make a \$5.9 million deposit to the reserve fund. The 2025 Bonds had coupon interest rates of 5.00% and 5.25% and mature serially from February 1, 2026 through February 1, 2048, with term bonds maturing from February 1, 2049 through February 1, 2055 respectively. The arbitrage yield was 4.10% for the 2025 Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds.

The debt service on the 2025 Bonds requires a cash flow over the life of the bonds of \$783.2 million, including \$336.8 million in interest. The refunding loss on the 2025 Bonds was \$1.3 million. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2025 Bonds totaled \$0.6 million and the aggregate economic loss on refunding totaled \$0.6 million at present value. Current refunding is a refunding in which the outstanding (refunded) bonds are redeemed within 90 days of the date the refunding bonds are issued. Advance refunding is a refunding in which the refunded issue(s) remains outstanding for a period of more than 90 days after a bond defeasance transaction, the proceeds of which are held in escrow invested in securities and used to pay principal and interest on the refunded issue(s). The source of refunding for the 2010A and 2015A bonds was from bond proceeds consisting of a \$153.0 million cash deposit and \$21.7 million of state and local government securities that were purchased and placed in escrow to pay principal and interest on the refunded bonds.

Prior Lien Bonds—In July 2024, the Department issued \$199.7 million of tax-exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2024 Bonds). Proceeds from the 2024 Bonds were used to finance certain capital improvement and conservation programs and to refund \$20.8 million of the 2014 Bonds on a current basis. The 2024 Bonds had coupon interest rates of 5.00% and mature serially from October 1, 2025 through October 1, 2049, with term bonds maturing from October 1, 2050 through October 1, 2054. The arbitrage yield was 3.57% for the 2024 Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds.

The debt service on the 2024 Bonds requires a cash flow over the life of the bonds of \$380.9 million, including \$181.2 million in interest. The refunding gain on the 2024 Bonds was \$2.6 million. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2024 Bonds totaled \$1.3 million and the aggregate economic gain on refunding totaled \$1.1 million at present value. Current

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refunding is a refunding in which the outstanding (refunded) bonds are redeemed within 90 days of the date the refunding bonds are issued. Advance refunding is a refunding in which the refunded issue(s) remains outstanding for a period of more than 90 days after a bond defeasance transaction, the proceeds of which are held in escrow invested in securities and used to pay principal and interest on the refunded issue(s). The source of refunding for the 2014 bonds was from operating cash whereby \$21.1 million of state and local government securities were purchased and placed in escrow to pay principal and interest on the refunded bonds.

Payments of principal, purchase price, and redemption price of and interest on the Department's 2023B Bonds will be supported by an irrevocable transferable direct-pay letter of credit that has a scheduled termination date of October 25, 2028 subject to extension or earlier termination. The Letter of Credit is issued by the Letter of Credit provider in accordance with the terms of the Reimbursement Agreement between the City and the Letter of Credit provider and dated as of October 1, 2023.

The Department has certain bonds outstanding that provide a refundable tax credit, or federal subsidy, paid to state or local governmental issuers by the U.S. Treasury. The amount of the federal subsidy is equal to the lesser of the amount of interest payable based on the coupon interest rate or a percentage of the amount of interest payable based on the tax credit rate on the sale date with respect to those bonds. This federal subsidy ultimately results in a net decrease to debt service, although debt service payments are paid gross. The federal subsidies are recorded as nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Federal Sequestration—The sequestration provisions of the Budget Control Act of 2011 went into effect on March 1, 2013. The only direct impact of sequestration on the Department for 2025 was a 5.7% reduction through the end of 2025 in the amount the Department expects to receive from the federal government in connection with its ML&P Revenue Bonds, 2010A (Taxable Build America Bonds—Direct Payment); ML&P Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds—Direct Payment); ML&P Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds—Direct Payment); ML&P Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds—Direct Payment); and ML&P Revenue Bonds, 2016A (Taxable New Clean Renewable Energy Bonds—Direct Payment). Because of this reduction, the Department received \$0.3 million less in interest subsidies than originally anticipated for 2024. The Department has sufficient revenues to pay the interest without these subsidies. The effect for the accrual of federal subsidies as of December 31, 2025 was inconsequential. The effect during 2026 is estimated to be lower federal subsidies by approximately \$0.2 million which includes the effect of the 2010A (Taxable Build America Bonds-Direct Payment) being refunded during 2025. The effect thereafter for federal subsidies is indeterminable. Sequestration was originally in effect through 2021 and has subsequently been extended through approximately September 30, 2030.

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Debt service requirements for prior lien bonds, excluding federal subsidies for the 2016, 2012, 2011 and 2010 bonds are shown in the table below. Future debt service requirements on the variable 2021B and 2023B Bonds are estimated based on actual interest rates in effect as of December 31, 2025.

(\$ in millions)

Years Ending December 31	Fixed Rate Bonds		Variable Rate Bonds		Total
	Principal Redemptions	Interest Requirements	Principal Redemptions	Interest Requirements	
2026	\$ 118.7	\$ 121.6	\$ 5.9	\$ 4.5	\$ 250.7
2027	99.6	114.9	6.1	4.5	225.1
2028	103.4	109.8	6.4	4.3	223.9
2029	99.9	104.9	6.6	4.1	215.5
2030	85.4	100.4	6.9	3.9	196.6
2031 – 2035	481.9	438.0	38.9	16.9	975.7
2036 – 2040	576.5	319.9	47.4	11.4	955.2
2041 – 2045	521.7	197.1	57.9	4.7	781.4
2046 – 2050	386.1	91.2	5.6	0.1	483.0
2051 – 2055	181.2	20.7	-	-	201.9
Total	<u>\$ 2,654.4</u>	<u>\$ 1,618.5</u>	<u>\$ 181.7</u>	<u>\$ 54.4</u>	<u>\$ 4,509.0</u>

Reserve Fund—The Department has created and is required under Ordinance No. 125459 (Bond Ordinance) to maintain a Reserve Fund for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding and all amounts due under Parity Payment Agreements. The Reserve Fund is a pooled reserve and is an account within the books of the Department.

Reserve Fund Requirement—Under the Bond Ordinance, the aggregate Reserve Fund Requirement for all Parity Bonds is equal to the sum of the Reserve Fund Requirements established for each issue of Parity Bonds outstanding. The Bond Ordinance permits the City to establish the Reserve Fund Requirement (if any) for each issue of the Bonds or of Future Parity Bonds in connection with approving the sale of each such issue. Solely for purposes of setting the Reserve Fund Requirement, all series issued together under a single bond sale resolution are treated as a single “issue”. Upon issuance of the 2025 Bonds, the aggregate Reserve Fund Requirement for all Parity Bonds outstanding was \$184.0 million. The Reserve Fund Requirement is satisfied by cash held in the Reserve Fund and the current value of the surety bond (see below). The reserve fund balance of \$120.3 million at December 31, 2025 consisted of \$116.1 million in cash and \$4.2 million in interest. The reserve fund balance at December 31, 2024 of \$110.2 million consisted of \$106.3 million in cash and \$3.9 million in interest.

Surety Bond—Under the Bond Legislation, the City is permitted to provide for the Reserve Fund Requirement with an Alternate Reserve Security consistent with the Bond Legislation requirements. Under the Bond Legislation, a surety bond qualifies as Qualified Insurance for purposes of satisfying the Reserve Fund Requirement if the provider’s ratings are in one of the top two rating categories at the time the policy is issued. The Bond Legislation does not require that the Reserve Fund be funded with cash or an Alternate Reserve Security if the provider of qualified insurance is subsequently downgraded. The City currently has a surety bond (the “Surety Bond”) purchased from Assured Guaranty Municipal Corporation (AGM), with a policy limit that is equal to \$71.5 million. This amount is used to satisfy a large proportion of the aggregate Reserve Fund Requirement. Effective August 1, 2024, AGM completed its merger with and into Assured Guaranty Inc. (“AG”) with AG as the surviving company.

AG is currently rated A1, AA, and AA+ by Moody’s Ratings, Standard & Poor’s Global Ratings, and Kroll Bond Rating Agency, respectively.

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Irrevocable Trust Accounts—\$21.7 million of proceeds from the 2025 Bonds were placed in a separate irrevocable trust account to partially defease the 2015A Bonds and to fully defease the 2010A Bonds on a current refunding basis. There were balances outstanding in the irrevocable trust account during 2025 for prior lien bonds advance refunded or defeased in 2025 with balances outstanding for prior lien bonds advance refunded in 2023. The ending balance of irrevocable trust accounts for the defeased bonds outstanding was \$44.4 million and \$65.9 million as of December 31, 2025 and 2024, respectively. During 2025, \$168.3 million of the defeased bonds were called and paid from the 2025 irrevocable trust account. Neither the assets of the trust accounts nor the liabilities for the defeased bonds are reflected in the Department's financial statements. Funds held in the irrevocable trust accounts at December 31, 2025 are sufficient to service and redeem the defeased bonds outstanding.

Bond Ratings—The 2025 and 2024 Bonds, along with other outstanding parity bonds, were rated "Aa2" and "AA"; and "Aa2" and "AA", by Moody's Investors Service, Inc. and Standard Poor's Rating Services, respectively.

Revenue Pledged—Revenue bonds are special limited obligations payable from and secured solely by the gross revenues of the Department, less charges for maintenance and operations, and by money in the debt service account and Reserve Fund. Principal and interest paid during 2025 and 2024 was \$241.8 million and \$251.3 million, respectively. Total revenue available for debt service as defined for the same periods was \$493.6 million and \$451.7 million, respectively. Annual interest and principal payments are expected to require 50.8% of revenues available for debt service for 2025 and 52.8% in 2024.

Federal Arbitrage Regulations—Revenue bonds are subject to federal arbitrage regulations and the Department has complied with these regulations. As of December 31, 2025 and 2024, arbitrage liability existed for certain bonds outstanding totaling \$0.4 million and \$0.5 million, respectively.

Certain Disclosures Related to Debt—There were no direct borrowings, direct placements, or conduit debt for the Department as of December 31, 2025 and 2024, respectively.

The Department has an arrangement with the City of Seattle Department of Finance regarding potential sources of funds that could be accessed if cash resources of the Department are insufficient for a period of less than 90 days. The Department relies on ready access to the City's consolidated cash pool via interfund loans as a source of short-term emergency liquidity. Interfund loans of longer than 90 days require review by the Debt Management Policy Advisory Committee (DMPAC) and City Council approval. As of December 31, 2025, and 2024, there were no interfund loans outstanding. Also, there were no financed purchases of underlying assets or accounts payable for finance leases as of December 31, 2025 and 2024, respectively.

Default of Debt—In the event of a default, Bond owners would be permitted to pursue remedies available under State law, including the right to bring action against the City to compel the setting aside and payment of the amounts pledged to be paid into the Parity Bond Fund in respect of the then-Outstanding Parity Bonds.

If any Bond of a Series is not paid when properly presented at its maturity or redemption date, the City will be obligated to pay, solely from the Seattle Municipal Light Revenue Parity Bond Fund (the "Parity Bond Fund") and the other sources pledged in the Bond Ordinance, interest on that Bond at the same rate provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

Other—There were no liens on property or revenue pertaining to parity bonds and all bond covenants were in compliance for the Department's prior lien bonds as of December 31, 2025 and 2024, respectively.

Amortization—Discounts and premiums are amortized using the effective interest method over the term of the bonds. The excess of costs incurred over the carrying value (refunding loss), or the excess of carrying value over costs (refunding gain) of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using the effective interest method over the terms of the issues to which they pertain. Net

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refunding losses and gains amortized to interest expense totaled \$0.7 million in 2025 and \$(0.5) million in 2024. Charges on advance refunding in the amount of \$6.9 million and \$7.7 million are included as a component of Deferred Outflows of Resources on the 2025 and 2024 statements of net position, respectively. Gains on advance refunding included as a component of Deferred Inflows of Resources were \$5.0 million in 2025 and \$6.5 million in 2024.

10. NONCURRENT LIABILITIES

The Department had the following activities during 2025 and 2024:

(\$ in millions)

	Balance at 1/1/25	Additions	Reductions	Balance at 12/31/25
2025				
Net pension liability	\$ 264.2	\$ 21.1	\$ -	\$ 285.3
Accumulated provision for injuries and damages	124.3	18.1	(0.9)	141.5
Compensated absences	24.3	2.2	(1.8)	24.7
Environmental instruments compliance obligations	-	15.4	-	15.4
Other	12.4	0.1	(0.5)	12.0
Total	<u>\$ 425.2</u>	<u>\$ 56.9</u>	<u>\$ (3.2)</u>	<u>\$ 478.9</u>
	Balance at 1/1/24	Additions	Reductions	Balance at 12/31/24
2024				
Net pension liability	\$ 302.6	\$ -	\$ (38.4)	\$ 264.2
Accumulated provision for injuries and damages	111.2	14.3	(1.2)	124.3
Compensated absences	20.3	4.3	(0.3)	24.3
Other	7.2	5.2	-	12.4
Total	<u>\$ 441.3</u>	<u>\$ 23.8</u>	<u>\$ (39.9)</u>	<u>\$ 425.2</u>

Additional information on the Net pension liability can be found in Note 13 Seattle City Employees' Retirement System. Information about the provision for injuries and damages can be found in Note 11 Provision for Injuries and Damages and Note 15 Environmental Liabilities. Additional information on environmental instruments is located in Note 21 Environmental Instruments. Other primarily consists of a liability for Other Postemployment Benefits, see Note 14 Other Postemployment Benefits.

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11. PROVISION FOR INJURIES AND DAMAGES

The Department establishes liabilities for claims based on estimates of the ultimate projected cost of claims. Environmental related expenses are discussed in Note 15 Environmental Liabilities. The length of time for which such costs must be estimated varies depending on the nature of the claim. Actual claims costs depend on such factors as inflation, changes in doctrines of legal liability, damage awards, and specific incremental claim adjustment expenses. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates, which reflect recent settlements, claim frequency, industry averages, Citywide cost allocations, and economic and social factors. For 2025 and 2024, liabilities for lawsuits, claims, and workers' compensation were discounted over a period of 21 to 35 years at the City's average annual rate of return on investments, which was 3.38%.

To address the risk for certain losses arising from personal and property damage claims by third parties and for job-related illnesses and injuries to employees, the Department as part of the City of Seattle, has been self-insured for most of its general liability risks, for workers' compensation, and for employees' health care benefits. For the June 1, 2025 to June 1, 2026 coverage period, the City had general liability insurance coverage for losses over a \$12.5 million self-insured retention per occurrence with a \$20.0 million limit per occurrence in the aggregate. The Department had no settled claims exceeding coverage in the last three years.

The City also purchased an all-risk comprehensive property insurance policy that provides \$500.0 million in limits subject to various deductible levels. This includes a \$100.0 million earthquake and flood sublimit. Hydroelectric and certain other utility producing and processing projects are not covered by the property policy. The City also purchased insurance for excess workers' compensation, cyber, fiduciary and crime liability, inland marine transportation, an assortment of medical/accidental death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, public notaries, pension exposures, and specific projects and activities as necessary.

