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# CITY OF SEATTLE

## ORDINANCE _____

COUNCIL BILL 117637

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuing and selling those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle, Washington (the "City"), owns, operates and maintains an electric system (the "Light System"); and

WHEREAS, the City has need to acquire and construct certain additions and betterments to and extensions of the Light System described in the system or plan adopted by this ordinance (the "Plan of Additions"); and

WHEREAS, the City has outstanding certain revenue bonds (the "Outstanding Parity Bonds") having a charge and lien upon the Gross Revenue of the Light System prior and superior to all other charges whatsoever, except reasonable charges for maintenance and operation of the Light System; and

WHEREAS, pursuant to the respective ordinances and resolutions listed in Exhibit A, the City issued its municipal light and power revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Gross Revenue of the Light System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, pursuant to Section 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 4 of Internal Revenue Service Notice 2009-29, the City has received from the national bond volume cap, an allocation of $6,164,529 for issuance by the City of its Qualified Energy Conservation Bonds; and

WHEREAS, the City received an allocation in the amount of $29,319,906.48 of new clean renewable energy bonds ("New CREBs") from the United States Department of Treasury ("Treasury") to finance capacity and efficiency improvements at the Boundary Hydroelectric Project (the "Boundary Project") and an allocation of New CREBs in the amount of $38,007,286.18 to finance the Skagit Hydroelectric Facility, Gorge Dam Powerplant project (the "Gorge Dam Powerplant Project"); and

WHEREAS, the City issued $10,000,000 par amount of Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds – Direct Payment) of its $29,319,906.48 allocation for the Boundary Project; and





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WHEREAS, the City determined that due to changes in market conditions, it was unlikely to develop the Gorge Dam Powerplant Project and by letter dated January 6, 2012 requested that Treasury approve the transfer of $24,800,000 of the Gorge Dam Powerplant Project allocation to the Boundary Project allocation; and

WHEREAS, by letter dated March 14, 2012, Treasury granted the City's request for transfer and the City now has an allocation in the combined amount of $54,119,906.48 of new clean renewable energy bonds to finance capacity and efficiency improvements at the Boundary Project; and

WHEREAS, the City issued $43,000,000 par amount of Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds – Direct Payment) of its $54,119,906.48 allocation for the Boundary Project; and

WHEREAS, after due consideration, the City finds that it is necessary and in the best interest of the City and its ratepayers to issue municipal light and power revenue bonds as Parity Bonds to pay part of the cost of the Plan of Additions, pay costs of issuing and selling those bonds and provide for the reserve fund requirement; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

**Section 1.** **Definitions.** As used in this ordinance, the following words and phrases shall have the meanings set forth below.

"**Accreted Value**" means with respect to any Capital Appreciation Bonds (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, times (B) the difference between the Accreted Values for such Valuation Dates.

"**Adjusted Net Revenue**" has the meaning assigned to that term in Section 14(g)(iii).

"**Annual Debt Service**" for any calendar year means the sum of the amounts required in such calendar year to pay:



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(a) the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and

(b) the principal of all outstanding Serial Bonds due in such calendar year; and

(c) the Sinking Fund Requirement, if any, for such calendar year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds.

For purposes of calculating and determining compliance with the Reserve Fund Requirement and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements:

(i) Generally. Except as otherwise provided by subparagraph (ii) below with respect to Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity Bonds with respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall be calculated based on the actual amount of accrued, accreted or otherwise accumulated interest that is payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable Parity Bond Ordinance;

(ii) Interest on Variable Interest Rate Bonds. The amount of interest deemed to be payable on any issue of Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate that is 90% of the average RBI during the four calendar quarters preceding the quarter in which the calculation is made;

(iii) Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the



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Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by the following: (A) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead shall be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component on the Parity Bonds to which the Payment Agreement is related, it shall be assumed that the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii), the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less;

(iv) Parity Payment Agreements. No additional debt service shall be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on related Parity Bonds under subparagraph (iii) of this definition. However, for any period during which Payment Agreement Payments are not taken into account



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in calculating Annual Debt Service on any outstanding Parity Bonds because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, payments on that Parity Payment Agreement shall be taken into account by assuming:

(A) City Obligated to Make Payments Based on Fixed Rate. If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, that payments by the City will be based on the assumed fixed payor rate, and that payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and

(B) City Obligated to Make Payments Based on Variable Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

**"Authorized Denomination"** means $5,000 or any integral multiple thereof within a maturity.

**"Beneficial Owner"** means the owner of any beneficial interests in the Bonds.

**"Bond Counsel"** means a lawyer or a firm of lawyers, selected by the City, of nationally recognized standing in matters pertaining to bonds issued by states and their political subdivisions.

**"Bond Register"** means the books or records maintained by the Bond Registrar for the purpose of registration of the Bonds.



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**"Bond Registrar"** or **"Registrar"** means the fiscal agency of the State of Washington, or any successor bond registrar selected by the City, whose duties include the registration and authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership of the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

**"Bond Resolution"** means the resolution or resolutions fixing certain provisions of the Bonds and their sale as authorized by Section 3 of this ordinance.

**"Bonds"** means the bonds authorized to be issued pursuant to, under the authority of and for the purposes provided in this ordinance.

**"Capital Appreciation Bonds"** means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving payment of the redemption premium, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (b) computing the principal amount of Parity Bonds held by the owner of a Capital Appreciation Bond in giving to the City or the paying agent for those bonds any notice, consent, request, or demand pursuant to this ordinance or for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

**"CIP"** means the portion or portions relating to the Light System of the "2012-2017 Capital Improvement Program" of the City as adopted by the City in Ordinance 123758, together with any previously adopted Capital Improvement Program of the City, as the CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

**"City"** means The City of Seattle, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

**"City Council"** means the City Council of the City, as duly and regularly constituted from time to time.

**"Code"** means the Internal Revenue Code of 1986, as amended, or any successor thereto, and all applicable regulations thereunder.



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**"Conservation Plan"** means the 1996 Energy Management Services Plan of the City with respect to the Light System endorsed by the City in Resolution 29427, adopted September 16, 1996, as that plan may be amended, updated, supplemented or replaced from time to time, to the extent that funds are appropriated by the City therefor.

**"Deferred Hydroelectric Project Relicensing Costs"** means certain costs required by the Federal Energy Regulatory Commission to be incurred as a condition of the renewal of licenses for the Light System's hydroelectric projects, which costs are treated in the same manner as capital expenditures.

