Seattle City Light

Memorandum

DATE: February 23, 2011

TO: Mayor Michael McGinn
Seattle City Council

FROM: Jorge Carrasco

SUBJECT: Financial Update – December 2011

This memo provides an analysis of Seattle City Light's financial condition and operating results through December 31, 2011. The attached Income Statement Analysis, which is summarized in the chart below, provides a perspective on how City Light performed during 2011 compared to the previous year and, more importantly, to the 2011 Financial Plan. In the chart below and on the attached Income Statement analysis, the year-end 2011 numbers are final but unaudited and the 2010 numbers are audited. The 2011 Financial Plan is based on the revenue and expense projections included in the adopted budget for 2011.

FINANCIAL HIGHLIGHTS
December 2011
($ millions)

	Year-to-date Dec 31		
	Actuals 2011	**Actuals 2010**	**Plan 2011**
Retail Power Revenues(1)	$ 656.0	$ 624.2	$ 649.8
Net Wholesale Energy Sales (before booked-out LT purch)	$ 98.4	$ 54.1	$ 96.8
Net Income	$ 92.6	$ 30.4	$ 85.9
Cash Balances			
Operating Cash	$ 165.4	$ 56.9	$ 111.0
Surety Bond Replacement Fund	$ 10.0	$ -	$ -
Construction Fund - Restricted	$ 61.5	$ 57.0	$ -
Rate Stabilization Account(2)	$ 141.5	$ 79.3	$ 101.1
Bond Reserve	$ 1.5	$ -	$ -
Debt Coverage Ratio	1.88	1.78	1.80
Debt to Capitalization Ratio	63.9%	64.3%	63.3%

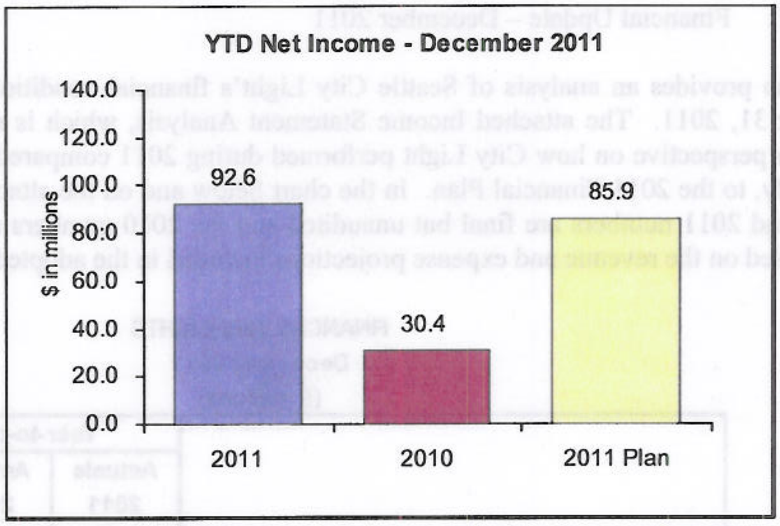
(1) Retail Power Revenues include revenues such as Green Power Program and Power Factor Charges and exclude low-income Rate Discounts.

(2) 2011 Actuals reflect a transfer of cash in excess of the estimated amount required for a 1.85x Debt Service Coverage Ratio from Operating Cash to the RSA at year-end.

Net Income

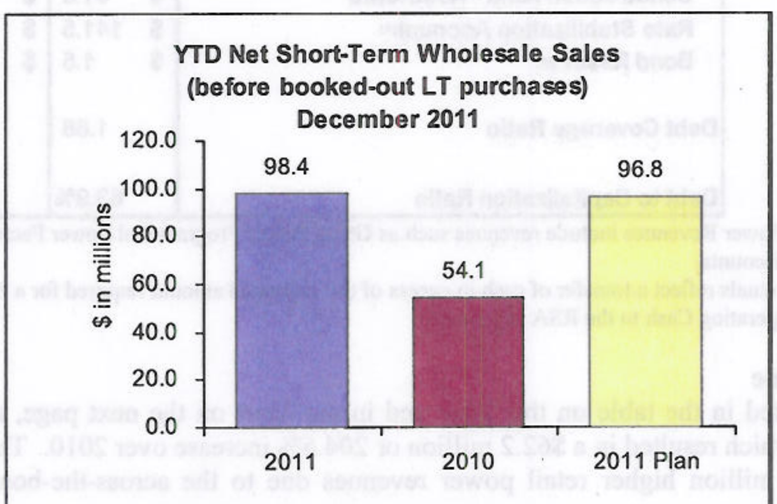
As indicated in the table on this page and in the chart on the next page, net income for 2011, was $92.6 million, which resulted in a $62.2 million or 204.6% increase over 2010. This increase is partially explained by $31.8 million higher retail power revenues due to the across-the-board 4.3% rate increase effective

