

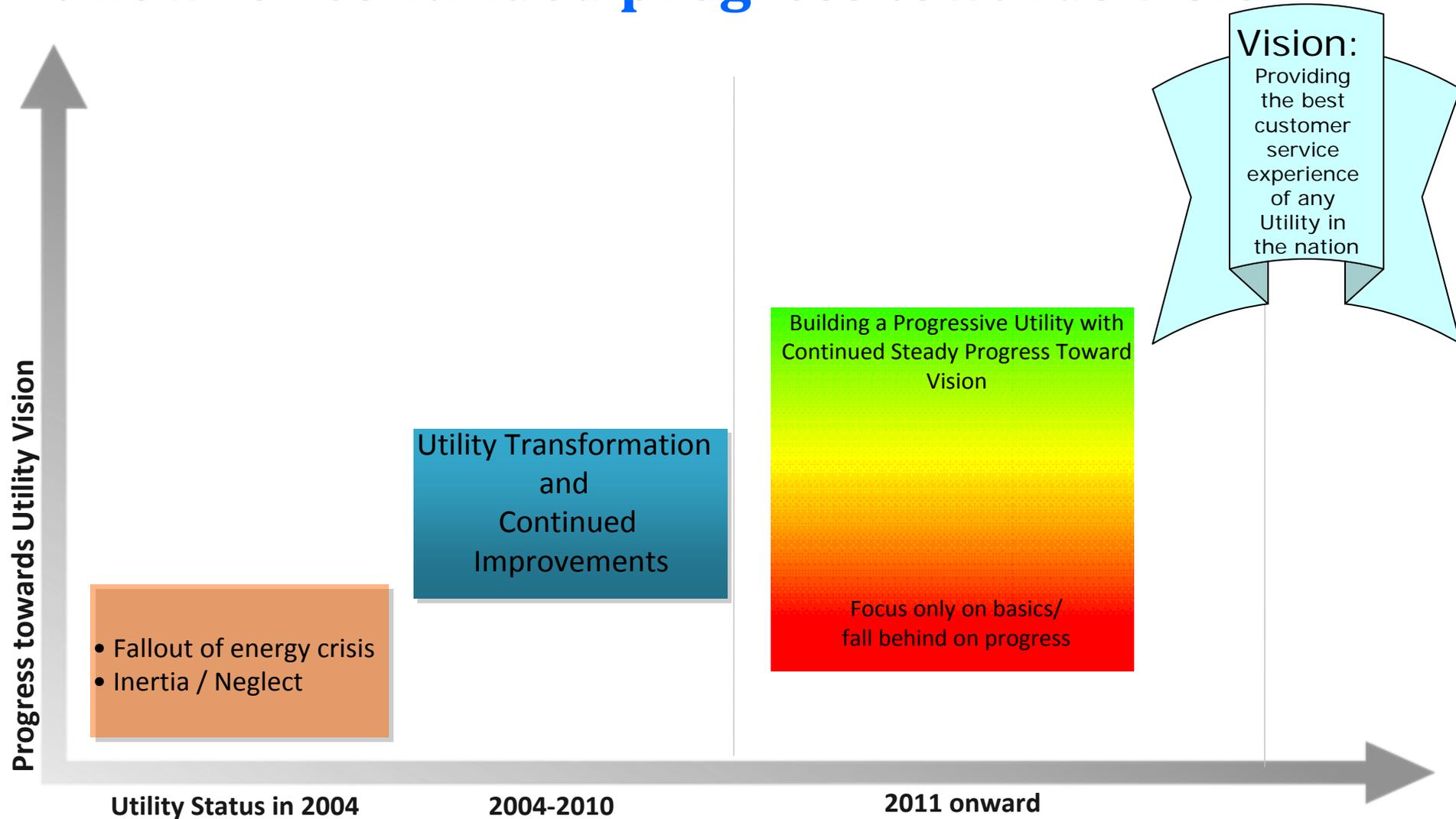
2011-12 Budget Overview

Review Panel
October 7, 2010

Context

- ◆ Rates not increased for 8 years since energy crisis
- ◆ 2009/2010 circumstances
 - Net wholesale revenue shortfalls
 - Spending reductions
- ◆ Need to maintain financial performance for continued access to bond market
- ◆ Rate Increase (Mayor proposed / Council Adopted)
 - PRAM / Rate Surcharge Account

