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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, 2020 and 2019,
Required Supplementary Information,
Other Information, and
Independent Auditors' Report

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

ENTERPRISE FUND OF THE CITY OF SEATTLE
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INDEPENDENT AUDITORS' REPORT

To the Transportation and Utilities Committee
The City of Seattle – City Light Department

Report on the Financial Statements

We have audited the accompanying financial statements of The City of Seattle – City Light Department (the "Department"), an enterprise fund of The City of Seattle, Washington, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Department's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of The City of Seattle, Washington, as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof 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.

Other Matters

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, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021 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.

Baker Tilly US, LLP

Madison, Wisconsin
May 27, 2021

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, 2020, and 2019. 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 478,000 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:

Balance Sheets, 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 balance sheets 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.

COVID-19

COVID-19 had a significant effect on the Department's operations, operating results, and financial statements. Additional details are noted within the specific areas impacted in the following discussion.

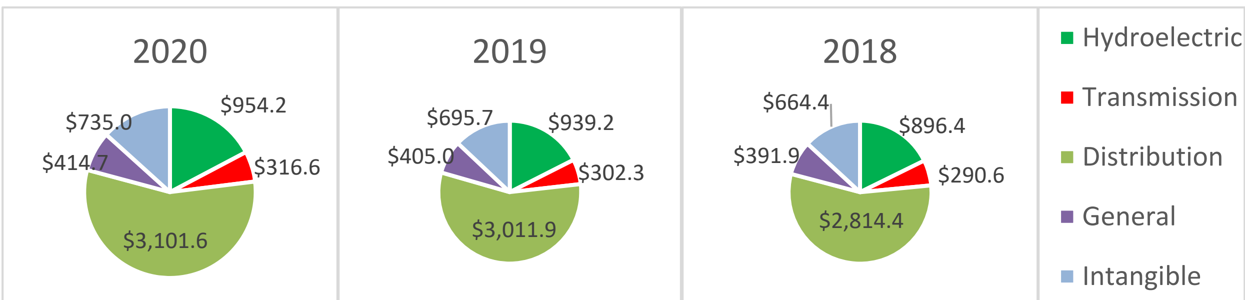
CONDENSED BALANCE SHEETS

($ in millions)	December 31 2020	2019	2018
Assets:			
Utility plant—net	$ 4,207.1	$ 4,041.5	$ 3,820.8
Restricted assets	324.8	276.5	263.7
Current assets	373.1	449.9	374.0
Other assets	427.1	432.0	432.0
Total assets	5,332.1	5,199.9	4,890.5
Total deferred outflows of resources	65.0	102.7	57.9
Total assets and deferred outflows of resources	$ 5,397.1	$ 5,302.6	$ 4,948.4
Liabilities:			
Long-term debt	$ 2,694.8	$ 2,682.5	$ 2,564.9
Noncurrent liabilities	407.9	459.8	365.8
Current liabilities	271.1	306.8	316.6
Other liabilities	38.0	35.2	37.8
Total liabilities	3,411.8	3,484.3	3,285.1
Total deferred inflows of resources	160.9	116.1	163.9
Net position:			
Net investment in capital assets	1,822.8	1,653.7	1,523.8
Restricted:			
Rate stabilization account	25.0	25.0	25.0
Total restricted	25.0	25.0	25.0
Unrestricted—net	(23.4)	23.5	(49.4)
Total net position	1,824.4	1,702.2	1,499.4
Total liabilities, deferred inflows, and net position	$ 5,397.1	$ 5,302.6	$ 4,948.4

ASSETS

Utility Plant—Net

2020 Compared to 2019 Utility plant assets net of accumulated depreciation and amortization increased $165.6 million to $4,207.1 million in 2020. Utility plant assets are composed of hydroelectric production plant, $954.2 million, which increased $15.0 million, transmission plant, $316.6 million, which increased $14.3 million, distribution plant, $3,101.6 million, which increased $89.7 million, general plant, $414.7 million, which increased $9.7 million, and intangible assets, $735.0 million, which increased $39.3 million. The net increase in utility plant assets was partially offset by a $123.6 million net increase in accumulated depreciation and amortization to $2,103.0 million.



The $89.7 million increase in distribution plant is primarily due to overhead and underground systems, $48.9 million, network systems, $23.5 million, poles, streetlights, and meters, $17.3 million. An increase of $39.3 million in intangibles is primarily due to licensing costs. An increase of $15.0 million in hydro assets is primarily due to Ross water pipe replacement, $5.6 million and Diablo units 31 and 32 rebuild, $3.1 million.

Other components of utility plant include construction work-in-progress, $612.6 million, which increased $119.2 million, land and land rights, $153.9 million, which increased $1.3 million. The increase in construction work-in-progress is primarily due to $321.8 million in additions, partially offset by capitalization of $202.7 million. The additions in construction work-in-progress consist mainly of $110.7 million in underground and overhead systems, primarily due to Denny network, $52.4 million in billable service connections, $44.2 million in generation projects primarily due to Boundary units 51, 52 and 54 rebuild, $29.8 million in intangibles, $25.8 million in general plant, $18.1 million in data processing systems, $13.8 million in transmission, and $13.7 million in street lighting.

See Note 3 Utility Plant of the accompanying financial statements.

2019 Compared to 2018 Utility plant assets net of accumulated depreciation and amortization increased $220.7 million to $4,041.5 million in 2019. Utility plant assets were comprised of hydroelectric production plant, $939.2 million, which increased $42.8 million, transmission plant, $302.3 million, which increased $11.7 million, distribution plant, $3,011.9 million, which increased $197.5 million, general plant, $405.0 million, which increased $13.1 million, and intangible assets, $695.7 million, which increased $31.3 million. The net increase in utility plant assets were partially offset by an $85.6 million net increase in accumulated depreciation and amortization to $1,979.4 million.

The $197.5 million increase in distribution plant is primarily due to service installations, $89.2 million, meters, $50.6 million. An increase of $42.8 million in Hydro assets is primarily due to Diablo Unit 32 rebuild and Boundary improvements, $28.1 million. An increase of $31.3 million in Intangibles is primarily due to Boundary licensing, $18.2 million. Other components of utility plant include Construction work-in-progress, $493.4 million, which increased $7.2 million, land and land rights, $152.6 million, which increased $2.4 million, nonoperating property, $16.8 million, which increased $0.3 million, The increase in construction work-in-progress is primarily due to $373.6 million in additions, partially offset by capitalization of $366.4 million. The additions in Construction work-in-progress consist mainly of $122.0 million in underground and overhead systems, primarily due to Denny network system, $55.6 million in billable service connections; $40.6 million in generation projects primarily due to Boundary units 51 and 54, and Diablo unit 32 rebuild; $35.0 million in intangibles mainly due to Boundary licensing; $32.0 million in stations; $25.3 million in transmission; $23.9 million in general plant; and $13.7 million in street lighting.

Restricted Assets

2020 Compared to 2019 Restricted assets consisting of restricted cash increased by $48.3 million to $324.8 million.

Construction funds increased by $16.1 million to $38.3 million. The ending balance was for unspent proceeds from the 2020A bonds that will continue to be used in 2021 to fund a portion of the ongoing capital improvement program. Also, within the ending balance was a positive fair value adjustment for the Department's share of City pooled cash investments attributed to remaining bond proceeds.

The Rate Stabilization Account (RSA) increased by a net $22.7 million to $96.8 million. A surcharge on electric rates of 3.0% in 2020 reflects the original 1.5% surcharge in effect since August 2016 plus an additional 1.5% surcharge imposed in November 2019. Additions to the RSA came from rate surcharge revenues of $23.5 million plus interest earnings of $1.5 million. These were offset by transfers of funds to operating cash of $2.3 million due to the difference between actual and budgeted net wholesale revenues. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets increased by $9.5 million to $189.7 million. The Bond reserve account increased by $7.3 million primarily from the additional deposit of the 2020A bonds. The debt service account increased by $2.2 million.

2019 Compared to 2018 Restricted assets consisting of restricted cash increased by $12.8 million to $276.5 million.

Construction funds increased by $21.6 million to $22.2 million. At the end of 2019, the balance was primarily from unspent proceeds from the 2019A bonds that will continue to be used in early 2020 to fund a portion of the ongoing capital improvement program.

Bond reserve account increased by $18.4 million to $146.5 million from 2018. Increases were from 2019 bond proceeds, interest earnings, and ongoing funding from operating cash to replace the existing surety bond expiring in 2029. The respective additions were $5.5 million, $2.9 million and $10.0 million.

The Rate Stabilization Account (RSA) decreased by a net $22.8 million to $74.1 million. A surcharge on electric rates of 1.5% remained in effect since August 2016 and an additional 1.5% surcharge was imposed in November 2019 because the RSA balance fell below the next trigger level of $80.0 million at the end of the 3rd quarter. The total 3.0% surcharge is expected to remain in effect through 2020. Additions to the RSA came from rate surcharge of $14.2 million and interest earnings of $2.0 million. These were offset by transfers of funds to operating cash of $39.0 million due to the difference between actual and budgeted net wholesale revenues. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other restricted assets decreased by $4.4 million to $33.7 million. Restricted cash for ongoing pole attachment projects with communications customers was nearly 100% drawn at the end of the year for a decrease of $4.7 million. Sundry prepayments were lower by $1.6 million as a result of higher completed service connections compared to 2018. These were offset by $1.9 million net increases in other and mostly for a favorable unrealized gain adjustment from the Department's share of investments in the City's cash pool.

Current Assets

2020 Compared to 2019 Current assets decreased by $76.8 million to $373.1 million at the end of 2020.

Operating cash decreased by $87.8 million to $102.4 million. Increased inflows to cash were from the 5.5% system average rate increase effective January 1, 2020, RSA surcharges, net wholesale revenues, capital contributions, interest earnings, and reimbursement from the Construction account for capital expenditures. Substantial capital expenditure reimbursements were made from the Construction account during the 4th quarter from the 2020A bonds. These were offset by payments for higher debt service including advance repayments of $88.6 million of certain prior lien bonds, as well as transfers to RSA, capital construction projects, purchased power contracts, and ongoing operations.

Accounts receivable, net, increased by $12.3 million to $144.8 million. The highest increase in the amount of $6.4 million, net, was for retail electric accounts, which were greatly impacted by pandemic response efforts. Retail electric receivables increased by $21.4 million, offset by an increase in the allowance of $12.8 million and decrease of $2.3 million from increased customer participation in the Utility Discount Program and deferred payment plans. The rate increase in 2020 and the impact of collections forbearance also contributed to the net increase in retail electric accounts.

Sundry receivables increased a net $1.6 million consisting mainly of higher large project service connections of $6.9 million offset by an increase in the allowance of $1.5 million, and payment of $3.8 million in Sound Transit electrical work, some of which pertained to prior years. COVID-19 also affected the higher allowance as collection efforts were suspended for sundry billings.

The remaining increase in accounts receivable of $4.4 million is for power related receivables for short-term wholesale energy. This increase is attributable to higher power market prices, $2.0 million, wind generation stored power, $1.4 million, and receivable from the Federal Energy Regulatory Commission related to current year land use fees, $1.0 million.

Unbilled revenues decreased by $5.1 million due to lower consumption by commercial and industrial customers, responding to pandemic stay at home orders. Materials and supplies increased by $3.8 million for projects in progress.

2019 Compared to 2018 Current assets increased by $75.9 million to $449.9 million at the end of 2019.

Operating cash increased by $55.1 million to $190.2 million. Increased inflows to cash were from the 5.8% system average rate increase effective since January, RSA surcharges, capital contributions, interest earnings, and reimbursement from the Construction account for capital expenditures. Significant capital expenditures reimbursements were made from the Construction account during the 4th quarter from the 2019A bonds. These were offset by lower net wholesale energy sales and payments for higher debt service, transfers to RSA, capital construction projects, and ongoing operations.

Accounts receivable, net, increased by $3.9 million to $132.5 million. The highest increase was for completion of large service connections in progress of $12.4 million due in part to the ongoing strong local economy.

Retail electric receivables decreased a net $1.3 million from a year ago. Collection efforts on these receivables resumed to normal activities in late 2018 and continued throughout 2019 as the Department's response to customer's concerns on charges from the new billing system and AMI installations were stabilized. The result was lower retail electric receivables of $7.3 million. A result of renewed collection efforts was that the allowance for bad debt decreased by $6.0 million from 2018 that also contributed to the decline in net retail electric receivables.

Other decreases in accounts receivable were $4.6 million for interdepartmental receivables as a result of higher emphasis for settlement of these receivables by the end of the year. Remaining net decrease of $2.6 million was due to normal operations.

Unbilled revenues increased by $18.0 million to $92.6 million. The increase was mainly attributable to the higher retail electric rates in 2019 and higher unbilled consumption due to colder weather for the last two months of 2019 compared to 2018.

Other current assets decreased by $1.1 million to $34.6 million as a result of lower materials and supplies inventory at year end used for ongoing projects.

Other Assets

2020 Compared to 2019 Total Other assets of $427.1 million decreased by $4.9 million from 2019. Conservation costs decreased by $2.9 million for amortization and by $1.8 million for ongoing payment of loans from local jurisdictions for underground infrastructure improvements. This decrease was partially offset by an increase of $1.6 million for environmental cleanup costs estimated for several Duwamish River Superfund sites for which the Department has been named a responsible party. Environmental cleanup costs are recovered through rates over a 25-year period. See Note 15 Environmental Liabilities of the accompanying financial statements.

See Note 7 Other Assets of the accompanying financial statements.

2019 Compared to 2018 Total Other assets at $432.0 million did not change from 2018. The regulatory asset for environmental cleanup costs increased by $2.3 million, due to the estimated costs to clean up several Superfund sites along the Duwamish River that the Department has been designated a responsible party. Environmental cleanup costs are being recovered through rates over a 25-year period. See Note 15 Environmental Liabilities of the accompanying financial statements.

An offsetting decrease of $2.3 million was primarily for ongoing payment of loans from local jurisdictions for underground infrastructure improvements. Conservation costs, net, decreased by $0.1 million.

Deferred Outflows of Resources

2020 Compared to 2019 Deferred outflows of resources decreased by $37.7 million to $65.0 million.

Pension related deferred outflows decreased net $33.8 million primarily because of a year over year decrease in the actuarially determined net difference between projected and actual investment earnings of $33.9 million. This results from strong equity market performance in 2019, the year used as the measurement for actuarial expectations. 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 $0.6 million from 2019 for actuarial differences between expected and actual experience, based on the most recent actuarial experience study.

Charges on advance refunding decreased a net $4.5 million to $20.1 million. Activity for 2020 consisted of amortization and adjustment for advanced refunding of certain bonds.

2019 Compared to 2018 Deferred outflows of resources increased by $44.8 million to $102.7 million.

In 2019, pension related deferred outflows increased net $51.2 million because of year over year increase in actuarially determined net difference between projected and actual investment earnings of $33.9 million. This is the result of lower equity market performance in 2018 used as the measurement date as compared to actuarial expectations. Additionally, an increase of $17.4 million is generally attributable to changes in actuarial assumptions. The most recent actuarial experience study was used to update assumptions including for salary increase, mortality, and retirement rates.

Deferred outflow of resources pertaining to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (OPEB) had an inconsequential change from 2018.

Charges on advance refunding decreased a net $6.4 million to $24.6 million. Activity for 2019 consisted of amortization and adjustment for advanced refunding of certain bonds.

LIABILITIES

Long-Term Debt

2020 Compared to 2019 Long-term debt increased a net $12.3 million to $2,694.8 million during 2020.

The Department issued new debt in the amount of $198.3 million revenue bonds to fund a portion of the ongoing capital improvement program. The 2020 bond issue was fixed rate in nature. $39.4 million of the 2012A revenue bonds and $49.9 million of the 2013 revenue bonds were advance refunded.

Debt to capitalization ratio was 58.3% at the end of 2020, a decrease from the 60.1% ratio of 2019.

Net revenues available to pay debt service were equal to 1.73 times principal and interest on all bonds for 2020. COVID-19 and associated pandemic response efforts had a significant effect on financial results, as noted in results of operations, and therefore, the lower coverage ratio for 2020.

See Note 9 Long-Term Debt of the accompanying financial statements.

2019 Compared to 2018 Long-term debt increased a net $117.6 million to $2,682.5 million during 2019.

The Department issued new debt in the amount of $210.5 million revenue bonds and $140.3 million refunding revenue bonds to fund a portion of the ongoing capital improvement program and to advance refund certain bonds. The 2019 bond issues were fixed rate in nature. $155.8 million of the 2010B revenue bonds were refunded with lower interest rate debt over the life of the new bonds.

Debt to capitalization ratio was 60.1% at the end of 2019, a decrease from the 62.4% ratio of 2018.

Net revenues available to pay debt service were equal to 2.10 times principal and interest on all bonds for 2019.

Noncurrent Liabilities

2020 Compared to 2019 Total non-current liabilities decreased by $51.9 million to $407.9 million at the end of 2020.

Net Pension Liability decreased by a net $56.4 million based on the most recent actuarial report, this decrease was due largely to strong investment returns from the preceding year. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental Liability decreased by a net $0.8 million to $104.3 million. Environmental liabilities are principally attributable to the estimated cost of remediating contaminated sediments in the lower Duwamish Waterway, a designated federal Superfund site. The Department is considered a responsible party for contamination in the Duwamish River due to land ownership and use of property located along the river. See Note 15 Environmental Liabilities of the accompanying financial statements.

Liabilities for damage claims/lawsuits and worker's compensation increased by $1.6 million based on most recent estimates.

The remaining net increase of $3.7 million was primarily for an increase in the estimate for compensated absences which reflected staff reducing their vacation use during the pandemic.

2019 Compared to 2018 Total non-current liabilities increased by $94.0 million to $459.8 million at the end of 2019.

Net Pension Liability increased by a net $89.1 million based on the most recent actuarial report and due largely to the negative investment returns during 2018, the measurement year. See Note 13 Seattle City Employees' Retirement System of the accompanying financial statements.