January 1, 2011, a 0.5% BPA pass-through effective October 1, 2010 and higher consumption due to much colder weather than usual during the first seven months of this year. It also reflects historically high wholesale revenues. Extremely wet hydro conditions in the Pacific Northwest that were also well-timed resulted in SCL's net wholesale revenues being $44.3 million higher in 2011 compared to the prior year. These increases in net income were partially offset by the transfer of $62.2 million to the Rate Stabilization Account (RSA) in 2011.

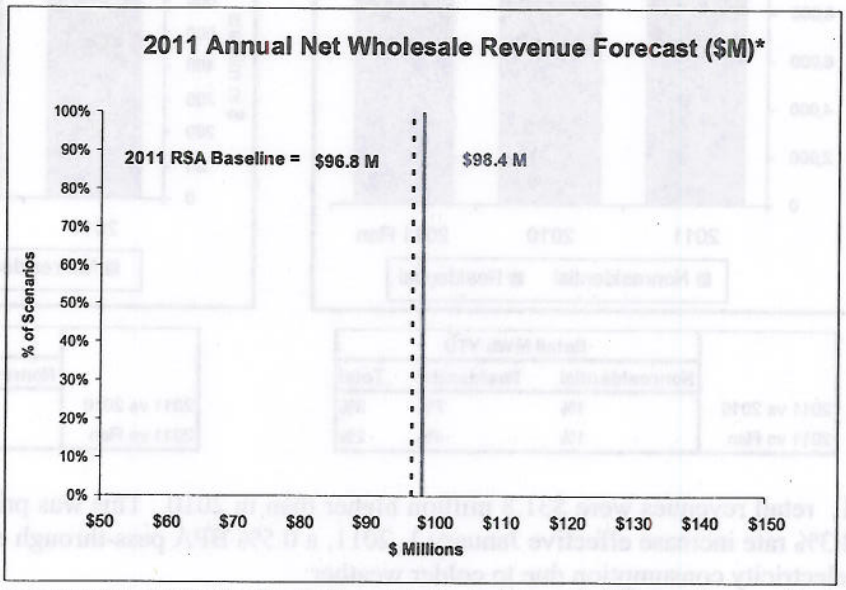


Actual 2011 net income was also $6.7 million or 6.8% higher than anticipated in the 2011 Plan. This was mainly due to higher retail revenues and lower operations and maintenance expenses and power purchases under long-term contracts. It was partially offset by a $40.2 million higher than anticipated transfer to the Rate Stabilization Account because of a management decision at year-end to transfer cash that would result in more than a 1.85x debt service coverage ratio from the operating account to the RSA. It was also offset by a $6.1 million increase in bad debt expense because of additions to the reserve for doubtful accounts for past-due retail energy sales and sundry sales accounts receivable that had accumulated on the balance sheet during the past few years and are now expected to be uncollectable.