The changes in the provision for injuries and damages at December 31, 2025 and 2024 are as follows:

<i>(\$ in millions)</i>	2025	2024
Beginning unpaid claims liability	\$ 16.4	\$ 16.2
Payments	(5.8)	(7.4)
Incurred Claims	<u>9.5</u>	<u>7.6</u>
Ending balance	<u>\$ 20.1</u>	<u>\$ 16.4</u>

The provision for injuries and damages included in current and noncurrent liabilities at December 31, 2025 and 2024 is as follows:

<i>(\$ in millions)</i>	2025	2024
Noncurrent liabilities	\$ 13.9	\$ 10.3
Accounts payable and other current liabilities	<u>6.2</u>	<u>6.1</u>
Ending balance	<u>\$ 20.1</u>	<u>\$ 16.4</u>

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12. ACCOUNTS PAYABLE

Accounts Payable and Other Current Liabilities—The composition of accounts payable and other current liabilities at December 31, 2025 and 2024, is as follows:

(\$ in millions)	2025	2024
Vouchers payable	\$ 29.0	\$ 38.3
Power accounts payable	27.1	32.4
Taxes payable	22.8	22.0
Claims payable	13.9	12.1
Guarantee deposit and contract retainer	63.9	50.1
Other accounts payable	7.6	5.3
Total	<u>\$ 164.3</u>	<u>\$ 160.2</u>

13. SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description—The Seattle City Employees' Retirement System (SCERS) is a cost-sharing multiple-employer defined benefit public employee retirement system, covering employees of the City and administered in accordance with Chapter 41.28 of the Revised Code of Washington and Chapter 4.36 of the Seattle Municipal Code. SCERS is a pension trust fund of the City. SCERS is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of the King County Departments of Transportation and Public Health who established membership in SCERS when these organizations were City departments were allowed to continue their SCERS membership.

Beginning with employees with hire dates of January 1, 2017, all new members are enrolled in SCERS Plan II, which has contribution and benefit calculation rates different than the SCERS I Plan.

Following is membership data for employees covered by the benefit terms as of the reporting date, December 31, 2025, and the measurement date, December 31, 2024 and the reporting date December 31, 2024, and the measurement date December 31, 2023:

	2025	2024
Active members	10,145	9,884
Retired members and beneficiaries receiving benefits	8,009	7,830
Vested terminated employees entitled to benefits	1,754	1,743

Summary of Significant Accounting Policies—SCERS financial statements and schedules are presented using the economic resources measurement focus and the accrual basis of accounting. For purposes of measuring the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources

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related to pensions, and pension expense, information about the fiduciary net position of SCERS and additions to and deductions from SCERS fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value in accordance with GASB 72.

The NPL was measured as of December 31, 2024 and December 31, 2023, and the total pension liability used to calculate the NPL was based on an actuarial valuation as of January 1, 2024 and January 1, 2023, respectively.

Pension Benefits—Service retirement benefits are calculated on the basis of age, salary, and service credit.

SCERS I – Members are eligible for retirement benefits after 30 years of service, at age 52 after 20 years of service, at age 57 after 10 years of service, and at age 62 after 5 years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

SCERS II – Members are eligible for retirement benefits at age 55 after 20 years of service, at age 57 after 10 years of service, and at age 60 after 5 years of service. Annual retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Disability Benefits—An active member is eligible to receive disability benefits when: (a) member has achieved 10 years of credited service within the 15 years preceding disability retirement, or (b) the disability occurs in the course of City employment in which no service requirement exists. The amount of the disability benefit is the greater of (a) 1.5% times the final compensation times completed years of creditable service, or (b) 1.5% times final compensation total years of service that could have been earned to age 62, but not to exceed one-third of final compensation. Disability benefits vest after 10 years of credited service.

Death Benefits—Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are (a) payment to the beneficiary of accumulated contributions, including interest, or (b) if the member had completed 10 years of service at the time of death, a surviving spouse or registered domestic partner may elect to receive, in place of (a) above, either: (1) A monthly allowance for life equal to the benefit the spouse would have received had the member just retired with a 100% contingent annuitant option in force, or (2) A cash payment of no more than one-half of the member's accumulated contributions, along with a correspondingly reduced retirement allowance. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement. Death benefits vest after 10 years of credited service.

Contributions—Member and employer contributions rates are established by Seattle Municipal Code Chapter 4.436. The overall contribution rate is determined by the actuarial formula identified as the Entry Age Cost Method. Member contribution rates are also set via collective bargaining contracts. The overall formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total required contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations. Contribution rates and amounts were as follows as of the reporting dates, December 31, 2025 and December 31, 2024, and the measurement dates, December 31, 2024 and December 31, 2023:

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	Contributions					
	Rates				Amounts	
	SCERS I Employer	SCERS I Employee	SCERS II Employer	SCERS II Employee	City	Department
2025	15.33%	10.03%	14.94%	7.00%	\$178.5	\$36.5
2024	15.31%	10.03%	14.91%	7.00%	\$176.8	\$36.8

Net Pension Liability—The Department reported a liability of \$285.3 million and \$264.2 million for its proportionate share of net pension liability as of December 31, 2025 and December 31, 2024, respectively. The Department's proportion of the NPL as of December 31, 2025 and December 31, 2024 was based on contributions to SCERS during the fiscal year ended December 31, 2024 and December 31, 2023, respectively. The Department's proportionate share was 20.84% and 19.69% for the years ended December 31, 2025 and December 31, 2024, respectively. The net pension liability was measured as of December 31, 2024 and December 31, 2023, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2024 and January 1, 2023, respectively.

Changes in Net Pension Liability

(\$ In millions)

	Fiscal Year Ended December 31	
	2025	2024
<u>Total Pension Liability</u>		
Service cost	\$ 27.7	\$ 24.9
Interest on total pension liability	75.2	68.3
Effect of economic/demographic gains or losses	29.2	1.7
Benefit payments	(53.9)	(49.1)
Refund of contributions	(5.4)	(6.4)
Net change in total pension liability	72.8	39.4
Total pension liability, beginning of period	1,053.8	1,030.4
Effect of change in proportionate share	61.5	(16.0)
Adjusted total pension liability, beginning of period	1,115.3	1,014.4
Total pension liability, end of period	1,188.1	1,053.8
<u>Plan fiduciary net position</u>		
Benefit payments	(53.9)	(49.1)
Refunds of contributions	(5.3)	(6.4)
Administrative expenses	(1.7)	(1.6)
Member contributions	21.5	16.8
Employer contributions	36.9	29.6
Net investment income	69.6	83.9
Net change in Plan fiduciary net position	67.1	73.2
Plan fiduciary net position, beginning of period	789.6	727.8
Effect of change in proportionate share	46.1	(11.4)
Adjusted fiduciary net position, beginning of period	835.7	716.4
Plan fiduciary net position, end of period	902.8	789.6
Net pension liability, end of period	\$ 285.3	\$ 264.2

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The Department incurred pension expense of \$33.1 million and \$22.4 million for the years ended December 31, 2025, and 2024, respectively.

Actuarial assumptions—The total pension liability at December 31, 2025 and 2024 was based on actuarial valuations as of December 31, 2024 and 2023, respectively, using the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age
Amortization Method	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Closed
Amortization period and start date	30 years as of January 1, 2013 Valuation
Amortization growth rate	3.35%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.60%
Investment Rate of Return	6.75%
Cost of Living Adjustments	Annual compounding COLA of 1.5% assumed. Additional restoration of purchasing power benefits available based on an assumed 2.6% if purchasing level decreases to 65%.
Mortality	Various rates based on PubG-2010 mortality tables and using generational projection of improvement using MP-2021 Ultimate projection scale.

All other actuarial assumptions used in the December 31, 2024 valuation and the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2021.

Discount Rate—The discount rate used to measure the total pension liability for FY 2025 and FY 2024 was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and gross of administrative expenses) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following table reflects long-term expected (30 year) real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The expected inflation rate for FY 2025 and FY 2024 is projected at 2.6% for both periods.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	46%	4.80%
Private Equity	11%	7.80%
Fixed Income		
Core Fixed Income	14%	2.60%
Long-Term Fixed Income	5%	2.60%
Credit Fixed Income	7%	5.90%
Real Assets		
Real Estate	12%	4.50%
Infrastructure	5%	4.10%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Department's proportionate share of the net pension liability of SCERS, calculated using a discount rate of 6.75% for FY 2025 and FY 2024, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

Discount Rate Sensitivity

(In millions)

Discount Rate	Net Pension Liability at December 31,	
	2025	2024
1% decrease - 5.75%	\$ 435.5	\$ 397.1
Current discount Rate - 6.75%	285.3	264.2
1% increase - 7.75%	159.7	153.1

Plan Fiduciary Net Position—Detailed information about the SCERS's fiduciary net position is available in the separately issued, audited financial statements as of December 31, 2025, which are publicly available at <http://www.seattle.gov/retirement/forms-and-publications/publications>.

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—The following table presents information about the pension-related deferred outflows of resources and deferred inflows of resources for the Department at December 31, 2025, and December 31, 2024:

(\$ in millions)	December 31,	
	2025	2024
<u>Deferred outflows of resources</u>		
Differences between expected and actual experience	\$ 25.3	\$ 1.7
Changes of assumptions	7.7	11.9
Net difference between projected and actual earnings	16.6	26.2
Differences between employer contributions and proportionate share of contributions	12.1	-
Contributions made subsequent to measurement date	36.6	36.8
Total deferred outflows of resources	<u>\$ 98.3</u>	<u>\$ 76.6</u>
<u>Deferred inflows of resources</u>		
Differences between expected and actual experience	\$ 1.3	\$ 2.3
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	7.1	9.0
Total deferred inflows of resources	<u>\$ 8.4</u>	<u>\$ 11.3</u>

Department contributions made in 2025 in the amount of \$36.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. These contributions along with the net difference between projected and actual earnings reported as deferred outflows of resources will be recognized as pension expense in the future as shown in the following table.

Year Ending December 31	Amortization
(\$ in millions)	
2026	\$ 19.1
2027	28.7
2028	(3.8)
2029	4.8
2030	4.5
Total	<u>\$ 53.3</u>

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14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description—Health care plans for active and retired employees are administered by the City of Seattle as single-employer defined benefit public employee health care plans.

Employees retiring under the City may continue their health insurance coverage under the City’s health insurance plans for active employees. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit rate subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The City of Seattle covers 11,978 active employee plan participants and 399 retiree, disabled, and survivor plan participants as of the January 1, 2024 valuation date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Based on the latest biennial actuarial valuation date the significant methods and assumptions are as follows:

Actuarial Data and Assumptions—the demographic assumptions of mortality, termination, retirement, and disability are set equal to the assumptions used for City pension actuarial valuations based on a Seattle City Employees’ Retirement System Experience Report for the period 2018-2021.

Valuation date	FY 2025: January 1, 2024 FY 2024: January 1, 2024
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	FY 2025: 4.08% FY 2024: 3.26%
Participation	25% of Active Employees who retire participate

Health Care Cost Trend Rates—The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by City of Seattle.

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“Recommended Trend Rates” – December 31, 2024 and January 1, 2025

Fiscal Year	Medical	Rx	Medical/Rx/Admin Composite
2024–2025	8.00%	13.00%	9.15%
2025–2026	7.50%	12.25%	8.63%
2026–2027	7.00%	11.75%	8.17%
2027–2028	6.69%	10.84%	7.74%
2028–2029	6.38%	9.94%	7.31%
2029–2030	6.06%	9.03%	6.86%
2030–2031	5.75%	8.13%	6.40%
2031–2032	5.44%	7.22%	5.93%
2032–2033	5.13%	6.31%	5.46%
2033–2034	4.81%	5.41%	4.98%
2034–2035	4.50%	4.50%	4.50%

Mortality

General Service

Actives: PubG-2010 Employee Table multiplied by 95%

Retirees: PubG-2010 Retired Mortality Table multiplied by 95%

Disabled: PubG-2010 Disabled Mortality Table multiplied by 95%

Rates are projected generationally using Scale MP-2021 ultimate rates.

Dependent Coverage—25% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children will have aged off of coverage.

Health Care Claims Development—The sample per capita claim cost assumptions shown below by age and plan represent the true underlying baseline experience estimated for the City of Seattle’s sponsored postretirement benefits and costs.

Pre65 Medical, Rx, and Admin Combined (including cost of children)							
Age	Aetna		Aetna		Kaiser		Kaiser
	Preventive	Traditional	Medicare Pre65	Standard	Deductible	MAPD	Pre65
50	\$ 18,062	\$ 16,082	\$ 13,016	\$ 10,627	\$ 8,253	\$ 6,857	
55	\$ 22,293	\$ 19,850	\$ 16,066	\$ 13,117	\$ 10,186	\$ 8,464	
60	\$ 27,649	\$ 24,619	\$ 19,925	\$ 16,268	\$ 12,633	\$ 10,497	

The pre-65 average medical and prescription drug per capita claims costs were developed from 2025 calendar year self-funded premium-equivalent composite active and pre-65 retiree rates, increasing the Aetna Preventative and Aetna Traditional rates by an underwriting factor of 1.345 to approximate true pre-65 retiree costs. Premium-equivalent rates and the adjustment factor were provided by City of Seattle’s health pricing actuary. The average medical and prescription drug per capita “adult-equivalent” claims costs were based on the respective pre-65 enrollment weighted average of the 2025 four-tier rate structure including the add-on cost of dependent children and trended back from 2025 at assumed trend from 2024 to 2025 to be centered at the mid-point of the annual period following the 1/1/2024 valuation date. Average medical/Rx per capita claims costs were then age-adjusted based on the demographics of the pre-65 retiree population, and the assumed health

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care aging factors shown in the Morbidity Factors table below. Administrative costs are included in the premium-equivalent rates below and the per capita claims costs per year in the tables above.