Environmental Liability increased by a net $3.0 million to $105.1 million. Environmental liabilities are principally attributable to the estimated cost of remediating contaminated sediments in the lower Duwamish Waterway, a designated federal Superfund site. The Department is considered a potentially responsible party for contamination in the Duwamish River due to land ownership or use of property located along the river.

Liabilities for damage claims/lawsuits and worker's compensation remained virtually unchanged at $6.8 million.

The balance net increase of $1.9 million was for nominal changes for compensated absences, post-employment benefits, estimated arbitrage liability for certain bonds, and other.

Current Liabilities

2020 Compared to 2019 Current liabilities decreased by a net of $35.7 million for a total of $271.1 million at the end of 2020.

Current liability increases totaled $12.9 million. The increase includes $9.5 million for pole attachment projects in progress with telecommunication companies, $1.2 million for retail electric customer prepayments, and $2.2 million for higher interest payable as a result of greater bonds outstanding at the end of the year.

Current liability decreases totaled $48.6 million. $15.4 million was for lower vouchers payable as invoices were processed more timely than the prior year, $13.1 million for lower payroll accrual, a large portion of which was due to no COLA accrual for 2020, $6.7 million for payment of call center services payable to Seattle Public Utilities, $4.8 million for lower debt due within one year, $3.2 million for lower retainage payable, $2.5 million for lower state taxes payable, and $2.9 million for other payables.

2019 Compared to 2018 Current liabilities decreased by a net of $9.8 million for a total of $306.8 million at the end of 2019.

Current liability increases totaled $31.9 million. The increases included $13.5 million additional general vouchers payable, $5.7 million in salary COLA accrual, $6.2 million primarily for Call Center services, $3.2 million for current portion of bonds, $2.3 million for taxes, and other payables of $1.0 million.

Current liability decreases totaled $41.7 million. $33.4 million was for lower interdepartmental payables due to a change to settle these payables at year end, $2.3 million for lower debt interest payable, $2.0 million for lower short-term environmental liabilities, $2.0 million for customer prepayments, and other payables of $2.0 million.

Other Liabilities

2020 Compared to 2019 Other liabilities increased by $2.8 million to $38.0 million, which reflects a net increase in capital contributions for projects in progress. Increases of $2.9 million for higher unearned capital contributions for large service connections and $1.3 million primarily for smaller service connections were partially offset by $1.4 million in higher actual billings issued against prepayments received for estimated larger service connections.

2019 Compared to 2018 Other liabilities decreased by $2.6 million to $35.2 million in 2019. The decrease was due to $2.0 million greater realization of capital contributions revenue for larger service connection projects in progress and higher actual billings issued against prepayments received for completed service connection work.

Deferred Inflows of Resources

2020 Compared to 2019 Deferred inflows of resources increased by $44.8 million for a total of $160.9 million at the end of 2020.

Deferred inflows related primarily to pension liability increased by $18.5 million to $44.7 million. $23.0 million was due to higher actuarially determined net difference between projected and actual investment earnings and $1.8 million related to differences between expected and actual experience. These were offset by $6.3 million for lower changes between employer contributions and proportionate share of contributions.

Deferred inflows of resources pertaining to OPEB increased by $0.3 million from 2019 for actuarial changes of assumptions, based on the most recent actuarial experience study.

The rate stabilization unearned revenue account increased a net $22.7 million from 2019. The 1.5% surcharge on electric rates in effect since August 2016 and the additional 1.5% surcharge in effect since November 2019 contributed $23.5 million, with an offset of $2.3 million transferred to operating revenues for actual net wholesale revenues being less than budget. $1.5 million in interest income was transferred to the unearned revenue account resulting in an ending balance of $71.8 million. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other deferred inflows of resources increased by $3.3 million to $40.9 million mostly due to net payments received from Bonneville in accordance with the Department's Energy Conservation Agreement.

2019 Compared to 2018 Deferred inflows of resources decreased by $47.8 million for a total of $116.1 million at the end of 2019.

Deferred inflows related primarily to pension liability decreased by $28.9 million to $26.2 million. $20.5 million is due to lower actuarially determined net difference between projected and actual investment earnings and reduced changes in employer proportion and differences between employer contributions and proportionate share of contributions totaling $9.2 million. The $0.8 million increase in deferred pension inflows of resources was the result of differences between expected and actual experience.

In 2018, the Department implemented GASB Statement No. 75 and initially recorded deferred inflows of $2.9 million with a minimal change of $0.3 million increase in 2019.

The rate stabilization unearned revenue account decreased a net $22.8 million from 2018. The 1.5% surcharge on electric rates in effect since August 2016 and the additional 1.5% surcharge since November contributed $14.2 million, with an offset of $39.0 million transferred to operating revenues for actual net wholesale revenues being less than budget. $2.0 million in interest income was transferred to the unearned revenue account resulting in an ending balance of $49.1 million. See Note 4 Rate Stabilization Account of the accompanying financial statements.

Other deferred inflows of resources increased by $3.6 million to $37.6 million. $1.9 million was because of recognition of an accounting gain on advance refunding of the 2010B bonds. Remaining balance of $1.7 million increase was mostly due to net payments received from Bonneville in accordance with the Department's Energy Conservation Agreement.

RESULTS OF OPERATIONS

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31		
($ in millions)	**2020**	**2019**	**2018**
Operating revenues	$ 1,015.7	$ 1,079.5	$ 991.6
Nonoperating revenues	26.7	25.8	17.6
Total revenues	1,042.4	1,105.3	1,009.2
Operating expenses	880.3	873.3	823.2
Nonoperating expenses	93.7	93.0	83.4
Total expenses	974.0	966.3	906.6
Income before capital contributions and grants	68.4	139.0	102.6
Capital contributions	53.3	63.4	59.6
Capital grants	0.5	0.4	-
Total capital contributions and grants	53.8	63.8	59.6
Change in net position	$ 122.2	$ 202.8	$ 162.2

SUMMARY

2020 Compared to 2019 Change in net position for 2020 was $122.2 million, a significant decrease of $80.6 million or 39.7% from 2019 Change in net position of $202.8 million. The COVID-19 pandemic had a substantial negative effect on the Department's operations. Operating revenues were considerably lower due largely to a significant reduction in non-residential retail sales. RSA transfers were also lower in 2020 primarily from significantly higher net wholesale revenues. Lower operating revenues were further exacerbated by higher expenses for bad debt, as the pandemic caused many customers to fall behind on their bills and City Light reduced its collection operations in response. Administrative and general, net were higher in large part due to COVID-19 administrative response expenses, including a shift away from CIP-related work. As mentioned above, net wholesale revenues were up compared to 2019, primarily on account of strong hydro conditions leading to lower short-term power purchases. Capital contributions were also lower and along with higher generation, depreciation, taxes, interest expense, and other expenses were contributors to the lower Change in net position.

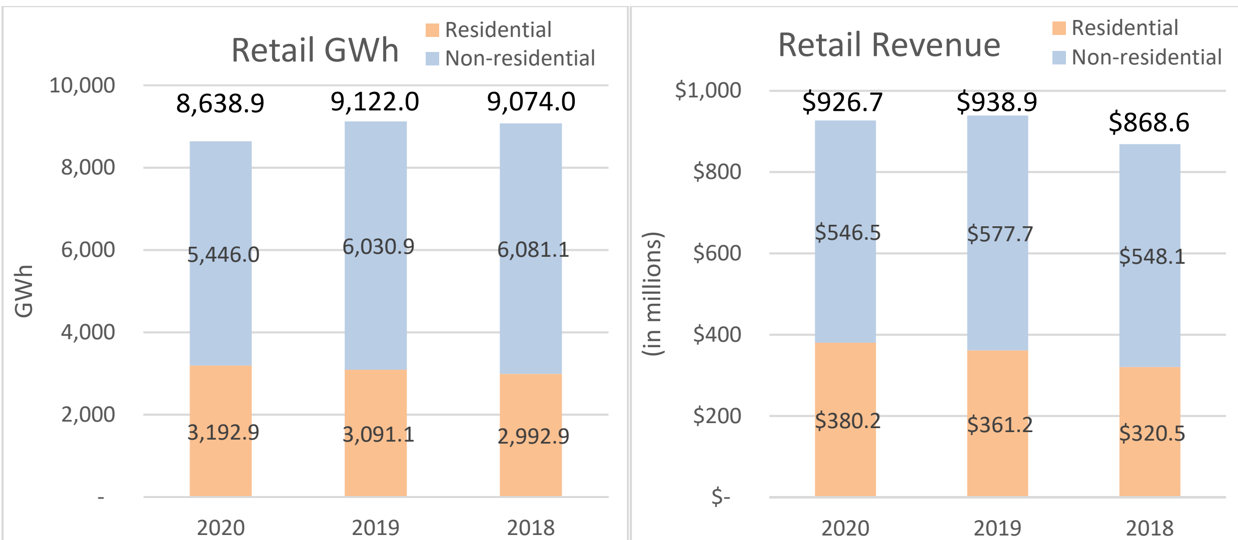
2019 Compared to 2018 Change in net position for 2019 was $202.8 million, an increase of $40.6 million or 25.0% from 2018 Change in net position of $162.2 million. Higher retail electric sales due to rate increases, including for the 3.0% RSA surcharge, unbilled revenue, transfers from RSA, interest earnings, capital contributions, and other combined with lower bad debt expense were the major reasons for the higher revenues. Offsetting the higher revenues were lower net Short-term wholesale power revenues and higher expenses for administrative & general, interest, depreciation, and taxes.

REVENUES

2020 Compared to 2019 Total operating revenues were $1,015.7 million, a decrease of $63.8 million or 5.9% from 2019. Retail power revenues at $926.7 million decreased $12.2 million, Short-term wholesale power revenues at $51.3 million increased $8.1 million, Other power-related revenues at $40.8 million decreased $11.4 million, Transfers from/(to) RSA at ($22.7) million were reduced by $45.5 million, and Other operating revenues at $19.6 million decreased $2.8 million.

Lower Retail power revenues of $12.2 million were the net result of higher billed residential revenues of $30.3 million, offset by lower nonresidential revenues of $19.5million, and lower unbilled revenue of $23.0 million. The effect of the COVID-19 pandemic, specifically remote work and schooling, caused residential customers to spend more time in their homes, increasing delivered consumption by 3.3% compared to 2019. Conversely, many nonresidential customers reduced normal operations in response to public health measures, resulting in 9.7% lower delivered consumption. In total retail delivered consumption decreased by 5.3%. The BPA rate pass-through negative adjustment of 1.9% effective November 2019 also contributed to lower retail revenue. Partially offsetting the lower retail consumption was the 5.5% average rate increase in January 2020 and an additional 1.5% RSA surcharge which was effective November 2019. The pandemic also contributed to increased Utility Discount Program participation resulting in higher rate discounts, partially offsetting the higher residential consumption. Lower unbilled revenue followed the same general trend as billed revenue at the end of the year.

Transfers from/(to) rate stabilization account are affected by actual net wholesale power revenues compared to budget. In 2020, $22.7 million was transferred from operating cash to the RSA. Actual net wholesale power revenues for 2020 were closer to budget than 2019 by $36.7 million and RSA surcharge revenues were $9.3 million higher in 2020 than 2019. Interest earned on the RSA was $0.5 million lower in 2020 than 2019. In 2019, $22.8 million was transferred from the RSA to operating cash largely as a result of wholesale power revenues being lower than budget along with the effect of surcharge revenues and interest earnings. The net effect between years was a reduction of $45.5 million to revenues.



Short-term wholesale power revenues represent revenue received from the sale of power generated in excess of system sales and other obligations and were $51.3 million, an increase of $8.1 million than the $43.2 million recorded in 2019. Short-term wholesale power revenues fluctuate with changes in water conditions, retail sales and economic factors such as the price of natural gas. The considerable increase in short-term wholesale power revenues was in large part due to lower retail electricity demand due to COVID-19, more favorable hydro conditions and the Department's entrance in the western Energy Imbalance Market (EIM) with California System Operator (CAISO) in April.

City Light is active in the wholesale power market both buying and selling energy. For a more comprehensive overview of wholesale 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 $47.7 million in 2020, $32.2 million higher than the $15.5 million recorded in 2019. Wholesale Power Purchases are discussed below.

Net Wholesale Revenue, $ Million

	2020	2019	2018
Wholesale Power Revenue	$ 51.3	$ 43.2	$ 61.0
Wholesale Power Purchases	(10.0)	(34.3)	(18.5)
Booked out Long-Term Sales	6.4	6.5	7.4
Net Wholesale Revenue	**$ 47.7**	**$ 15.5**	**$ 49.9**

2019 Compared to 2018 Total operating revenues were $1,079.5 million, an increase of $87.9 million or 8.9% from 2018. Retail power revenues at $938.9 million increased $70.3 million, Short-term wholesale power revenues of $43.2 million decreased $17.8 million, Other power-related revenues at $52.2 million increased $6.3 million, Transfers from/(to) RSA at $22.8 million increased $26.3 million, and Other operating revenues at $22.4 million increased $2.8 million.

Retail power revenues were higher mainly because of the 5.8% system rate increase implemented in January along with the 1.5% rate surcharge in effect since August 1, 2016 and the additional 1.5% surcharge billed since November 2019 as a result of the RSA being lower than the next trigger level of $80.0 million. A BPA 1.9% passthrough credit to customers effective November 1st translated into a 0.4% system rate decrease and including the surcharge. Consumption among customers was mixed with residential customers experiencing an increase of 3.3% and non-residential customers experiencing a decrease of 0.8% decrease. Energy conservation and newly constructed energy efficient buildings continued influencing overall lower consumption for the year, which was offset in part with a spike in consumption in February, October, and November due to colder temperatures than in 2018. Certain large industrial customers also operated at lower production during the year, thus, also contributing to lower consumption. Unbilled revenue increased by $32.7 million from 2018 and elements noted above also contributed to the higher unbilled revenue.

Transactions within Transfers from/(to) rate stabilization account are affected in part by actual net wholesale power revenues compared to budget. In 2019, actual net wholesale power revenues were lower than budget by $39.0 million and this amount was transferred from the rate stabilization unearned revenue account. This was partially offset by the RSA rate surcharge revenues of $14.2 million and interest earnings of $2.0 million for a net $22.8 million transferred to the rate stabilization unearned revenue account in 2019. In 2018, net transfers to the rate stabilization unearned revenue account were ($3.5) for an overall increase of $26.3 million.

Short-term wholesale power revenues were $43.2 million, a decrease of $17.8 million from short-term wholesale power revenues of $61.0 million in 2018. The decrease in short-term wholesale power revenues was due to below normal water conditions experienced in the Pacific Northwest region during 2019 that negatively affected hydro run-off and generation. Other net power-related revenues increased by $5.0 million. Higher revenues of $8.4 million from marketing ancillary services were offset by lower valuation of energy exchange contracts of $2.1 million. Other net power-related revenues were further offset by net power related expenses.

EXPENSES

2020 Compared to 2019 Operating expenses totaled $880.3 million, an increase of $7.0 million or 0.8% from $873.3 million in 2019.

Power-related operating expenses at $353.8 million were lower by $23.2 million or 6.2%. These expenses were comprised of Long-term purchased power - Bonneville and other of $216.6 million, which increased $0.7 million, Short-term wholesale power purchases of $10.0 million, which decreased $24.3 million, Other power expenses of $72.6 million, which decreased $1.8 million, and Transmission of $54.6 million, which increased $2.2 million.

Short-term wholesale power purchases were lower by $24.3 million predominantly because of lower commercial and industrial retail demand combined with lower wholesale power prices during 2020. Other power expenses increased for Generation by $3.1 million due to higher administration expenses in the areas of safety, asset management support, reporting, and other. These were offset by lower other power related expenses of $6.7 million because of lower volumes and market prices for exchange contracts and ancillary purchase contracts. Index prices during 1st quarter 2019 was unusually high causing a $10.0 million increase in power expenses that did not recur in 2020. Remaining balance net increase of $4.7 million was for normal operations and including for BPA, other long-term purchased power, and Transmission.

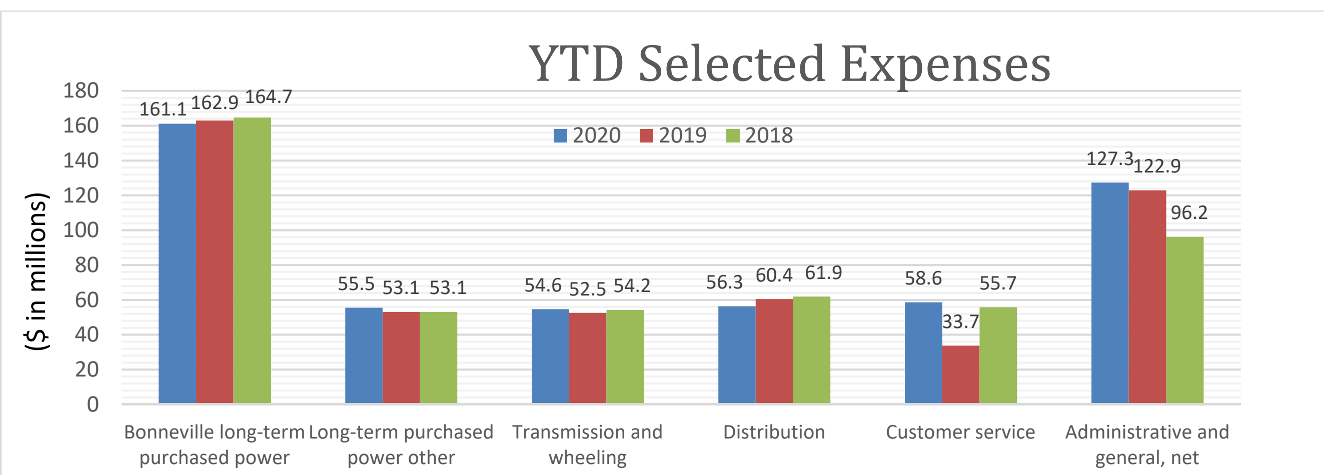
Non-power operating expenses increased significantly by $25.1 million to $275.5 million or 10.0% from $250.4 million in 2019. These expenses included Distribution expenses of $56.3 million, which decreased $4.1 million, Customer service of $58.6 million, which increased $24.9 million, Conservation of $33.3 million, which decreased $0.1 million, and Administrative and general (A&G), net, of $127.3 million which increased $4.4 million.