Net Short-Term Wholesale Energy

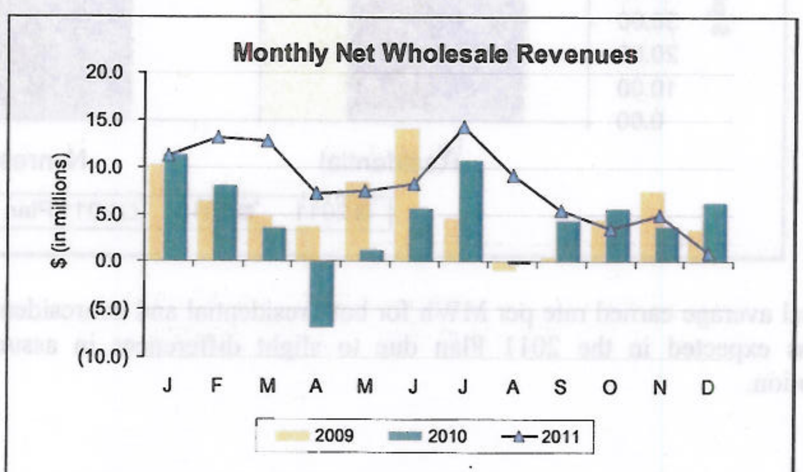


The projections of net short-term wholesale energy sales change weekly due to changes in water conditions, economic factors such as the price of natural gas, system load and the availability of surplus energy for resale. At year-end, this forecast is equal to the actual historical results. The chart below compares 2011 actual net short-term wholesale revenues before booked-out long-term purchases, which totaled $98.4 million, to the $96.8 million RSA baseline amount projected in the 2011 Financial Plan. Actual net wholesale revenue was very close to the RSA baseline amount, despite lower prices, because of a higher than anticipated volume of surplus energy available for sale due to extremely favorable hydro conditions.



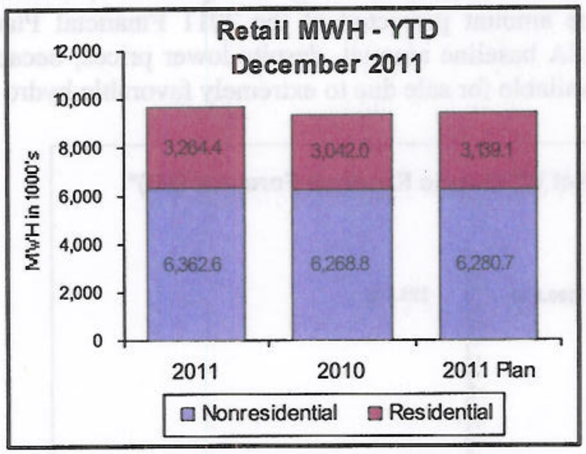
* In prior years we also showed the distribution for the financial plan in this graph. This graph now only shows the distribution of the forecast and the RSA baseline, which is based on the 2010 RSA ordinance. In the current forecast, there is no distribution around the expected value because it is the actual historical result at the end of the year.

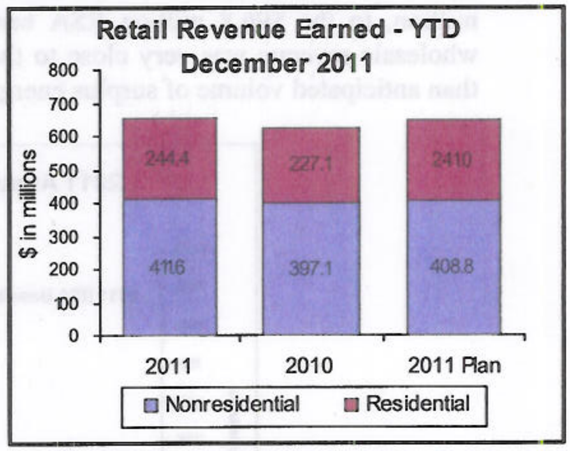
Net wholesale revenues for the month of December 2011 were $0.9 million compared to $6.3 million during the same period in 2010. Water conditions were considerably drier. BPA Slice was only 310 MW, compared to 414 MW in the prior year. Boundary generated 225 MW, compared to 342 MW in the prior year. These two resources were the primary driver behind December 2011 wholesale surplus being just 47 MW, compared to 236 MW in the prior year. In addition, spot prices were 7% lower. The combination of a smaller surplus and lower prices led to a $5.4 million drop in revenues.



Retail Power Revenues

The charts that follow present selected data on year-to-date retail power revenues.