Medical Plan	Rating Group	Experience Population	Benefit	Rating Tier	Monthly Premium Rate	Annual Premium Rate
Aetna Preventive	SPOG-LEOFF II	Pre65	Medical/Rx	Retiree Only	\$ 2,065.48	\$ 24,785.76
	SPOG-LEOFF II	Pre65	Medical/Rx	Spouse	\$ 1,855.52	\$ 22,266.24
	All others	Pre65	Medical/Rx	Retiree Only	\$ 1,732.64	\$ 20,791.68
	All others	Pre65	Medical/Rx	Spouse	\$ 1,556.77	\$ 18,681.24
Aetna Traditional	SPOG-LEOFF II	Pre65	Medical/Rx	Retiree Only	\$ 1,861.03	\$ 22,332.36
	SPOG-LEOFF II	Pre65	Medical/Rx	Spouse	\$ 1,676.07	\$ 20,112.84
	All others	Pre65	Medical/Rx	Retiree Only	\$ 1,605.24	\$ 19,262.88
	All others	Pre65	Medical/Rx	Spouse	\$ 1,446.21	\$ 17,354.52
Aetna Medicare Pre65	All	Pre65	Medical/Rx	Retiree Only	\$ 698.86	\$ 8,386.32
	All	Pre65	Medical/Rx	Spouse	\$ 630.81	\$ 7,569.72

Medical Plan	Rating Group	Experience Population	Benefit	Rating Tier	Monthly Premium Rate	Annual Premium Rate
Kaiser Standard	SPOG-LEOFF II	Pre65	Medical/Rx	Retiree Only	\$ 1,201.60	\$ 14,419.20
	SPOG-LEOFF II	Pre65	Medical/Rx	Spouse	\$ 1,201.60	\$ 14,419.20
	All others	Pre65	Medical/Rx	Retiree Only	\$ 764.96	\$ 9,179.52
	All others	Pre65	Medical/Rx	Spouse	\$ 764.96	\$ 9,179.52
Kaiser Deductible	SPOG-LEOFF II	Pre65	Medical/Rx	Retiree Only	\$ 695.63	\$ 8,347.56
	SPOG-LEOFF II	Pre65	Medical/Rx	Spouse	\$ 695.63	\$ 8,347.56
	All others	Pre65	Medical/Rx	Retiree Only	\$ 703.74	\$ 8,444.88
	All others	Pre65	Medical/Rx	Spouse	\$ 703.74	\$ 8,444.88
Kaiser MAPD Pre65	All	Pre65	Medical/Rx	Retiree Only	\$ 423.37	\$ 5,080.44
	All	Pre65	Medical/Rx	Spouse	\$ 423.37	\$ 5,080.44

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Morbidity Factors—The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age Band	Medical	Rx	Composite
40 - 44	3.00%	4.80%	3.30%
45 - 49	3.70%	4.70%	3.80%
50 - 54	4.20%	4.70%	4.30%
55 - 59	4.40%	4.60%	4.40%
60 - 64	3.70%	4.60%	3.80%

Net OPEB Liability—The Department reported an OPEB liability of \$11.6 million and \$11.9 million for the years ended December 31, 2025 and 2024, respectively. The OPEB liability is included under Other noncurrent liabilities on the Department's statements of net position. The Department's proportionate share of the OPEB liability was 13.54% and 13.66% for the years ended December 31, 2025 and 2024, respectively. Based on the actuarial valuation date of January 1, 2024 and measurement dates January 1, 2025 and January 1, 2024, details regarding the Department's Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability as of December 31, 2025 and 2024 are shown below.

(\$ in millions)	Changes in Net OPEB Liability	
	Fiscal Year Ended December 31,	
	2025	2024
<u>Total OPEB Liability</u>		
Service cost	\$ 0.8	\$ 0.3
Interest on the total OPEB liability	0.4	0.3
Differences between expected and actual experience	-	(0.2)
Changes of assumptions	(0.9)	4.9
Benefit payments	(0.5)	(0.3)
Net Changes	(0.2)	5.0
Total OPEB liability, beginning of period	11.9	7.7
Effect of change in proportionate share	(0.1)	(0.8)
Adjusted total OPEB liability, beginning of period	11.8	6.9
Total OPEB liability, end of period	11.6	11.9
<u>Plan fiduciary net position</u>		
Benefit payments	(0.5)	(0.3)
Employer contributions	0.5	0.3
Net change in Plan fiduciary net position	-	-
Net OPEB liability, end of period	\$ 11.6	\$ 11.9

The Department recorded an expense for OPEB of \$1.0 million and \$0.5 million in 2025 and 2024, respectively. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Report.

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Discount Rate and Healthcare Cost Trend Rates—The discount rate used to measure the total OPEB liability is 4.08% and 3.26% for the years ended December 31, 2025 and 2024, respectively. The following tables present the sensitivity of net OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

(In millions)	Discount Rate Sensitivity	
	Net OPEB Liability at December 31,	
	2025	2024
<u>Discount Rate</u>		
1% decrease - 3.08%	\$ 12.7	
Current discount Rate - 4.08%	11.6	
1% increase - 5.08%	10.6	
1% decrease - 2.26%		\$ 13.0
Current discount Rate - 3.26%		11.9
1% increase - 4.26%		10.9

The following table presents the impact of healthcare cost trend sensitivity on the net OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates:

(In millions)	Healthcare Cost Trend Rate Sensitivity	
	Net OPEB Liability at December 31,	
	2025	2024
<u>Discount Rate</u>		
1% decrease	\$ 10.2	\$ 10.5
Trend rate	11.6	11.9
1% increase	13.2	13.5

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Department at December 31, 2025 and December 31, 2024.

(\$ in millions)	December 31,	
	2025	2024
<u>Deferred outflows of resources</u>		
Difference between actual and expected experience	\$ 0.6	\$ 0.9
Assumption changes	4.0	4.6
Contributions made after measurement date	0.5	0.5
Total deferred outflows of resources	<u>\$ 5.1</u>	<u>\$ 6.0</u>
<u>Deferred inflows of resources</u>		
Difference between actual and expected experience	\$ 1.3	\$ 1.6
Assumption changes	2.5	2.4
Total deferred inflows of resources	<u>\$ 3.8</u>	<u>\$ 4.0</u>

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Department contributions made in 2025 in the amount of \$0.5 million are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31 <i>(\$ in millions)</i>	Amortization
2026	\$ (0.1)
2027	-
2028	0.1
2029	0.1
2030	0.1
Total Thereafter	0.6
Total	<u>\$ 0.8</u>

15. ENVIRONMENTAL LIABILITIES

Environmental liabilities were \$135.3 million and \$120.0 million, at December 31, 2025, and 2024, respectively.

The following is a brief description of the significant Superfund sites:

- The Harbor Island Superfund Site – In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The Department and other entities are sharing costs equally for investigating contamination in the East Waterway alongside Harbor Island. The City of Seattle's (the City's) share is split between the Department (45%) and Seattle Public Utilities (SPU) (55%). The Department's involvement stems from its sale of transformers to a company on Harbor Island. The Port of Seattle (the Port), King County (the County), and the City are performing the work under a Memorandum of Agreement. The EPA approved the Remedial Investigation (RI) report in January 2014 and approved the final Feasibility Study (FS) in June 2019. The EPA released the Proposed Plan in April 2023. The EPA released the interim Record of Decision in May 2024. In 2025, an Administrative Settlement Agreement and Order on Consent for remedial design was signed by all three parties. A report detailing the post Record of Decision work required by the EPA (updating the particle tracking model and the recontamination model) was submitted to the EPA in 2025. The interim remedial action for the East Waterway Operable Unit consists of the removal of contaminated sediment from a majority of the waterway, along with smaller areas of capping, in situ treatment, and enhanced or monitored natural recovery. Common consultant costs are being shared equally among three parties, including the City, on an interim basis, subject to eventual reallocation through litigation or an alternative dispute resolution process. Ongoing technical and legal work is estimated to cost the City \$2.8 million for 2026.

The City anticipates that the EPA will issue a notification letter to Potential Responsible Parties (PRP) informing them of their potential liability for the East Waterway Cleanup. The timing of this notification is unknown. The current East Waterway Group is working to define an allocation or mediation process that will commence once additional PRPs are identified. The Department owns adjacent property but does not own any of the waterway or sediments. The Department recorded a liability of \$68.2 million as of December 31, 2025, and \$69.1 million as of December 31, 2024. The ultimate liability is indeterminate.

- The Lower Duwamish Waterway Superfund Site (LDW) – In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The Department's involvement is attributable to its land ownership or use of property along the river. In 2000, the City was one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and the Washington State Department of Ecology (DOE) to conduct an RI and

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FS to prepare a site remedy. The EPA approved the RI in 2010 and the FS in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the LDW. In November 2014, the EPA issued its final Record of Decision. The selected remedy includes dredging, capping and enhanced or monitored natural recovery. The EPA estimated the cost of the preferred alternative clean-up at \$342.0 million (in discounted 2014 dollars), or \$394.0 million (in non-discounted dollars). The City estimates the future costs are \$956.0 million in 2025 dollars due to inflation and revised estimates. In 2024, EPA updated their 2014 estimate to approximately \$667.0 million in 2023 dollars, which is the most recent estimate. The LDW project team estimate for the project is more than the EPA estimate as the project team has a better idea of construction costs after the completion of the Upper Reach design and the first season of construction.

There are currently three PRPs actively participating in the project: the City, the County and Boeing. They are collectively called the Lower Duwamish Waterway Group (LDWG). The Port, previously an active LDWG member, is not currently an active participant. The City and the other three parties that signed the AOC in 2001 have agreed with the EPA on several amendments to the order. Under the current amendments (AOC4 and AOC5), the parties are designing the remedy for the upper two-thirds of the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) site. The Port is currently continuing to pay their share of the AOC4 and AOC5.

The design work for the upper third of the LDW began in 2019 pursuant to amendments to the existing EPA order. The 100% design was submitted to the EPA in January 2024. Construction in the Upper Reach began in December 2024 and is ongoing. Pre-design work for the Middle Reach began in 2022 and is ongoing. In 2024, the EPA, the City and other parties completed negotiations of a Consent Decree that will supersede the administrative order and govern implementation of the remedy. The Consent Decree is expected to be effective in 2026. In order to begin construction of the remedy in the Upper Reach during the 2024 fish window, the EPA issued a Unilateral Administrative Order to the LDWG members that requires recipients implement the remedy. This Order was intended to serve as a bridge until the Consent Decree effective date. The second season of construction ended in February 2026.

From 2016 to mid-2022, the City and over forty other parties participated in a confidential alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. Since then, nearly all the allocation parties engaged in settlement negotiations which concluded with settlement agreements in early 2025. The Settlement Agreement will take effect upon the effective date of the Consent Decree anticipated in 2026. Going forward the City will be paying about 31.5% of the costs. The Department pays 15% of the City's costs and SPU pays the remainder. The Department owns some properties adjacent to the Waterway but does not own any of the waterway channels or its sediments. The Department recorded a liability of \$49.0 million as of December 31, 2025, and \$38.7 as of December 31, 2024. The Department's ultimate liability is indeterminate.

- The Slip 4 Early Action Area, Duwamish Waterway Sediments (Slip-4) – The City was the lead on the study and clean-up of an identified Early Action Area: Slip 4. Most of the EPA-identified Slip 4 cleanup boundary (sediment area) is owned by the City. One percent of the Slip 4 Early Action Site is owned by Boeing. Work on Slip 4 began in 2003. Upland source control was implemented by Boeing (2009-2011) and the City (2009). Cleanup in Slip 4 began on September 15, 2011, and was completed in February 2012.

The City and Boeing implemented institutional controls in Slip 4 in 2013. The Institutional Controls Implementation Report was approved by the EPA in November 2013. Three addendums to the Report were issued to and approved by the EPA in 2014. These addendums added additional institutional controls in the form of environmental covenants, transfer of property to the City, and a U.S. Coast Guard registered navigation area.

The Long-Term Monitoring and Reporting Plan was approved by the EPA in March 2013. Long term monitoring events are completed annually in July. Monitoring events began in 2013 and occurred annually for the first 5 years. Thereafter, monitoring events were completed in year 7 (2019) and year 10 (2022). Two additional monitoring events were agreed to with the EPA; the first occurred in 2024 and the second will occur in 2027 after

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which future monitoring will be conducted as part of the LDW site-wide monitoring. The Department's ultimate liability is indeterminate.

- Terminal 117 Upland & Sediments, Duwamish Waterway Sediments (T-117) – T-117 is not owned by the Department which has been sharing costs with the Port to study and clean-up contaminated sediments at the T-117 Early Action Area. During 2007 the T-117 site was expanded to include the upland parcel adjacent to the sediments and the nearby streets (discussed below). Current PRPs include the City and Port. The Port is the lead on the sediment and upland cleanup. A Settlement Agreement between the City, Malarkey, Sannes and the Duwamish Manufacturing Company, the Port and the County was effective July 30, 2008. The Engineering Evaluation and Cost Analysis (EE/CA) was finalized in 2010, and an Agreed Order was signed June 6, 2011. The clean-up of the sediments and the upland began in May 2013 and was finished in 2015. The EPA approval of the final construction closeout and project closeout was received in July 2018. The Long-Term Monitoring and Maintenance Plan was approved by the EPA in September 2018. Long-term monitoring events are completed in accordance with the Plan. An annual report is submitted in March each year. Annual monitoring reports were submitted in 2018, 2019, 2020, 2022, 2023, and 2024. The annual monitoring report covering January 1 through December 31, 2025, will be submitted to the EPA in March 2026. The Department recorded a liability of \$2.0 million as of December 31, 2025, and \$2.1 million as of December 31, 2024, and the ultimate liability is indeterminate.

- South Park Marina (the Marina) – In 2016 the DOE notified the City that it is a Potentially Liable Party (PLP) for contamination at the Marina, which is adjacent to T-117. The Department is the lead for the City at this site. Negotiations for an Agreed Order between the DOE and PLPs (the City, the Port, and the Marina) resulted in an Agreed Order to conduct an RI. The Agreed Order was finalized in April 2019. A Common Interest for Cost Sharing agreement between PLPs was signed in 2019. The City, the Port, and the Marina have agreed to share costs equally with the City administering the contract with a common consultant to complete the RI. The City share is split between the Department (97.5%) and SPU (2.5%). In 2019, the City contracted with a consultant to complete the RI. A draft workplan was submitted to the DOE in May 2020 and comments were received. A revised draft workplan was submitted in December 2020. Phase 1 field activities and some data analyses were completed in 2021. Approval of the Source Control memorandum and preparation of workplan addendum for Phase 2 field activities were completed in 2022. Phase 2 field sampling and preparation and submittal of the draft RI report were completed in 2023. The RI report will be approved by the DOE in 2026. The Department recorded a liability of \$1.0 million as of December 31, 2025, and \$0.9 million as of December 31, 2024. The ultimate liability is indeterminate.

- North Boeing Field/Georgetown Steam Plant (NBF/GTSP) – The City, the County, and Boeing signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses the NBF, the Department's GTSP, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay 67% of the costs for the DOE's implementation of the current order. The order requires completion and then implementation of an RI and FS. The final RI work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the NBF/GTSP Agreed Order, making the PLPs responsible for conducting and completing remedial action at the site. The City is responsible for one third of the costs, split between the Department (95%) and SPU (5%). The draft RI was submitted to the DOE in June 2016. The DOE directed additional investigation in offsite areas following the submittal of RI. The additional investigation and negotiation on RI comments delayed the submittal of the revised draft RI. The revised draft RI was submitted in late 2023.