2011/12: We proposed a budget that will allow for continued progress towards vision



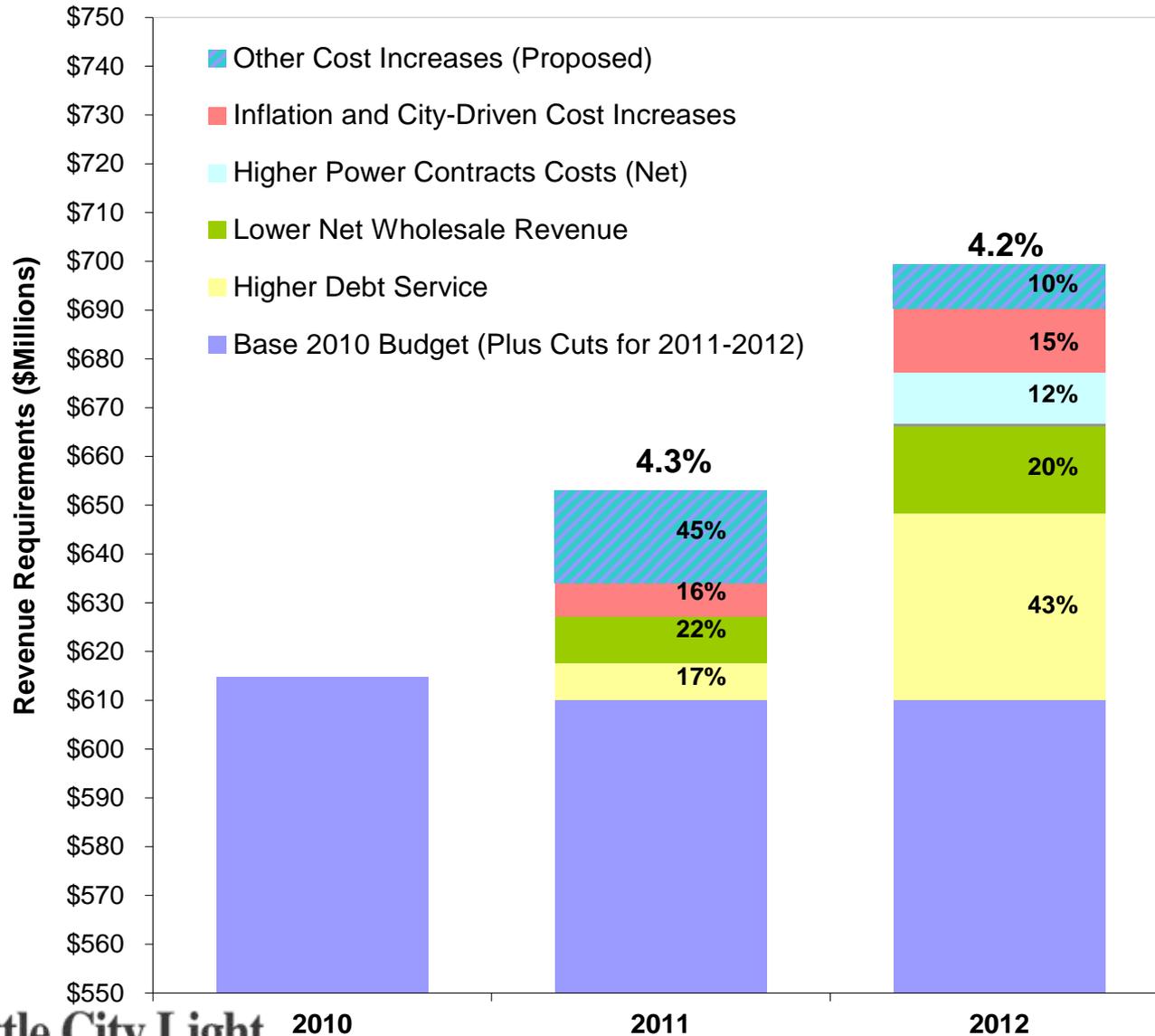
Fiscal discipline, but demand for high quality service continues