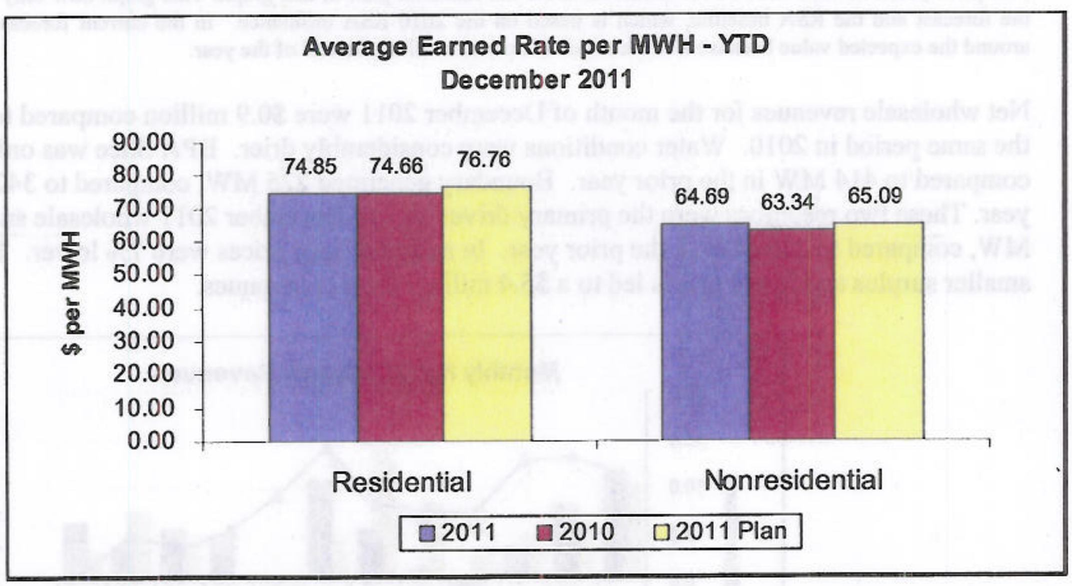




	Retail MWh YTD		
	Nonresidential	Residential	Total
2011 vs 2010	1%	7%	3%
2011 vs Plan	1%	4%	2%

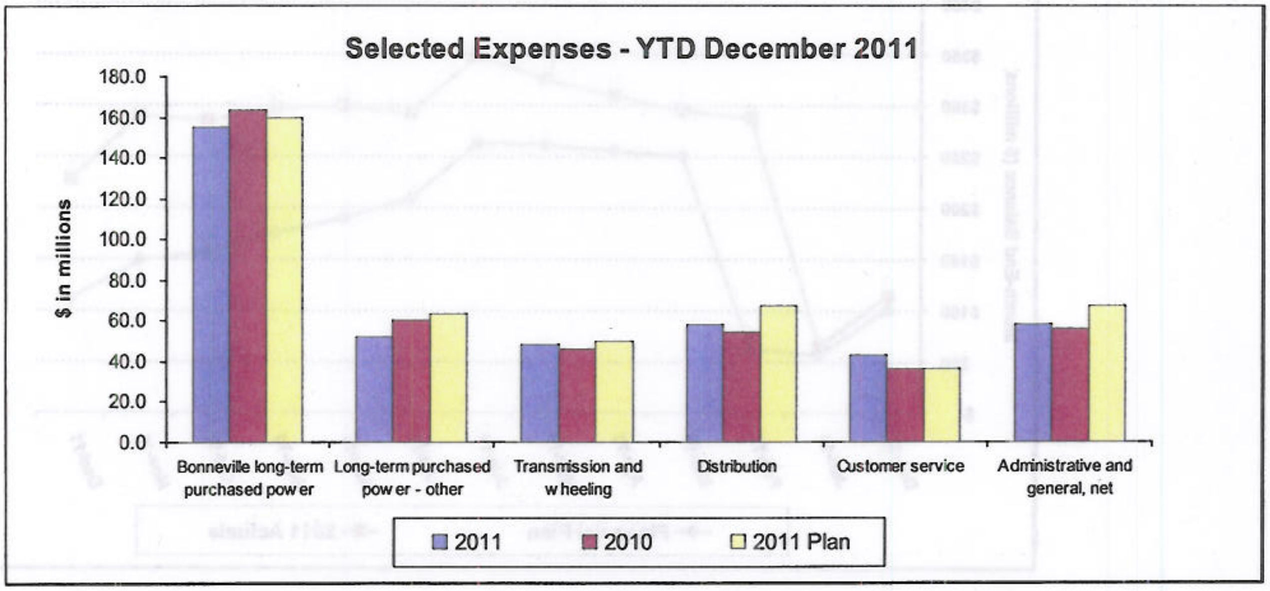
	Retail Revenue YTD		
	Nonresidential	Residential	Total
2011 vs 2010	4%	8%	5%
2011 vs Plan	1%	1%	1%

In 2011, retail revenues were $31.8 million higher than in 2010. This was primarily due to the across-the-board 4.3% rate increase effective January 1, 2011, a 0.5% BPA pass-through effective October 1, 2010 and higher electricity consumption due to colder weather.