**"DTC"** means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds.

**"Director of Finance"** means the Director of the Finance Division of the Department of Finance and Administrative Services of the City, or any successor thereto.

**"Future Parity Bonds"** means any fixed or variable rate revenue bonds of the City (other than the Bonds) issued hereafter having a charge or lien upon the Gross Revenues for payment of the principal thereof and interest thereon equal in priority to the charge or lien upon the Gross Revenues of the Light System for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with Section 14(g) or Section 14(h).

**"Government Obligations"** means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government.

**"Gross Revenues"** means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Light System; (b) the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Light System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned



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on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include: (A) insurance proceeds compensating the City for the loss of a capital asset; (B) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues; (C) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (D) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues hereunder; (E) the proceeds of any borrowing for capital improvements (or the refinancing thereof); and (F) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

**"High Ross Agreement"** means the agreement dated as of March 30, 1984, between the City and Her Majesty the Queen in Right of the Province of British Columbia relating to the City's High Ross Dam.

**"High Ross Capital Payments"** means the deferred portion of the annual capital payments required to be made by the City under Section 5 of the High Ross Agreement, representing the annual cost that would have been incurred by the City for the construction of the High Ross Dam.

**"Letter of Representations"** means the Blanket Issuer Letter of Representations between the City and DTC dated October 4, 2006, as it may be amended from time to time, or an agreement with a substitute or successor Securities Depository.



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**"Light Fund"** means the special fund of the City of that name heretofore created and established by the City Council.

**"Light System"** means the municipal light and power plant and system now belonging to or which may hereafter belong to the City.

**"Mayor"** means the Mayor of the City.

**"Moody's"** means Moody's Investors Service, Inc.

**"Net Revenue"** for any period has the meaning assigned to that term in Section 14(g)(ii).

**"New Clean Renewable Energy Bonds"** means bonds of any series which the City designates as New Clean Renewable Energy Bonds under Section 54C of the Code.

**"Outstanding Parity Bonds"** means, collectively, the outstanding Municipal Light and Power Refunding Revenue Bonds, 2002, Municipal Light and Power Improvement and Refunding Revenue Bonds, 2003, Municipal Light and Power Improvement and Refunding Revenue Bonds, 2004, Municipal Light and Power Improvement and Refunding Revenue Bonds, 2008, Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds – Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B, Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds – Direct Payment), Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A, Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds – Direct Payment), Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A, Municipal Light and Power Refunding Revenue Bonds, 2012B (Taxable) and Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds – Direct Payment), all as described in Exhibit A.

**"Parity Bond Fund"** means the Seattle Municipal Light Revenue Parity Bond Fund established pursuant to Ordinance 92938 for the purpose set forth in Section 14(a).



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**"Parity Bond Ordinance"** means any ordinance or resolution passed or adopted by the City Council providing for the issuance of Parity Bonds, and any other ordinance or resolution amending or supplementing the provisions of any Parity Bond Ordinance as originally passed or adopted or as theretofore amended or supplemented.

**"Parity Bonds"** means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

**"Parity Payment Agreement"** means a Payment Agreement under which the City's obligations are expressly stated to constitute a charge and lien on the Net Revenue of the Light System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the principal of and interest on Parity Bonds.

**"Payment Agreement"** means a written contract entered into, for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates or for other interest rate, investment, asset or liability management purposes, by the City and a Qualified Counterparty on either a current or forward basis as authorized by any applicable laws of the State in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes, bond anticipation notes, commercial paper or other obligations for borrowed money, or lease, installment purchase or other similar financing agreements or certificates of participation therein, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments, or any combination thereof or any similar device.

**"Payment Agreement Payments"** means the amounts, periodically required to be paid by the City to the Qualified Counterparty pursuant to a Payment Agreement.

**"Payment Agreement Receipts"** means the amounts periodically required to be paid by the Qualified Counterparty to the City pursuant to a Payment Agreement.



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**"Permitted Investments"** means any investments or investment agreements permitted for the investment of City funds under the laws of the State of Washington as amended from time to time.

**"Plan of Additions"** means, collectively, the CIP and the Conservation Plan, as they may be modified hereafter by ordinance as described herein, the High Ross Capital Payments and the Deferred Hydroelectric Project Relicensing Costs.

**"Professional Utility Consultant"** means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with electric systems of comparable size and character to the Light System in such areas as are relevant to the purposes for which they were retained.

**"Qualified Counterparty"** means a party (other than the City or a person related to the City) who is the other party to a Payment Agreement and who is qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

**"Qualified Energy Conservation Bonds"** or **"QEC Bonds"** means the Bonds of any series to which the City irrevocably elects to have Section 54D and Section 6431(f) of the Code apply.

**"QEC Bond Volume Cap"** means that portion of the national qualified energy conservation bond volume cap limitation allocated to The City of Seattle for issuance of qualified energy conservation bonds pursuant to Section 54D of the Code, as set forth in Notice 2009-29 of the Internal Revenue Service.

**"Qualified Insurance"** means any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.



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**"Qualified Letter of Credit"** means any letter of credit issued by a financial institution for the account of the City on behalf of the owners of Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit is rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.

**"Rate Stabilization Account"** means the fund of that name established in the Light Fund pursuant to Ordinance 121637.

**"RBI"** means The Bond Buyer Revenue Bond Index or comparable index, or, if no comparable index can be obtained, 80% of the interest rate for actively traded 30 year United States Treasury obligations.

**"Refunding Parity Bonds"** means Parity Bonds issued pursuant to Section 14(h) of this ordinance for the purpose of refunding bonds of any prior series of Parity Bonds.

**"Registration Ordinance"** means City Ordinance 111724 establishing a system of registration for the City's bonds and other obligations pursuant to Seattle Municipal Code Chapter 5.10, as that chapter now exists or may hereafter be amended.

**"Reserve Fund"** means the Municipal Light and Power Bond Reserve Fund established pursuant to Ordinance 71917, as amended.

**"Reserve Fund Requirement"** means, for any issue of Future Parity Bonds, the Reserve Fund Requirement specified for that issue, and the Reserve Fund Requirement for all series of Future Parity Bonds shall be the sum of the Reserve Fund Requirement for all such Future Parity Bonds.

**"S&P"** means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc.

**"Securities Depository"** means DTC, any successor thereto, any substitute securities depository selected by the City, or the nominee of any of the foregoing. Any successor or



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substitute Securities Depository must be qualified under applicable laws and regulations to provide the services proposed to be provided by it.