Higher bad debt expense increased customer service expenses by $19.0 million and $1.7 million for retail electric sales and sundry accounts receivable, respectively. Since March 2020, collection efforts have been suspended for most accounts in arrears to assist customers confronting COVID-related financial hardships. Other Customer services expenses increased $4.2 million mostly as a result of pandemic response.

Net changes for Distribution and Conservation expenses were relatively minimal as part of normal operations.

Administrative and General Expenses (A&G) costs, offset by general overhead allocation, increased a net $4.4 million. Labor, related overhead, and other expenses increased by $8.4 million for emergency management and administrative-related work as a result of adherence to necessary COVID-19 adjustments to operations. Higher expenses of $3.4 million were incurred for estimated injury claims and damages based on most recent studies. Employment benefits expenses decreased by $11.0 million, due to lower pension expenses based on the most recent actuarial study, and the allocation of employment benefits from A&G increased by $10.1 million. Other costs for normal operations increased $1.1 million. The pandemic interrupted work on capital projects, and the general overhead allocation from A&G was $12.6 million lower. Taxes of $101.2 million increased by $1.1 million.

Depreciation and amortization at $149.8 million increased by $4.0 million as a result of recent additions to plant in service for distribution, generation, and general plant.



2019 Compared to 2018 Operating expenses totaled $873.3 million, an increase of $50.1 million or 6.1% from $823.2 million in 2018.

Power-related operating expenses at $377.0 million were higher by $16.3 million or 4.5%. These expenses were comprised of Long-term purchased power - Bonneville and other of $215.9 million, which decreased $1.9 million, Short-term wholesale power purchases of $34.3 million, which increased $15.8 million, Other power expenses of $74.4 million, which increased $4.2 million, and Transmission of $52.4 million, which decreased $1.8 million.

Higher Short-term wholesale power purchases of $15.8 million were necessary for managing load and the result of lower generation from below normal hydro conditions in 2019. Increased volume purchases and higher average prices because of demand also added to the higher Short-term wholesale power purchases. Remaining net $0.5 million increase of power related expenses were incurred in normal operations including for Bonneville power, valuation of energy exchange contracts, ancillary power transactions, and other.

Non-power operating expenses increased by $3.6 million to $250.4 million or 1.5% from $246.8 million in 2018. These expenses included Distribution expenses of $60.4 million, which decreased $1.5 million, Customer service of $33.7 million, which decreased $22.0 million, Conservation of $33.4 million, which increased $0.4 million, and Administrative and general (A&G), net, of $122.9 million which increased $26.7 million.

Customer service expenses were lower by $15.8 million and $4.2 million because of lower bad debt expense for retail electric sales and sundry billings respectively. Customary collection activities and late fees billed resumed in late 2018 after being suspended for most of 2018 in response to billing concerns from retail electric customers that were since addressed. Sundry billings bad debt expense was also lower because of related decrease in allowance for bad debt as there was no significant change during 2019 for older aged billings, and generally for time and material billings and pole attachment billings. Collection for sundry billings have also been steady during 2019. Balance of increase of $2.0 million for Customer service was for normal operations.

Net changes for Distribution and Conservation expenses were nominal and part of normal operations.

Administrative and general (A&G), net increased by $26.7 million due to higher pension, employee benefits, industrial insurance, and injuries & damages expenses combined with lower A&G applied to capital projects were the major components comprising the higher A&G expenses, net.

Pension costs were $11.6 million higher based on the most recent actuarial study and accrued to comply with GASB Statement No. 68. The cost of employee medical related benefits increased by $4.6 million, trending in part with the general national direction of rising health related costs. Injuries and damages expenses were higher by $6.3 million for general claims and industrial insurance, also based on recent actuarial studies. These were offset by lower $1.7 million reduction in applied A&G overhead to capital projects. The balance net $5.9 million increase was for normal operations such as salaries, COLA salary adjustments, city cost allocations, year-end accruals, and other administrative.

Taxes at $100.1 million increased by $8.3 million and were the result of higher retail electric revenue.

Depreciation and amortization at $145.8 million increased by $21.9 million. $10.5 million of the increase was due to recent new software implemented such as for the new financial system, automated metering, utility design, and other. Remaining balance increase of $11.4 million was primarily for recent additions to distribution assets.

NONOPERATING REVENUES AND (EXPENSES), CAPITAL CONTRIBUTIONS AND GRANTS

2020 Compared to 2019 Nonoperating revenues increased by $0.9 million to $26.7 million in 2020. The largest increase of $0.8 million was attributable to release of easements to the city of Bellevue in connection with the construction of the regional light rail system in progress. Remaining net balance increase was for normal operations and including investment income.

Nonoperating expenses at $93.7 million were higher by $0.7 million. Net interest expense for bonds was higher by $3.4 million on account of additional bonds outstanding in 2020. This was offset by $2.7 million of net amortization of bond costs mostly for bond premium amortization.

Capital contributions and grants decreased by $10.0 million to $53.8 million primarily due to pandemic response causing an interruption in service connection projects.

2019 Compared to 2018 Nonoperating revenues increased by $8.2 million to $25.8 million in 2019. The largest increase was for higher interest earnings totaling $7.8 million and specifically, the unrealized gain on investments for the Department's share of the City's cash pooled investments. Remaining balance decrease was for normal operations.

Nonoperating expenses at $93.0 million were higher by $9.6 million, of which $12.1 million was due to no interest applied to capital projects in progress. The Department elected not to apply interest during construction to capital projects in progress during 2019 in accordance with GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The balance net decrease was for normal operations.

Capital contributions and grants increased by $4.2 million to $63.8 million in 2019. The increase was primarily due to continued large service connections and related completed work on larger projects due in part to the prolonged strong local economy.

RISK MANAGEMENT

The Department evaluates and monitors all strategic risks at the enterprise level, including emergency response, cybersecurity, physical plant security and seismic risks.

In addition, the Department's wholesale energy marketing activities are managed by the Power Management Division, and the Department's risk management activities are carried out by the Risk Oversight Division. Risk Oversight Council (ROC) oversees wholesale power marketing activities. It is comprised of the Facilities and Oversight Services Officer (Chair/Voting), Chief Financial Officer (Voting), Energy Innovation and Resources Officer (Voting), Director of Risk Oversight (Voting), as well as non-voting members including the Director of Power Management, Manager of Power Marketing, and Risk Oversight Strategic Advisor. ROC meets at least twice per month to review recent events in the wholesale power markets and the Department's market positions, exposures, Wholesale Energy Risk Management (WERM) policy compliance, and portfolio-balancing strategies and plans.

The Risk Oversight Division manages the market and credit risk 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 WERM policy and procedures.

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, runoff and rainfall. Hydroelectric operations are also influenced by flood control and environmental matters, including protection of fish. In low-water years, the Department's generation is reduced, and the use of wholesale purchased power may increase in order to meet retail needs. Normally, the Department experiences electricity usage peaks in winter; however, extreme weather conditions affecting either heating or summer cooling needs could cause the Department's seasonal fluctuations to be more pronounced and increase costs. In addition, economic trends (increase or decrease in business activity, housing sales and development of properties) can affect demand and change or increase 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 the approved strategies are executed by the Power Management Division. The Department engages in market transactions to meet its retail 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 failed 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 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 206-684-3090 or at P.O. Box 34023, Seattle, WA 98124-4023.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

BALANCE SHEETS - ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
AS OF DECEMBER 31, 2020 AND 2019

($ in millions)	2020	2019
ASSETS		
UTILITY PLANT—At original cost:		
Plant -in-service—excluding land	$ 5,522.1	$ 5,354.1
Less accumulated depreciation and amortization	(2,103.0)	(1,979.4)
Total plant-in-service—net	3,419.1	3,374.7
Construction work-in-progress	612.6	493.4
Nonoperating property—net of accumulated depreciation	17.5	16.8
Assets held for future use	4.0	4.0
Land and land rights	153.9	152.6
Total utility plant—net	4,207.1	4,041.5
RESTRICTED ASSETS:		
Rate stabilization account	96.8	74.1
Municipal light and power bond reserve account	153.8	146.5
Construction account	38.3	22.2
Special deposits and other restricted assets	35.9	33.7
Total restricted assets	324.8	276.5
CURRENT ASSETS:		
Cash and equity in pooled investments	102.4	190.2
Accounts receivable, net of allowance of $41.8 and $27.4	144.2	131.1
Interfund receivables	0.6	1.4
Unbilled revenues	87.5	92.6
Materials and supplies at average cost	38.1	34.3
Prepayments and other current assets	0.3	0.3
Total current assets	373.1	449.9
OTHER ASSETS:		
Conservation costs—net	256.7	261.4
Environmental costs—net	117.1	116.0
Other charges and assets—net	53.3	54.6
Total other assets	427.1	432.0
TOTAL ASSETS	5,332.1	5,199.9
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to Pension and OPEB	44.9	78.1
Charges on advance refunding	20.1	24.6
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65.0	102.7
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,397.1	$ 5,302.6

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

BALANCE SHEETS - LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AS OF DECEMBER 31, 2020 AND 2019

($ in millions)	2020	2019
LIABILITIES		
LONG-TERM DEBT:		
Revenue bonds	$ 2,553.5	$ 2,567.1
Plus bond premium—net	259.0	238.0
Less revenue bonds—current portion	(117.7)	(122.6)
Total long-term debt	2,694.8	2,682.5
NONCURRENT LIABILITIES:		
Net pension liability	265.2	321.6
Accumulated provision for injuries and damages	112.7	112.0
Compensated absences	20.3	16.7
Other noncurrent liabilities	9.7	9.5
Total noncurrent liabilities	407.9	459.8
CURRENT LIABILITIES:		
Accounts payable and other current liabilities	109.4	129.3
Accrued payroll and related taxes	6.3	19.5
Compensated absences	1.4	1.3
Accrued interest	36.3	34.1
Long-term debt—current portion	117.7	122.6
Total current liabilities	271.1	306.8
OTHER LIABILITIES	38.0	35.2
TOTAL LIABILITIES	3,411.8	3,484.3
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization unearned revenue	71.8	49.1
Deferred inflows related to pension and OPEB	48.2	29.4
Other deferred inflows of resources	40.9	37.6
TOTAL DEFERRED INFLOWS OF RESOURCES	160.9	116.1
NET POSITION		
Net investment in capital assets	1,822.8	1,653.7
Restricted:		
Rate stabilization account	25.0	25.0
Total restricted	25.0	25.0
Unrestricted—net	(23.4)	23.5
Total net position	1,824.4	1,702.2
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 5,397.1	$ 5,302.6

See notes to financial statements.

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THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

($ in millions)	**2020**	**2019**
OPERATING REVENUES:		
Retail power revenues	$ 926.7	$ 938.9
Short-term wholesale power revenues	51.3	43.2
Other power-related revenues	40.8	52.2
Transfers from/(to) rate stabilization account	(22.7)	22.8
Other operating revenues	19.6	22.4
Total operating revenues	1,015.7	1,079.5
OPERATING EXPENSES:		
Long-term purchased power—Bonneville and other	216.6	215.9
Short-term wholesale power purchases	10.0	34.3
Other power expenses	72.6	74.4
Transmission	54.6	52.4
Distribution	56.3	60.4
Customer service	58.6	33.7
Conservation	33.3	33.4
Administrative and general	127.3	122.9
Taxes	101.2	100.1
Depreciation and amortization	149.8	145.8
Total operating expenses	880.3	873.3
OPERATING INCOME	135.4	206.2
NONOPERATING REVENUES AND (EXPENSES):		
Other revenues and (expenses)—net	26.7	25.8
Interest expense		
Interest expense—net	(111.0)	(107.6)
Amortization of bond costs—net	17.3	14.6
Total interest expense	(93.7)	(93.0)
Total nonoperating expenses	(67.0)	(67.2)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	68.4	139.0
CAPITAL CONTRIBUTIONS AND GRANTS:		
Capital contributions	53.3	63.4
Capital grants	0.5	0.4
Total capital contributions and grants	53.8	63.8
CHANGE IN NET POSITION	122.2	202.8
NET POSITION:		
Beginning of year	1,702.2	1,499.4
End of year	$ 1,824.4	$ 1,702.2

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

($ in millions)	**2020**	**2019**
OPERATING ACTIVITIES:		
Cash received from customers and counterparties	$ 996.4	$ 1,027.0
Cash paid to suppliers and counterparties	(365.7)	(365.8)
Cash paid to employees	(173.2)	(159.9)
Taxes paid	(103.3)	(103.4)
Net cash provided by operating activities	354.2	397.9
NONCAPITAL FINANCING ACTIVITIES:		
Interfund operating cash received	1.3	1.3
Interfund operating cash paid	(47.0)	(47.7)
Principal paid on long-term debt	(12.7)	(11.3)
Interest paid on long-term debt	(11.0)	(10.2)
Noncapital grants received	0.9	0.6
Bonneville receipts for conservation	6.1	3.7
Payment to vendors on behalf of customers for conservation	(21.0)	(26.2)
Net cash used in noncapital financing activities	(83.4)	(89.8)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from long-term debt	198.3	350.8
Proceeds from long-term debt premiums	50.4	69.4
Payment to trustee for defeased bonds	(93.3)	(154.5)
Bond issue costs paid	(0.4)	(0.5)
Principal paid on long-term debt	(109.8)	(108.1)
Interest paid on long-term debt	(94.9)	(97.3)
Acquisition and construction of capital assets	(315.6)	(346.9)
Interfund payments for acquisition and construction of capital assets	(20.9)	(20.7)
Capital contributions	52.6	44.9
Interfund receipts for capital contributions	1.7	0.7
Capital grants received/(paid)	0.2	1.1
Interest received for suburban infrastructure improvements	2.5	2.6
Proceeds on sale of property	1.6	1.7
Decrease in other assets	1.8	1.7
Net cash used in capital and related financing activities	(325.8)	(255.1)
INVESTING ACTIVITIES:		
Interest received on cash and equity in pooled investments	15.5	14.9
Net cash provided by investing activities	15.5	14.9
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(39.5)	67.9
CASH AND EQUITY IN POOLED INVESTMENTS:		
Beginning of year	466.7	398.8
End of year	$ 427.2	$ 466.7

See notes to financial statements.

THE CITY OF SEATTLE—CITY LIGHT DEPARTMENT

STATEMENTS OF CASH FLOWS - RECONCILIATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

($ in millions)	**2020**	**2019**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 135.4	$ 206.2
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash items included in operating income:		
Depreciation	149.8	145.8
Amortization of other assets	32.0	29.9
Bad debt expense	20.7	0.3
Power revenues	(27.1)	(35.8)
Power expenses	26.1	37.6
Provision for injuries and damages	2.6	(0.4)
Other non-cash items	(7.1)	11.1
Change in:		
Accounts receivable	15.4	55.4
Unbilled revenues	5.1	(18.0)
Materials and supplies	(4.6)	1.0
Prepayments, interest receivable, and other receivables	-	(2.7)
Other assets	(3.3)	(4.7)
Provision for injuries and damages and claims payable	(0.7)	5.9
Accounts payable and other payables	(10.6)	(8.8)
Deferred inflows	(2.2)	(2.1)
Rate stabilization unearned revenue	22.7	(22.8)
Total adjustments	218.8	191.7
Net cash provided by operating activities	$ 354.2	$ 397.9
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
In-kind capital contributions	$ 1.8	$ 0.7
Amortization of debt related costs—net	17.3	14.7
Power exchange revenues	11.4	15.4
Power exchange expenses	(11.4)	(15.4)
Power revenue netted against power expenses	5.4	9.0
Power expense netted against power revenues	(9.0)	(12.9)

See notes to financial statements.

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 478,000 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 $27.5 million and $22.3 million in 2020 and 2019, respectively, and $2.2 million and $2.1 million for non-energy services, respectively.

The Department receives certain services from other City departments and paid $111.7 million in 2020 and $107.4 million in 2019, 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.

The Department's receivables from other City departments totaled $0.6 million and $1.4 million at December 31, 2020, and 2019, respectively. The Department's payables to other City departments were $0.0 million on December 31, for 2020 and 2019, respectively. The balances receivable and payable are the result of transactions incurred in the normal course of operations.

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 2020 with all applicable GASB pronouncements.

GASB Statement No. 87 - 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. In 2020, due to the ongoing impacts of COVID-19, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* Statement No. 87 will now be effective for the Department in 2022. The Department is currently evaluating the impact the adoption of this statement will have on its financial statements.

GASB Statement No. 91 - GASB Statement No. 91, *Conduit Debt Obligations,* clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement will be effective for the Department in 2022. GASB Statement No. 95 delayed implementation of this statement by one year. However, because the Department's debt instruments do not include conduit debt obligations, implementation of this statement is not expected to have an impact on the financial statements.

GASB Statement No. 92 - GASB Statement No. 92, *Omnibus 2020,* addresses several topics and issues that have been identified during implementation of various GASB Statements. This statement clarifies issues related to intra-entity transfers of assets, pension and postemployment benefits, asset retirement obligations, risk pools, and fair value measurements. This statement will be effective for the Department in 2022. GASB Statement No. 95 delayed implementation of this statement by one year. The Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 93 **-** GASB Statement No. 93, *Replacement of Interbank Offered Rates,* establishes accounting and financial reporting requirements related to the replacement of Interbank offered rates such as the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement is effective for the Department in 2022. GASB Statement No. 95 delayed implementation of this statement by one year. The Department is evaluating the impact this implementation will have on the financial statements.

GASB Statement No. 94 - GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* addresses issues related to public-private and public-public partnership arrangements (PPPs) and provides guidance for availability payment arrangements. This statement will be effective for the Department in 2023 and the Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 96 - GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. This statement will be effective for the Department in 2023 and the Department is currently evaluating the impact of implementation on the financial statements.

GASB Statement No. 97 - GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for the Department in 2022 and the Department is currently evaluating the impact of implementation on the financial statements.