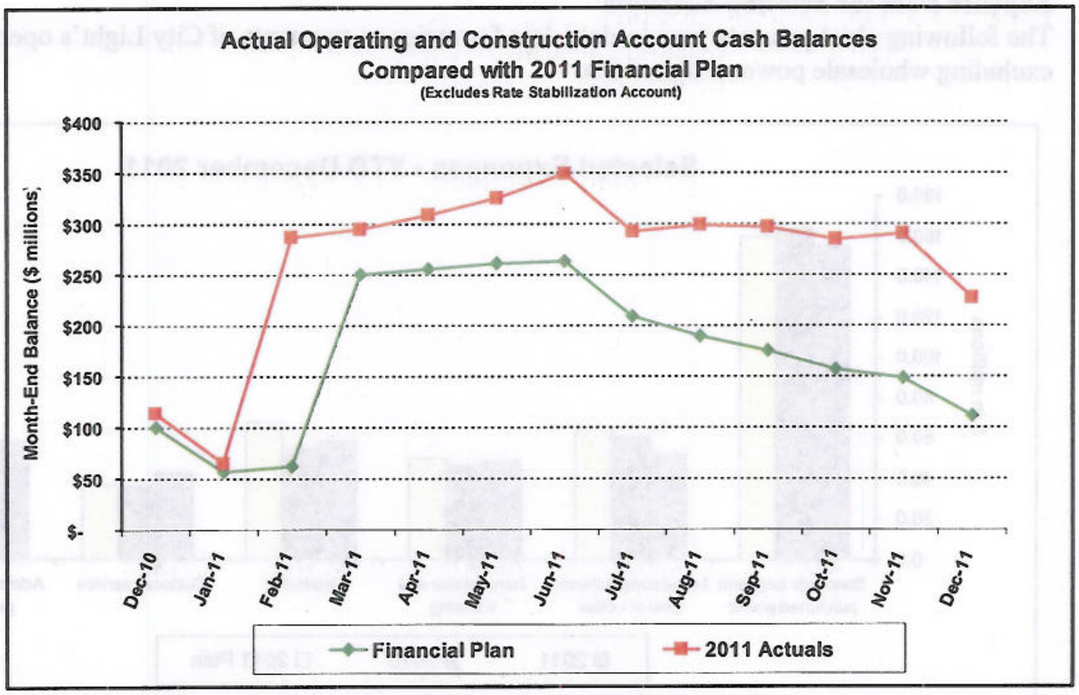
The actual average earned rate per MWh for both residential and nonresidential customers is different from what was expected in the 2011 Plan due to slight differences in assumed versus actual patterns of consumption.

Expense Data for Selected Accounts
The following chart presents year-to-date data for major components of City Light's operating expenses excluding wholesale power transactions.



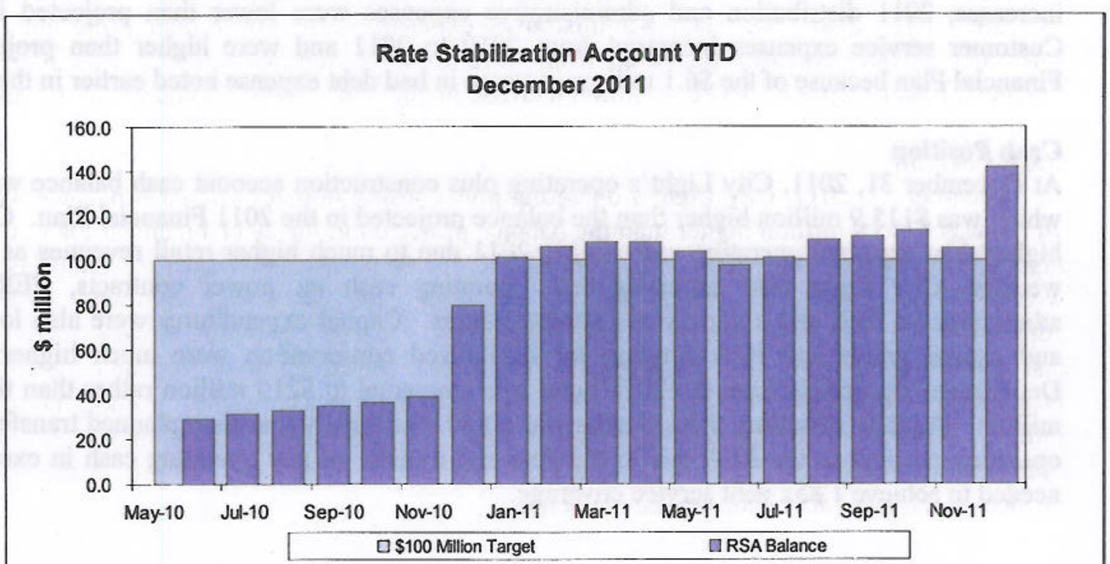
Bonneville expenses were lower in 2011 as compared to the same period in the prior year and in the 2011 Plan primarily due to a higher BPA Slice true-up credit. Other long-term purchased power expenses were also lower. This decrease was mainly due to lower purchases from Priest Rapids and lower valuation of SMUD and NCPA exchange expenses as a result of lower market prices in 2011. However, these lower expenses were partially offset by higher purchases from the Stateline Wind and Lucky Peak projects. The increase in distribution expenses from 2010 to 2011 is explained by additional budget allocated to programs such as the life-cycle asset management program (LAMP), the work and asset management system (WAMS) and vegetation management in 2011. Higher administrative and general expenses in 2011, relative to 2010, reflect an increase in pension contributions and benefits costs. Despite their year over year increases, 2011 distribution and administrative expenses were lower than projected in the 2011 Plan. Customer service expenses increased from 2010 to 2011 and were higher than projected in the 2011 Financial Plan because of the $6.1 million increase in bad debt expense noted earlier in this report.