**"Serial Bonds"** means Parity Bonds maturing in specified years, for which no Sinking Fund Requirements are mandated.

**"Sinking Fund Account"** means any account created in the Parity Bond Fund to amortize the principal or make mandatory redemptions of Term Bonds.

**"Sinking Fund Requirement"** means, for any calendar year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into any Sinking Fund Account for such calendar year as established by the Parity Bond Ordinance authorizing the issuance of such Term Bonds.

**"State"** means the State of Washington.

**"Subordinate Lien Bonds"** means any bonds issued hereafter, having a charge or lien upon the Gross Revenues of the Light System subordinate to the Outstanding Parity Bonds.

**"Tax Credit Subsidy Bond"** means any bond that is designated by the City as a tax credit bond pursuant to the Code, and which is further designated as a "qualified bond" under Section 6431 or similar provision of the Code, and with respect to which the City is eligible to receive a tax credit subsidy payment.

**"Tax Credit Subsidy Payment"** means a payment by the federal government with respect to a Tax Credit Subsidy Bond.

**"Tax-Exempt Bonds"** means Bonds of any series, the interest on which is intended on the date of issuance to be excluded from gross income for federal income tax purposes.

**"Term Bonds"** means any Parity Bonds identified as such in the Parity Bond Ordinance authorizing the issuance thereof, which Parity Bond Ordinance requires that all or a portion of such bonds be purchased, redeemed or paid prior to maturity in a schedule established thereby.



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**"Valuation Date"** means, with respect to any Capital Appreciation Bonds, the date or dates set forth in any Parity Bond Ordinance authorizing such Parity Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

**"Variable Interest Rate"** means any variable interest rate or rates to be borne by any Parity Bonds. The method of computing such a variable interest rate shall be as specified in the Parity Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity Bond Ordinance also shall specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

**"Variable Interest Rate Bonds"** means, for any period of time, any Parity Bonds that bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond Ordinance, or the net economic effect of a Payment Agreement with respect to particular Parity Bonds, in either case is to produce obligations that bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

**Section 2. Adoption of System or Plan.** The Plan of Additions constitutes a system or plan of additions to and betterments and extensions of the Light System (each element thereof an "Addition"). To the extent not previously specified, adopted and ordered by the City by ordinance, the City specifies, adopts and orders to be carried out the Plan of Additions, and declares the estimated cost of that system or plan to be $1.5 billion, of which $249 million is expected to be financed from proceeds of the Bonds.



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The Plan of Additions shall include the projects described in the applications for the Qualified Energy Conservation Bonds and New Clean Renewable Energy Bonds, and any amendments, updates, supplements or replacements to the CIP or the Conservation Plan determined by ordinance to constitute a system or plan of additions to and betterments and extensions of the Light System, all of which automatically shall constitute amendments to the Plan of Additions. The Plan of Additions also may be modified, without amending the CIP or the Conservation Plan, to include other elements if the City determines by ordinance that those other elements constitute a system or plan of additions to or betterments or extensions of the Light System. The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment (including but not limited to data processing hardware and software and conservation equipment) and facilities, the acquisition of all permits, licenses, franchises, property and property rights, other capital assets and all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

**Section 3. Authorization and Description of Bonds; Bond Resolution.** For the purpose of providing all or part of the funds with which to (1) pay part of the cost of carrying out the Plan of Additions; (2) provide for the Reserve Fund Requirement; and (3) capitalize interest on, if necessary, and pay the costs of issuing and selling the Bonds, the City shall issue and sell the Bonds in the aggregate principal amount of not to exceed $275 million. The Bonds may be issued in one or more series; may be combined with other Parity Bonds authorized separately; shall be called "The City of Seattle, Washington, Municipal Light and Power Improvement Revenue Bonds, 2013" (unless changed by resolution); may have such different or further designation or designations as determined by the Director of Finance or as the City Council may specify in a resolution or resolutions fixing the terms of and matters relating to the Bonds (collectively, the "Bond Resolution"); shall be dated and shall mature on such date or dates



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specified in the Bond Resolution, except that the final maturity date of the Bonds shall not extend beyond 30 years from their respective dates of issuance; shall be issued in fully registered form; shall be numbered separately in the manner and with any additional designation as the Bond Registrar for the Bonds deems necessary for purposes of identification; shall bear interest at the rate or rates (computed on the basis of a 360-day year of twelve 30-day months) specified in the Bond Resolution, except that the true interest cost (net of any applicable Tax Credit Subsidy Payment) shall not exceed 8.0% per annum, payable at the times specified in the Bond Resolution; and shall have such denominations, mature on such dates and be subject to optional or mandatory redemption, open market purchase or defeasance on the terms and at the times specified in the Bond Resolution. The Director of Finance may designate Term Bonds with mandatory redemption amounts, all to be provided by the Bond Resolution.

The City may issue the Bonds of any series as either tax-exempt or taxable for federal income tax purposes, as shall be determined in the Bond Resolution.

The City Council may adopt the Bond Resolution and may provide therein for the matters described in this ordinance, including the manner of sale of the Bonds, which may include a forward or delayed delivery, and such other matters that the City Council deems necessary and appropriate to carry out the purposes of this ordinance. Once adopted, the Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

The City Council may, in the Bond Resolution, authorize the Director of Finance to serve as its designated representative and to accept, on behalf of the City, an offer to purchase the Bonds, which offer must be consistent with the terms of this ordinance and the Bond Resolution. Any such authorization of the Director of Finance to accept an offer to purchase the Bonds must also be consistent with terms for the Bonds and/or parameters with respect to the Bonds pursuant to RCW 39.46.040.



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The Bond Resolution may provide for Qualified Insurance or a Qualified Letter of Credit, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by any bond insurer or letter of credit provider and are consistent with the provisions of this ordinance, including but not limited to restrictions on investments and requirements of notice to and consent of the bond insurer or letter of credit provider.

The Bond Resolution may approve and authorize the execution and delivery on behalf of the City of any contracts consistent with the provisions of this ordinance for which the City's approval is necessary or to which the City is a party and that are related or incidental to the initial issuance and sale of the Bonds, the initial establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to Payment Agreements and similar contracts for such purposes.

The Bond Resolution may specify that a series of Bonds is a series of Tax-Exempt Bonds, or is a series of Tax Credit Subsidy Bonds including without limitation Qualified Energy Conservation Bonds or New Clean Renewable Energy Bonds.

**Section 4. Bond Registrar; Registration and Transfer of Bonds.**

(a) Registration of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register.