In 2022, DOE notified the PRPs that Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) were determined to be hazardous substances under Model Toxic Control Act and additional investigation was necessary to address these potential contaminants. The PLPs completed a work plan for PFAS investigation and conducted sampling in 2025. Incorporation of the PFAS investigation results into the RI report will be submitted to DOE in a separate memorandum as an addendum to the RI.

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The FS process will begin following approval of RI. The beginning stages of the FS may occur concurrently with finalization of the PFAS investigation. Approval of the RI is currently anticipated in 2026 with approval of the PFAS addendum to follow at a later, unknown date. It is also unknown how much the Department would have to pay for any future cleanup at the GTSP. The Department owns approximately 10% of the study site including the GTSP and area around the flume leased to Boeing.

Boeing and the City will each pay 100% of cost for remedial action at their own facilities. In 2016, storm drain sampling conducted during the RI revealed the presence of polycyclic aromatic hydrocarbons in the storm line that drains the GTSP roof. The Department replaced the GTSP roof as an interim action prior to finalization of the RI/FS. Roof replacement began in December 2020 and was completed in early 2021.

In 2024, DOE notified the City that it is a PLP for contamination on the property where the GTSP Pump Station is located. Authority over that property was previously transferred to the Parks Department but the Department retained responsibility for any contamination there. DOE is expected to issue an Administrative Order to the City and possibly to other parties to perform an RI. The Department recorded a liability of \$0.8 million as of December 31, 2025, and \$0.9 million as of December 31, 2024. The ultimate liability is indeterminate.

- Newhalem Ladder Creek Settling Tank – This project is one of three sites within the Department's Skagit River Hydroelectric Project being conducted under a 2019 Settlement Agreement with the National Park Service (the NPS) which owns all three sites. The project is located near Newhalem, WA, and is a cleanup of contaminated debris and water resulting from the incineration of a building structure that covered a large water settling tank during the 2015 Goodell Creek Forest Fire. The removal work was completed in 2018 to comply with CERCLA requirements under a Time Critical Removal Action (the Action) administered by the NPS. The final Action Completion Report has been approved, and a Notice of Completion of Removal Action was issued by the NPS in January 2025 following post-Action vegetative restoration monitoring.

- Newhalem Penstock – This project is the second of three sites within the Department's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with the NPS. The project is also located near Newhalem and included preparation of an EE/CA to comply with CERCLA requirements under a Non-time Critical Removal Action administered by the NPS. The final EE/CA was approved by the NPS in 2023 and fully executed in Q1 2024. Annual vegetative restoration monitoring is required by the EE/CA through at least 2028.

- Diablo Dry Dock – This project is the third of three sites within the Department's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with the NPS. The project is located near Diablo, WA and includes preparation of an EE/CA to comply with CERCLA requirements under a Non-time Critical Removal Action administered by the NPS. Geosyntec is under a contract to provide the Department with consulting services related to the EE/CA. The EE/CA field investigation was completed in October 2022, the draft EE/CA Report was completed in 2023/2024, and a final EE/CA Report was completed in 2025. The final EE/CA Report is expected to be approved by the NPS in 2026.

The Department recorded a liability of \$2.4 million as of December 31, 2025, and \$1.7 million as of December 31, 2024, for all three Skagit sites. The ultimate liability is indeterminate.

- Mercury Cleanups – Department locations where mercury may have been released from past filling of rectifiers were identified. Voluntary investigations and cleanups were conducted at several sites. A portion of the University Rectifier site beneath existing buildings is the only area that remains unaddressed. Demolition of the buildings at the University Rectifier site will likely be scheduled at some point in the future, at which time additional soil cleanup may be necessary. The Department's liability is indeterminate.

- Substations – Cleanup activities are being conducted at a number of substation sites. At Magnolia Substation, a site assessment performed in 1999 identified Polychlorinated Biphenyls (PCBs) on two concrete pads located outside of the concrete substation yard. Further evaluation done in 2015 identified pesticide,

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cadmium, and PCB contamination on the property. The site has a designated Environmental Critical Area along the eastern property line, a steep slope, requiring the cleanup to be permitted with the Seattle Department of Construction and Inspections (SDCI). Cleanup and restoration of most of the site was completed in 2020 and 2021. Two small areas of contamination were left in place – one area of contamination was covered with a protective layer of soil due to desired preservation of an overlying mature tree and another area was discovered beneath the site's historic building and could not be removed without impacting the structural integrity of the landmarked building. Removal of this soil is not currently planned and will require ongoing monitoring and reporting. Other former substations are in the process of being characterized and/or remediated in 2026-2028. The Department recorded a liability of \$10.1 million as of December 31, 2025, and \$4.4 million and as of December 31, 2024, and the ultimate liability is indeterminate.

- Ross Lower Level Outlet Cleanup at Ross Dam – The tunnel that houses a bypass penstock designed to convey water from Ross reservoir beneath Ross Dam is contaminated with metal residues from former coating operations. To prevent their release into Skagit River, work to remove the accumulated sediment in the lower tunnel system was completed in 2023. Due to unanticipated conditions, physical constraints and significant delays caused by the Sourdough Creek wildfire, portions of the upper tunnel could not be addressed during the 2023 work. Monitoring of the system and water quality at the lower-level outlet continued through 2025. The Department recently awarded a contract Geosyntec to investigate the upper tunnel in 2026 and determine if additional cleanup is required. The Department recorded a liability of \$0.8 million as of December 31, 2025, and \$1.6 million as of December 31, 2024, respectively. The Department's ultimate liability is indeterminate.
- Cedar Falls Lead Abatement – In 2008, lead contamination exceeding State cleanup levels in soil was discovered in several locations along the Department's Cedar Falls penstocks and associated structures during an investigation related to planned seismic upgrades. The penstocks are located in Seattle's Cedar River Municipal Watershed. An assessment of the nature and extent of contamination along the entirety of the Penstock System conducted from 2009 through 2012 determined that, in some locations, soil near the penstocks and bridges contained lead and arsenic above State cleanup standards. Paint coatings in some areas, including three locations directly over the Cedar River, also contained lead and asbestos. Mercury was also discovered in soils in one isolated area. Future project costs include continuing implementation of a Long-term Environmental Management Plan, including several contaminant source removal activities and associated long-term monitoring. The Department owns the penstocks and most associated structures. SPU owns the land.

This program currently includes two general areas of work: Overall Penstocks System Environmental Management Plan Implementation and Source Control/Removal projects. Lead- based paint removal and recoating on the three penstock bridges was completed in November 2016 under a public works contract, Upper Truss Bridge bank soil stabilization was completed in spring 2017, a Trestle Bridge contaminated soil stability survey was completed in summer 2019, and Gatehouse lead paint abatement was completed in 2024. Other planned projects and their general timelines include Gatehouse mercury soil cleanup (2026) and ongoing Penstock System monitoring. The Department is responsible for 100% of these costs. The Department recorded a liability of \$0.6 million as of December 31, 2025, and \$0.6 million as of December 31, 2024. The ultimate liability is indeterminate.

- Ground Water Sites – Environmental assessments have found contamination exceeding the State residential cleanup thresholds at three of the Department's properties: the Interbay Pole Yard, University Rectifier, and the Roy Street Shops sites. The Department contracted with a consultant during 2022 and completed an assessment of the University Rectifier site, which indicates an upgradient source. This assessment has been shared with the DOE. The Interbay Pole Yard site investigation indicates a significant chlorinated solvent plume from a previous occupant of the property and remedial options have been developed. It is anticipated that the Department will enter the expedited Voluntary Cleanup Program with the DOE for the remediation of this property. The Department anticipates selling the Roy Street Shops property, but the site will likely require cleanup. The DOE recently notified the City that it is a PLP for contamination on the property. The Department is evaluating its liability and anticipates entering into an Agreed Order with the DOE and possibly other PLPs in 2026/2027. The Department has included in the estimated environmental liability those portions of the

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environmental remediation work that are currently deemed to be reasonably estimable. The Department's ultimate liability is indeterminate.

- Other miscellaneous sites – Various other sites comprise the remainder of the liability. The Department recorded a liability of \$0.4 million as of December 31, 2025, and \$0.0 million as of December 31, 2024. The ultimate liability is indeterminable.

Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation except as noted earlier for LDW. Cost scenarios were developed that defined a particular solution for a given site. Scenarios considered relevant potential requirements and alternatives for remediation of a site. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price increases or reductions, technology, or applicable laws or regulations.

The Department is aggressively pursuing other third parties that may have contributed to the contamination of Superfund sites for appropriate cost sharing. The Department's estimate for realizable recoveries was \$0.0 million as of December 31, 2025, and \$0.5 million as of December 31, 2024, respectively, primarily representing an interfund receivable from SPU for recovery of remediation costs incurred related to the LDW site. The Department's estimate for not yet realized recoveries from other parties for their share of remediation work performed that partially offset the Department's estimated environmental liabilities was \$0.0 million as of December 31, 2025, and 2024. As of December 31, 2025, and 2024, environmental costs of \$153.2 million and \$136.2 million, respectively, were deferred primarily for cleanup estimates of the Department's responsibility for the LDW and East Waterway Superfund Sites; and these costs are being amortized and will be recovered through future rates in accordance with GASB Statement No. 62.

The changes to the deferred environmental costs at December 31, 2025 and 2024 were as follows:

<i>(\$ in millions)</i>	2025	2024
Beginning Deferred Environmental Costs	\$ 136.2	\$ 116.4
Incurred	(3.9)	(3.6)
Amortization	(1.2)	(1.0)
Adjustment of items directly booked to Regulatory Asset	2.9	3.3
Trailing Transaction	-	0.5
Sharing Percentage change/Increase in Long liability	19.2	20.5
Trailing Transaction	-	0.1
Ending Deferred Environmental Costs net of Recoveries	<u>\$ 153.2</u>	<u>\$ 136.2</u>

The changes in the provision for environmental liabilities at December 31, 2025, and 2024 were as follows:

<i>(\$ in millions)</i>	2025	2024
Beginning Environmental Liability, Net of Recoveries	\$ 120.0	\$ 103.1
Payments	(3.9)	(3.6)
Incurred Environmental Liability	<u>19.2</u>	<u>20.5</u>
Ending Environmental Liability, Net of Recoveries	<u>\$ 135.3</u>	<u>\$ 120.0</u>

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The provision for environmental liabilities included in current and noncurrent liabilities at December 31, 2025 and 2024, was as follows:

<i>(\$ in millions)</i>	2025	2024
Noncurrent Liabilities	\$ 120.0	\$ 114.0
Accounts Payable and Other Current Liabilities	<u>15.3</u>	<u>6.0</u>
Ending Non-Current Liabilities	<u><u>\$ 135.3</u></u>	<u><u>\$ 120.0</u></u>

16. OTHER LIABILITIES

Other liabilities include unearned capital fees which are amortized to revenues as earned, deposits and certain other unearned revenues which expire at contract completion.

Other liabilities at December 31, 2025 and 2024 consisted of the following:

<i>(\$ in millions)</i>	2025	2024
Other liabilities		
Unearned capital fees	\$ 20.7	\$ 22.5
Customer deposits - sundry sales	16.2	16.2
Unearned revenues - other	<u>2.6</u>	<u>3.0</u>
Total	<u><u>\$ 39.5</u></u>	<u><u>\$ 41.7</u></u>

17. DEFERRED INFLOWS OF RESOURCES

Seattle City Council passed resolutions authorizing the reporting of certain credits as regulatory deferred inflows of resources in accordance with Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*.

The unearned revenue for the Rate Stabilization Account for 2025 and 2024 is the result of spreading retail electric revenues and related activity over multiple periods to reduce the need for rapid and substantial rate increases (see Note 4 Rate Stabilization Account). Payments received from Bonneville's Energy Conservation Agreement are amortized to revenues over 20 years.

In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, decreases in Net Pension Liability resulting from changes in employer proportion and differences between contributions and proportionate share of pension expense are recognized as deferred inflows of resources. These deferred inflows are amortized over a closed five-year period. See Note 13 Seattle City Employees' Retirement System for more information.

In accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, amounts related to assumption changes and experience differences are recognized as deferred inflows of resources, which are amortized over a closed five-year period. See Note 14 Other Postemployment Benefits for more information.

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In accordance with the requirements of GASB Statement No. 87, *Leases*, for lessor arrangements, deferred inflows will increase due to the recognition of a deferred inflow of resources related to the leases. This deferred inflow will initially be measured at the amount of the lease receivable. This deferred inflow will be amortized over the life of the leases as revenues are recognized. See Note 18 Leases for more information.

The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration under the Block and Slice Power Sales Agreement, exclusively purchasing Block. Seattle City Council affirmed the Department's practice of recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments, in Resolution No. 30942 adopted January 16, 2007. See Note 19 Long-Term Purchased Power, Exchanges, and Transmission for more information.

Deferred inflows of resources at December 31, 2025 and 2024 consisted of the following:

(\$ in millions)	2025	2024
Deferred inflows of resources:		
Unearned revenue—rate stabilization account	\$ 85.4	\$ 43.2
Changes in Net Pension Liability	8.4	11.3
Changes in OPEB Liability	3.8	4.0
Gains on advanced refunding	5.0	6.5
Bonneville energy conservation agreement	44.0	41.3
Lease related amounts	51.2	56.4
Total	<u>\$ 197.8</u>	<u>\$ 162.7</u>

18. LEASES

GASB Statement No. 87, *Leases*, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about leasing activities.

The Department has not identified any leases as of December 31, 2025 and 2024, in which the Department is the lessee that meets the requirements of GASB Statement No. 87.

As of December 31, 2025 and 2024, the Department is a lessor that meets the requirements of Statement No. 87. The table below presents the inflow of resources at December 31, 2025 and 2024.

(\$ in millions)	2025	2024
Lease revenue	\$ 5.2	\$ 5.7
Lease interest revenue	\$ 0.9	\$ 1.1

Lease balances at December 31, 2025 and 2024, where the Department is the lessor, are summarized below.

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Balances as of December 31, 2025

(\$ in millions)

Lease Classification	Lease Receivable	Current Portion of Receivable	Deferred Inflow of Resources	Lease Terms in Years	Implicit Interest Rate
Buildings	\$ 0.1	\$ -	\$ 0.1	11	0.4%
Land	10.4	0.4	9.8	23 - 75	0.3% - 3.5%
Other - Wireless Pole Attachments	40.1	2.2	39.1	20	1.6%
Other - Wireline Pole Attachments	2.2	2.2	2.2	5	0.5%
Total	\$ 52.8	\$ 4.8	\$ 51.2		

Balances as of December 31, 2024

(\$ in millions)

Lease Classification	Lease Receivable	Current Portion of Receivable	Deferred Inflow of Resources	Lease Terms in Years	Implicit Interest Rate
Buildings	\$ 0.1	\$ -	\$ 0.1	11	0.4%
Land	10.8	0.5	10.3	23 - 75	0.3% - 3.5%
Other - Wireless Pole Attachments	42.3	2.2	41.6	20	1.6%
Other - Wireline Pole Attachments	4.5	2.2	4.4	5	0.5%
Total	\$ 57.7	\$ 4.9	\$ 56.4		

On the statements of net position, the current portion of lease receivables is located in current receivables (see Note 6 Accounts Receivable) and the long-term lease receivable is located within other assets (see Note 7 Other Assets). The deferred lease inflows are reported within the deferred inflows of resources (see Note 17 Deferred Inflows of Resources).