Cash Position
At December 31, 2011, City Light's operating plus construction account cash balance was $226.9 million, which was $115.9 million higher than the balance projected in the 2011 Financial Plan. City Light received higher than expected operating cash during 2011 due to much higher retail revenues as a result of colder weather. City Light also expended less operating cash on power contracts, FERC land use and administrative fees, and a variety of O&M expenses. Capital expenditures were also lower than planned, and capital grants and BPA funding for capitalized conservation were much higher. In addition, the Department's proceeds from the 2011 bond sale amounted to $215 million rather than the planned $198.7 million. Partially offsetting these factors was a $40.2 million higher than planned transfer of cash from the operating account to the RSA due to the year-end transfer of any operating cash in excess of the amount needed to achieve 1.85x debt service coverage.



RSA Position

The chart below displays the cash balance in the RSA as of December 31, 2011. The Department reached the initial target of $100 million on January 1, 2011 through a combination of the existing $25 million Contingency Reserve, 2010 revenues from the RSA surcharge, 2010 Cash from Operations and 2010 Bond Refunding Savings realized in 2010 and 2011. The RSA surcharge was lifted as of January 1, 2011. The year-end RSA balance exceeded the $100 million target by $41.5 million, reflecting a transfer from the operating account to the RSA in December of any operating cash in excess of the amount needed to achieve 1.85x debt service coverage. This additional balance reduces the likelihood of surcharges during 2012, even if actual 2012 net wholesale revenue turns out to be significantly lower than the RSA baseline.



2011 Budget
City Light was within its budget authority in 2011. The Department spent 93% of the overall O&M budget (O&M budget includes Non-Power O&M expenses, Purchased Power, Taxes and Debt Service) through year-end. The significant areas of under-expenditure include lower purchased power costs and salary savings from vacant positions. City Light's spending on the Capital program through December is 82% of the 2011 work plan. The CIP Plan accomplishment rate was lower than anticipated due to a large number of small factors. Examples: In Alaska Way Viaduct and Mercer Corridor we encumbered $6.6 million less than planned (the payment schedule is unchanged); Spokane Street Exit Modifications were deferred in order to achieve $3 million in savings; requests for new service connections came in $6.6 million under forecast as the recession continued; a transformer line replacement was combined with installation of a new feeder, creating permitting complications that resulted in delays deferring $4.8 million; and an order of substation transformers for $2.8 million took longer than expected (it was awarded in February 2012).

Debt-to-Capitalization
At December 31, 2011, City Light's debt-to-capitalization ratio was 63.9%, which was 0.4% lower than the 64.3% ratio reported at December 31, 2010. This decrease occurred despite a year-over-year increase in outstanding debt because of a larger increase in assets, particularly capital assets, operating cash and the rate stabilization account. The actual 2011 year-end ratio was slightly above the 63.3% projected in the 2011 Financial Plan because the actual year-end balance of outstanding long-term debt was higher than forecast.

Compliance with Risk Policies and Standards
Attached for your information is the City Light Risk Oversight Status Report as of December 21, 2011, which conveys City Light's compliance with risk policies and standards at that point in time.