(b) Bond Registrar; Transfer and Exchange of Bonds. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner.

The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to



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serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the City's Registration Ordinance.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become either a Registered or Beneficial Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial Owners.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

(c) Securities Depository; Book-Entry Form. The Bonds initially shall be registered in the name of Cede & Co., as the nominee of the Securities Depository. The Bonds so registered shall be held fully immobilized in book-entry form by the Securities Depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to bond owners hereunder (except such notice as is required to be given by the Bond Registrar to the Securities Depository).

For as long as any Bonds are held in book-entry form, the Securities Depository shall be deemed to be the Registered Owner for all purposes hereunder and all references to registered



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owners, bondowners, bondholders or the like shall mean the Securities Depository and, except for purposes of the City's undertaking to provide continuing disclosure, shall not mean the Beneficial Owners. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor; or (iii) to any person if the Bonds are no longer held in book-entry form.

Upon the resignation of the Securities Depository from its functions as depository, or upon a determination by the City Council that continuation of the services of the Securities Depository is not in the best interests of the City, the City may appoint a substitute Securities Depository. If (i) the Securities Depository resigns from its functions as depository, and no substitute Securities Depository can be obtained, or (ii) the City determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in book-entry form.

**Section 5. Mutilated, Lost, Stolen and Destroyed Bonds.** In case any Bonds issued hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not then prohibited or otherwise required by law, cause to be executed and delivered a new Bond of like amount, series, interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of such mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen or lost Bonds, upon payment by the registered owner thereof of the reasonable expenses and charges of the City and the Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence satisfactory to the City that such Bond was destroyed, stolen or lost, and of the ownership thereof, and furnishing the City and the Bond Registrar with indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already has matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.



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**Section 6. Payment of Bond Principal and Interest.** Principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date (or other record date established in the Bond Resolution, the "Record Date") or, at the request of the registered owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in the United States designated in writing by such registered owner prior to the Record Date. Principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at the office of the Bond Registrar. Notwithstanding the foregoing, payment of any Bonds registered in the name of the Securities Depository or its nominee, shall be made in accordance with the Letter of Representations.

The Bonds shall be payable solely out of the Parity Bond Fund and shall not be general obligations of the City.

**Section 7. Redemption and Open Market Purchase of Bonds.**

(a) Optional Redemption. All or some of the Bonds may be subject to redemption at the option of the City at the times and on the terms set forth in the Bond Resolution.

(b) Mandatory Redemption. The City shall redeem any Term Bonds, if not redeemed under the optional redemption provisions set forth in the Bond Resolution or purchased in the open market under the provisions set forth below, randomly (or in such other manner as set forth in the Bond Resolution or as the Bond Registrar shall determine) at par plus accrued interest on the dates and in the years and principal amounts as set forth in the Bond Resolution.

If the City redeems Term Bonds under the optional redemption provisions set forth in the Bond Resolution or purchases Term Bonds in the open market as set forth below, the Term Bonds so redeemed or purchased (irrespective of their redemption or purchase price) shall be



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credited at the par amount thereof against the remaining mandatory redemption requirements in a manner to be determined by the Director of Finance in the Bond Resolution or, if no such determination is made, on a pro-rata basis.

(c) Partial Redemption. Whenever less than all of the Bonds of a single maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that maturity randomly, or in such other manner as set forth in the Bond Resolution or as the Bond Registrar shall determine, except that, so long as the Bonds are registered in the name of the Securities Depository or its nominee, the Securities Depository shall select the Bonds or portions thereof to be redeemed in accordance with the Letter of Representations.

Portions of the principal amount of any Bond, in integral multiples of $5,000, may be redeemed, unless otherwise provided in the Bond Resolution. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at the principal office of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate total principal amount remaining unredeemed.

(d) Open Market Purchase. The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

(e) Bonds to be Cancelled. All Bonds purchased or redeemed under this Section 7 shall be cancelled.

**Section 8. Notice of Redemption.** The City shall cause notice of any intended redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be



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redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the registered owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed by the Bond Registrar within the same period, postage prepaid, to Moody's and S&P at their offices in New York, New York, or their successors, to any bond insurer for the Bonds, and to such other persons and with such additional information as the Director of Finance shall determine or as specified in the Bond Resolution, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

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

**Section 9. Failure to Redeem Bonds.** If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call 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 the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

**Section 10. Form and Execution of Bonds.** The Bonds shall be typed, photocopied, printed or lithographed on good bond paper in a form consistent with the provisions of this



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ordinance, the Bond Resolution and State law; shall be signed by the Mayor and Director of Finance, either or both of whose signatures may be manual or in facsimile; and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The City of Seattle, Washington, Municipal Light and Power Improvement Revenue Bonds, 2013, described in the Bond Ordinance.

Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

**Section 11. Parity With Other Bonds.** The Bonds authorized herein shall be on a parity with the Outstanding Parity Bonds and all bonds hereafter issued on a parity therewith, without regard to date of issuance or authorization and without preference or priority of right or



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lien with respect to participation of special funds in amounts from gross revenues for payment thereof. Nothing contained herein shall prevent the City from issuing revenue bonds or other obligations which are a charge or lien upon the Gross Revenues of the Light System subordinate to the payments required to be made therefrom into the Parity Bond Fund and the accounts therein.

**Section 12. City Findings of Sufficiency of Revenues.** The Bonds shall be issued only if the City Council finds and determines by the Bond Resolution that the issuance and sale of the Bonds is in the best interest of the City and in the public interest. In making such findings and determinations, the City Council shall give due regard to the cost of operation and maintenance of the Light System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness, and shall find and determine that the Gross Revenues, at the rates established from time to time consistent with Section 14(d) of this ordinance, will be sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance of the Light System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue and pledged herein for the payment of the Bonds.

**Section 13. Security for the Bonds.** The Bonds shall be special limited obligations of the City payable from and secured solely by the Gross Revenues and by money in the Parity Bond Fund and the Reserve Fund. The Gross Revenues are pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by Section 14(a) and (b) of this ordinance, which pledge shall constitute a charge upon such Gross Revenues prior and superior to all other charges whatsoever, save and except reasonable charges for maintenance and operation of the Light System.

The Bonds shall not in any manner or to any extent constitute general obligations of the City, the State of Washington or any political subdivision of the State of Washington or a charge



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upon any general fund or upon any money or other property of the City, the State of Washington or any political subdivision of the State of Washington not specifically pledged thereto by this ordinance.