The wireless and wireline pole attachment leases contain variable payment components determined annually per SMC 21.49.065 that are not included in the measurement of the lease receivable under Statement No. 87. The inflow of resources due to variable components related to wireless and wireline attachments for 2025 were \$0.1 million and \$1.2 million respectively, and for 2024 were \$0.4 million and \$0.5 million respectively.

The Department has not identified any leases as of December 31, 2025, where City Light, as the lessor, has issued debt for which the principal and interest payments are secured by the lease payments.

19. SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

The Department engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the Department's load obligations and using these resources to capture available economic value. The Department makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. The Department also makes recurring projections of resource availability at these points in time based on variables such as estimates of stream flows, availability of generating units, historic and forward market information, contract terms, and experience. Based on these projections, the Department purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements, and to realize earnings from surplus energy resources. These transactions can be up to 60 months forward. Under these forward contracts, the Department commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future.

Except for limited intraday and interday trading to take advantage of owned hydro storage, the Department does not take market positions in anticipation of generating profit. Energy transactions in response to forecasted

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seasonal resource and demand variations require approval by the Department's Risk Oversight Council. In April 2020 the Department entered the California ISO Energy Imbalance Market (EIM) which is an energy market system that balances fluctuations in supply and demand by automatically finding lower cost resources to meet real-time power needs and serve consumer demand across the western region. The EIM manages congestion on transmission lines to maintain grid reliability and supports integrating renewable resources. In addition, the EIM makes excess renewable energy available to participating utilities at low cost.

It is the Department's policy to apply the normal purchase and normal sales exception of Statement No. 53 of the GASB, *Accounting and Financial Reporting for Derivative Instruments*, as appropriate. Certain forward purchase and sale of electricity contracts meet the definition of a derivative instrument but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, the Department considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

The undiscounted aggregate contract amounts, fair value, and unrealized gain or (loss) of the Department's commodity derivative instruments qualifying as normal purchases and normal sales at December 31, 2025 and 2024 consisted of the following:

<i>(\$ in millions)</i>	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2025			
Sales	\$ 0.3	\$ 0.3	\$ -
Purchases	2.4	2.5	(0.1)
Total	<u>\$ 2.7</u>	<u>\$ 2.8</u>	<u>\$ (0.1)</u>
 <i>(\$ in millions)</i>			
2024			
Sales	\$ 0.1	\$ 0.6	\$ (0.5)
Purchases	-	-	-
Total	<u>\$ 0.1</u>	<u>\$ 0.6</u>	<u>\$ (0.5)</u>

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the Seattle City Council adopted a resolution granting the Department authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. The Department did not have any such activity for 2025 and 2024. In addition, the Seattle City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and the Department maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (see Note 7 Other Assets and Note 17 Deferred Inflows of Resources).

Market Risk—Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because the Department is active in the wholesale energy market, it is subject to market risk.

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Credit Risk—Credit risk relates to the potential losses that the Department would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. The Department seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default; applying credit limits and duration criteria to existing and prospective counterparties; and actively monitoring current credit exposures. The Department also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

The Department has concentrations of suppliers and customers in the electric industry including electric utilities; electric generators and transmission providers; financial institutions; and energy marketing and trading companies. In addition, the Department has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact the Department's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

Other Operational and Event Risk—There are other operational and event risks that can affect the supply of the commodity, and the Department's operations. Due to the Department's primary reliance on hydroelectric generation, the weather, including springtime snow melt, runoff, and rainfall, can significantly affect the Department's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

20. LONG-TERM PURCHASED POWER, EXCHANGES, AND TRANSMISSION

Bonneville Power Administration—The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (Bonneville) under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011, through September 30, 2028. Effective October 1, 2017, the Department's purchase has consisted entirely of BPA's Block product. Block quantities are recalculated periodically during the term of the contract every two to three years. To align with the end of the current contract, BPA and its customers elected to enter into a three-year rate period from October 2026 through September 2028.

The next round of Power Sales Agreements between Bonneville and public preference customers were finalized and executed in December 2025. Prior to execution, stakeholder processes to determine new contract policies and procedures began in 2021 and were negotiated through August 2025. Power deliveries under this contract will begin October 1, 2028 and continue through 2044. The beginning of the term of the new Power Sales Agreements will coincide with the determination of new Tier 1 and Tier 2 Rates. The rate case for the period beginning October 1, 2028 is expected to begin in 2027. Accordingly, certain estimates and assumptions are used in the calculations in the estimated future payments table below.

Lucky Peak—In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

The Department incurred \$9.9 million and \$9.0 million in 2025 and 2024, respectively, including operations costs and royalty payments to the irrigation districts. The Department provided and billed Lucky Peak \$0.4 million in both 2025 and 2024 for operational and administrative services. These amounts are recorded as offsets to purchased power expense.

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The Department's receivables from Lucky Peak were less than \$0.1 million on December 31, for 2025 and 2024. The Department's payables to Lucky Peak were less than \$0.1 million on December 31, for 2025 and 2024.

British Columbia—High Ross Agreement—In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide the Department with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, the Department incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. The final fixed capital payment was made to BC Hydro in 2020. Operations and maintenance payments will be made through the life of the agreement. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 15 years, from 2021 through 2035 (see Note 3 Utility Plant).

Expenses incurred, and energy received under these and other long-term purchased power agreements at December 31, 2025 and 2024 were as follows:

(\$ in millions)	Expense		Average Megawatts	
	2025	2024	2025	2024
Long-term purchased power-Bonneville	\$ 163.4	\$ 165.1	493.9	488.4
Bonneville South Fork Tolt billing credit	(3.6)	(3.8)	-	-
Grant County Public Utility District	23.8	1.3	18.6	2.2
British Columbia - High Ross Agreement	13.0	13.0	35.5	35.8
Columbia Basin Hydropower	1.0	7.2	6.0	28.8
Lucky Peak	9.9	9.0	35.5	33.2
Renewable energy - Other	2.3	5.6	3.9	9.0
Condon Wind - Reported as long-term purchased power in 2024 and future years	1.9	3.2	8.4	8.4
Exchanges and loss returns energy at fair value	-	-	9.6	28.5
Long-term purchase power-other	<u>48.3</u>	<u>35.5</u>	<u>117.5</u>	<u>145.9</u>
Total long-term purchased power	<u>\$ 211.7</u>	<u>\$ 200.6</u>	<u>611.4</u>	<u>634.3</u>

Fair Value of Exchange Energy—During 2025 and 2024, exchange energy settled deliveries were valued using Dow Jones U.S Daily Electricity Price Indices.

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Estimated Future Payments Under Purchased Power, Transmission and Related Contracts—The Department's estimated payments for purchased power and transmission, RECs (See Note 21 Environmental Instruments), and other contracts for the period from 2026 through 2065, undiscounted, are as follows:

<i>(\$ in millions)</i> Years Ending December 31,	Estimated Payments
2026	\$ 308.0
2027	315.6
2028	343.6
2029	352.8
2030	348.4
2031-2035	1,890.1
2036-2040 ^(a)	2,087.0
2041-2045 ^(b)	1,807.8
2046-2050 ^{(c) (d)}	569.0
2051-2055 ^{(e) (f)}	442.7
Thereafter (through 2065) ^(g)	<u>11.0</u>
Total	<u>\$ 8,476.0</u>

(a) Lucky Peak contract expires March 30, 2038.

(b) Bonneville Block & Slice agreement expires September 30, 2044.

(c) Prineville Solar contract expires January 1, 2046.

(d) Fort Rock Solar contract expires April 26, 2046.

(e) Grant County Priest Rapids contract expires April 17, 2052.

(f) Bonneville transmission agreements expire July 31, 2055.

(g) BC Hydro (High Ross) contract expires January 1, 2066.

21. ENVIRONMENTAL INSTRUMENTS

Overview—Environmental instruments are regulatory instruments issued by an authoritative agency to limit emissions of specific substances. Environmental instruments may include credits, certificates, allowances, or offsets, and may be internally generated, received from a regulator or its designee, or obtained through a nonreciprocal transfer not involving a regulator or its designee. Environmental instruments are generally recorded as inventory at historical cost when acquired, although they can be paid for prior to receipt and are recorded as prepayments until such time as they are received. The exception to the recording of prepayment is bundled Revised Code of Washington (RCW) Chapter 19.285 renewable energy credits (RECs), which are discussed in the Significant Estimates and Judgements section below. Compliance obligation liabilities are recorded to current and noncurrent liabilities, as appropriate, as qualifying events occur (like emissions) using the monthly weighted-average value of program-specific compliance instruments in inventory and are reclassified as appropriate. Compliance costs are recorded to expenses using the monthly weighted-average value of program-specific compliance instruments held in inventory as qualifying events (like emissions) occur, when environmental instruments are retired or remitted to the regulator, and when there are fluctuations in the value of compliance obligation liabilities. Gains and losses are recorded, as appropriate, when environmental instruments are sold or otherwise disposed of for non-compliance. Restricted cash balances are maintained per

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program-specific requirements regarding the use of benefits from the sale of environmental instruments (see Note 1, Operations and Summary of Significant Accounting Policies, Note 5, Cash and Equity in Pooled Investments and Investments, and Note 10, Noncurrent Liabilities).

Significant Estimates and Judgements—The Department records environmental instrument compliance obligation liabilities at fair value using the cost approach based on the value of environmental instruments presently held in inventory. Until such time as the Department acquires environmental instruments for speculative purposes, all costs associated with program compliance and retirements will be recorded as compliance expenses rather than gains or losses on disposition. Additionally, bundled RECs are valued using the weighted-average value of unbundled RECs as of the date of receipt (the cost of a substitute instrument) since, if insufficient bundled RECs were acquired for compliance purposes, unbundled RECs would be acquired as a substitute. Finally, all bundled RECs received before January 1, 2025, were allocated no value, with the entire acquisition expense allocated to long-term purchased power. Additional information about significant estimates and judgements can be found in Note 1.

Greenhouse Gas (GHG) Neutrality Offset Credits—City of Seattle Resolution 30144 directs the City of Seattle to reduce its GHG emissions by improving energy efficiency and the use of non-carbon-based energy sources. It also requires the Department to supply Seattle's electric energy needs with no net GHG emissions. In addition, City of Seattle Resolution 30359 commits the Department to mitigating all GHG emissions for which it is responsible. Under this resolution, the Department is required to purchase offsets to achieve GHG mitigation.

For GHG emissions that have not yet been eliminated, the Department acquires and retires sufficient carbon offset credits to mitigate those impacts, per the process and specific criteria outline in Resolution 30359. This annual retirement is performed after a third-party verification of the Department's GHG inventory of emissions is complete. In accordance with the implementation of FERC Order No. 898, the Department records the carbon offset credit inventory on hand and corresponding changes due to the acquisition or retirement of carbon offset credits to meet local GHG Neutrality commitments (see Note 1, Operations and Summary of Significant Accounting Policies, and Note 10, Noncurrent Liabilities).

RCW Chapter 19.285 RECs—Initiative 937, or The Energy Independence Act, requires all qualifying utilities in Washington State with more than 25,000 customers to meet certain annual targets of acquiring eligible renewable resources and/or equivalent RECs. For 2024 and 2025, the annual target is at least 15% of average annual retail load. The law also has a compliance option for utilities with a declining load to spend 1% of revenue requirements on eligible RECs and/or renewable resources. The Department met the requirements for compliance per the reporting timelines of Washington State.

Under the Washington State reporting requirements, compliance for RECs is reported with an 18-month lag following the end of a target year. In accordance with the implementation of FERC Order No. 898, the Department records the inventory on hand and corresponding liabilities in the year the obligation arises, regardless of when compliance is reported. For additional information, see Note 1, Operations and Summary of Significant Accounting Policies (including Materials and Supplies section), and Note 10, Noncurrent Liabilities.

22. COMMITMENTS AND CONTINGENCIES

2026 Capital Program—The budget for the Department's 2026 program for capital improvement, conservation, and deferred operations and maintenance including required expenditures on assets owned by others is \$511.5 million. At December 31, 2025, the Department had approximately \$122.6 million in commitments relating

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thereto. Department overhead costs and other allocations associated with the capital program are included in the budget amount.

2026 Operations and Maintenance Budget—The Department's 2026 Operating and Maintenance budget is \$1,295.4 million for labor and related benefits, purchased power, outside services, supplies, taxes, injuries and damages, interest, debt-related costs, maintenance of Department assets, and other non-capital expenditures incurred in the normal course of operations.

Federal Energy Regulatory Commission Fees—Estimated Federal land use and administrative fees related to hydroelectric licenses total \$128.4 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2026, when their existing FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year the current license issued by FERC expires. The Boundary FERC license and related issues are discussed below.

Current Boundary License—The Department's FERC license for the Boundary Project was re-issued on March 20, 2013 with a 42-year life and a total cost of \$48.6 million. The terms and conditions of the new license have been evaluated and the Department continues the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the license renewal process, the Department negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups and other government agencies. The settlements sought to preserve the Department's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$422.1 million adjusted to 2025 dollars, of which \$178.8 million were expended through 2025. Projected mitigation cost estimates are subject to revision as more information becomes available.

Skagit and South Fork Tolt Licensing Mitigation and Compliance—In 1995, the FERC issued a license for operation of the Skagit hydroelectric facilities that expired April 30, 2025. The FERC has issued a one-year license effective May 1, 2025, which will be automatically renewed annually and will remain in effect until a new license is issued, which is currently estimated to be May 1, 2030. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both licenses, the Department has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2025, to be \$186.0 million, of which \$186.0 million has been expended. Total South Fork Tolt license mitigation costs were estimated at \$2.7 million, of which \$2.7 million were expended through 2024 for the rest of the life of the license with no additional costs in 2025. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2025 dollars. Department labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act to obtain a FERC license. ESA and related issues are discussed below.

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Endangered Species—Several fish species that inhabit waters where hydroelectric projects are owned by the Department, or where the Department purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of the Department's hydroelectric projects, the ESA listings still affect operations of the Department's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, the Department's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

The Department, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Department is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Department's share of the Early Action program from inception in 1999 through December 31, 2025, are estimated to be \$24.2 million, and \$2.1 million has been allocated for the program in the 2026 budget.