- ◆ Spending reductions taken
 - O&M and capital spending
 - Position reductions/ Pay freezes & constraints
 - Continuing reductions in 2011 budget

- ◆ Demand for service continues
 - Load down 4.3% from peak
 - Service connections down, but focusing on deferred maintenance of system and interagency work
 - Streetlights

- ◆ Flat Budget overall in 2011
 - 4.3 / 4.2% rate increases in 2011/2012

Most of the rate increases are driven by non-discretionary costs



Budget Overview

Budget Control Level	2009 Actuals	2010 Adopted	% Change '09-'10	2011 Proposed	% Change '10-'11	2012 Proposed	% Change '11-'12
Expenditures by BCL							
O&M:							
Office of Supt.	\$3.2	\$3.1	-1.0%	\$2.9	-7.9%	\$2.9	1.4%
Customer Service	\$27.0	\$26.9	-0.5%	\$27.8	3.5%	\$28.5	2.4%
Distribution	\$65.3	\$61.6	-5.6%	\$69.1	12.1%	\$72.6	5.0%
Power Supply	\$59.5	\$60.7	2.0%	\$66.7	9.8%	\$70.0	5.0%
Conservation/Envir.	\$50.9	\$46.2	-9.3%	\$48.1	4.2%	\$50.1	4.0%
Financial Svcs.	\$26.3	\$28.9	10.0%	\$35.3	22.0%	\$29.5	-16.5%
Human Resources	\$5.6	\$6.5	16.4%	\$6.9	5.2%	\$6.8	-1.1%
<i>Non-Power O&M</i>	\$238	\$234	-1.6%	\$257	9.7%	\$260	1.4%
General Expenses	\$67.2	\$65.8	-2.1%	\$68.4	4.1%	\$72.7	6.2%
Purchased Power	\$297.4	\$405.3	36.3%	\$347.2	-14.3%	\$358.6	3.3%
Debt Service	\$216.8	\$150.7	-30.5%	\$142.7	-5.3%	\$173.1	21.3%
Taxes	\$62.6	\$70.2	12.3%	\$74.8	6.5%	\$78.0	4.2%
CIP:							
Cust Svc/Energy Del.	\$130.5	\$110.9	-15.0%	\$133.3	20.2%	\$153.4	15.1%
Power Supply/Envir.	\$47.2	\$46.3	-2.0%	\$57.8	25.0%	\$44.0	-24.0%
Financial Svcs.	\$7.0	\$6.4	-8.2%	\$6.5	1.1%	\$8.0	23.4%
Total	\$1,067	\$1,090	2.2%	\$1,088	-0.2%	\$1,148	5.6%
Total FTEs	1882	1841	0.0%	1824	-0.9%	1824	0.0%
Revenues							
Retail Customers	\$545.1	\$614.1	12.7%	\$662.4	7.9%	\$698.4	5.4%
Wholesale	\$127.0	\$185.4	46.0%	\$173.3	-6.5%	\$177.4	2.4%
Other	\$60.2	\$70.3	16.8%	\$69.1	-1.8%	\$61.2	-11.5%
Debt	\$334.3	\$219.8	-34.3%	\$182.7	-16.8%	\$211.1	15.5%
Total Revenues	\$1,067	\$1,090	2.2%	\$1,088	-0.2%	\$1,148	5.6%