Fair Value Measurements—Descriptions of the Department's accounting policies on fair value measurements for items reported on the balance sheets at December 31, 2020 and 2019, are as noted in Note 2 Fair Values, Note 5 Cash and Equity in Pooled Investments and Investments, Note 6 Accounts Receivable and Note 19 Long-Term Purchased Power, Exchanges, and Transmission.

Fair Value of Financial Instruments—The Department's financial instruments reported on the balance sheets at December 31, 2020 and 2019, 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, 2020 and 2019 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 and liabilities 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, 2020, and 2019, assets held for future use included the following electrical plant assets: land for future substations, communication system and risk mitigation structures were unchanged totaling $4.0 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.

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, 2020 and 2019, as follows:

	2020	2019
Residential	41.0 %	38.5 %
Nonresidential	59.0 %	61.5 %
Total	100.0 %	100.0 %

Revenues earned in the process of delivering energy to customers, wholesale energy transactions, and related activities are considered operating revenues in the determination of change in net position. Investment income, nonexchange transactions, and other revenues are considered Nonoperating revenues.

Expense Recognition—Expenses incurred in the process of delivering energy to customers, wholesale energy transactions, and related activities 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 $49.7 million and $62.4 million in 2020 and 2019, respectively. Benefit costs applied were $37.4 million and $27.3 million in 2020 and 2019, respectively. Administrative and general expenses, net of total applied overhead, were $127.3 million and $122.9 million in 2020 and 2019, respectively.

Interest Charged to Construction—Interest is no longer charged for funds used during construction of plant assets. The department has implemented this change in January 2019 to comply with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, that requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

Nonexchange Transactions—Capital contributions and grants in the amount of $53.8 million and $63.8 million for 2020 and 2019, respectively, are reported in the statements of revenues, expenses, and changes in net position as nonoperating revenues from nonexchange transactions. Capital contributions and grants 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.

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, 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 and liabilities 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.

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.
- 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 and Administrative Services (FAS). 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.

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 Department had no assets or liabilities that met the criteria for Level 3 at December 31, 2020 and 2019. 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, 2020 and 2019:

2020	Level 1	Level 2	Total
Assets			
Fair value investments			
Corporate Bonds	$ 15.6	$ -	$ 15.6
International Bank for Reconstruction & Development	6.9	-	6.9
Local Government Investment Pool	-	87.2	87.2
Municipal Bonds	-	53.7	53.7
Repurchase Agreements	12.2	-	12.2
U.S. Government Agency Mortgage-Backed Securities	-	45.0	45.0
U.S. Government Agency Securities	127.7	-	127.7
U.S. Treasury and U.S. Government-Backed Securities	78.9	-	78.9
Total fair value investments	241.3	185.9	427.2
Total Assets at fair value	$ 241.3	$ 185.9	$ 427.2

($ in millions)

2019	Level 1	Level 2	Total
Assets			
Fair value investments			
Commercial Paper	$ -	$ 14.5	$ 14.5
Local Government Investment Pool	-	87.1	87.1
Municipal Bonds	-	60.5	60.5
Repurchase Agreements	20.2	-	20.2
US Government Agency Mortgage Backed Securities	-	49.7	49.7
US Government Agency Securities	118.7	-	118.7
Corporate Bonds	8.6	-	8.6
International Bank for Reconstruction & Development	7.6	-	7.6
U.S. Treasury and U.S. Government-Backed Securities T	99.8	-	99.8
Total fair value investments	254.9	211.8	466.7
Total Assets at fair value	$ 254.9	$ 211.8	$ 466.7

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 $5,000, and for intangible assets, $500,000 in 2020 and 2019. Plant constructed with capital contributions or contributions in-aid-of construction received from customers is included in Utility plant. Capital contributions and grants totaled $53.8 million in 2020 and $63.8 million in 2019. 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 4 to 50 years. Effective January 1, 2017, the Department changed from a half-year convention method of depreciation to an actual month method. Depreciation and amortization expense as a percentage of depreciable utility plant-in-service was approximately 2.7% in 2020 and 2.7% in 2019. 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 2020 and 2019.

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.

Utility plant-in-service at original cost, including land on December 31, 2020, and 2019, was:

2020 ($ in millions)	Hydroelectric Production	Transmission	Distribution	General	Intangibles	Total
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2020 Balance	$ 939.2	$ 302.3	$ 3,011.9	$ 405.0	$ 695.7	$ 5,354.1
Acquisitions	18.4	20.2	106.6	9.7	39.3	194.2
Dispositions	(3.4)	(5.9)	(16.9)	-	-	(26.2)
Transfers and adjustments	-	-	-	-	-	-
12/31/2020 Balance	954.2	316.6	3,101.6	414.7	735.0	5,522.1
Accumulated depreciation and amortization:						
1/1/2020 Balance	$ 384.9	$ 92.6	$ 999.3	$ 251.1	$ 251.5	$ 1,979.4
Increase in accumulated depreciation and amortization	17.2	6.7	85.4	13.9	34.7	157.9
Retirements	(3.3)	(5.4)	(18.7)	-	-	(27.4)
Gain/Loss on Retirements	(1.2)	(2.6)	(3.1)	-	-	(6.9)
12/31/2020 Balance	397.6	91.3	1,062.9	265.0	286.2	2,103.0
Sub Total Plant-in-service - Net, excluding Land:	$ 556.6	$ 225.3	$ 2,038.7	$ 149.7	$ 448.8	$ 3,419.1
Land and land rights:						
1/1/2020 Balance	$ 56.5	$ 3.0	$ 86.5	$ 6.6	$ -	$ 152.6
Acquisitions	1.3	-	-	-	-	1.3
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2020 Balance	57.8	3.0	86.5	6.6	-	153.9
Construction work-in-process:						
1/1/2020 Balance	$ 56.8	$ 50.0	$ 335.9	$ 39.9	$ 10.8	$ 493.4
Additions	43.9	14.0	190.2	25.2	47.9	321.2
Closings	(21.9)	(22.1)	(110.1)	(9.5)	(39.1)	(202.7)
12/31/2020 Balance	78.8	41.9	416.0	55.6	19.6	611.9
*** Total Plant-in-service - Net, including Land and CWIP:**	$ 693.2	$ 270.2	$ 2,541.2	$ 211.9	$ 468.4	$ 4,184.9

** Excludes Nonoperating property and Assets held for future use.*

2019 *($ in millions)*	Hydroelectric Production	Transmission	Distribution	General	Intangible	Total
Utility Plant-in-service - At original cost:						
Plant-in-service, excluding Land:						
1/1/2019 Balance	$ 896.4	$ 290.6	$ 2,814.4	$ 391.9	$ 664.4	$ 5,057.7
Acquisitions	50.3	13.5	238.8	14.6	40.6	357.8
Dispositions	(7.5)	(1.8)	(41.3)	(1.5)	(9.3)	(61.4)
Transfers and adjustments	-	-	-	-	-	-
12/31/2019 Balance	939.2	302.3	3,011.9	405.0	695.7	5,354.1
Accumulated depreciation and amortization:						
1/1/2019 Balance	$ 377.8	$ 88.5	$ 960.9	$ 240.7	$ 225.9	1,893.8
Increase in accumulated depreciation and amortization	16.4	6.5	81.7	13.2	34.9	152.7
Retirements	(9.3)	(2.4)	(43.2)	(2.8)	(9.3)	(67.0)
Transfers and adjustments	-	-	(0.1)	-	-	(0.1)
12/31/2019 Balance	384.9	92.6	999.3	251.1	251.5	1,979.4
Sub Total Plant-in-service - Net: excluding Land:	$ 554.3	$ 209.7	$ 2,012.6	$ 153.9	$ 444.2	$ 3,374.7
Land and land rights:						
1/1/2019 Balance	$ 54.5	$ 3.0	$ 86.1	$ 6.6	$ -	$ 150.2
Acquisitions	2.0	-	0.4	-	-	2.4
Dispositions	-	-	-	-	-	-
Transfers and adjustments	-	-	-	-	-	-
12/31/2019 Balance	56.5	3.0	86.5	6.6	-	152.6
Construction work-in-process:						
1/1/2019 Balance	$ 67.1	$ 37.6	$ 343.1	$ 32.8	$ 5.6	$ 486.2
Additions	45.4	26.3	234.8	27.0	40.1	373.6
Closings	(55.7)	(13.9)	(242.0)	(19.9)	(34.9)	(366.4)
12/31/2019 Balance	56.8	50.0	335.9	39.9	10.8	493.4
***Total Plant-in-service - Net: including Land and CWIP:**	$ 667.6	$ 262.7	$ 2,435.0	$ 200.4	$ 455.0	$ 4,020.7

** Excludes Nonoperating property and Assets held for future use.*

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 the below specified levels:

RSA Balance	Action
Less than or equal to $90.0 million but greater than $80.0 million:	Automatic 1.5% surcharge
Less than or equal to $80.0 million but greater than $70.0 million:	Automatic 3.0% surcharge
Less than or equal to $70.0 million but greater than $50.0 million:	Automatic 4.5% surcharge
Less than or equal to $50.0 million:	City Council must initiate rate review within 45 days and determine actions to replenish RSA to $100.0 million within 12 months

In February 2014, the Seattle City Council adopted Ordinance No. 124426 (retroactive to December 2013), directing specific cash transfers to the RSA with the intention of reducing the likelihood of future rate surcharges.

Ordinance No. 123260 originally required a rate review whenever the RSA balance exceeded $125.0 million, along with the implementation of measures to reduce the RSA balance to $125.0 million within a period of 12 months or less. Subsequently, the Seattle City Council adopted Ordinance No. 124108 in February 2013 (retroactive to January 1, 2013) which extended the timing of this required rate review and associated action to an effective date of January 1, 2014.

In 2020, actual net wholesale revenue was $2.3 million less than budgeted. Hence, net transfers of $2.3 million were made from the RSA to the operating cash account during the year. The 1.5% surcharge enacted August 2016 and the 1.5% surcharge enacted November 2019 remained in effect throughout 2020, for a total of 3.0%. Transfers from the RSA were offset by $23.5 million revenue resulting from the surcharge. Interest of $1.5 million was earned on the RSA in 2020. The RSA ending balance was $96.8 million at December 31, 2020.

In 2019, actual net wholesale revenue was $39.0 million less than budgeted. Hence, net transfers of $39.0 million were made from the RSA to the operating cash account during the year. The 1.5% surcharge enacted August 2016 remained in effect throughout 2019. An additional 1.5% surcharge, for a total of 3.0%, was enacted in November 2019 due to the RSA ending the third quarter of 2019 with a balance of less than $80 million, but greater than $70 million. Transfers from the RSA were partially offset by $14.2 million revenue resulting from the surcharge. Interest of $2.0 million was earned on the RSA in 2019. The RSA ending balance was $74.1 million at December 31, 2019.

The RSA at December 31, 2020, and 2019, consisted of cash from the following sources:

($ in millions)	2020	2019
Rate Stabilization Account		
Beginning balance	$ 74.1	$ 96.9
Surcharge revenue	23.5	14.2
RSA interest income	1.5	2.0
Operating revenue	(2.3)	(39.0)
Ending balance	$ 96.8	$ 74.1

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, 2020, and 2019, consisted of the following:

($ in millions)	2020	2019
Unearned revenue - Rate Stabilization Account		
Beginning balance	$ 49.1	$ 71.9
Surcharge revenue	23.5	14.2
RSA interest income	1.5	2.0
Operating revenue	(2.3)	(39.0)
Ending balance	$ 71.8	$ 49.1

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, 2020, and 2019 were as follows:

($ in millions)	2020	2019
Transfers from/(to) Rate Stabilization Account	$ (22.7)	$ 22.8

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 and Administrative Services (FAS). 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 balance sheets 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, 2020, and 2019, 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, 2020, and 2019, the City held $95,000 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 FAS 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, 2020, and 2019, the Department did not have any dedicated investments. The City's Statement of Investment Policy was modified on January 1, 2018, with an effective date of March 8, 2018 and includes, but is not limited to, the topics of Standards of Care, Objectives, Strategy, Eligible Investments and Investment Parameters.

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: Investment officers shall 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.

- Delegation of Authority: The Director of Finance and Administrative Services has delegated management responsibility for the City's investment program to the Director of Finance who has designated day to day management responsibility to investment officers under the supervision of the City's Treasury Services Director. 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.

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 Return on Investment.

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 notes 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.

As of December 31, 2020, and 2019, the City's pooled investments were as follows:

($ in millions)	2020 Fair Value of City Pooled Investments	2020 Weighted-Average Maturity (Days)	2019 Fair Value of City Pooled Investments	2019 Weighted-Average Maturity (Days)*
Corporate Bonds	$ 92.7	508	$ 50.2	545
International Bank for Reconstruction & Development	41.1	853	44.7	1060
Local Government Investment Pool	519.7	1	509.6	2
Municipal Bonds	319.7	702	354.0	781
Repurchase Agreements	72.6	4	118.2	2
U.S. Government Agency Mortgage-Backed Securities	268.7	1608	290.9	1811
U.S. Government Agency Securities	760.6	1018	693.8	1246
U.S. Treasury and U.S. Government-Backed Securities	470	732	583.5	902
Commercial Paper	0	0	84.9	22
Total	$ 2,545.1		$ 2,729.8	
Portfolio Weighted Average Maturity		731		689

*2019 Weighted-Average Maturity (Days) - updated

As of December 31, 2020, and 2019, the Department's share of the City pool was as follows:

($ in millions)	2020	2019
Operating cash and equity in pooled investments	$ 102.4	$ 190.2
Restricted cash and equity in pooled investments	324.8	276.5
Total	$ 427.2	$ 466.7
Balance as a percentage of City pool cash and investments	16.7%	17.1%

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. On March 11, 2021, President Biden signed into law the $1.9 trillion "American Rescue Plan of 2021" to combat economic fallout from the Covid-19 pandemic that began during the first quarter of 2020. The Fed has communicated its ongoing support to maintain short-term historically low interest rates until the US economy can reach and sustain 2% inflation and unemployment return to pre-pandemic levels. Yields for longer term US treasuries have risen over 1Q21 in response to the unprecedented coordination of fiscal and monetary policy. By the end of March 2021, yields for Treasury Bills held close to zero while the yield for the U.S. 10-year Treasury rose to 1.74%, the highest it has been since December 2019 before Covid-19 broke out, and 81 basis point higher than the close on Dec. 31, 2020.

The City held $519.7 million 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 note 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 notes 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 notes rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes 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.

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 5 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 note shall be 5.5 years or less at the time of purchase. The maximum duration of aggregate corporate note investments shall not exceed 3 years. No corporate note issuer may exceed 3 percent of the fair value of the assets of the total portfolio. The percentage of corporate notes that may be purchased from any single issuer rated AA or better by all major rating agencies that rate the note is 3 percent of assets of the total portfolio. The percentage of corporate notes 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 notes 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.

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, 2020 and 2019 are as follows:

($ in millions)

	2020	
Issuer	Fair Value	Percent of Total Investments
Local Government Investment Pool	$ 519.7	20%
Federal Farm Credit Bank	519.5	20%
U.S. Treasury and Government-Backed Securities	470.0	18%
Municipal Bonds	319.7	13%
Federal National Mortgage Association	267.5	11%
Federal Home Loan Mortgage Corporation	242.3	10%
	$ 2,338.7	92%

($ in millions)

	2019	
Issuer	Fair Value	Percent of Total Investments
US Treasury (HUD Debenture, US Treasury Bonds)	$ 583.5	21%
Washington State Treasurer's Investment Pool	509.6	19%
Federal Farm Credit Bank, Federal Home Loan Bank	406.9	15%
Municipal Bonds	354.0	13%
Federal Home Loan Mortgage Corporation (Freddie Mac) and FHMS K Series	293.8	11%
Federal National Mortgage Association (Fannie Mae), FNA, and FNMA DUS ACES, FN DUS POOL	284.0	10%
SWEEP-REPO	118.2	4%
	$ 2,550.0	93%

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 obtained on-line at http:/www.seattle.gov/financial-services/comprehensive-annual-financial-report.

6. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 and 2019, consist of:

($ in millions)	Retail Electric	Wholesale Power	Other Operating	Operating Subtotal	Nonoperating Subtotal	Total
2020						
Accounts receivable	$ 95.6	$ 8.7	$ 18.6	$ 122.9	$ 63.1	$ 186.0
Less allowance for doubtful accounts	(27.6)	-	(14.2)	(41.8)	-	(41.8)
	$ 68.0	$ 8.7	$ 4.4	$ 81.1	$ 63.1	$ 144.2
2019						
Accounts receivable	$ 76.3	$ 5.4	$ 16.1	$ 97.8	$ 60.7	$ 158.5
Less allowance for doubtful accounts	(14.8)	-	(12.6)	(27.4)	-	(27.4)
	$ 61.5	$ 5.4	$ 3.5	$ 70.4	$ 60.7	$ 131.1

There was no exchange energy at fair value under long-term contracts within Wholesale power receivables at December 31, 2020 and 2019. (see Note 19 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 19 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).

- Puget Sound Energy interconnection and substation costs are being amortized to expense over 25 years.

- 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.

Regulatory assets and other assets, net, at December 31, 2020 and 2019, consisted of the following:

($ in millions)	2020	2019
Regulatory assets:		
Conservation costs—net	$ 256.7	$ 261.4
Endangered Species Act costs—net	1.4	1.5
Environmental costs	117.1	116.0
	375.2	378.9
Other charges and assets—net:		
Suburban infrastructure long-term receivables	47.3	49.1
Long-term interfund receivable for environmental costs	0.6	0.6
Long-term customer notes receivable	1.1	-
Puget Sound Energy interconnection and substation	-	0.1
Studies, surveys, and investigations	2.8	2.8
Other	0.1	0.5
	51.9	53.1
Total Other Assets	$ 427.1	$ 432.0

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.