**Section 14. Bond Covenants.**

(a) Parity Bond Fund. A special fund of the City known as the "Seattle Municipal Light Revenue Parity Bond Fund" (the "Parity Bond Fund") has heretofore been created by Ordinance 92938, and is now maintained as a separate account within the Light Fund, for the sole purpose of paying the principal of and interest on the bonds therein authorized and future bonds issued on a parity therewith as the same shall become due. The Bonds shall be payable, principal, premium, if any, and interest, out of the Parity Bond Fund.

From and after the issuance of the Bonds, and so long thereafter as obligations are outstanding against the Parity Bond Fund (including any Payment Agreement Payments required to be made under any Parity Payment Agreements), the Director of Finance shall set aside and pay into the Parity Bond Fund on or prior to the respective dates on which the interest on or principal of and interest on the Bonds shall become due and payable certain fixed amounts out of the Gross Revenues sufficient to pay such interest or principal and interest as the same shall become due.

Money in the Parity Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Parity Bond Fund shall be deposited in and used for the purposes of that fund.

(b) Reserve Fund. A special fund of the City known as the "Municipal Light and Power Bond Reserve Fund" (the "Reserve Fund") has heretofore been created by Ordinance 71917, as amended, and is now maintained as a separate account within the Light Fund, for the



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purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding (including amounts due under any Parity Payment Agreements).

In the Bond Resolution, the City will specify whether it will satisfy the Reserve Fund Requirement with Qualified Insurance or a Qualified Letter of Credit or by depositing into the Reserve Fund, out of any money legally available therefor, within 5 years from the date of issuance of the Bonds, the amount required to fund the Reserve Fund to the Reserve Fund Requirement.

Money held in the Reserve Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Reserve Fund shall be deposited in that fund and credited against amounts required to be deposited therein until the Reserve Fund is fully funded, and thereafter such earnings shall be deposited in the Parity Bond Fund.

(i) Reserve Fund Requirement.

(A) The City shall provide in the Parity Bond Ordinance authorizing the issuance of any Future Parity Bonds for deposit into the Reserve Fund out of the Gross Revenues (or out of any other funds of the City on hand and legally available therefor, including the proceeds of the Future Parity Bonds being issued or any other Future Parity Bonds) of periodic payments so that by five years from the date of such Future Parity Bonds there will have been paid into the Reserve Fund an amount which, together with the money already on deposit therein, will be at least equal to the Reserve Fund Requirement for all Parity Bonds outstanding at the end of that five-year period.

(B) Notwithstanding the foregoing, any Parity Bond Ordinance may provide for the City to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be paid into the Reserve Fund. The amount available to be drawn upon



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under such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Fund by Section 14(b)(i)(A).

(C) Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years' notice. In the event of receipt of any such notice of cancellation, the City shall substitute Qualified Insurance or a Qualified Letter of Credit in the amount required pursuant to Section 14(b)(i)(A) or in the alternative shall create a special account in the Light Fund and deposit therein, on or before the 25th day of each of the 60 succeeding calendar months, 1/60th of the amount sufficient, together with other money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement on the date any such cancellation shall become effective. Such amounts shall be transferred from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund). Amounts on deposit in such special account shall not be available to pay debt service on Parity Bonds or for any other purpose of the City, and shall be transferred to the Reserve Fund on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

(D) If the amount in the Reserve Fund shall be less than the Reserve Fund Requirement (taking into account the five year period referred to in Section 14(b)(i)(A)), the City shall transfer to the Reserve Fund money in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement within 12 months after the date of such deficiency. The City shall transfer such amounts first from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund) and only thereafter from money in any construction fund or account established with respect to any issue of Parity Bonds, first taking money from the unrestricted portion thereof, then taking money from the restricted portion thereof. If the amount in the Reserve Fund shall



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be greater than the Reserve Fund Requirement, then and only then may the City withdraw such excess from the Reserve Fund and deposit such excess in the Light Fund.

(E) For the purpose of providing that in calculating the Reserve Fund Requirement, the City shall deduct from Annual Debt Service the Tax Credit Subsidy Payments the City expects to receive from the federal government in respect to the interest on a series of Parity Bonds that are Tax Credit Subsidy Bonds or other bonds with respect to which the federal government will provide direct payments.

(ii) Use of Reserve Fund for Refunding Bonds. If any Parity Bonds are refunded, the money set aside in the Reserve Fund to secure the payment of such Parity Bonds may be used to retire such Parity Bonds or may be transferred to any reserve fund or account which may be created to secure the payment of any bonds issued to refund such Parity Bonds, as long as the money left remaining in the Reserve Fund is at least equal, together with any Qualified Insurance or Qualified Letters of Credit, to the Reserve Fund Requirement.

(iii) Use of Reserve Fund for Payment of Debt Service. If the money in the Parity Bond Fund is insufficient to meet maturing installments of either interest on or principal of and interest on the Parity Bonds payable out of the Parity Bond Fund (including amounts payable under any Parity Payment Agreements), such deficiency shall be made up from the Reserve Fund by the withdrawal of money or proceeds of Qualified Insurance or Qualified Letters of Credit therefrom, as the case may be. Any deficiency created in the Reserve Fund by reason of any such withdrawal or claim against Qualified Insurance or a Qualified Letter of Credit shall then be made up out of the Gross Revenues (or out of such other funds of the City on hand and legally available therefor), after making necessary provision for the payments required to be made for operation and maintenance of the Light System and debt service on any obligations payable from such Gross Revenues.



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(iv) Withdrawals From Reserve Fund. Money in the Reserve Fund may be withdrawn by the City for any lawful purpose as long as the aggregate of any money, Qualified Insurance and Qualified Letters of Credit left remaining on deposit in the Reserve Fund is at least equal to the Reserve Fund Requirement for the Parity Bonds then outstanding.

The City reserves the right to substitute Qualified Insurance or a Qualified Letter of Credit for money previously deposited in the Reserve Fund and to withdraw such money to the extent described in the preceding paragraph.

Any withdrawals from subaccounts within the Reserve Fund shall be made on a pro rata basis except when the provider of a Qualified Letter of Credit or Qualified Insurance requires all cash and investments in the Reserve Fund to be withdrawn before draws on the Qualified Letter of Credit or Qualified Insurance, or unless the City receives an opinion of Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the exclusion of interest on the Parity Bonds then outstanding from gross income.

(c) Sale or Disposition of the Light System.

(i) The City may dispose of all or substantially all of the Light System if the City simultaneously causes all of the Parity Bonds to be, or deemed to be, no longer outstanding.