Project Impact Payments—Effective October 2020, the Department renewed its contract with Pend Oreille County and committed to pay a total of \$29.8 million over 10 years ending in 2029 to Pend Oreille County for impacts on county governments from the operations of the Department's hydroelectric projects. Effective January 2024, the Department renewed its contract with Whatcom County committing to pay annual impact compensation payments subject to an escalator tied to the Consumer Price Index and ending in 2038. The payments compensate the counties, and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$3.2 million and \$3.1 million to Pend Oreille County in 2025 and 2024, respectively, and \$1.5 million and \$1.4 million to Whatcom County in 2025 and 2024, respectively.

Brian Belger v. City of Seattle – Plaintiff alleges violations of the Washington Paid Family and Medical Leave Act, as well as claims of constructive discharge, wrongful discharge in violation of public policy, emotional distress and failure to accommodate under the Washington Law Against Discrimination for events occurring during his employment at Seattle City Light. This matter is pending in King County Superior Court and trial is currently set for March 22, 2027. The City is currently drafting an Answer to the Complaint. At this juncture, the City's ultimate liability is indeterminate.

Erika Belsby v. City of Seattle and Seattle City Light – Plaintiff alleges retaliation and discrimination based on gender and disability under the Washington Law Against Discrimination for events occurring during her participation in the apprenticeship program at Seattle City Light. The Complaint has been answered and the parties have exchanged written discovery. This matter is pending in King County Superior Court and the parties recently stipulated to continue the trial date to December 7, 2026. An adverse result could include awards of compensatory damages and attorneys' fees. At this juncture, the City's ultimate liability is indeterminate.

Cambria Horne v. Seattle City Light, City of Seattle, et. al. – Plaintiff alleges civil rights violations under 42 U.S.C Section 1983, gender discrimination and sexual harassment under the Washington Law Against Discrimination, retaliation, constructive termination, negligence, breach of contract, emotional distress and outrage resulting from her employment at Seattle City Light and the disclosure of her participation in an employment investigation. In 2022, this plaintiff previously filed a Claim for Damages resulting from a sexual assault by a co-worker, which was resolved for \$2.4 million. This matter was filed in U.S. District Court for the Western District of Washington and is set for trial on March 1, 2027. On November 24, 2025, the Defendants filed a Motion to Dismiss under CR 12(b)(6). On February 17, 2026, the Court dismissed the individual defendants without prejudice. On March 23, 2026, the plaintiff filed an Amended Complaint against defendants Seattle City

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Light, City of Seattle, and one individual defendant, David Maxfield. The Amended Complaint has been answered and the parties are beginning written discovery. An adverse result could include awards of compensatory damages and attorneys' fees. At this juncture, the City's ultimate liability is indeterminate.

Hunter, et. al. v. City of Seattle – Plaintiffs allege on-going violations of local, state and federal wage and hour laws resulting from the City's implementation of Workday, a new human resources and payroll system. This matter was filed in King County Superior Court and is a class action brought on behalf of all City employees. This case was set for trial on February 7, 2026. However, on November 6, 2025, the Court granted a Joint Motion to Stay Proceedings pending mediation. Mediation is anticipated to occur over several sessions beginning in Summer 2026. The Department's ultimate liability is indeterminate.

Monica Jones v. City of Seattle, Seattle City Light, et.al. – Plaintiff Jones alleges religious, racial and age discrimination, violation of public policy against discrimination, disparate impact, failure to accommodate, wage theft, and numerous violations of the Washington Constitution, all resulting from the City's COVID-19 vaccine mandate. On April 4, 2023, the Court dismissed the individual defendants, as they were never properly served by the plaintiff. This matter was filed in federal court in the Western District of Washington and was set for trial on July 29, 2024. On June 28, 2024, the Court granted the City's Motion for Summary Judgment and dismissed the case. On July 25, 2024, the plaintiff appealed to the 9th Circuit Court of Appeals. The parties have filed briefs and are still awaiting a decision from the 9th Circuit. An adverse result could be reversal of the summary judgment dismissal and remand for further trial proceedings, which could include awards of compensatory damages and attorneys' fees. At this juncture, City Light's ultimate liability is indeterminate.

Rochester, et. al. v. City of Seattle - A group of plaintiffs, including 26 former City Light employees, allege they were unlawfully separated from employment with various departments within the City of Seattle when they failed to get a COVID-19 vaccine. The matter was filed in King County Superior Court on December 15, 2023, and was set for trial on October 13, 2025. The City filed three Motions for Partial Summary Judgment, the third of which resulted in dismissal of all claims remaining in this case as of October 20, 2025. The plaintiffs have appealed to Division One of the Washington State Court of Appeals. A briefing schedule has not yet been determined. The City's ultimate liability is indeterminate at this time.

Vaccine Mandate Claims Not Yet In Litigation - Several current and former City Light employees have filed tort Claims for Damages related to the City's implementation of a COVID-19 vaccine mandate in October 2021. These claimants allege a variety of claims, including but not limited to discrimination, wrongful discharge, failure to accommodate and violations of the Washington and federal US Constitutions. Each claim is fact specific to the claimant and dependent on evolving public health guidelines and newly emerging caselaw in response to the pandemic. City Light's ultimate liability is indeterminate; however, an adverse result could include awards of compensatory damages and attorneys' fees.

The following cases from 2024 were resolved:

Akopyan v. City of Seattle — Plaintiff Estate alleged that City Light failed to adequately light a street in the City of Shoreline. The decedent attempted to cross the North Richmond Beach Road at night on September 2, 2020 and was hit by a car. The City was dismissed from this case on summary judgment. The order dismissing the City was entered on January 7, 2025.

Brooks-Joseph v. City of Seattle, Seattle City Light, et. al. – Plaintiff alleged discrimination based on race, gender and age, negligent supervision and retention, wrongful discharge, and violation of the Washington State Whistleblower Act. Plaintiff also named City Light employee Britt Luzzi and SPU employee Lourdes Podwell as individual defendants. On October 5, 2023, the court granted the City's Motion for Summary Judgment and dismissed this action. On March 19, 2024, the court denied the plaintiff's Motion for Reconsideration. In April, 2024, the plaintiff appealed to the 9th Circuit Court of Appeals. On July 17, 2025, the 9th Circuit upheld summary judgment dismissal of this case. The appellant did not seek further review.

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Damian Mims v. City of Seattle, Seattle City Light, et. al. – Plaintiff Mims alleges claims of discrimination, hostile work environment, retaliation, due process violations and wrongful termination. Mims filed a Summons and Complaint in King County Superior Court but never served the City. The plaintiff represented himself and the trial was set for June 30, 2025. On June 26, 2025, the court dismissed the case without prejudice due to deficient service of process. To date, the plaintiff has not re-filed his lawsuit.

Schildbach v. City of Seattle – Plaintiff alleged that after a tree knocked out a primary line, City Light negligently re-energized a service line causing a house fire. Plaintiff claimed damages totaling over \$1 million. The case settled for \$1 million in 2025.

Other Contingencies—In addition to those noted above, in the normal course of business, the Department has various other legal claims and contingent matters outstanding. The Department believes that any ultimate liability arising from these actions will not have a material adverse impact on the Department's financial position, operations, or cash flows.

23. SUBSEQUENT EVENTS

The Department evaluated subsequent events through April 30, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

DEFINED BENEFIT PENSION PLAN

The Department's schedule of the employer's proportionate share of the net pension liability for the years ended December 31 (dollar amounts in millions):

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	20.84%	19.69%	20.00%	20.72%	20.38%	21.10%	21.17%	21.00%	22.13%	24.46%
Employer's proportionate share of total pension liability	\$1,188.1	\$1,053.8	\$1,030.4	\$1,028.5	\$941.4	\$929.8	\$896.9	\$831.6	\$839.5	\$883.5
Employer's proportionate share of plan fiduciary net position	\$902.8	\$789.6	\$727.8	\$856.8	\$741.9	\$664.6	\$575.3	\$599.1	\$550.7	\$565.7
Employer's proportionate share of the net pension liability	\$285.3	\$264.2	\$302.6	\$171.7	\$199.5	\$265.2	\$321.6	\$232.5	\$288.8	\$317.8
Employer's covered-employee payroll	\$242.6	\$186.2	\$180.3	\$179.3	\$178.1	\$165.3	\$163.7	\$153.6	\$156.5	\$157.0
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	117.62%	141.86%	167.83%	95.75%	112.03%	160.44%	196.42%	151.41%	184.49%	202.44%
Plan fiduciary net position as a percentage of the total pension liability	75.99%	74.93%	70.63%	83.31%	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

Actuarial Methods and Assumptions:

Actuarial cost method	Individual Entry Age
Amortization method	Level percent
Amortization Growth Rate	3.35% for FY 2022-2025, 3.50% for FY 2019-2021, 4.0% for prior years
Remaining amortization period	30 years as of January 1, 2013 Valuation
Asset valuation method	5 years, Non-asymptotic
Inflation	2.60% for FY 2022-2025, 2.75% for FY 2019-2021, 3.25% for prior years
Investment rate of return	6.75% for FY 2022-2025, 7.25% for FY 2019-2021, 7.50% for prior years
Mortality	Based on PubG-2010 mortality tables using generational projection of improvement using MP-2021 Ultimate projection scale for FY 2022-2025. FY 2019-2021 based on RP-2014 mortality tables. Prior years based on RP-2000 mortality tables.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 36.6	\$ 36.8	\$ 29.6	\$ 29.0	\$ 28.9	\$ 28.7	\$ 24.8	\$ 24.7	\$ 23.7	\$ 25.3
Contributions in relation to contractually required contribution	36.6	36.8	29.6	29.0	28.9	28.7	24.8	24.7	23.7	25.3
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 242.0	\$ 242.6	\$ 186.2	\$ 180.3	\$ 179.3	\$ 178.1	\$ 165.3	\$ 163.7	\$ 153.6	\$ 156.5
Contributions as a percentage of covered-employee payroll	15.12%	15.17%	15.90%	16.08%	16.12%	16.11%	15.00%	15.09%	15.43%	16.17%

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

The Department's schedule of the employer's proportionate share of the net OPEB liability for the years ended December 31:

(\$ in millions)

	2025	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability	13.54%	13.66%	13.88%	14.17%	14.38%	14.14%	14.34%	14.61%
Employer's proportionate share of total OPEB liability	\$ 11.6	\$ 11.9	\$ 6.9	\$ 7.9	\$ 10.1	\$ 9.0	\$ 8.7	\$ 8.9
Employer's proportionate share of plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net OPEB liability	\$ 11.6	\$ 11.9	\$ 6.9	\$ 7.9	\$ 10.1	\$ 9.0	\$ 8.7	\$ 8.9
Employer's covered-employee payroll	\$ 180.8	\$ 182.5	\$ 159.0	\$ 162.4	\$ 161.7	\$ 159.0	\$ 145.6	\$ 148.3
Employer's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	6.40%	6.50%	4.36%	4.86%	6.25%	5.66%	6.00%	6.02%
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-	-	-	-	-

Notes to Schedule

This schedule is intended to show information for 10 years. Since 2018 was the first year of this presentation, data on years preceding 2018 are not available. Additional years' data will be included as they become available.

Actuarial Methods and Assumptions:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Discount Rate	4.08% for FY 2025, 3.26% for FY 2024, 3.72% for FY 2023, 2.06% for FY 2022, 2.12% for FY 2021, 2.74% for FY 2020, 4.10% for FY 2019, and 3.44% for FY 2018
Health care cost trend rate- Medical	8.00% initial, decreasing to an ultimate rate of 4.50% for FY 2024-2025. 6.09% initial, decreasing to an ultimate rate of 4.50% for FY 2022-2023. 6.55% initial, decreasing to an ultimate rate of 4.50% for FY 2020-2021.
Health care cost trend rate- RX	7.00% initial, decreasing to an ultimate rate of 4.50% for prior years. 13.00% initial, decreasing to an ultimate rate of 4.50% for FY 2024-2025. 8.00% initial, decreasing to an ultimate rate of 4.50% for FY 2022-2023. 9.00% initial, decreasing to an ultimate rate of 4.50% for FY 2020-2021.
Mortality	10.00% initial, decreasing to an ultimate rate of 4.50% for prior years. Based on PubG-2010 mortality tables using generational projection of improvement using MP-2021 Ultimate projection scale for FY 2022-2025. Based on RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale for prior years.

There were no changes to benefit terms in 2025. See Note 14 for details regarding actuarial methods and assumptions.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

DEBT SERVICE COVERAGE

Following is a table that provides information for the Department's debt service coverage for years 2025, 2024, and 2023. The target level for debt service coverage was 1.8x on all bonds for 2025, 2024, and 2023 in accordance with current financial policies (which include a Rate Stabilization Account that will result in greater compliance of actual debt service coverage with the policy-specified level).

(\$ in millions)

Debt Service Coverage	December 31		
	2025	2024	2023
OPERATING REVENUES:			
Retail power revenues	\$ 1,193.7	\$ 1,125.2	\$ 1,033.7
Short-term wholesale power revenues	89.1	75.6	56.2
Other power-related revenues (a)(b)(c)	37.9	34.4	71.1
Transfers from/(to) rate stabilization account (d)	(42.2)	(2.4)	9.2
Other operating revenues	30.8	21.4	20.7
Total operating revenues	<u>\$ 1,309.3</u>	<u>\$ 1,254.2</u>	<u>\$ 1,190.9</u>
OPERATING EXPENSES:			
Long-term purchased power—Bonneville and other (b)	\$ 211.7	\$ 200.6	\$ 175.4
Short-term wholesale power purchases	57.6	63.8	124.5
Other power expenses (b)	107.8	95.2	101.9
Transmission (c)	84.2	80.8	68.2
Distribution	103.3	110.1	84.4
Customer service	69.2	78.4	59.8
Conservation	26.1	27.8	26.4
Administrative and general	156.7	136.3	140.8
Taxes	137.0	128.7	112.4
Depreciation and amortization	180.7	172.9	159.5
Total operating expenses	<u>\$ 1,134.3</u>	<u>\$ 1,094.6</u>	<u>\$ 1,053.3</u>
NET OPERATING REVENUE (f)	<u>\$ 175.0</u>	<u>\$ 159.6</u>	<u>\$ 137.6</u>
Adjustments to Net Operating Revenue (g)			
City Taxes (h)	\$ 73.1	\$ 68.4	\$ 57.6
Depreciation and amortization	180.7	172.9	159.5
Depreciation & amortization included in operating & maintenance expenses (i)	52.6	49.5	38.4
Pension expense (j)	33.1	22.4	34.3
Pension contributions (j)	(36.6)	(36.9)	(29.6)
Valuation on exchange power, net (b)(c)	-	-	-
BPA Conservation Augmentation/Agreement revenue (k)	(3.4)	(3.1)	(2.9)
Investment income (l)	23.6	20.7	19.0
Non-cash expenses (m)	-	-	-
Other (n)	(4.5)	(1.8)	(1.3)
Total adjustments	<u>\$ 318.6</u>	<u>\$ 292.1</u>	<u>\$ 275.0</u>
Net Revenue Available for Debt Service	<u>\$ 493.6</u>	<u>\$ 451.7</u>	<u>\$ 412.6</u>
Total Debt Service (o)	<u>\$ 233.1</u>	<u>\$ 245.4</u>	<u>\$ 236.5</u>
Ratio of Available Net Revenue to Debt Service	<u>2.12x</u>	<u>1.84x</u>	<u>1.74x</u>