Deferred outflows of resources at December 31, 2020 and 2019 consisted of the following:

($ in millions)	2020	2019
Deferred outflows of resources:		
Unrealized contributions and losses related to pension	$ 42.3	$ 76.2
Unrealized contributions and losses related to OPEB	2.6	1.9
Charges on advance refunding	20.1	24.6
Total	$ 65.0	$ 102.7

9. LONG-TERM DEBT

At December 31, 2020 and 2019, the Department's long-term debt consisted of the following prior lien or parity bonds:

LONG-TERM ($ in millions)		Rate	Maturity Year	Original Issuance	2020	2019
Prior Lien Bonds:						
2020A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2050	$ 198.3	$ 198.3	$ -
2019A	ML&P Improvement Revenue Bonds	5.000%–5.000%	2049	210.5	207.0	210.5
2019B	ML&P Refunding Revenue Bonds	5.000%–5.000%	2026	140.3	140.3	140.3
2018C2	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	45.9	47.2
2018C1	ML&P Refunding Revenue Bonds	variable rates	2046	49.2	45.9	47.2
2018B2	ML&P Refunding Revenue Bonds	variable rates	2045	50.1	50.1	50.1
2018B1	ML&P Refunding Revenue Bonds	variable rates	2045	50.1	50.1	50.1
2018A	ML&P Improvement Revenue Bonds	4.000%–5.000%	2048	263.8	255.5	259.9
2017C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2047	385.5	372.0	376.3
2016A	ML&P Revenue Bonds	4.050% fixed	2041	31.9	31.9	31.9
2016B	ML&P Refunding Revenue Bonds	4.000%–5.000%	2029	116.9	105.1	115.3
2016C	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2046	160.8	151.6	154.1
2015A	ML&P Revenue Bonds	4.000%–5.000%	2045	171.9	143.2	149.0
2014	ML&P Improvement and Refunding Revenue Bonds	4.000%–5.000%	2044	265.2	185.0	198.4
2013	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2043	190.8	118.3	171.9
2012A	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2041	293.3	159.3	212.6
2012C	ML&P Clean Renewable Energy Bonds	3.400%–3.750%	2033	43.0	43.0	43.0
2011A	ML&P Improvement and Refunding Revenue Bonds	1.000%–5.500%	2036	296.3	46.1	58.0
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	181.6	181.6
2010B	ML&P Improvement and Refunding Revenue Bonds	2.000%–5.000%	2026	596.9	-	46.4
2010C	ML&P Recovery Zone Economic Development Bonds	5.590%–5.590%	2040	13.3	13.3	13.3
Total prior lien bonds				$ 3,768.9	$ 2,553.5	$ 2,567.1

The Department had the following activity in long-term debt during 2020 and 2019:

($ in millions)	Balance at 1/1/20	Additions	Reductions	Balance at 12/31/20	Current Portion
2020					
Prior Lien Bonds - fixed rate	$ 2,372.5	$ 198.3	$ (209.4)	$ 2,361.4	$ 115.6
Prior Lien Bonds - variable rate	194.6	-	(2.5)	192.1	2.1
	$ 2,567.1	$ 198.3	$ (211.9)	$ 2,553.5	$ 117.7

($ in millions)	Balance at 1/1/19	Additions	Reductions	Balance at 12/31/19	Current Portion
2019					
Prior Lien Bonds - fixed rate	$ 2,294.1	$ 350.8	$ (272.4)	$ 2,372.5	$ 120.1
Prior Lien Bonds - variable rate	197.5	-	(2.9)	194.6	2.5
	$ 2,491.6	$ 350.8	$ (275.3)	$ 2,567.1	$ 122.6

Prior Lien Bonds—In August 2020, the Department issued $198.3 million of tax exempt Municipal Light and Power (ML&P) Improvement Revenue Bonds (2020A Bonds) and in November 2020 advance refunded or defeased $39.4 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2012A Bonds) and $49.9 million of (2013 Bonds). The 2020A Bonds had coupon interest rates ranging from 4.00% of 5.00% and mature serially from July 1, 2021 through July 1, 2050. The arbitrage yield was 1.19% for the 2020A 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. Proceeds from the 2020A Bonds were used to finance certain capital improvement and conservation programs and to make a deposit to the reserve fund.

The debt service on the 2020A Bonds requires a cash flow over the life of the bonds of $320.1 million, including $121.8 million in interest. Bonds defeased in November 2020 partially refunded certain 2012A Bonds and 2013 Bonds on an advanced refunding basis. 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 2012A and 2013 bonds was from operating cash whereby $99.9 million of open market securities were purchased and placed in escrow to pay principal and interest on the refunded bonds. The accounting loss on refunding for 2020 was $2.8 million.

Prior Lien Bonds— In October 2019, the Department issued $210.5 million of tax exempt Municipal Light and Power (ML&P) Improvement Revenue Bonds (2019A Bonds) and in November 2019 issued $140.3 million of tax exempt Municipal Light and Power (ML&P) Refunding Revenue Bonds (2019B Bonds). The 2019A Bonds had a coupon interest rate of 5.00% and mature serially from April 1, 2020 through April 1, 2049. The 2019B serial Bonds also had a coupon interest rate of 5.00% and mature serially from February 2021 through February 2026. The arbitrage yield was 1.82% for both the 2019A and 2019B 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. Proceeds from the 2019A Bonds were used to finance certain capital improvement and conservation programs and to make a deposit to the reserve fund. Proceeds from the 2019B Bonds were used to refund $155.8 million of the 2010B Bonds.

The debt service on the 2019A Bonds requires a cash flow over the life of the bonds of $405.7 million, including $195.1 million in interest, the debt service on the 2019B Bonds requires a cash flow over the life of the bonds of $166.5 million, including $26.3 million in interest. The 2019B Bonds refunded the 2010B Bonds on an advanced refunding basis. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2019B Bonds totaled $20.6 million and the aggregate economic gain on refunding totaled $19.4 million at present value. The accounting gain on refunding for the 2019B Bonds was $2.0 million.

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 2020 was a 5.9% reduction through the end of the federal fiscal year (FFY) ending September 30, 2020 at which time the automatic reductions were adjusted to 5.7% in the amount the Department expects to receive from the federal government in connection with its Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds—Direct Payment); Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds—Direct Payment); Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds—Direct Payment); Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds—Direct Payment); and Municipal Light and Power Revenue Bonds, 2016A (Taxable New Clean Renewable Energy

Bonds—Direct Payment). Because of this reduction, the Department received $0.4 million less in interest subsidies than originally anticipated for 2020. The Department has sufficient revenues to pay the interest without these subsidies. The effect for the accrual of federal subsidies as of December 31, 2020 was inconsequential. The effect during 2021 is estimated to be lower federal subsidies by approximately $0.4 million. The effect thereafter for federal subsidies is indeterminable. Sequestration was originally in effect through FFY 2021 and has subsequently been extended through approximately FFY 2029.

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 2018B and 2018C Bonds are estimated based on actual interest rates in effect as of December 31, 2020.

($ in millions)

	Fixed Rate Bonds		Variable Rate Bonds		
Years Ending December 31	**Principal Redemptions**	**Interest Requirements**	**Principal Redemptions**	**Interest Requirements**	**Total**
2021	$ 115.6	$ 105.1	$ 2.1	$ 0.9	$ 223.7
2022	118.8	100.3	2.2	0.9	222.2
2023	121.3	94.2	2.3	0.9	218.7
2024	125.0	88.1	2.3	0.9	216.3
2025	115.0	81.7	2.4	0.9	200.0
2026 – 2030	432.6	338.8	31.7	3.9	807.0
2031 – 2035	386.2	249.9	38.7	3.1	677.9
2036 – 2040	443.3	158.8	47.2	2.1	651.4
2041 – 2045	345.4	71.6	57.7	0.9	475.6
2046 – 2050	158.2	13.5	5.5	-	177.2
Total	$ 2,361.4	$ 1,302.0	$ 192.1	$ 14.5	$ 3,870.0

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 2020A Bonds, the aggregate Reserve Fund Requirement for all Parity Bonds outstanding was $163.1 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 $153.8 million at December 31, 2020 consisted of $107.9 million in cash which included a $4.4 million deposit from the 2020A bond proceeds, and $45.9 million in surety bond replacement funds. The reserve fund balance at December 31, 2019 of $146.5 million consisted of $100.6 million in cash which included a $5.5 million deposit from the 2019A bond proceeds, and $45.9 million in surety bond replacement funds.

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.

AGM is currently rated A2 and AA by Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

Irrevocable Trust Accounts—$100.0 million from operating cash was placed in a separate irrevocable trust account to partially defease the 2012A and 2013 Bonds on an advanced refunding basis. There were balances outstanding in the irrevocable trust account during 2020 for prior lien bonds advance refunded or defeased in 2020 with balances outstanding for prior lien bonds advance refunded prior to 2019. The ending balance of irrevocable trust accounts for the defeased bonds outstanding was $234.5 million and $333.0 million as of December 31, 2020 and 2019 respectively. During 2020, $187.9 million of the defeased bonds were called and paid from the 2020 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, 2020 are sufficient to service and redeem the defeased bonds outstanding.

Bond Ratings—The 2020 and 2019 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 2020 and 2019 was $228.5 million and $226.9 million, respectively. Total revenue available for debt service as defined for the same periods was $386.3 million and $462.7 million, respectively. Annual interest and principal payments are expected to require 57.9% of revenues available for debt service for 2021 and required 49.4% in 2020.

Federal Arbitrage Regulations—Revenue bonds are subject to federal arbitrage regulations and the Department has complied with these regulations. As of December 31, 2020 and 2019, arbitrage liability existed for certain bonds outstanding totaling $0.7 million for both years.

Certain Disclosures Related to Debt – There were no direct borrowings or direct placements for the Department as of December 31, 2020 and 2019, respectively.

The Department has an arrangement with the City of Seattle Department of Finance and Administrative Services (FAS) 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, 2020, and 2019, there were no interfund loans outstanding.

Also, there were no financed purchases of underlying assets or accounts payable regarding capital leases as of December 31, 2020 and 2019, 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, 2020 and 2019, respectively.

Fair Value— Debt is recorded and presented in the financial statements at carrying value net of premiums and discounts and shown below with fair values as provided by the Department's financial advisor, Piper Sandler Companies. The fair value for the Department's bonds is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities. Carrying amounts and fair values at December 31, 2020 and 2019, were as follows:

($ in millions)	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt:				
Prior lien bonds	$ 2,812.5	$ 2,950.9	$ 2,805.1	$ 2,889.0

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 refunding losses and gains amortized to interest expense totaled $6.0 million in 2020 and $5.1 million in 2019. Charges on advance refunding in the amount of $20.1 million and $24.6 million are included as a component of Deferred Outflows of Resources on the 2020 and 2019 balance sheets, respectively. Gains on advance refunding included as a component of Deferred Inflows of Resources were $1.4 million in 2020 and $1.9 million in 2019.

10. NONCURRENT LIABILITIES—The Department had the following activities during 2020 and 2019:

($ in millions)

	Balance at 1/1/20	Additions	Reductions	Balance at 12/31/20
2020				
Net pension liability	$ 321.6	$ -	$ (56.4)	$ 265.2
Accumulated provision for injuries and damages	112.0	0.7	-	112.7
Compensated absences	16.7	3.6	-	20.3
Other	9.5	0.2	-	9.7
Total	$ 459.8	$ 4.5	$ (56.4)	$ 407.9

	Balance at 1/1/19	Additions	Reductions	Balance at 12/31/19
2019				
Net pension liability	$ 232.5	$ 89.1	$ -	$ 321.6
Accumulated provision for injuries and damages	108.9	3.1	-	112.0
Compensated absences	15.0	1.7	-	16.7
Other	9.4	0.3	(0.2)	9.5
Total	$ 365.8	$ 94.2	$ (0.2)	$ 459.8

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. Other includes primarily a liability for Other Postemployment Benefits; see Note 14 Other Postemployment Benefits.

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, City-wide cost allocations, and economic and social factors. For 2020 and 2019, liabilities for lawsuits, claims, and workers' compensation were discounted over a period of 28 to 33 years at the City's average annual rate of return on investments, which was 2.36% and 2.00%, respectively.

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. Effective June 1, 2020, the City had general liability insurance coverage for losses over a $6.5 million self-insured retention per occurrence with a $35 million limit per occurrence in the aggregate. Prior to June 1, 2020, the City had general liability insurance coverage for losses over a $6.5 million self-insured retention per occurrence with a $100 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 depending on the type of asset and value of the building. This includes $100.0 million in earthquake and flood limits. 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, volunteers, and an assortment of commercial general liability, 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, 2020 and 2019 are as follows:

($ in millions)	**2020**	**2019**
Beginning unpaid claims liability	$ 10.3	$ 10.1
Payments	(3.8)	(4.1)
Incurred claims	6.1	4.3
Ending unpaid claims liability	$ 12.6	$ 10.3

The provision for injuries and damages included in current and noncurrent liabilities at December 31, 2020 and 2019 is as follows:

($ in millions)	**2020**	**2019**
Noncurrent liabilities	$ 8.4	$ 6.9
Accounts payable and other current liabilities	4.2	3.4
Total liability	$ 12.6	$ 10.3

12. ACCOUNTS PAYABLE

Accounts Payable and Other Current Liabilities—The composition of accounts payable and other current liabilities at December 31, 2020 and 2019, is as follows:

($ in millions)	**2020**	**2019**
Vouchers payable	$ 33.7	$ 49.1
Power accounts payable	23.5	24.8
Taxes payable	8.1	10.6
Claims payable	6.4	6.9
Guarantee deposit and contract retainer	34.1	26.6
Other accounts payable	3.6	11.3
Total	$ 109.4	$ 129.3

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, 2020, and the measurement date, December 31, 2019 and the reporting date December 31, 2019, and the measurement date December 31, 2018:

	2020	2019
Active members	9,410	9,440
Retired members and beneficiaries receiving benefits	7,138	7,029
Vested terminated employees entitled to benefits	1,366	1,371
Terminated employees not entitled to benefits beyond contributions and accumulated interest, non-vested	1,442	1,401

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 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, 2019 and December 31, 2018, and the total pension liability used to calculate the NPL was based on an actuarial valuation as of January 1, 2019 and January 1, 2018, 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, 2020 and December 31, 2019, and the measurement dates, December 31, 2019 and December 31, 2018:

($ in millions)	Contributions					
	Rates				Amounts	
	SCERS I Employer	SCERS I Employee	SCERS II Employer	SCERS II Employee	City	Department
2020	16.20%	10.03%	14.42%	7.00%	$141.0	$28.7
2019	15.23%	10.03%	14.42%	7.00%	$118.4	$24.8

Net Pension Liability—The Department reported a liability of $265.2 million and $321.6 million for its proportionate share of net pension liability as of December 31, 2020 and December 31, 2019, respectively. The Department's proportion of the NPL as of December 31, 2020 and December 31, 2019 was based on contributions to SCERS during the fiscal year ended December 31, 2019 and December 31, 2018, respectively. The Department's proportionate share was 21.10% and 21.17% for the years ended December 31, 2019 and December 31, 2018, respectively. The net pension liability was measured as of December 31, 2019 and December 31, 2018, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of January 1, 2019 and January 1, 2018, respectively.

Changes in Net Pension Liability

($ In millions)

	Fiscal Year Ended December 31	
	2020	**2019**
Total Pension Liability		
Service cost	$ 22.5	$ 22.5
Interest on total pension liability	64.0	62.1
Effect of economic/demographic gains or losses	(4.5)	(2.6)
Effect of assumptions changes or inputs	-	21.2
Benefit payments	(42.9)	(40.3)
Refund of contributions	(3.2)	(4.3)
Net change in total pension liability	35.9	58.6
Total pension liability, beginning of period	896.9	831.6
Effect of change in proportionate share	(3.0)	6.7
Adjusted total pension liability, beginning of period	893.9	838.3
Total pension liability, end of period	929.8	896.9
Plan fiduciary net position		
Benefit payments	(42.9)	(40.3)
Refunds of contributions	(3.2)	(4.3)
Administrative expenses	(2.0)	(2.6)
Member contributions	15.9	16.2
Employer contributions	25.1	24.9
Net investment income	98.3	(22.6)
Net change in Plan fiduciary net position	91.2	(28.7)
Plan fiduciary net position, beginning of period	575.3	599.1
Effect of change in proportionate share	(1.9)	4.9
Adjusted fiduciary net position, beginning of period	573.4	604.0
Plan fiduciary net position, end of period	664.6	575.3
Net pension liability, end of period	$ 265.2	$ 321.6

The Department incurred pension expense of $24.7 million and $33.6 million for the years ended December 31, 2020, and 2019, respectively.

Actuarial assumptions—The total pension liability at December 31, 2020 and 2019 was based on actuarial valuations as of December 31, 2019 and 2018, respectively, using the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Normal
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	3.50%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Investment Rate of Return	7.25%
Cost of Living Adjustments	Annual compounding COLA of 1.5% assumed. Additional restoration of purchasing power benefits available based on an assumed 3.25% if purchasing level decreases to 65%.
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale.

All other actuarial assumptions used in the December 31, 2019 and December 31, 2018 valuations were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2017.

Discount Rate—The discount rate used to measure the total pension liability for FY 2020 and FY 2019 was 7.25%. 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.

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 2020 and 2019 is projected at 2.75% for the same periods.

Asset Category	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	48%	4.77%
Private Equity	9%	7.96%
Fixed Income		
Core Fixed Income	16%	0.67%
Credit Fixed Income	7%	3.66%
Real Assets		
Real Estate	12%	3.76%
Infrastructure	3%	3.95%
Diversifying Strategies	5%	N/A

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the Department's proportionate share of the net pension liability of SCERS, calculated using a discount rate of 7.25% for FY 2020 and FY 2019, 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)

	Net Pension Liability at December 31,	
	2020	2019
Discount Rate		
1% decrease - 6.25%	$ 379.6	$ 430.5
Current discount Rate - 7.25%	265.2	321.6
1% increase - 8.25%	169.5	226.7

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, 2020, which are publicly available at http://www.seattle.gov/retirement/about-us/board-of-administration.