(ii) Except as provided below, the City will not dispose of any part of the Light System in excess of 5% of the value of the net utility plant of the Light System in service unless prior to such disposition:

(A) there has been filed with the Director of Finance a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 14(d); or

(B) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:



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(I) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the Gross Revenues for the 12 preceding months attributable to the part of the Light System sold or disposed of bears to the total Gross Revenues for such period; or

(II) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

(iii) The City may dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer necessary, material to or useful in the operation of the Light System.

If the ownership of all or part of the Light System is transferred from the City through the operation of law, the City shall reconstruct or replace the transferred portion using any proceeds of the transfer unless the City Council determines that such reconstruction or replacement is not in the best interests of the City and the owners of the Parity Bonds, in which case any proceeds shall be used to retire Parity Bonds prior to maturity.

(d) Rates and Charges. The City will establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to permit the payment of sums into the special fund which the City has pledged to be set aside for the payment of principal and interest, as herein provided, to be applied to the payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been paid in full, and in addition thereto, will pay all costs of operation and maintenance, and all bonds, warrants and indebtedness for which any revenues of the Light System shall have been heretofore pledged.



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

(f) Books and Financial Statements. The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities, and will generally adhere to the uniform system of accounts prescribed by the Division of Municipal Corporations of the State Auditor's Office and the Federal Energy Regulatory Commission; and will prepare, on or before 120 days after each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner (or beneficial owner) of any Parity Bonds. A copy of such financial statements shall be sent to any owner (or beneficial owner) of Parity Bonds, upon request in writing setting forth the name and address to which such financial statements may be sent.

(g) Issuance of Future Parity Bonds. Except as provided in Section 14(h) of this ordinance for the issuance of Refunding Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be entered into), from time to time in one or more series for any lawful purpose of the City's Light Department, only if at the time of the delivery of each series of Future Parity Bonds to the initial purchasers thereof (or on the effective date of the Parity Payment Agreement):



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

(ii) There shall have been filed with the City either:

(A) a certificate of the Director of Finance stating that Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Parity Bonds then proposed to be issued (the "Base Period") was not less than 125% of maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the Parity Bonds then proposed to be issued (except that if any adjustment in the rates, fees and charges for the services of the Light System shall be effective at any time on or prior to the date of delivery of the Parity Bonds then proposed to be issued or within six months after the delivery of such Parity Bonds, the Director of Finance shall reflect in his or her certificate the Net Revenue he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period), or

(B) a certificate of the Professional Utility Consultant setting forth:

(I) the amount of the Adjusted Net Revenue computed as provided in paragraph (C) below;

(II) the amount of maximum Annual Debt Service in any calendar year thereafter on account of all Parity Bonds to be outstanding in such calendar year, including the Parity Bonds proposed to be issued, and stating that the amount shown in paragraph (B)(I) above is not less than 125% of the amount shown in this paragraph (B)(II).

"Net Revenue" as used in this Section 14(g) shall mean that amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System and further deducting any deposits into the Rate Stabilization Account, and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account. In calculating



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"Net Revenue" as used in this Section 14(g), the City may include the Tax Credit Subsidy Payments the City expects to receive from the federal government in respect to the interest on a series of Refunding Parity Bonds that are Tax Credit Subsidy Bonds or other bonds with respect to which the federal government will provide direct payments.

(iii) For the purposes of the certificate required by paragraph (ii) above, Adjusted Net Revenue shall be computed by the Professional Utility Consultant as follows:

The Net Revenue for the Base Period shall be adjusted by any or all of the following conditions and requirements as may be appropriate to the circumstances:

(A) If the Parity Bonds are being issued for the purpose of acquiring operating electric utility properties having an earnings record, the Professional Utility Consultant shall estimate the effect on the Net Revenue for the Base Period of the acquisition of such electric utility properties and the integration thereof into the Light System, and shall adjust the Net Revenue for the Base Period to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City and upon any available financial statements and records relating to the earnings of such electric utility properties to be acquired.

(B) If any changes have been adopted by the City Council and are in effect on the date of sale of the Parity Bonds or are to go into effect not later than 12 months after such date, in any rates and charges imposed by the City on sales of power and energy and other services furnished by the Light System which were not in effect during the entire Base Period, the Professional Utility Consultant may, if such changes resulted in increases in such rates and charges, and shall, if such changes resulted in reductions in such rates and charges, adjust the Net Revenue for the Base Period to reflect any change in such Net Revenue which would have occurred if the changed rates and charges had been in effect during the entire Base Period.



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(C) If the purpose for which the Parity Bonds are being issued is to acquire or construct generation or transmission facilities required to furnish or make available to the Light System additional power and energy, or transmission facilities required to enable the City to sell additional power and energy, the Professional Utility Consultant may adjust the Net Revenue for the Base Period by (a) deducting the amount of the estimated increase in operating and maintenance expenses resulting from the acquisition or construction of such facilities in their first year of full operation, (b) adding any additional revenues to be derived from the sale or transmission of such additional power and energy pursuant to executed power sales contracts, and (c) adding an amount equal to the estimated cost of the power and energy which would have been replaced or displaced by such facilities had such additional power and energy in excess of the power and energy to be sold pursuant to clause (b) above been used in the Light System during the Base Period.

(D) If there were any customers added to the Light System during the Base Period or thereafter and prior to the date of the Professional Utility Consultant's certificate, the Net Revenue may be adjusted on the basis that such added customers were customers of the Light System during the entire Base Period.

(E) If extensions of or additions to the Light System (not described in subparagraph (C) above) are in the process of construction on the date of the Professional Utility Consultant's certificate, or if the proceeds of the Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the Light System (not described in subparagraph (C) above), the Net Revenue for the Base Period may be adjusted by adding any additional revenues not included in the preceding paragraphs that will be derived from such additions and extensions and deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions.



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(F) The Net Revenue for the Base Period may be adjusted by excluding from the determination of expenses of operation, maintenance and repair of the Light System any extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System.

(iv) In rendering any certificate under this Section 14(g), the Professional Utility Consultant may rely upon, and such certificate shall have attached thereto, (A) financial statements of the Light System, certified by the Director of Finance, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, (B) similar certified statements by the Division of Municipal Corporations of the Office of the State Auditor of the State (or any successor thereto), or (C) similar certified statements by a Certified Public Accountant for as much of such period as any examination by them has been made and completed. If two or more of such statements are inconsistent with each other, the Professional Utility Consultant shall rely on the statement described under clause (A) in this Section 14(g)(iv).