\$ in millions

Percentages rounded to the nearest tenth percent

“Discretionary” Budget Changes

Area	2011 O&M Cost	% of Increase
Restore deferred maintenance / Improved maintenance	\$6.5	31%
Replace aging internal infrastructure	\$0.4	2%
Efficiency Improvements	\$5.7	28%
Regulatory Requirements	\$0.8	4%
New Work	\$1.1	5%
City Cost Allocations for IT Services	\$0.6	3%
Conservation	\$2	10%
Prepay maintenance for IT	\$2.2	11%
Reimbursable Work	\$1.3	6%
Total	\$20.7	100%

Budget does not fund all priorities

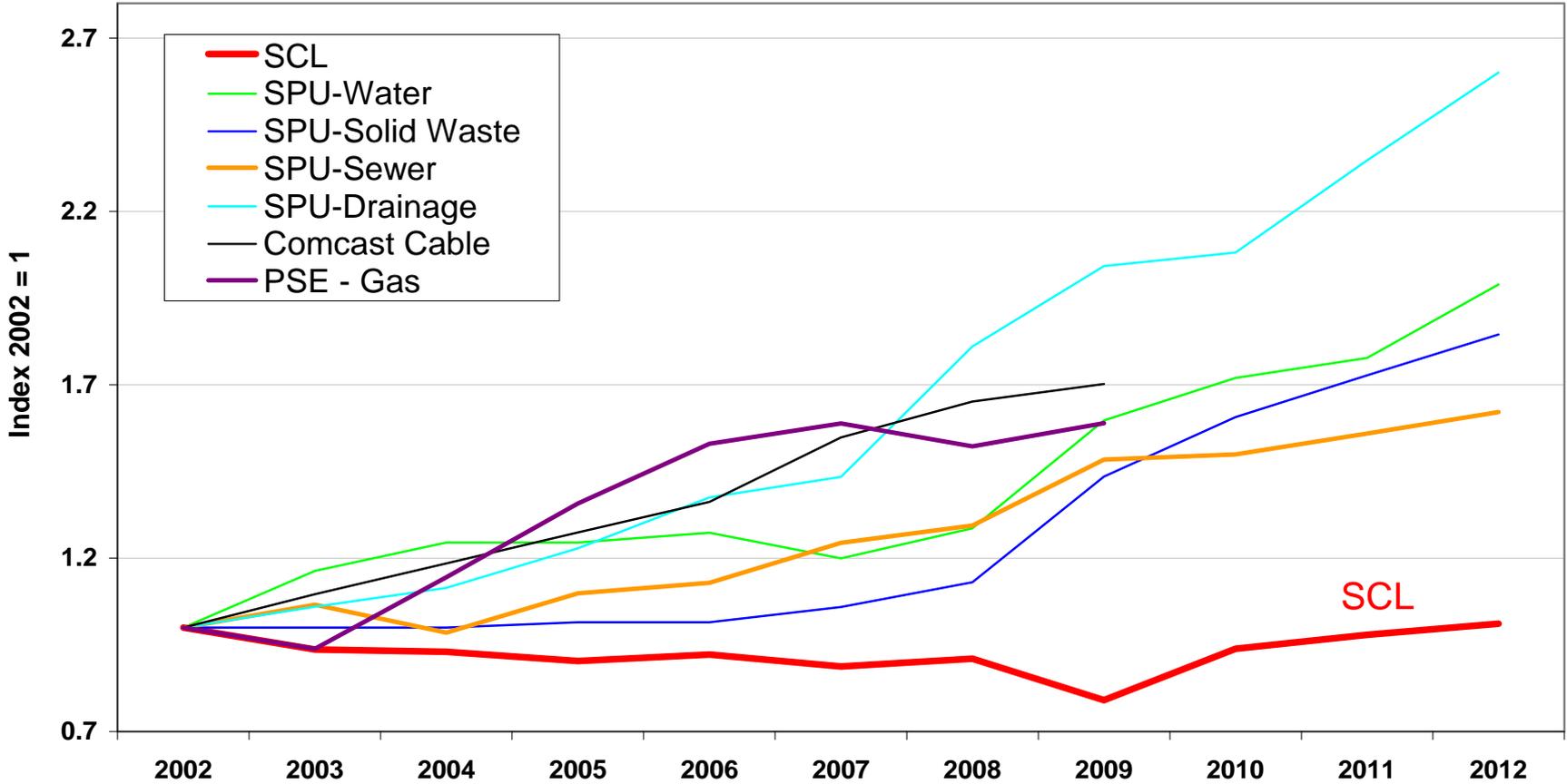
- ◆ Advanced Metering Infrastructure
- ◆ Appropriate levels of training for staff / succession planning / knowledge transfer
- ◆ Customer focused web improvements
- ◆ Replacement of Key IT systems deferred
- ◆ Efficiency & contingency improvements (budget system, records retention/mgmt)
- ◆ Regional transmission issues remain