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, 2020, and December 31, 2019:

($ in millions)	December 31, 2020	December 31, 2019
Deferred outflows of resources		
Differences between expected and actual experience	$ -	$ 0.1
Changes of assumptions	13.6	17.4
Net difference between projected and actual earnings	-	33.9
Contributions made subsequent to measurement date	28.7	24.8
Total deferred outflows of resources	$ 42.3	$ 76.2
Deferred inflows of resources		
Differences between expected and actual experience	$ 8.6	$ 6.8
Net difference between projected and actual earnings	23.0	-
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	13.0	19.4
Total deferred inflows of resources	$ 44.6	$ 26.2

Department contributions made in 2020 in the amount of $28.7 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, 2021. 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 *($ in millions)*	Amortization
2021	(13.3)
2022	(10.0)
2023	3.0
2024	(10.2)
2025	(0.5)
Total	$ (31.0)

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 11,853 active employee plan participants and 466 retiree, disabled, and survivor plan participants as of the January 1, 2020 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 2014-2017.

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	FY 2020: 2.74%
	FY 2019: 4.10%
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.

	Pre 65		
Year	Medical	Rx	Composite
2020 to 2021	6.55%	9.00%	7.15%
2021 to 2022	6.32%	8.50%	6.86%
2022 to 2023	6.09%	8.00%	6.57%
2023 to 2024	5.86%	7.50%	6.28%
2024 to 2025	5.64%	7.00%	5.99%
2025 to 2026	5.41%	6.50%	5.69%
2026 to 2027	5.18%	6.00%	5.40%
2027 to 2028	4.95%	5.50%	5.10%
2028 to 2029	4.73%	5.00%	4.80%
2029 to 2030	4.50%	4.50%	4.50%

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%.
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 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, benefit, and plan represent the true underlying baseline experience estimated for the City of Seattle's sponsored postretirement benefits and costs.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	$ 12,533	$ 2,912	$ 358	$ 12,230	$ 2,893	$ 358
55	$ 14,220	$ 3,305	$ 358	$ 13,877	$ 3,282	$ 358
57	$ 15,499	$ 3,601	$ 358	$ 15,125	$ 3,576	$ 358
60	$ 17,638	$ 4,097	$ 358	$ 17,210	$ 4,069	$ 358
62	$ 19,003	$ 4,415	$ 358	$ 18,543	$ 4,384	$ 358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	$ 5,397	$ 1,246	$ 689	$ 5,755	$ 1,273	$ 689
55	$ 6,123	$ 1,413	$ 689	$ 6,531	$ 1,445	$ 689
57	$ 6,674	$ 1,540	$ 689	$ 7,118	$ 1,574	$ 689
60	$ 7,595	$ 1,752	$ 689	$ 8,100	$ 1,792	$ 689
62	$ 8,182	$ 1,888	$ 689	$ 8,727	$ 1,930	$ 689

The average medical and prescription drug per capita claims costs were developed from 2021 calendar year self-funded premium rates. Premium-equivalent rates 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 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 to be centered at the mid-point of the annual period following the valuation date. Average medical/Rx per capita claims costs were then age-adjusted based on the demographics of the rating population, and the assumed health care aging factors shown in the table below.

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

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%	3.3%
45-49	3.70%	4.70%	3.8%
50-54	4.20%	4.70%	4.3%
55-59	4.40%	4.60%	4.4%
60-64	3.70%	4.60%	3.8%

Net OPEB Liability – The department reported an OPEB liability of $9.0 million and $8.7 million for the years ended December 31, 2020 and 2019, respectively. The Department's proportionate share of the OPEB liability was 14.14% and 14.34% for the years ended December 31, 2020 and 2019, respectively. Based on the actuarial valuation date of January 1, 2020 and measurement dates January 1, 2019 and January 1, 2020, details regarding the Department's Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability as of December 31, 2020 and 2019 are shown below.

Changes in Net OPEB Liability

($ in millions)	Fiscal Year Ended December 31, 2020	2019
Total OPEB Liability		
Service cost	$ 0.5	$ 0.6
Interest on the total OPEB liability	0.4	0.3
Differences between expected and actual experience	1.0	-
Changes of assumptions	(1.1)	(0.6)
Benefit payments	(0.4)	(0.3)
Net Changes	0.4	0.0
Total OPEB liability, beginning of period	8.7	8.9
Effect of change in proportionate share	(0.1)	(0.2)
Adjusted total OPEB liability, beginning of period	8.6	8.7
Total OPEB liability, end of period	9.0	8.7
Plan fiduciary net position		
Benefit payments	(0.4)	(0.3)
Employer contributions	0.4	0.3
Net change in Plan fiduciary net position	-	-
Plan fiduciary net position, beginning of period	-	-
Effect of change in proportionate share	-	-
Adjusted fiduciary net position, beginning of period	-	-
Plan fiduciary net position, end of period	-	-
Net OPEB liability, end of period	$ 9.0	$ 8.7

The Department recorded an expense for OPEB of $0.3 million and $0.7 million in 2020 and 2019, respectively. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Report.

Discount Rate and Healthcare Cost Trend Rates – The discount rate used to measure the total OPEB liability is 2.74% and 4.10% for the years ended December 31, 2020 and 2019, 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:

Discount Rate Sensitivity

(In millions)	Net OPEB Liability at December 31, 2020	2019
Discount Rate		
1% decrease - 1.74%	$ 9.8	
Current discount Rate - 2.74%	9.0	
1% increase - 3.74%	8.2	
1% decrease - 3.10%		$ 9.6
Current discount Rate - 4.10%		8.7
1% increase - 5.10%		8.0

The following table presents the sensitivity of net Health Plan OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB liability:

Healthcare Cost Trend Rate Sensitivity

(In millions)

	Net OPEB Liability at December 31,	
	2020	2019
Discount Rate		
1% decrease	$ 8.0	$ 7.7
Trend rate	9.0	8.7
1% increase	10.2	10.0

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, 2020 and December 31, 2019.

($ in millions)

	December 31,	
	2020	2019
Deferred outflows of resources		
Difference between actual and expected experience	$ 2.2	$ 1.5
Contributions made after measurement date	0.4	0.4
Total deferred outflows of resources	$ 2.6	$ 1.9
Deferred inflows of resources		
Assumption changes	$ 3.5	$ 3.0
Changes in proportionate share	-	0.2
Total deferred inflows of resources	$ 3.5	$ 3.2

Department contributions made in 2020 in the amount of $0.4 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, 2021. 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 *($ in millions)*	**Amortization**
2021	$ (0.2)
2022	(0.2)
2023	(0.2)
2024	(0.2)
2025	(0.2)
Total Thereafter	(0.3)
Total	$ (1.3)

15. ENVIRONMENTAL LIABILITIES

Environmental liabilities were $106.6 million and $108.6 million, at December 31, 2020, and 2019, 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 or Agency) designated this site as a federal Superfund site. The Department and other entities are sharing costs equally for investigating contamination in the East Waterway (EWW) alongside Harbor Island. 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 City is one of four parties who are conducting remedial investigation and feasibility study that will delineate cleanup actions. A draft final feasibility study was submitted to EPA in October 2016. Nine alternative actions were presented with costs ranging from $256.0 million to $411.0 million with an estimated time to complete construction on active cleanup components ranging from 9 to 13 years. The Feasibility Study (FS) was completed in 2017. The EPA comments were received in 2017 and the final FS was approved by the EPA in June 2019. The proposed plan is expected to be released in May 2021. The clean-up construction timing and cost estimates will not be known until the Agency identifies a preferred remedy; the final FS has identified a range of costs on which the clean-up estimate is based. The Department does not own East Waterway.

  The City anticipates that EPA will issue a notification letter to Potential Liable Parties (PLP) 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 process that will commence once additional PLPs are identified. The Department owns property adjacent to the East Waterway but does not own any of the waterway channel or sediments. The Department recorded a liability of $52.8 Million as of December 31, 2020 and the ultimate liability is indeterminate.

- *The Lower Duwamish Waterway Superfund Site*—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. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway. In December 2014, the EPA issued its final Record of Decision (ROD) indicating its preferred alternative clean-up with a discounted estimated cost of $342.0 million, from the total estimated cost of $394.0 million. This estimate was recalculated to its 2018 current value using a starting point of the undiscounted estimated cost of $394.0 million plus an average Marine Construction Inflation Factor of 1.038 annually. This recalculation resulted in an increase in estimated environmental liability of $12.3 million for the Department for a revised estimated total project cost of $504.2 million for the project in 2018. The same inflation factor was applied in 2020 with a revised estimated total project cost of $568.4 million at the end of 2020.

There have been four amendments to the AOC. The first amendment required Lower Duwamish Waterway Group (LDWG) to complete the Fisher Study which was completed in 2016; the second amendment required the completion of carbon study which was constructed in the first quarter of 2017 and will continue through 2020. Year 1 and year 2 monitoring of the carbon plots were completed in 2018 and 2019. The third amendment required additional pre-design activities. The workplan for pre-design work was approved by EPA in August 2017. The field work was completed in 2018 and the draft final reports were submitted in the same year. The EPA approval of all pre-design reports except the Data Evaluation Report was received in 2019. Approval of the Data Evaluation Report was received in 2020. In July 2018, EPA issued a 4th amendment to the AOC that requires LDWG to (1) Design the remedy for river mile 3.0 to river mile 5 of Lower Duwamish Waterway Site (the "LDW Upper Reach"), consistent with the Lower Duwamish Waterway ROD and CERCLA; (2) incorporate the work being carried out under the Third Amendment to this AOC in support of the development of seafood consumption institutional controls for the Site; and (3) provide for timely periodic monitoring of selected site conditions, as necessary. The final amendment (AOC4), consultant selection and initial work were completed in 2019. The workplan for the design of LDW Upper Reach was approved by EPA in 2019. The Quality Assurance Project Plan and Phase 1 of design sampling were completed in 2020. Compiling and evaluating Phase 1 data and submittal of the draft Phase 1 Data Evaluation Report were completed in Q1, 2021 Activities planned for 2021include, preparing the Survey and QAPP Addendums for the Phase 2 design sampling. Phase 2 design sampling is anticipated to begin in Q3, 2021. The cost is currently split equally between the four LDWG parties. The Department recorded a liability of $45.1 Million as of December 31, 2020. The Department's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The City and other three parties who signed the AOC with the EPA agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. There are 45 parties participating in allocation. The City hired an allocator and the allocation process began in April 2014. The Department agreed to administer the allocator's contract, estimated to cost about $4.0 million over a four-year period. Parties participating in the allocation process will share the cost of the allocator and the process.

The City is also responsible for investigation and cleanup at the Port of Seattle Terminal 117 Streets, Uplands and Sediments sites, which is an Early Action Area of the Lower Duwamish Waterway (LDW). The South Park Street is not owned by the Department, but the City has jurisdiction over the streets and rights-of-way. Remediation activities for streets were completed in August 2016. The City's share for the uplands and sediments site is paid 100% by the Department. The City's share for the adjacent streets is split between the Department and SPU according to a Memorandum of Agreement (MOA) signed in

August 2014. According to this MOA, SPU will pay 2.5% for some portions of the construction and up to 100% for other parts of the cleanup and restoration. The final construction closeout and project closeout was approved by EPA in July 2018. In September 2018, the Long-term Monitoring and Maintenance Plan (LTMMP) was approved by EPA. Activities and costs related to the ongoing monitoring of the drainage infrastructure will be completed by SPU. Annual reports are submitted in March of each year. The first report was submitted in March 2019 with subsequent reports submitted in March 2020 and to be submitted in March 2021. Department recorded a liability of $2.0 Million as of December 31, 2020 and the ultimate liability is indeterminate.

- *South Park Marina*—The Washington Department of Ecology has notified the City that it is a Potentially Liable Party for contamination at South Park Marina, which is adjacent to Terminal 117. The Department is the lead for the City at this site. Negotiations for an Agreed Order between Ecology and Potential Liable Parties (PLP) have resulted in an Agreed Order to conduct a Remedial Investigation (RI). The Agreed Order was finalized in April 2019. The Common Interest for Cost Sharing agreement between PLPs was signed in 2019. The City, the Port of Seattle and South Park Marina have agreed to share costs equally with the City administering the contract with a common consultant. City share is split between the Department 97.5% and SPU 2.5%. In 2019, the City contracted with a consultant to conduct the RI. A draft workplan was submitted to Ecology in May 2020 and comments were received. A revised draft workplan was submitted in December 2020. Phase 1 field activities and some data analysis is anticipated to be conducted in 2021. The Department recorded a liability of $0.2 Million as of December 31, 2020 and the ultimate liability is indeterminate.

- *North Boeing Field/Georgetown Steam Plant*—The City, King County, and Boeing signed an Administrative Order issued by the Washington State Department of Ecology (Ecology) requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Department's Georgetown Steam Plant (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 Ecology's implementation of the current order. The order requires completion and then implementation of a Remedial Investigation (RI) and feasibility study. The final RI work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making the PRPs responsible for conducting and completing remedial action at the site. The City is responsible for one third of the costs, with the Department's share at 90% and SPU's share at 10%. The draft RI was submitted in June 2016. Ecology directed additional investigation in offsite areas following the submittal of RI. The additional investigation and negotiation on RI comments has delayed the submittal of the revised draft RI until 2020. Furthermore, conditions related to COVID-19 pandemic further delayed the Ecology engagement during 2020. The draft RI is now anticipated to be submitted in 2021. The FS process will begin following approval of RI. The timing of the approval is currently unknown. Boeing and the City will each pay 100% of costs for remedial action at their own facilities. Storm drain sampling conducted during the RI revealed presence of chemicals in the storm lines that drain the GTSP roof. City light agreed with Department of Ecology that it will replace the GTSP roof as an interim action prior to finalization of the RI/FS. Roof replacement began in December 2020 and is anticipated to be completed in early 2021. The Department recorded a liability of $1.7 Million as of December 31, 2020 and the ultimate liability is indeterminate.

- *Newhalem* – this project is comprised of three sites. The Ladder Creek Settling Tank – this project is one of three sites within City Light's Skagit River Hydroelectric Project being conducted under a 2019 Settlement Agreement with the National Park Service (NPS). The project is located near Newhalem, WA and is a cleanup of contaminated debris and soil 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 (TCRA) administered by NPS. The final TCRA Completion Report has been approved, and a final reporting of two years of post-TCRA vegetative restoration monitoring has been approved. NPS will keep the project open while conducting periodic vegetative restoration monitoring through approximately 2023. NPS owns the land.

  Newhalem Penstock – this project is the second of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with NPS. The project is also located near Newhalem and currently includes preparation of an Engineering Evaluation and Cost Analysis (EE/CA) to comply with CERCLA requirements under a Non-time Critical Removal Action administered by NPS. The draft EE/CA was started in 2020 and the final is anticipated to be approved in Q1 or Q2 2022. Floyd|SnideNr (F|S) is under contract to provide City Light with consulting services related to the EE/CA, and cleanup planning if necessary. NPS owns the land.

  Diablo Dry Dock – this project is the third of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with 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 contract to provide City Light with consulting services related to the EE/CA. The EE/CA field investigation is planned for 2021, and the draft and final EE/CA Reports are planned for 2021-2023. NPS owns the land

  The Department recorded a liability of $2.7 Million as of December 31, 2020 for all three Skagit sites and the ultimate liability is indeterminate.

The Department has included in the estimated environmental liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable.

Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation accept 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 realized recoveries was $0.03 million and $0.4 million at December 31, 2020, and 2019, respectively, primarily representing an interfund receivable from SPU for recovery of remediation costs incurred related to the lower Duwamish Waterway 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 zero at December 31, 2020. As of December 31, 2020, and 2019, environmental costs of $117.1 million and $116.0 million were deferred primarily for cleanup estimates of the Department's responsibility for the LDW and EWW 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, 2020 and 2019 were as follows:

($ in millions)	**2020**	**2019**
Beginning Deferred Environmental Costs	$ 116.0	$ 113.7
Incurred	1.5	2.9
True-up of Realizable Recoveries from SPU and Other Parties	-	(0.4)
Amortization	(0.4)	(0.2)
Ending Deferred Environmental Costs net of Recoveries	$ 117.1	$ 116.0

The changes in the provision for environmental liabilities at December 31, 2020, and 2019 were as follows:

($ in millions)	**2020**	**2019**
Beginning Environmental Liability, Net of Recoveries	$ 108.6	$ 107.7
Payments	(3.5)	(2.0)
Incurred Environmental Liability	1.5	2.9
Ending Environmental Liability, Net of Recoveries	$ 106.6	$ 108.6

The provision for environmental liabilities included in current and noncurrent liabilities at December 31, 2020 and 2019, was as follows:

($ in millions)	**2020**	**2019**
Noncurrent Liabilities	$ 104.3	$ 105.1
Accounts Payable and Other Current Liabilities	2.3	3.5
Ending Non-Current Liabilities	$ 106.6	$ 108.6

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, 2020 and 2019 consisted of the following:

($ in millions)	2020	2019
Other liabilities:		
Unearned capital fees	$ 26.5	$ 22.4
Customer deposits—sundry sales	10.6	12.1
Unearned revenues—other	0.9	0.7
Total	$ 38.0	$ 35.2

17. DEFERRED INFLOWS OF RESOURCES

Seattle City Council passed resolutions authorizing the reporting of certain credits as regulatory liabilities 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 2020 and 2019 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 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.

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, 2020 and 2019 consisted of the following:

($ in millions)	2020	2019
Deferred inflows of resources:		
Unearned revenue—rate stabilization account	$ 71.8	$ 49.1
Changes in Net Pension Liability	44.7	26.2
Changes in OPEB Liability	3.5	3.2
Gains on advanced refunding	1.4	1.9
Bonneville energy conservation agreement	39.5	35.7
Total	$ 160.9	$ 116.1

18. 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 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, 2020 and 2019 consisted of the following:

($ in millions)	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2020			
Sales	$ 13.0	$ 12.5	$ 0.5
Purchases	-	-	-
Total	$ 13.0	$ 12.5	$ 0.5

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
2019			
Sales	$ 8.3	$ 8.6	$ (0.3)
Purchases	0.7	0.7	-
Total	$ 9.0	$ 9.3	$ (0.3)

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 2020 and 2019. 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.

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.