(h) Issuance of Refunding Parity Bonds.

(i) Without complying with the provisions of Section 14(g) of this ordinance, the City may at any time and from time to time issue one or more series of Refunding Parity Bonds, but only if there shall have been filed with the City a certificate of the Director of Finance stating that Annual Debt Service immediately after the issuance of such Refunding Parity Bonds (calculated by including debt service on the Refunding Parity Bonds but excluding debt service on the bonds to be refunded with the proceeds thereof) does not exceed the Annual Debt Service immediately prior to the issuance of the Refunding Parity Bonds (calculated by including debt service on the bonds to be refunded but excluding debt service on the Refunding Parity Bonds) by more than $5,000 in any calendar year that any then-outstanding Parity Bonds are anticipated to be outstanding.



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(ii) Parity Bonds of any one or more series or one or more maturities within a series may be refunded by a single series of Refunding Parity Bonds, which Parity Bonds to be refunded shall be specified in the Parity Bond Ordinance providing for the issuance of the Refunding Parity Bonds, and the principal amount of such Refunding Parity Bonds may include amounts necessary to pay the principal of the Parity Bonds to be refunded, interest thereon to the date of payment or redemption thereof, any premium payable thereon upon such payment or redemption and the costs of issuance of such Refunding Parity Bonds. The proceeds of the Refunding Parity Bonds shall be held and applied in such manner as is provided in the Parity Bond Ordinance providing for the issuance of such Refunding Parity Bonds, so that upon the delivery of such Refunding Parity Bonds the Parity Bonds to be refunded thereby shall be deemed to be no longer outstanding in accordance with the provisions of the Parity Bond Ordinance providing for the issuance of those bonds.

(iii) Refunding Parity Bonds may also be issued upon compliance with the provisions of Section 14(g) of this ordinance.

(iv) Nothing contained in this ordinance shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing Refunding Parity Bonds to fund or refund maturing Parity Bonds of the City for the payment of which money is not otherwise available.

**Section 15. Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.** The City covenants that it will take all actions consistent with the terms of the Tax-Exempt Bonds, this ordinance and the Bond Resolution, reasonably within its power and necessary to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes, and the City will neither take any action nor make or permit any use of gross proceeds of the Tax-Exempt Bonds or other funds of the City treated as proceeds of the Tax-Exempt Bonds at any time during the term of the Tax-Exempt Bonds which will cause



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interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

**Section 16. Refunding or Defeasance of Bonds.** For the purpose of enabling the Bonds to be later refunded under the provisions of Ordinance 121941, the Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121941. The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease those Bonds (the "Defeased Bonds") and to pay the costs of such refunding or defeasance. If money and/or Government Obligations sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the Defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance (the "Trust Account"), then all right and interest of the owners of the Defeased Bonds in the covenants of this ordinance and in the Gross Revenue and the funds and accounts pledged to the payment of the Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such owners thereafter shall have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any Defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the Defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for Defeased Bonds.

After the establishing and full funding of such a Trust Account, the Defeased Bonds shall be deemed no longer outstanding and the City may apply any money in any other fund or



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account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds.

If the refunding plan provides that the Defeased Bonds be secured by money and/or Government Obligations pending the prior redemption of the Defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the Defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not Defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the coverage requirement for the issuance of Future Parity Bonds and for determining compliance with rate covenants.

**Section 17. Amendments.**

(a) Amendments Without Bond Owners' Consent. The City Council from time to time and at any time may pass a resolution or resolutions, or ordinance or ordinances, supplemental hereto, which resolution or resolutions, ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in this ordinance other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power herein reserved to or conferred upon the City.

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to matters or questions arising under this ordinance as the City Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interests of owners of any Parity Bonds then outstanding in any material respect.



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(iii) To make such changes as are necessary to permit the Bonds to be held in registered certificate form or in fully immobilized form by a Securities Depository other than the Securities Depository.

Any such supplemental resolution or ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Section 17(b) of this ordinance, but only upon receipt by the City of an opinion of Bond Counsel to the effect that the amendment is permitted by the terms of this ordinance. The City shall deliver a copy of any such supplemental resolution or ordinance to Moody's, S&P or any other rating agency then maintaining a rating on any Parity Bonds then outstanding prior to its passage by the City.

(b) Amendments With Bond Owners' Consent. The City Council may, with the consent of the owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, pass a resolution or resolutions or ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental resolution or ordinance, except no such supplemental resolution or ordinance shall:

(i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest from their respective due dates, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(ii) Reduce the aforesaid percentage of bond owners required to approve any such supplemental resolution or ordinance, without the consent of the owners of all of the Parity Bonds then outstanding.



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For purposes of determining whether the owners of the requisite percentage of principal amount of Parity Bonds have consented to any amendment to this ordinance, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount thereof.

It shall not be necessary for the consent of bond owners under this Section 17(b) to approve the particular form of any proposed supplemental ordinance or resolution, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Effect of Amendment. Upon the passage of any supplemental resolution or ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental resolution or ordinance shall be deemed to be a part of the terms and conditions of this ordinance for any and all purposes.

(d) Notation on Bonds. Parity Bonds executed and delivered after the execution of any supplemental resolution or ordinance passed pursuant to the provisions of this Section 17 may have a notation as to any matter provided for in such supplemental resolution or ordinance, and if such supplemental resolution or ordinance shall so provide, new bonds modified to conform, in the opinion of the City Council, to any modification of this ordinance contained in any such supplemental resolution or ordinance may be prepared by the City and delivered without cost to the owners of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds in equal aggregate principal amounts.

**Section 18. Rate Stabilization Account.** The City may at any time deposit in the Rate Stabilization Account, Gross Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Net Revenue for any fiscal year of the



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City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue.

**Section 19. Sale of Bonds.** The Director of Finance may provide for the sale of the Bonds by public sale or by a negotiated sale, limited offering or private placement, with the successful underwriter, placement agent or purchaser, as applicable, chosen through a selection process acceptable to the Director of Finance. The terms of that sale, which may include a forward or delayed delivery of the Bonds, shall be consistent with this ordinance and the Bond Resolution, and shall be confirmed by the Bond Resolution. The Bonds will be delivered to the purchasers as provided in the Bond Resolution, immediately upon payment to the City of the purchase price plus accrued interest to the date of closing in immediately available federal funds in Seattle, Washington, at the City's expense or at another place upon which the Director of Finance and the purchaser may mutually agree at the purchaser's expense.