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

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Notes

- (a) Includes conservation and renewable credits under the power sales contract with BPA, the recognition of payments from BPA for the purchase of conservation savings, revenue from deliveries of power to Pend Oreille PUD pursuant to the Boundary Project's FERC license, and other energy credits.
- (b) Effective January 1, 2016, the Department adopted GASB Statement No. 72, *Fair Value Measurement and Application*. Non-monetary transactions are measured at fair value and are valued at market. Disclosures required by GASB Statement No. 72 are available in Note 2 Fair Value Measurement.
- (c) Includes significant activity for the valuation of energy delivered under seasonal exchanges, basis sales, and other power exchange contracts. Energy exchanges have both revenue and expense components; therefore, a net revenue or expense adjustment is made for a given year.
- (d) Transfers from/(to) the RSA in accordance with Ordinance No. 123260, primarily to address fluctuations in surplus power sales.
- (e) Includes revenue from the short-term sale of excess transmission capacity.
- (f) Operating Income per audited financial statements.
- (g) Effective 2023 Changes to Debt Service Coverage calculation: Many of the adjustments to Net Operating Revenue for the calculation of Debt Service Coverage are at the discretion of the utility. Effective 2023, expenses for claims are being treated 100% as cash and gains on property sales as opposed to only the cash proceeds will be used (no impact in 2023). Significant non-cash transactions are adjusted from Net Operating Revenue to calculate Revenue Available for Debt Service. Furthermore, some types of revenue in addition to Operating Revenue are included to calculate Revenue Available for Debt Service. These adjustments are listed in the remaining lines within the table.
- (h) City taxes are excluded because the lien on such taxes is junior to debt service in accordance with the Bond Legislation.
- (i) The majority of the depreciation and amortization (non-cash) expenses included in Operating and Maintenance Expense are for amortization of conservation expenses that are recognized over a 20-year period.
- (j) GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, a non-cash item.
Two components: (1) Pension expense is an estimated amount based on actuarial reports. (2) Pension contributions is an adjustment for the payments made by the department to the Seattle City Retirement System after the measurement date of the actuarial reports to classify as deferred outflows. Actual pension expense posts with payroll related to employee expense, and is auto-allocated through payroll. Actuarial pension + pension contributions + minor retirement settlement payouts = FERC 92610 YTD amount. We subtract out this FERC 92610 balance except minor retirement settlement payouts for the debt coverage calculation, because the actual cash contributions were already recorded via payroll.
- (k) Payments received for conservation measures are initially recorded as unearned revenue. The adjustment represents the amount of revenue amortized and recognized over future periods for financial reporting, a non-cash transaction.
- (l) Investment income is not included in Total Revenue in this table; therefore, an adjustment is made to Net Operating Revenue, consisting primarily of interest earnings from City's cash pool and interest receipts from suburban underground charges. This amount excludes unrealized gains and losses, which are non-cash adjustments.
- (m) Effective 2023 expenses for claims are being treated as 100% cash. Effective 2018 includes adjustment for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in addition to primarily claim expenses and capital projects expenditures from prior year which were determined not to be capital expenditures.
- (n) Includes proceeds from sale of properties, principal receipts from suburban underground charges from local jurisdictions, and miscellaneous items.
- (o) Net of federal bond subsidies.

DEBT SERVICE COVERAGE: ALL BONDS

Year Ending December 31 (\$ in millions)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2025	\$ 493.6	\$ 233.1	2.12
2024	451.7	245.4	1.84
2023	412.6	236.5	1.74
2022	568.3	224.2	2.53
2021	449.0	216.3	2.08

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON LONG-TERM DEBT

Year Ending December 31 (\$ in millions)	Fixed Rate Bonds			Variable Rate Bonds			Total ^(a)
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	
2026	\$ 118.7	\$ 121.6	\$ 240.3	\$ 5.9	\$ 4.5	\$ 10.4	\$ 250.7
2027	99.6	114.9	214.5	6.1	4.5	10.6	225.1
2028	103.4	109.8	213.2	6.4	4.3	10.7	223.9
2029	99.9	104.9	204.8	6.6	4.1	10.7	215.5
2030	85.4	100.4	185.8	6.9	3.9	10.8	196.6
2031	88.2	95.9	184.1	7.2	3.8	11.0	195.1
2032	92.1	91.7	183.8	7.4	3.6	11.0	194.8
2033	97.3	87.9	185.2	7.8	3.4	11.2	196.4
2034	99.7	83.4	183.1	8.1	3.2	11.3	194.4
2035	104.6	79.1	183.7	8.4	3.0	11.4	195.1
2036	115.2	74.2	189.4	8.6	2.7	11.3	200.7
2037	107.1	69.0	176.1	9.1	2.5	11.6	187.7
2038	113.2	64.0	177.2	9.5	2.3	11.8	189.0
2039	118.0	59.0	177.0	9.9	2.0	11.9	188.9
2040	123.0	53.8	176.8	10.3	1.8	12.1	188.9
2041	114.0	48.6	162.6	10.7	1.5	12.2	174.8
2042	102.2	44.0	146.2	11.1	1.2	12.3	158.5
2043	106.7	39.5	146.2	11.6	1.0	12.6	158.8
2044	101.7	34.8	136.5	12.0	0.7	12.7	149.2
2045	97.1	30.2	127.3	12.5	0.3	12.8	140.1
2046	93.1	26.0	119.1	5.6	0.1	5.7	124.8
2047	89.7	21.8	111.5	-	-	-	111.5
2048	79.2	17.7	96.9	-	-	-	96.9
2049	67.3	14.3	81.6	-	-	-	81.6
2050	56.8	11.3	68.1	-	-	-	68.1
2051	52.5	8.6	61.1	-	-	-	61.1
2052	45.5	6.0	51.5	-	-	-	51.5
2053	35.9	3.6	39.5	-	-	-	39.5
2054	28.8	2.0	30.8	-	-	-	30.8
2055	18.5	0.5	19.0	-	-	-	19.0
Total	\$ 2,654.4	\$ 1,618.5	\$ 4,272.9	\$ 181.7	\$ 54.4	\$ 236.1	\$ 4,509.0

^(a) Maximum debt service of \$250.8 million is due in 2026. See Note 9 Long-term debt.

Note: All parity bonds of the Department are fixed rate bonds except the 2021B and 2023B bonds which are variable rate bonds.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

STATEMENT OF LONG-TERM DEBT

As of December 31, 2025

(\$ in millions)

Bond Series	When Due	Interest Rate (%)	Amount Issued	Amount Due		
				Amount Outstanding	Within One Year	Accrued Interest
Series 2010C	2022-2040	5.590	\$ 13.3	\$ 13.3	\$ 0.0	\$ 0.3
Series 2011B	2027	5.750	10.0	10.0	0.0	0.2
Series 2012A	2037-2041	4.000	49.1	39.3	0.0	0.1
Series 2012C	2028	3.400	4.3	4.2	0.0	0.0
Series 2012C	2029	3.500	7.7	7.7	0.0	0.0
Series 2012C	2030	3.500	7.7	7.7	0.0	0.0
Series 2012C	2031-2033	3.750	23.4	23.4	0.0	0.1
Series 2014	2030-2038	4.000	53.9	13.7	0.0	0.2
Series 2014	2039-2040	4.000	14.8	14.8	0.0	0.2
Series 2014	2041-2044	4.000	33.3	33.3	0.0	0.4
Series 2015A	2027-2045	4.000	109.0	61.9	0.0	0.4
Series 2016A	2036-2041	4.050	31.9	31.9	0.0	0.6
Series 2016B	2022-2028	5.000	103.0	37.9	12.0	0.4
Series 2016B	2029	4.000	13.9	13.9	0.0	0.2
Series 2016C	2022-2026	5.000	56.9	3.3	3.3	0.0
Series 2016C	2027-2046	4.000	103.9	103.9	0.0	1.1
Series 2017C	2022-2032	5.000	174.2	69.0	14.3	1.0
Series 2017C	2033-2047	4.000	211.3	211.3	0.0	3.0
Series 2018A	2022-2029	5.000	60.2	25.9	6.0	0.5
Series 2018A	2030-2048	4.000	203.6	203.6	0.0	4.2
Series 2019A	2022-2049	5.000	210.5	189.0	4.2	2.4
Series 2019B	2022-2026	5.000	140.3	19.5	19.5	0.4
Series 2020A	2022-2030	5.000	78.5	67.2	16.2	1.5
Series 2020A	2031-2050	4.000	119.8	119.8	0.0	2.6
Series 2021A	2022-2031	5.000	63.6	28.7	9.8	0.6
Series 2021A	2032-2051	4.000	196.2	196.2	0.0	4.1
Series 2021B	2022-2045	1.87 - 4.66 ^A	100.6	100.6	3.3	0.3
Series 2022	2024 - 2052	5.000	257.7	201.2	10.9	5.0
Series 2023A	2024 - 2053	5.000	273.6	262.9	2.2	4.4
Series 2023B	2024 - 2046	0.4 - 4.85 ^A	85.8	81.1	2.5	0.2
Series 2024	2025 - 2054	5.000	199.7	193.4	6.5	2.4
Series 2025	2026 - 2048	5.000	335.3	335.3	13.9	7.8
Series 2025	2049 - 2055	5.250	111.2	111.2	0.0	2.6
Total			<u>\$ 3,458.2</u>	<u>\$ 2,836.1</u>	<u>\$ 124.6</u>	<u>\$ 47.2</u>

^A Range of adjustable rates in effect during 2025.

Note: All parity bonds of the Department are fixed rate bonds except the 2021B bond and 2023B bond, which are variable rate bonds.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

POWER COSTS AND STATISTICS

Year ending December 31 (\$ in millions)	2025	2024	2023	2022	2021
POWER COSTS					
Hydroelectric generation ^{(a)(c)}	\$ 81.3	\$ 74.4	\$ 57.5	\$ 67.5	\$ 63.0
Long-term purchased power ^(b)	211.7	200.6	175.4	150.5	207.5
Wholesale power purchases ^{(c)(e)}	57.6	63.8	124.5	86.2	38.5
Fair valuation & other power purchases ^{(b)(e)}	5.9	10.1	34.8	38.3	34.1
Owned transmission ^(a)	27.4	23.4	21.1	15.3	16.9
Wheeling expenses	65.2	65.5	55.2	53.3	45.9
Other power expenses	40.7	30.6	28.7	24.6	15.9
Total power costs	<u>489.8</u>	<u>468.4</u>	<u>497.2</u>	<u>435.7</u>	<u>421.8</u>
Less short-term wholesale power sales ^(c)	(89.1)	(75.6)	(56.2)	(97.6)	(66.3)
Less fair valuation other power-related ^(b)	(6.0)	(10.7)	(40.2)	(45.0)	(32.6)
Less other power-related revenues	<u>(31.8)</u>	<u>(23.7)</u>	<u>(30.9)</u>	<u>(31.6)</u>	<u>(26.7)</u>
Net power costs	<u>\$ 362.9</u>	<u>\$ 358.4</u>	<u>\$ 369.9</u>	<u>\$ 261.5</u>	<u>\$ 296.2</u>
POWER STATISTICS (MWh)					
Hydroelectric generation ^(c)	5,030,768	4,541,858	4,598,884	6,184,745	6,009,237
Long-term purchased power ^(b)	5,398,155	5,559,612	5,591,837	5,343,858	5,945,779
Wholesale power purchases ^{(c)(e)}	1,237,097	1,195,161	1,574,433	1,148,487	1,281,656
Wholesale power sales ^{(c)(e)}	(2,474,161)	(1,764,382)	(1,364,663)	(1,951,244)	(2,543,488)
Other ^(d)	<u>289,113</u>	<u>(88,230)</u>	<u>(761,962)</u>	<u>(907,823)</u>	<u>(1,164,379)</u>
Total power available	<u>9,480,972</u>	<u>9,444,019</u>	<u>9,638,529</u>	<u>9,818,023</u>	<u>9,528,805</u>
Less self consumed energy	(26,859)	(27,695)	(26,797)	(27,466)	(26,537)
Less system losses	<u>(446,819)</u>	<u>(477,392)</u>	<u>(571,666)</u>	<u>(472,664)</u>	<u>(423,886)</u>
Total power delivered to retail customers	<u>9,007,294</u>	<u>8,938,932</u>	<u>9,040,066</u>	<u>9,317,893</u>	<u>9,078,382</u>
Net power cost per MWh delivered (Net power costs divided by Total power delivered to retail customers)	<u>\$ 40.27</u>	<u>\$ 40.09</u>	<u>\$ 40.91</u>	<u>\$ 28.06</u>	<u>\$ 32.62</u>

(a) Including depreciation.

(b) Long-term purchased power, fair valuation & other power purchases, and fair valuation other power-related include energy exchanged under seasonal and other exchange contracts are valued at market.

(c) The level of generation (and consequently the amount of power purchased and sold on the wholesale market) can fluctuate widely from year to year depending upon water conditions in the Northwest region.

(d) "Other" includes seasonal exchange power delivered and miscellaneous power transactions.

(e) Bookout purchases are excluded from wholesale power purchases and are reported on a net basis in wholesale power sales, however MWh are presented gross.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

HISTORICAL ENERGY RESOURCES (in MWh)

	2025	2024	2023	2022	2021
Department-Owned Generation					
Boundary Project	3,105,237	3,025,434	2,851,570	3,712,739	3,211,443
Skagit Hydroelectric Project:					
Gorge	769,960	689,925	726,576	989,832	988,738
Diablo	519,627	363,142	551,388	590,907	847,067
Ross	533,143	411,631	413,109	749,013	823,907
Cedar Falls/Newhalem	53,949	6,841	25,809	83,538	83,424
South Fork Tolt	48,852	44,885	30,432	58,716	54,658
Subtotal	<u>5,030,768</u>	<u>4,541,858</u>	<u>4,598,884</u>	<u>6,184,745</u>	<u>6,009,237</u>
Energy Purchases					
Bonneville	4,326,469	4,278,100	4,039,150	3,804,606	4,119,204
Priest Rapids	163,233	19,184	19,221	26,770	23,601
Columbia Basin Hydropower	52,621	251,860	249,373	262,947	265,850
High Ross	311,328	313,966	303,454	305,764	315,101
Lucky Peak	311,147	290,821	332,046	234,067	221,981
Stateline Wind Project	-	-	-	74,161	360,191
Condon	74,007	73,796	33,437	-	-
Columbia Ridge	19,893	69,586	78,333	86,968	92,937
Seasonal and Other Exchange ^(a)	139,457	262,299	536,823	548,575	546,914
Wholesale Market Purchases ^(b)	<u>1,237,097</u>	<u>1,195,161</u>	<u>1,574,433</u>	<u>1,148,487</u>	<u>1,281,656</u>
Subtotal	<u>6,635,252</u>	<u>6,754,773</u>	<u>7,166,270</u>	<u>6,492,345</u>	<u>7,227,435</u>
Total Department Resources	<u>11,666,020</u>	<u>11,296,631</u>	<u>11,765,154</u>	<u>12,677,090</u>	<u>13,236,672</u>
Minus Offsetting Energy Sales					
Firm Energy Transactions and Marketing Losses ^{(c)(d)}	(392,772)	(173,356)	187,728	426,932	695,102
Seasonal and Other Exchange ^(a)	103,659	261,586	574,234	480,891	469,277
Wholesale Market Sales	<u>2,474,161</u>	<u>1,764,382</u>	<u>1,364,663</u>	<u>1,951,244</u>	<u>2,543,488</u>
Total Energy Resources	<u>9,480,972</u>	<u>9,444,019</u>	<u>9,638,529</u>	<u>9,818,023</u>	<u>9,528,805</u>

(a) Includes exchange contracts with Grant County, The Energy Authority, Dynasty, and Lucky Peak Project (no 2025 Lucky Peak exchange contract).