Without rate increases:

- ◆ Must cut \$26M+ O&M spending, options include:
 - 1. Cut 225+ staff
 - Insufficient staff for storm response, maintaining customer service, basic utility responsibilities and improvements.
 - 2. Cut all adds
 - Continue deferring maintenance, conservation, necessary software, and regulatory requirements
 - 3. Cut other key programs:
 - Conservation → non-compliance with I-937, increased costs later for power
 - All efficiency improvements

City Light and other Utility Rates

Household Utilities



Notes:

- 1. 2010-2012 Data is estimated.
- 2. Data for PSE - Gas only available through 2009.

City Light Rates remain low nationwide..

Rate Comparisons of the 25 Largest US Cities
Cents per KWh Rates based on 2009 Actual

	City	Average System Rate		City	Average System Rate
1	Seattle	5.62	13	Jacksonville	10.47
			14	Phoenix	10.52
2	Indianapolis	6.58	15	Chicago	10.91
3	Charlotte	7.04	16	Las Vegas	11.14
4	San Antonio	7.56	17	Philadelphia	11.17
5	Denver	7.93	18	Los Angeles	11.8
6	Columbus	8.42	19	Baltimore	12.3
7	Austin	8.53	20	San Francisco	13.47
8	Memphis	8.6	21	San Jose	13.47
9	Nashville	8.99	22	Washington, DC	14.59
10	Milwaukee	9.89	23	San Diego	16.62
	US Avg	9.89	24	Boston	17.58
11	Detroit	9.95	25	New York	21.46
12	El Paso	10.4			

NOTE:

SEATTLE RATES 2010-2012	Before RSA Surcharge	With RSA Surcharge
Jan 1, 2010	\$6.54	\$6.83
Oct 1 2010 (BPA pass through & 2009 billing determinants)	\$6.60	\$6.90
Jan 1, 2011	\$6.84	\$7.15
Jan 1, 2012	\$7.30	

..and compared to neighboring utilities

	Seattle	Tacoma	Sno PUD	Puget	Avista	Portland
2009 actual	5.62	5.63	7.42	9.2	7.99	8.98
Rate increase 2010	13.8%	0.0%	0.0%	2.8%	2.8%	0.0%
2010 estimated rate	6.54	5.63	7.42	9.46	8.21	8.83
Rate increase 2011	4.3%	7.3%	0.0%	0.0%	0%	3.0%
2011 estimated rate	6.88	6.04	7.42	9.46	8.21	8.83
% more than SCL		-12%	8%	37%	19%	28%
Rate increase 2012	4.2%	5.4%	0.0%	0.0%	0.0%	0.0%
2012 estimated rate	7.30	6.37	7.42	9.46	8.21	8.83
% more than SCL		-13%	2%	30%	13%	21%
Seattle Customer Savings at Other Utility's Rate (\$M)						
Savings in 2010		(\$85)	\$83	\$274	\$157	\$215
Savings in 2011		(\$79)	\$51	\$243	\$126	\$184
Savings in 2012		(\$89)	\$12	\$207	\$88	\$147

Conclusion

- ◆ Improvements are paying off: JD Power scores
- ◆ Chart a stable, predictable rate future, with modest increases and avoiding spikes
- ◆ Avoid mistakes of past