If a series of Bonds is sold and issued as Tax Credit Subsidy Bonds, the Director of Finance is hereby authorized on behalf of the City to take such actions as are necessary or appropriate for the City to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of such Bonds.

The City will cause the Bonds to be typed, photocopied, printed or lithographed, sealed and executed and will furnish the approving legal opinion of Bond Counsel regarding the Bonds.

**Section 20. Continuing Disclosure.** The City shall undertake to provide for the benefit of holders of the Bonds disclosure of certain financial information and operating data of the type included in the final official statement, if any, for the Bonds, as well as disclosure of certain material events respecting the Bonds, in the manner and to the extent required by United States Securities and Exchange Commission Rule 15c2-12. The particular terms of the undertaking shall be set forth in the Bond Resolution.



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**Section 21. General Authorization.** The Mayor of the City and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. In particular, and without limitation, the Director of Finance may, in his or her discretion and without further action by the City Council, (a) issue requests for proposals for underwriting or financing facilities and execute engagement letters with underwriters, bond insurers or other financial institutions based on responses to such requests, (b) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (c) comply with any continuing disclosure requirements applicable to the Bonds and (d) change the Bond Registrar or any securities depository appointed for the Bonds.

**Section 22. Severability.** The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

**Section 23. Ratification of Prior Acts.** Any action taken after passage of this ordinance but prior to its effective date that is consistent with the authority of this ordinance, is ratified, approved and confirmed.

**Section 24. Headings.** Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.



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**Section 25.** **Effective Date.** This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.



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Passed by the City Council the ____ day of _____, 2012, and signed by me in open session in authentication of its passage this _____ day of _____, 2012.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2012.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2012.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A: Outstanding Parity Bonds



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# EXHIBIT A

## OUTSTANDING PARITY BONDS

| Issue Name | Dated Date | Original Par Amount | Amount Currently Outstanding | Bond Legislation |
|---|---|---|---|---|
| Municipal Light and Power Refunding Revenue Bonds, 2002 | 12/1/2002 | $87,835,000 | $ | Ord 120931, Res 30549 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2003 | 8/20/2003 | $251,850,000 | $ | Ord 121198, Res 30618 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2004 | 12/23/2004 | $284,855,000 | $ | Ord 121637, Res 30732 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2008 | 12/30/2008 | $257,375,000 | $ | Ord 121941, Ord 122807, Ord 122838, Res 31105 |
| Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds – Direct Payment) | 5/26/2010 | $181,625,000 | $ | Ord 123169, Ord 123261, Res 31213 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B | 5/26/2010 | $596,870,000 | $ | Ord 121941, Ord 123169, Ord 123261, Res 31213 |
| Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds – Direct Payment) | 5/26/2010 | $13,275,000 | $ | Ord 123169, Ord 123261, Res 31213 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A | 2/8/2011 | $296,315,000 | $ | Ord 121941, Ord 122838, Ord 123483, Res 31263 |



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| | | | | |
|---|---|---|---|---|
| Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds – Direct Payment) | 2/8/2011 | $10,000,000 | $ | Ord 123483, Res 31263 |
| Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A | 7/17/2012 | $293,280,000 | $ | Ord 121941, Ord 122838, Ord 123752 Res 31390 |
| Municipal Light and Power Refunding Revenue Bonds, 2012(B) (Taxable) | 7/17/2012 | $9,355,000 | $ | Ord 121941, Ord 122838, Res 31390 |
| Municipal Light and Power Improvement Revenue Bonds, 2012(C) (Taxable New Clean Renewable Energy Bonds – Direct Payment) | 7/17/2012 | $43,000,000 | $ | Ord 122838, Ord 123752 Res 31390 |



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Form revised: June 13, 2012

# 2013 BUDGET LEGISLATION FISCAL NOTE

| Department: | Contact Person/Phone: | CBO Analyst/Phone: |
|---|---|---|
| FAS | Michael Van Dyck 4-8347 | Calvin Chow (4-4652) |

**Legislation Title:**

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuing and selling those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

**Summary of the Legislation:**

This legislation provides the legal authorization to issue up to $275 million of bonds for Seattle City Light (SCL), as assumed in the 2013 Proposed and 2014 Endorsed Budget and the Proposed 2013-2018 Capital Improvement Program (CIP).

**Background:**

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The City Light bond sale is anticipated to occur in early to mid 2013. The bond proceeds, combined with internally generated funds, will support City Light's capital program for about 12 months.

The bond sizing is based on the adopted budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will be used to make a deposit to the construction fund, to meet a debt service reserve requirement, and to pay costs of issuance.

The proposed issue is for 30-year, fixed-rate bonds. Total annual debt service is expected to be about $16.3 million starting in 2014. SCL's adopted 3.2% rate increase for 2013 incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include generator rebuilds, security improvements, existing network upgrades, and relocating electrical service to accommodate transportation projects. For further information about SCL's capital projects, please see the Proposed 2013-2018 CIP.



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Please check one of the following:

____ **This legislation does not have any financial implications.**

__X__ **This legislation has financial implications**

**Other Implications:**

a) Does the legislation have indirect financial implications, or long-term implications?

Seattle City Light will be obligated to pay annual debt service on these bonds through their term

b) What is the financial cost of not implementing this legislation?

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or massive rate increases. Since the capital improvements financed with this debt have a long useful life and interest rates are currently low, it is more practical to spread the costs of these improvements over current and future beneficiaries by issuing bonds.

c) Does this legislation affect any departments besides the originating department?

This legislation affects FAS, which will coordinate the issuance of bonds

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from financing SCL's CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

e) Is the legislation subject to public hearing requirements? None

f) Other Issues: None

Please list attachments to the fiscal note below:

COUNCIL CLERK

**City of Seattle**
Office of the Mayor

September 24, 2012

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill, which will authorize the issuance of up to $275 million of Seattle City Light revenue bonds as assumed in the 2013-2014 Proposed Budget and Proposed 2013-2018 Capital Improvement Program (CIP). Together with cash from operations, grants, and third party contributions, the bond proceeds related to this Bill will support the City's capital program and pay costs associated with the bond issuance.

Projects funded by SCL's revenue bonds include generator rebuilds to maintain output and reliability, security improvements, existing network upgrades, and relocating electrical service to accommodate transportation projects. Additionally, proceeds from these bonds will be used to support the utility's conservation program.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck in the Department of Finance and Administrative Services (FAS) at 684-8347.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

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