19. 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 there was an amendment to the agreement whereby the Department no longer participates as a Slice customer and will exclusively purchase Block. Block quantities are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the Court ruled that refunds be issued to non-IOUs through September 2019. The Department received the final billing credit of $4.3 million in 2019 related to the Block and Slice agreement.

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 $6.7 million and $8.4 million in 2020 and 2019, respectively, including operations costs and royalty payments to the irrigation districts. The Department provided and billed Lucky Peak $0.3 million for operational and administrative services in both 2020 and 2019. These amounts are recorded as offsets to purchased power expense.

The Department's receivables from Lucky Peak were less than $0.1 million on December 31, for 2020 and 2019, respectively. The Department's payables to Lucky Peak were $0.8 million and $1.2 million at December 31, for 2020 and 2019, respectively.

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. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035 (see Note 3 Utility Plant).

Expenses incurred, and energy received under these and other long-term purchased power agreements at December 31, 2020 and 2019 were as follows:

	Expense		Average Megawatts	
($ in millions)	**2020**	**2019**	**2020**	**2019**
Long-term purchased power-Bonneville	$ 161.1	$ 162.9	489.4	501.0
Lucky Peak	6.7	8.4	29.0	41.6
British Columbia - High Ross Agreement	13.4	13.5	35.3	35.1
Grant County Public Utility District	1.2	1.8	2.9	2.3
Columbia Basin Hydropower	7.9	6.0	29.4	25.0
Bonneville South Fork Tolt billing credit	(3.4)	(3.4)	-	-
Renewable energy - State Line Wind	26.3	22.6	43.4	38.6
Renewable energy - Other	7.9	7.9	13.2	13.3
Exchanges and loss returns energy at fair value	1.9	2.7	48.8	46.8
Long-term purchased power booked out	(6.4)	(6.5)	(35.6)	(19.8)
Long-term purchase power-other	55.5	53.0	166.4	182.9
Total	$ 216.6	$ 215.9	655.8	683.9

Renewable Energy Purchase and/or Exchanges—The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State with more than 25,000 customers to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits (RECs) as a percentage of total energy delivered to retail customers. The annual target is at least 15% for 2020 and 9% for 2019. The law also has a compliance option for utilities with declining load to spend 1% of revenue requirements on eligible RECs and/or resources. The Department met the requirements of the compliance option in both 2020 and 2019.

Fair Value of Exchange Energy—During 2020 and 2019, exchange energy settled deliveries were valued using Dow Jones U.S Daily Electricity Price Indices.

Estimated Future Payments Under Purchased Power, Transmission and Related Contracts—The Department's estimated payments for purchased power and transmission, RECs, and other contracts for the period from 2021 through 2065, undiscounted, are as follows:

$ in millions

Years Ending December 31	Estimated Payments
2021[(a)]	$ 260.8
2022	236.4
2023	237.8
2024	246.0
2025[(b)]	216.9
2026-2030[(c)]	600.8
Thereafter (through 2065)	161.3
Total	$ 1,960.0

(a) Stateline wind agreement expires December 31, 2021.

(b) Bonneville transmission agreement expires July 31, 2025.

(c) Bonneville Block & Slice agreement expires September 30, 2028.

20. COMMITMENTS AND CONTINGENCIES

Operating Leases—While the Department owns several buildings including those at the Skagit and Boundary hydroelectric projects, service centers, and the System Control Center, the Department leases some administrative office space from the City. Such lease payments to the City are made through a central cost allocation process, similar to all other payments for tenancy of City property. These payments are not included in the operating leases table below. The Department also leases certain office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expenses for all operating leases totaled $1.4 million in 2020 and $1.3 million in 2019.

Minimum payments under the operating leases are:

Year Ending December 31 ($ in millions)		Minimum Payments
2021	$	1.6
2022		1.5
2023		1.5
2024		1.4
2025		-
Thereafter		-
Total	$	6.0

2021 Capital Program—The budget for the Department's 2021 program for capital improvement, conservation, and deferred operations and maintenance including required expenditures on assets owned by others is $361.8 million. At December 31, 2020, the Department had approximately $155.5 million in commitments relating thereto. Department overhead costs and other allocations associated with the capital program are not included in the budget amount.

2021 Operations and Maintenance Budget—The Department's 2021 Operating and Maintenance budget is $995.9 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 $166.0 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, 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.

New 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 $356.8 million adjusted to 2020 dollars, of which $101.6 million were expended through 2020. 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 through April 30, 2025. 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, 2020, to be $147.1 million, of which $138.2 million had been expended. Total South Fork Tolt license mitigation costs were estimated at $2.1 million, of which $1.9 million were expended through 2020. 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 2020 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 in order to obtain a FERC license. ESA and related issues are discussed below.

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, 2020, are estimated to be $17.2 million, and $1.8 million has been allocated for the program in the 2021 budget.

Project Impact Payments—Effective August 2010, the Department renewed its contract with Pend Oreille County and committed to pay a total of $19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of the Department's hydroelectric projects. This contract was renewed in May 2020 with the Department agreeing to pay $29.8 million over 10 years ending in 2029. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of $15.8 million over 15 years ending in 2023. 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 $2.7 million to Pend Oreille County in 2020 and $1.9 million in 2019, and $1.2 million to Whatcom County in 2020 and $1.1 million in 2019.

Deien v. City – Plaintiff brings a purported class action against the Department based on the Department's billing practices associated with the Department's transition to advanced meters. No class has been certified and any ultimate liability is indeterminate.

Dixon v. City and 3 "John Doe" defendants – Plaintiff Dixon alleges that he is a victim of discrimination and retaliation based on race, color, and engaging in protected activities. The plaintiff includes allegations under federal antidiscrimination laws, as well as under state tort law. The Department is seeking removal of the case to federal court. An adverse result could include awards of compensatory damages and attorneys' fees. The Department's ultimate liability is indeterminate.

The following case from 2019 was settled in 2020

Overby v. City, Haynes, and Wilson – Plaintiff Overby alleged that he was a victim of age and disability discrimination and retaliation. The case arose from asserted occupational exposure to contaminants at the Department's Skagit generation facility. The plaintiff asserted that the Department and the individual defendants mistreated him following such exposure. In January 2020, the plaintiff accepted an offer of judgment in the amount of $100,000 plus costs and attorneys' fees then accrued.

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.

Changes in Net Pension Liability and Related Ratios - 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):

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	21.10%	21.17%	21.00%	22.13%	24.46%	24.53%
Employer's proportionate share of total pension liability	$ 929.8	$ 896.9	$ 831.6	$ 839.5	$ 883.5	$ 841.5
Employer's proportionate share of plan fiduciary net position	$ 664.6	$ 575.3	$ 599.1	$ 550.7	$ 565.7	$ 569.7
Employer's proportionate share of the net pension liability	$ 265.2	$ 321.6	$ 232.5	$ 288.8	$ 317.8	$ 271.8
Employer's covered-employee payroll	$ 165.3	$ 163.7	$ 153.6	$ 156.5	$ 157.0	$ 152.3
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	160.44%	196.42%	151.41%	184.49%	202.44%	178.48%
Plan fiduciary net position as a percentage of the total pension liability	71.48%	64.14%	72.04%	65.60%	64.03%	67.70%

Notes to Schedule

This schedule is intended to show information for 10 years. Since 2015 was the first year of this presentation, data on years preceding 2015 are not available. Additional years' data will be included as they become available.

Actuarial Methods and Assumptions:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percent
Amortization Growth Rate	3.50% for FY 2020 and FY 2019, 4.0% for prior years
Remaining amortization period	30 years as of January 1, 2013 Valuation
Asset valuation method	5 years, Non-asymptotic
Inflation	2.75% for FY 2020 and 2019, 3.25% for prior years
Investment rate of return	7.25% for FY 2020 and FY 2019, 7.50% for prior years
Mortality	Based on RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale for FY 2020 and FY 2019. Prior years based on RP-2000 mortality tables using generational projection of improvement using Projection Scale AA.

There were no changes to benefit terms in 2020. See Note 13 for details regarding actuarial methods and assumptions.

The Department's proportionate schedule of employer's contributions (dollar amounts in millions):

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 28.7	$ 24.8	$ 24.7	$ 23.7	$ 25.3	$ 24.9
Contributions in relation to contractually required contribution	28.7	24.8	24.7	23.7	25.3	24.9
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 178.1	$ 165.3	$ 163.7	$ 153.6	$ 156.5	$ 157.0
Contributions as a percentage of covered-employee payroll	16.11%	15.00%	15.09%	15.43%	16.17%	15.86%

Notes to Schedule

This schedule is intended to show information for 10 years. Since 2015 was the first year of this presentation, data on years preceding 2015 are not available. Additional years' data will be included as they become available.

Changes in 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)

	2020	2019	2018
Employer's proportion of the net OPEB liability	14.14%	14.34%	14.61%
Employer's proportionate share of total OPEB liability	$ 9.0	$ 8.7	$ 8.9
Employer's proportionate share of plan fiduciary net position	-	-	-
Employer's proportionate share of the net OPEB liability	$ 9.0	$ 8.7	$ 8.9
Employer's covered-employee payroll	$ 159.0	$ 145.6	$ 148.3
Employer's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	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	2.74% for FY 2020, 4.10% for FY 2019, and 3.44% for FY 2018
Health care cost trend rate- Medical	6.55% initial, decreasing to an ultimate rate of 4.50% for FY 2020. 7.00% initial, decreasing to an ultimate rate of 4.50% for prior years.
Health care cost trend rate- RX	9.00% initial, decreasing to an ultimate rate of 4.50% for FY 2020. 10.00% initial, decreasing to an ultimate rate of 4.50% for prior years.
Mortality	Based on RP-2014 mortality tables using generational projection of improvement using MP-2014 Ultimate projection scale

There were no changes to benefit terms in 2020. See Note 14 for details regarding actuarial methods and assumptions.

DEBT SERVICE COVERAGE

Following is a table that provides information for the Department's debt service coverage for years 2020, 2019, and 2018. The target level for debt service coverage was 1.8x on all bonds for 2020, 2019 and 2018 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**		
	2020	**2019**	**2018**
OPERATING REVENUES:			
Retail power revenues	$ 926.7	$ 938.9	$ 868.6
Short-term wholesale power revenues	51.3	43.2	61.0
Other power-related revenues (a)(b)(c)	40.8	52.2	45.9
Transfers from/(to) rate stabilization account (d)	(22.7)	22.8	(3.5)
Other operating revenues	19.6	22.4	19.6
Total operating revenues	$ 1,015.7	$ 1,079.5	$ 991.6
OPERATING EXPENSES:			
Long-term purchased power—Bonneville and other (b)	$ 216.6	$ 215.9	$ 217.8
Short-term wholesale power purchases	10.0	34.3	18.5
Other power expenses (b)	72.6	74.4	70.2
Transmission (e)	54.6	52.4	54.2
Distribution	56.3	60.4	61.9
Customer service	58.6	33.7	55.7
Conservation	33.3	33.4	32.9
Administrative and general	127.3	122.9	96.2
Taxes	101.2	100.1	91.8
Depreciation and amortization	149.8	145.8	124.0
Total operating expenses	$ 880.3	$ 873.3	$ 823.2
NET OPERATING REVENUE (f)	$ 135.4	$ 206.2	$ 168.4
Adjustments to Net Operating Revenue (g)			
City Taxes (h)	$ 57.5	$ 58.5	$ 53.4
Depreciation and amortization	149.8	145.8	124.0
Depreciation & amortization included in operating & maintenance expenses (i)	32.5	30.8	33.0
Pension expense (j)	24.6	33.6	22.0
Pension contributions (j)	(28.7)	(24.8)	(24.7)
Valuation on exchange power, net (b)(c)	-	-	0.9
BPA Conservation Augmentation/Agreement revenue (k)	(2.4)	(2.1)	(1.9)
Investment income (l)	10.8	10.7	10.9
Non-cash expenses (m)	3.4	1.0	0.8
Other (n)	3.4	3.0	1.6
Total adjustments	$ 250.9	$ 256.5	$ 220.0
Net Revenue Available for Debt Service	$ 386.3	$ 462.7	$ 388.4
Total Debt Service (o)	$ 223.0	$ 220.8	$ 212.4
Ratio of Available Net Revenue to Debt Service	1.73x	2.10x	1.83x

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) 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) Pension expense is the amount recorded for compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, a non-cash item. Pension contributions are the Department cash contributions to the Seattle City Employee's Retirement System.
(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 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
2020	$ 386.3	$ 223.0	1.73
2019	462.7	220.8	2.10
2018	388.4	212.4	1.83
2017	376.8	203.3	1.85
2016	331.9	196.5	1.69

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON LONG-TERM DEBT

Year Ending December 31 (*$ in millions*)	Fixed Rate Bonds Principal	Fixed Rate Bonds Interest	Fixed Rate Bonds Subtotal	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Variable Rate Bonds Subtotal	Total [(a)]
2021	$ 115.6	$ 105.1	$ 220.7	$ 2.1	$ 0.9	$ 3.0	$ 223.7
2022	118.8	100.3	219.1	2.2	0.9	3.1	222.2
2023	121.3	94.2	215.5	2.3	0.9	3.2	218.7
2024	125.0	88.1	213.1	2.3	0.9	3.2	216.3
2025	115.0	81.7	196.7	2.4	0.9	3.3	200.0
2026	107.2	76.6	183.8	5.9	0.8	6.7	190.5
2027	85.0	71.6	156.6	6.1	0.8	6.9	163.5
2028	88.7	67.3	156.0	6.3	0.8	7.1	163.1
2029	83.0	63.4	146.4	6.5	0.8	7.3	153.7
2030	68.7	59.8	128.5	6.9	0.7	7.6	136.1
2031	71.5	56.6	128.1	7.1	0.7	7.8	135.9
2032	74.3	53.3	127.6	7.4	0.7	8.1	135.7
2033	77.2	50.0	127.2	7.7	0.6	8.3	135.5
2034	79.2	46.8	126.0	8.0	0.6	8.6	134.6
2035	84.1	43.2	127.3	8.4	0.5	8.9	136.2
2036	92.7	39.4	132.1	8.7	0.5	9.2	141.3
2037	82.7	35.4	118.1	9.1	0.5	9.6	127.7
2038	85.9	31.8	117.7	9.5	0.4	9.9	127.6
2039	89.3	28.0	117.3	9.8	0.4	10.2	127.5
2040	92.8	24.1	116.9	10.2	0.3	10.5	127.4
2041	82.4	20.4	102.8	10.6	0.3	10.9	113.7
2042	69.1	17.2	86.3	11.1	0.2	11.3	97.6
2043	72.1	14.3	86.4	11.5	0.2	11.7	98.1
2044	64.1	11.2	75.3	12.0	0.1	12.1	87.4
2045	57.7	8.5	66.2	12.4	0.1	12.5	78.7
2046	51.7	6.3	58.0	5.6	-	5.6	63.6
2047	46.3	4.1	50.4	-	-	-	50.4
2048	33.7	2.1	35.8	-	-	-	35.8
2049	19.6	0.9	20.5	-	-	-	20.5
2050	6.7	0.3	7.0	-	-	-	7.0
Total	$ 2,361.4	$ 1,302.0	$ 3,663.4	$ 192.1	$ 14.5	$ 206.6	$ 3,870.0

[(a)] Maximum debt service of $223.7 million is due in 2021. See Note 9 Long-term debt.
Note: All parity bonds of the Department are fixed rate bonds except the 2018B B.1 & B.2, and 2018C C.1 & C.2 bonds which are variable rate bonds.

STATEMENT OF LONG-TERM DEBT

As of December 31, 2020

($ in millions)

Bond Series	When Due	Interest Rate (%)	Amount Issued	Amount Outstanding	Amount Due Within One Year	Accrued Interest
Series 2010A	2021	4.447	4.6	4.6	4.6	0.1
Series 2010A	2022	4.597	7.2	7.2	-	0.1
Series 2010A	2023	4.747	7.5	7.5	-	0.2
Series 2010A	2024	4.947	7.7	7.7	-	0.2
Series 2010A	2025	5.047	8.0	8.0	-	0.2
Series 2010A	2026	5.147	8.2	8.2	-	0.2
Series 2010A	2027	5.247	8.5	8.5	-	0.2
Series 2010A	2028-2030	5.470	27.4	27.4	-	0.6
Series 2010A	2031-2040	5.570	102.6	102.5	-	2.3
Series 2010C	2021-2040	5.590	13.3	13.3	-	0.3
Series 2011A	2021-2026	5.250	75.8	46.0	12.5	1.0
Series 2011B	2027	5.750	10.0	10.0	-	0.2
Series 2012A	2021-2027	5.000	198.0	80.7	14.6	0.2
Series 2012A	2028	3.250	12.4	12.4	-	0.1
Series 2012A	2034-2036	4.000	25.1	17.1	-	0.1
Series 2012A	2037-2041	4.000	49.1	49.1	-	0.1
Series 2012C	2028	3.400	4.3	4.3	-	-
Series 2012C	2029	3.500	7.7	7.7	-	-
Series 2012C	2030	3.500	7.7	7.7	-	-
Series 2012C	2031-2033	3.750	23.4	23.4	-	0.1
Series 2013	2021-2033	5.000	97.4	30.9	-	0.7
Series 2013	2034-2035	4.000	14.7	14.7	-	0.3
Series 2013	2036-2038	4.125	24.4	24.4	-	0.6
Series 2013	2039-2043	4.500	48.3	48.3	-	1.1
Series 2014	2021-2029	5.000	163.2	83.0	18.3	1.2
Series 2014	2030-2038	4.000	53.9	53.9	-	0.8
Series 2014	2039-2040	4.000	14.8	14.8	-	0.2
Series 2014	2041-2044	4.000	33.3	33.3	-	0.5
Series 2015A	2021-2026	5.000	62.9	34.2	5.5	0.2
Series 2015A	2027-2045	4.000	109.0	109.0	-	0.8
Series 2016A	2036-2041	4.050	31.9	31.9	-	0.6
Series 2016B	2021-2028	5.000	103.0	91.1	10.8	1.1
Series 2016B	2029	4.000	13.9	13.9	-	0.2
Series 2016C	2021-2026	5.000	56.9	47.7	12.5	0.4
Series 2016C	2027-2046	4.000	103.9	103.9	-	1.2
Series 2017C	2021-2032	5.000	174.2	160.7	4.5	2.4
Series 2017C	2033-2047	4.000	211.3	211.3	-	3.1
Series 2018A	2021-2029	5.000	60.2	51.8	4.7	0.8
Series 2018A	2030-2048	4.000	203.6	203.6	-	4.6
Series 2018B B.1	2026-2045	.37 - 5.49 [A]	50.1	50.1	-	0.1
Series 2018B B.2	2026-2045	.37 - 5.49 [A]	50.1	50.1	-	0.1
Series 2018C C.1	2021-2046	.28 - 5.69 [A]	49.3	46.0	1.1	0.1
Series 2018C C.2	2021-2046	.28 - 5.69 [A]	49.3	46.0	1.1	0.1
Series 2019A	2021-2049	5.000	210.5	207.0	3.3	2.5
Series 2019B	2021-2026	5.000	140.3	140.3	21.8	2.9
Series 2020A	2021-2030	5.000	78.5	78.5	2.4	1.4
Series 2020A	2031-2050	4.000	119.8	119.8	-	2.1
Total			$ 2,937.2	$ 2,553.5	$ 117.7	$ 36.3

[A] Range of adjustable rates in effect during 2020.