(b) Purchases to compensate for low water conditions and to balance loads and resources.

(c) Energy provided to Public Utility District of Pend Oreille County under the Boundary Project's FERC license including incremental losses due to expanded activity in the wholesale market.

(d) Starting in 2015, Power Management stopped reporting secondary area line losses. We have retroactively adjusted Firm Energy Sales and Marketing Losses to reflect this change.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

CUSTOMER STATISTICS

Years ended December 31,	2025		2024		2023		2022		2021	
Average number of customers: *										
Residential		472,309		460,925		451,055		441,926		433,686
Industrial		48		58		60		60		61
Commercial		52,683		52,521		52,106		51,677		51,408
Total		525,040		513,504		503,221		493,663		485,155
Megawatt-hours ^(a) :										
Residential	36%	3,229,894	34%	3,073,143	35%	3,158,610	36%	3,334,209	37%	3,320,729
Industrial	7%	678,552	8%	710,217	8%	758,764	9%	808,355	9%	817,060
Commercial	57%	5,098,848	58%	5,155,572	57%	5,122,692	55%	5,175,329	54%	4,940,593
Total	100%	9,007,294	100%	8,938,932	100%	9,040,066	100%	9,317,893	100%	9,078,382
Average annual revenue per customer ^(a) :										
Residential	\$	1,016	\$	949	\$	900	\$	917	\$	902
Industrial	\$	1,512,249	\$	1,257,761	\$	1,162,685	\$	1,183,231	\$	1,126,113
Commercial	\$	12,133	\$	11,664	\$	10,688	\$	10,514	\$	9,779

* Seattle City Light changed customer counts to Service Agreement effective September 2016 with the implementation of the new retail electric billing system. Service Agreement determines how Seattle City Light and Seattle Public Utilities charge customers for services provided. An account can have several Service Agreements for the different types of services. No revisions were made to prior year customer counts.

*Beginning 2021, Seattle City Light separated the non-residential category into industrial and commercial categories in the customer statistics table.

Years ended December 31,		2025	2024	2023	2022	2021
Average annual consumption per customer (kWhs) ^{(a)(b)} :						
Residential	- Seattle	6,839	6,667	7,003	7,545	7,657
	- National	n/a	10,359	10,263	10,791	10,632
Industrial	- Seattle	14,136,500	12,245,121	12,646,067	13,472,583	13,394,426
	- National	n/a	927,068	936,014	971,886	978,871
Commercial	- Seattle	96,784	98,162	98,313	100,148	96,105
	- National	n/a	74,838	73,007	72,567	69,875
Average rate per kilowatt-hour (cents) ^{(a)(b)} :						
Residential	- Seattle	14.86	14.23	12.85	12.16	11.78
	- National	n/a	16.48	16.00	15.04	13.66
Industrial	- Seattle	10.70	10.27	9.19	8.78	8.41
	- National	n/a	8.13	8.04	8.32	7.18
Commercial	- Seattle	12.54	11.88	10.87	10.50	10.18
	- National	n/a	12.75	12.60	12.41	11.21

(a) Source of national data: Department of Energy (www.eia.doe.gov/electricity/annual/). 2025 National average annual consumption data and average rate data not available. Certain 2024-2021 national average annual consumption and national average rate data were updated with revised actuals.

(b) Seattle amounts include an allocation for the net change in unbilled revenue. Unbilled revenue excludes retail customer voluntary payments for conservation and solar energy as well as revenue from diverted electricity and electric vehicle charging.

NOTE 1: A comprehensive rate change representing an overall increase of 5.4% became effective January 1, 2025

NOTE 2: A comprehensive rate change representing an overall increase of 4.5% became effective January 1, 2024

NOTE 3: A Bonneville Power Administration (BPA) passthrough adjustment of 1.01% is being applied to all retail energy charges beginning January 1, 2024.

NOTE 4: Notice of public hearings on future rate actions may be obtained on request to:

The Office of the City Clerk, 600-4th Ave, Floor Three, Seattle, WA 98104. Phone number 206-684-8344.

Additional information about city of Seattle Council meetings can be found on the Web at www.seattle.gov/council/calendar.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

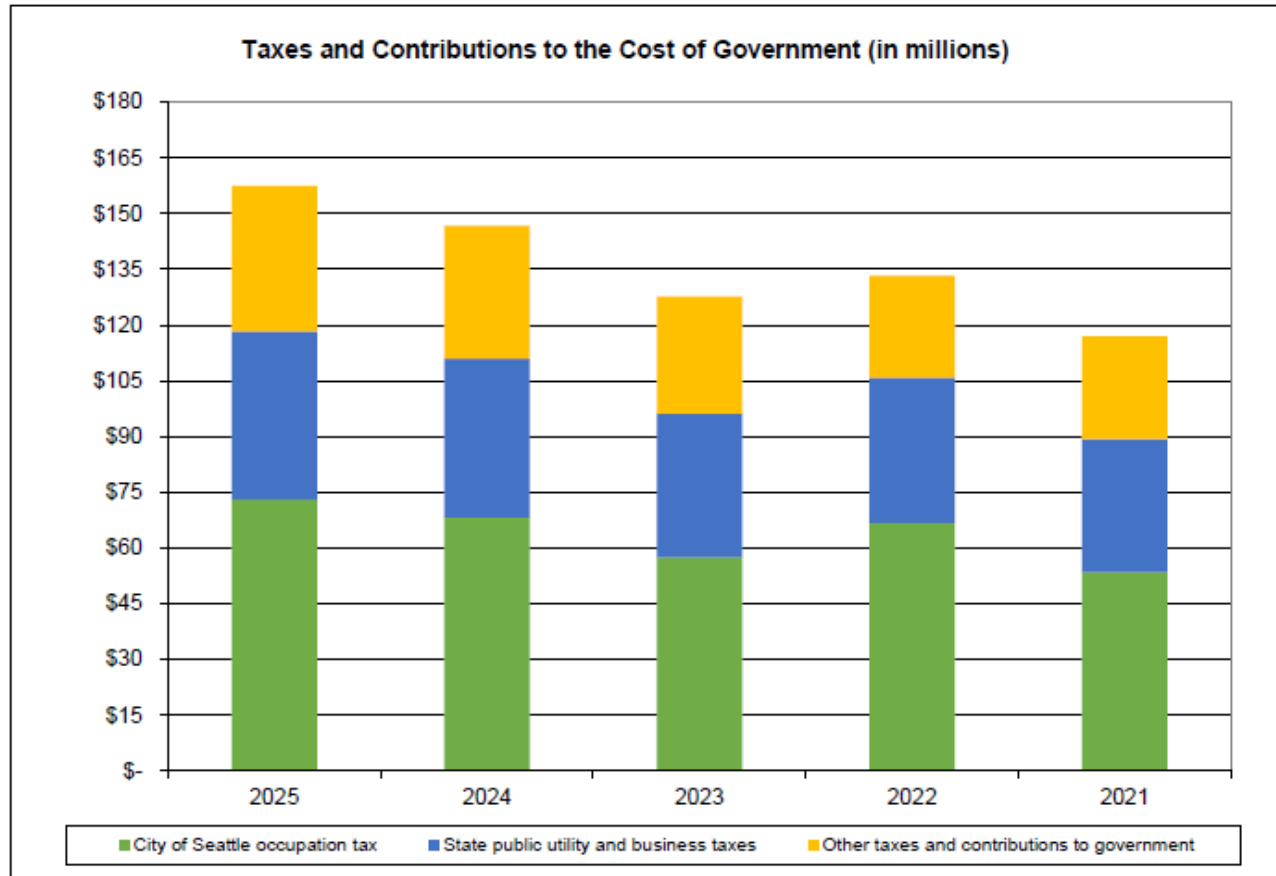
OTHER INFORMATION (UNAUDITED)

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

(in millions)

Years ended December 31,	2025	2024	2023	2022	2021
Taxes					
City of Seattle occupation utility tax	\$ 73.1	\$ 68.3	\$ 57.6	\$ 66.7	\$ 53.6
State public utility and business taxes	45.3	42.6	38.6	39.1	35.7
Suburban contract payments and other	12.1	11.5	10.2	7.5	6.9
Contract payments for government services	6.5	6.3	6.0	5.7	5.3
Total taxes as shown in statement of revenues and expenses	137.0	128.7	112.4	119.0	101.5
Taxes/licenses charged to accounts other than taxes	3.2	2.3	1.8	2.4	2.1
Other contributions to the cost of government	17.3	15.8	13.5	11.9	13.4
Total miscellaneous taxes	20.5	18.1	15.3	14.3	15.5
Total taxes and contributions	\$ 157.5	\$ 146.8	\$ 127.7	\$ 133.3	\$ 117.0

Note: Electric rates include all taxes. The State Public Utility Tax rate for retail electric power sales was 3.8734%.
The City of Seattle Occupation Utility Tax rate was 6% for in-state retail electric power sales.



THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

OTHER INFORMATION (UNAUDITED)

PUBLIC PURPOSE EXPENDITURES (Unaudited)

Years ended December 31,	2025	2024	2023	2022	2021
CONSERVATION					
Annual energy savings (megawatt hours) ^A	78,551	65,545	63,046	47,364	91,271
Programmatic conservation expenses ^B					
Non-low income	\$ 26.7	\$ 22.4	\$ 21.8	\$ 19.1	\$ 19.7
Low income	3.4	3.3	3.3	2.4	2.7
Non-programmatic conservation expenses ^C	4.4	5.0	4.1	4.2	4.7
Subtotal	34.5	30.7	29.2	25.7	27.1
OTHER PUBLIC PURPOSE EXPENDITURES					
Low-income energy assistance ^D	32.1	31.3	28.4	26.7	29.2
Non-hydro renewable resources ^E	4.5	20.9	17.5	19.4	38.3
Subtotal	36.6	52.2	45.9	46.1	67.5
NET PUBLIC PURPOSE SPENDING	71.1	82.9	75.1	71.8	94.6
Revenue from retail electric sales	\$ 1,193.7	\$ 1,125.2	\$ 1,033.7	\$ 1,021.5	\$ 964.3
PERCENT PUBLIC PURPOSE SPENDING TO RETAIL ELECTRIC SALES					
Conservation only	2.9%	2.7%	2.8%	2.5%	2.8%
Low-income assistance & non-hydro renewables	3.1%	4.6%	4.4%	4.5%	7.0%
Total	6.0%	7.3%	7.2%	7.0%	9.8%

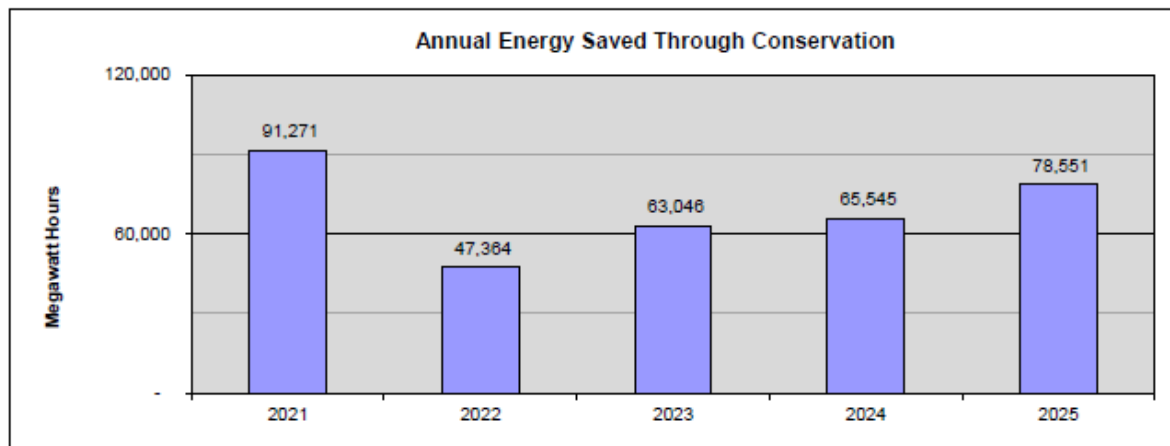
A Energy savings are from completed projects in that year including those from the Northwest Energy Efficiency Alliance, residential behavior programs, and applicable Transmission & Distribution benefits.

B Programmatic conservation expenditures are deferred and amortized over a 20-year period in accordance with City Council-passed resolutions and Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements*. Non-low income programmatic conservation includes expenditures for program measures, customer incentives, field staff salaries, energy code enforcement, and direct program administration. They do not include expenditures related to solar or other renewable programs. Low-income programmatic conservation includes these types of expenditures for the Department's HomeWise and Low-Income Multifamily Programs.

C Non-programmatic expenditures include program planning, evaluation, data processing, and general administration. These expenses are not associated with measured energy savings.

D Low-income assistance includes rate discounts and other programs that provide assistance to low income customers.

E Non-hydro renewable resources include energy generated from various sources bundled with renewable energy certificates (RECs) and purchased RECs which are funded from current revenues to comply with State of Washington Energy Independence Act (RCW 19.285).



**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Parks and City Light Committee of
City of Seattle, City Light Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the City of Seattle, City Light Department (Department), which comprise the Department's statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
April 30, 2026

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APPENDIX G
DTC AND ITS BOOK-ENTRY TRANSFER SYSTEM

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DTC AND THE BOOK-ENTRY TRANSFER SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the "Beneficial Owners") should confirm the following with DTC or its participants (the "Participants").

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Fiscal Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

The following information has been provided by the City:

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. The Bond Registrar is not obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date. Neither the City nor the Bond Registrar shall have any responsibility or obligation to Participants of DTC or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or its Participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners under the Bond Ordinance (except such notice as is required to be given by the Bond Registrar to DTC).