Note: All parity bonds of the Department are fixed rate bonds except the 2018B B1&B2, and 2018C C1&C2 bonds, which are variable rate bonds.

POWER COSTS AND STATISTICS

Year ending December 31 ($ in millions)	2020	2019	2018	2017	2016
POWER COSTS					
Hydroelectric generation[(a)(c)]	$ 58.2	$ 54.4	$ 51.7	$ 56.8	$ 53.0
Long-term purchased power[(b)]	216.6	215.9	217.8	224.8	219.8
Wholesale power purchases[(c)(e)]	10.0	34.3	18.5	15.2	15.1
Fair valuation & other power purchases[(b)(e)]	15.2	21.9	20.6	11.4	10.5
Owned transmission[(a)]	16.4	15.7	17.0	15.5	15.9
Wheeling expenses	44.9	43.3	43.2	42.9	42.9
Other power expenses	16.3	14.5	13.1	13.9	12.8
Total power costs	377.6	400.0	381.9	380.5	370.0
Less short-term wholesale power sales[(c)]	(51.3)	(43.2)	(61.0)	(60.9)	(62.9)
Less other power-related revenues	(29.3)	(36.8)	(28.5)	(20.8)	(16.7)
Less fair valuation other power-related[(b)]	(11.4)	(15.4)	(17.4)	(15.0)	(15.9)
Net power costs	$ 285.6	$ 304.6	$ 275.0	$ 283.8	$ 274.5
POWER STATISTICS (MWh)					
Hydroelectric generation[(c)]	6,017,176	5,346,373	6,419,136	6,396,563	6,707,264
Long-term purchased power[(b)]	6,173,078	6,243,569	6,354,303	7,521,767	7,215,308
Wholesale power purchases[(c)(e)]	633,111	1,028,182	1,167,441	904,362	936,289
Wholesale power sales[(c)(e)]	(2,605,592)	(2,123,263)	(3,329,288)	(3,695,173)	(4,044,452)
Other[(d)]	(1,003,455)	(958,287)	(938,363)	(1,154,419)	(1,117,826)
Total power available	9,214,318	9,536,574	9,673,229	9,973,100	9,696,583
Less self consumed energy	(26,203)	(26,962)	(25,642)	(26,691)	(24,912)
Less system losses	(549,228)	(387,653)	(573,525)	(537,750)	(491,233)
Total power delivered to retail customers	8,638,887	9,121,959	9,074,062	9,408,659	9,180,438
Net power cost per MWh delivered[$]	$ 33.05	$ 33.38	$ 30.31	$ 30.16	$ 29.90

(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.

HISTORICAL ENERGY RESOURCES (in MWh)

	2020	2019[d]	2018	2017	2016
Department-Owned Generation					
Boundary Project	3,576,351	3,307,074	4,008,235	3,825,302	3,888,316
Skagit Hydroelectric Project:					
Gorge	958,211	832,815	947,000	998,676	1,036,540
Diablo	703,719	610,968	626,127	692,828	870,216
Ross	655,524	524,516	690,006	741,493	791,415
Cedar Falls/Newhalem	81,065	41,376	89,250	83,461	68,429
South Fork Tolt	42,306	29,624	58,518	54,803	52,348
Subtotal	6,017,176	5,346,373	6,419,136	6,396,563	6,707,264
Energy Purchases					
Bonneville	4,299,280	4,388,973	4,435,838	5,482,904	5,138,417
Priest Rapids	25,596	19,866	25,732	24,532	25,249
Columbia Basin Hydropower	258,498	219,094	241,236	228,789	253,628
High Ross	309,960	307,599	310,700	313,973	308,478
Lucky Peak	254,619	364,089	347,669	463,403	340,474
Stateline Wind Project	380,795	338,452	342,873	330,161	373,389
Columbia Ridge	102,421	101,615	102,617	96,096	99,487
Seasonal and Other Exchange[a]	541,909	503,881	547,638	581,909	676,186
Wholesale Market Purchases[b]	633,111	1,028,182	1,167,441	904,362	936,289
Subtotal	6,806,189	7,271,751	7,521,744	8,426,129	8,151,597
Total Department Resources	12,823,365	12,618,124	13,940,880	14,822,692	14,858,861
Minus Offsetting Energy Sales					
Firm Energy Sales and Marketing Losse	505,727	387,615	344,435	328,666	344,383
Seasonal and Other Exchange[a]	497,728	570,672	593,928	825,753	773,443
Wholesale Market Sales	2,605,592	2,123,263	3,329,288	3,695,173	4,044,452
Total Energy Resources	9,214,318	9,536,574	9,673,229	9,973,100	9,696,583

(a) Includes exchange contracts with Grant County, Lucky Peak Project, Northern California Power Agency (NCPA), expired 5/31/2018, and Sacramento Municipal Utility District (SMUD),expired 7/31/2017.

(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 and include incremental losses due to expanded activity in the wholesale market.

(d) Certain numbers were corrected in 2020.

CUSTOMER STATISTICS

Years ended December 31,		2020		2019		2018		2017		2016
Average number of customers:										
Residential		426,359		419,601		410,664		403,888		397,074
Non-residential		51,219		50,779		50,859		50,608		50,258
Total		477,577		470,380		461,523		454,496		447,332
Megawatt-hours[(a)]:										
Residential	37%	3,192,877	34%	3,091,019	33%	2,992,914	32%	3,132,079	32%	2,917,984
Non-residential	63%	5,446,010	66%	6,030,940	67%	6,081,148	68%	6,276,580	68%	6,262,454
Total	100%	8,638,887	100%	9,121,959	100%	9,074,062	100%	9,408,659	100%	9,180,438
Average annual revenue per customer[(a)]:										
Residential	$	890	$	859	$	778	$	812	$	717
Non-residential	$	10,651	$	11,361	$	10,748	$	10,757	$	9,983

* 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.

Years ended December 31,		2020	2019	2018	2017	2016
Average annual consumption per customer (kWhs)[(a)(b)]:						
Residential	- Seattle	7,489	7,367	7,288	7,755	7,349
	- National	n/a	10,649	10,972	10,399	10,766
Non-residential	- Seattle	106,329	118,768	119,568	124,018	124,606
	- National	n/a	120,663	122,952	122,121	123,846
Average rate per kilowatt-hour (cents)[(a)(b)]:						
Residential	- Seattle	11.88	11.66	10.67	10.47	9.75
	- National	n/a	13.01	12.87	12.89	12.55
Non-residential	- Seattle	10.02	9.57	8.99	8.67	8.01
	- National	n/a	9.04	9.10	9.07	8.91

(a) Source of national data: Department of Energy (www.eia.doe.gov/electricity/annual/). 2020 National average annual consumption data and average rate data not available. Certain 2019-2016 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.

NOTE 1: A comprehensive rate change of 5.5% became effective January 1, 2020

NOTE 2: As of November 2019, a Rate Stabilization Account (RSA) surcharge of 3% is in effect for all residential and non-residential rates schedules.

NOTE 3: A Bonneville Power Administration (BPA) passthrough adjustment of -1.9% is being applied to all retail energy charges beginning November 2019, and as a result, a 0.4% rate decrease effective November 1, 2019 was the net impact of the BPA passthrough and RSA surcharge.

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.

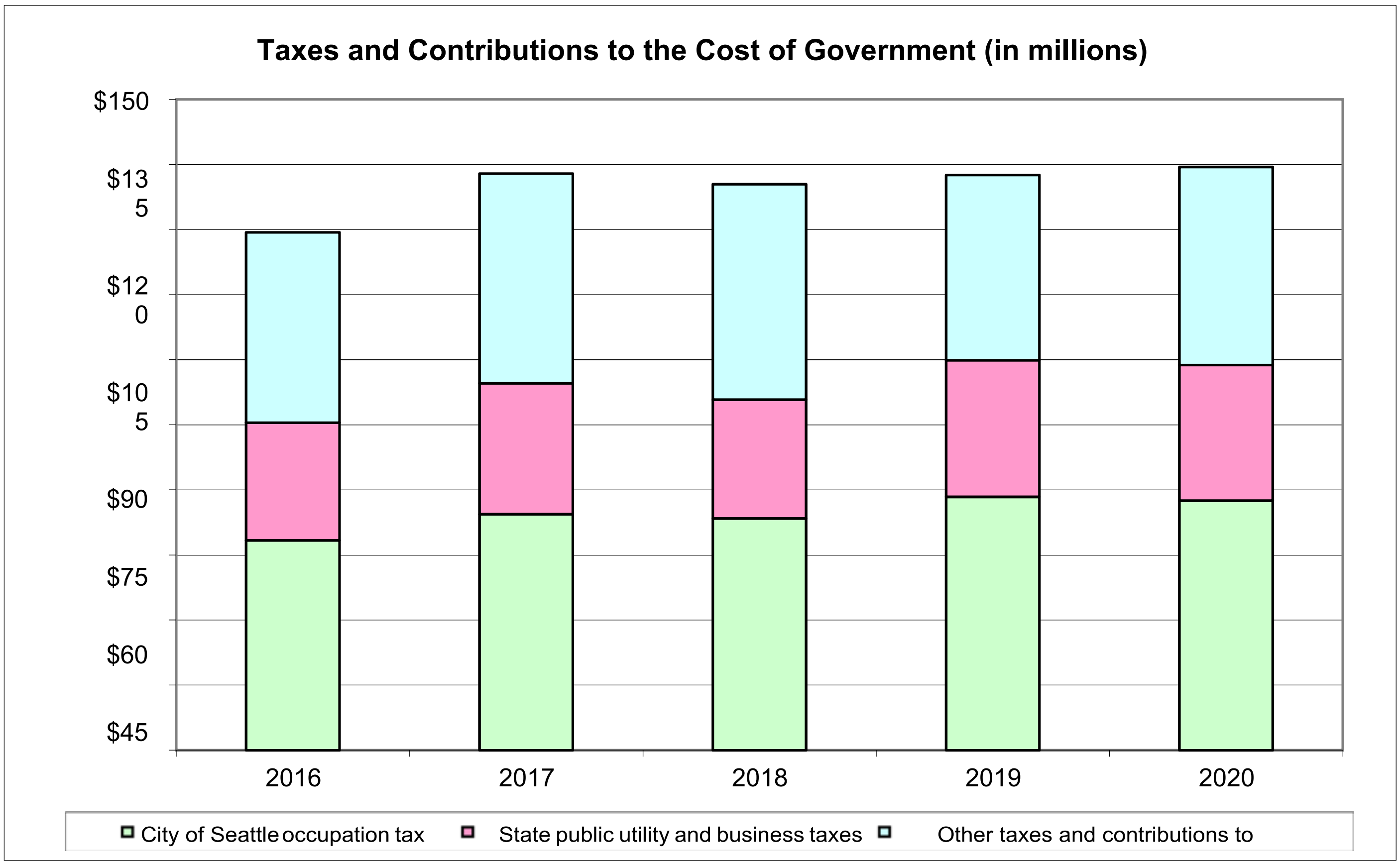
TAXES AND CONTRIBUTIONS BY SEATTLE CITY LIGHT TO THE COST OF GOVERNMENT (Unaudited)

(in millions)

Years ended December 31,	2020	2019	2018	2017	2016
Taxes					
City of Seattle occupation utility tax	$ 57.5	$ 58.4	$ 53.4	$ 54.4	$ 48.4
State public utility and business taxes	31.3	31.5	27.4	30.2	27.1
Suburban contract payments and other	7.3	6.8	6.3	6.4	6.0
Contract payments for government services	5.1	3.3	4.6	3.8	3.7
Total taxes as shown in statement of revenues and expenses	101.2	100.0	91.7	94.8	85.2
Taxes/licenses charged to accounts other than taxes	16.7	15.5	16.6	15.4	16.6
Other contributions to the cost of government	16.5	17.1	22.2	22.7	17.6
Total miscellaneous taxes	33.2	32.6	38.8	38.1	34.2
Total taxes and contributions	$ 134.4	$ 132.6	$ 130.5	$ 132.9	$ 119.4

Note 1: 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.
Note 2: 2017 Taxes/licenses charged to accounts other than taxes updated with more recent information.

Additional information about city of Seattle Council meetings can be found on the Web at www.seattle.gov/council/calendar.


Taxes and Contributions to the Cost of Government (in millions)
$150
$13
5
$12
0
$10
5
$90
$75
$60
$45
2016
2017
2018
2019
2020
City of Seattle occupation tax
State public utility and business taxes
Other taxes and contributions to

PUBLIC PURPOSE EXPENDITURES (Unaudited)

Years ended December 31,	2020	2019	2018	2017	2016
CONSERVATION					
Annual energy savings (megawatt hours) [A]	80,731	111,735	131,858	136,632	133,532
Programmatic conservation expenses [B]					
Non-low income	$ 20.3	$ 23.8	$ 24.3	$ 31.0	$ 31.3
Low income	1.7	3.1	1.7	2.9	2.8
Non-programmatic conservation expenses [C]	4.8	6.4	11.5	12.6	11.2
Subtotal	26.8	33.3	37.5	46.5	45.3
OTHER PUBLIC PURPOSE EXPENDITURES					
Low-income energy assistance [D]	23.7	18.8	17.8	18.5	13.4
Non-hydro renewable resources [E]	39.7	34.5	33.7	32.9	36.3
Subtotal	63.4	53.3	51.5	51.4	49.7
NET PUBLIC PURPOSE SPENDING	90.2	86.6	89.0	97.9	95.0
Revenue from retail electric sales	$ 926.7	$ 938.9	$ 868.6	$ 875.2	$ 788.0
PERCENT PUBLIC PURPOSE SPENDING TO RETAIL ELECTRIC SALES					
Conservation only	2.9%	3.5%	4.3%	5.3%	5.7%
Low-income assistance & non-hydro renewables	6.8%	5.7%	5.9%	5.9%	6.3%
Total	9.7%	9.2%	10.2%	11.2%	12.0%

A Energy savings are from completed projects in that year include those from Northwest Energy Efficiency Alliance, residential behavior programs and applicable Transmission & Distribution benefit.

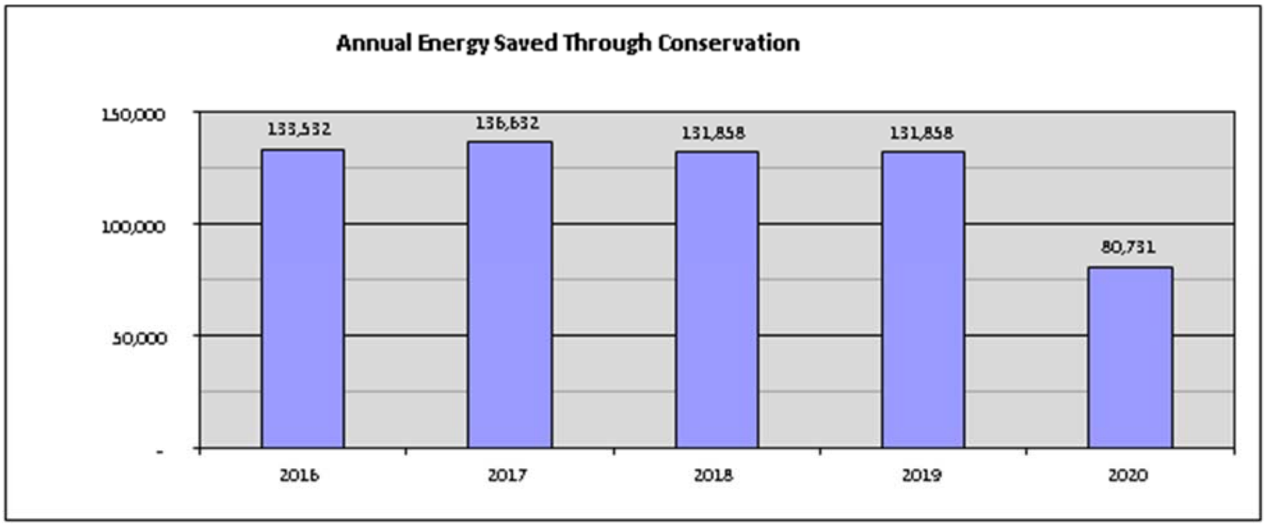
B Programmatic conservation expenditures are deferred and amortized over a 20-year period in accordance with City Council-passed resolutions and Statement No. 62 of the GASB, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements.* 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).

OTHER INFORMATION (UNAUDITED)



INDEPENDENT AUDITORS' 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 Transportation and Utilities Committee
The City of Seattle - City Light Department

We have audited, in accordance with 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, the financial statements of The City of Seattle, City Light Department as of and for the year ended December 31, 2020, and have issued our report thereon dated May 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Seattle, City Light Department's internal control over financial reporting (internal control) to determine the 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 City of Seattle, City Light Department's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Seattle, City Light 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 controls 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of The City of Seattle, City Light Department are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the Department in separate letters dated May 27, 2021.

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
May 27, 2021