Performance Metrics
In addition to the financial information included above, we have provided a report on performance metrics for Distribution Operations, Vegetation Management, Safety and Human Resources, Power Resources and Customer Care. The updated Performance Metrics Report for December 2011, with 2010 data included for comparison, is attached.

Attachments

Line No.	Condensed Statements of Revenues and Expenses	Year-to-date [A] Actuals December 31, 2011	[B] Actuals December 31, 2010	Year Ending December 31, 2011 [A - B] Actuals to Actuals Variance	[D] 2011 Financial Plan	[A - D] Actuals to Financial Plan Variance
1	**(Unaudited)**					
2	(In millions)					
3						
4						
5	**Operating Revenues**					
6	Retail power revenues	$ 656.0	$ 624.2	$ 31.8	$ 649.8	6.2
7	Short-term wholesale power revenues, net (lines 41 + 44)	102.7	74.5	28.2	120.2	(17.5)
8	Power-related revenues - other	54.6	66.7	(12.1)	80.8	(26.2)
9	Transfers to/from rate stabilization account	(62.2)	(54.3)	(7.9)	(22.0)	(40.2)
10	Other revenues	20.4	21.9	(1.5)	21.8	(1.4)
11	Total operating revenues	771.5	733.0	38.5	850.5	(79.0)
12	**Operating Expenses**					
13	Generation	29.3	22.4	6.9	37.9	(8.6)
14	Bonneville long-term purchased power	154.8	163.3	(8.5)	159.9	(5.1)
15	Long-term purchased power - other	51.8	60.3	(8.5)	63.2	(11.4)
16	Short-term wholesale power purchases	11.4	24.5	(13.1)	28.5	(17.1)
17	Power-related wholesale purchases - other	9.0	25.1	(16.1)	26.7	(17.7)
18	Other power costs	10.2	10.2	-	10.6	(0.4)
19	Transmission and wheeling	47.9	46.3	1.6	49.4	(1.5)
20	Distribution	58.3	54.6	3.7	67.2	(8.9)
21	Customer service	43.1	36.1	7.0	35.8	7.3
22	Conservation	19.1	16.8	2.3	25.5	(6.4)
23	Administrative and general, net	58.3	56.1	2.2	66.8	(8.5)
24	Taxes	73.6	70.4	3.2	73.6	(0.0)
25	Depreciation and amortization	90.4	86.4	4.0	85.4	5.0
26	Total operating expenses	657.2	672.5	(15.3)	730.7	(73.5)
27						
28	**Net Operating Income**	**114.3**	**60.5**	**53.8**	**119.8**	**(5.5)**
29						
30	**Other Deductions, Net**					
31	Investment Income	4.9	2.7	2.2	4.5	0.4
32	Other income (expense), net	7.4	3.0	4.4	2.3	5.1
33	Interest expense	(76.0)	(65.1)	(10.9)	(89.8)	13.8
34	Noncapital grants	2.5	3.0	(0.5)	0.3	2.2
35	Capital contributions	28.7	21.7	7.0	46.6	(17.9)
36	Capital grants	10.8	4.6	6.2	2.2	8.6
37	Total other deductions, net	(21.7)	(30.1)	8.4	(33.9)	12.2
38						
39	***Net Income***	**92.6**	**30.4**	**62.2**	**85.9**	**6.7**
40	**Note A:**					
41	Short-term wholesale energy sales, gross	109.9	78.6	31.3	125.3	(15.4)
42	Short-term wholesale energy purchases	(11.4)	(24.5)	13.1	(28.5)	17.0
43	**Net ST wholesale sales before booked-out LT purchases**	**98.4**	**54.1**	**44.3**	**96.8**	**1.6**
44	Booked-out long term purchases	(7.2)	(4.1)	(3.1)	(5.1)	(2.1)
45	Net short-term wholesale energy sales	**91.2**	**50.0**	**41.2**	**91.7**	**(0.5)**
46	**Note B:**					
47	Power-related revenues, net (line 8 minus line 17)	45.6	41.6	4.0	54.1	(8.5)

Line No.	Condensed Balance Sheets	[A]	[B]	[A - B]
1	**(Unaudited)**			
2	(In millions)			
3		**December 31, 2011**	**December 31, 2010**	**Variance**
4	**Assets**			
5	Net utility plant at original cost	$ 1,967.1	$ 1,821.1	$ 146.0
6	Construction work-in-process	106.4	147.0	(40.6)
7	Assets held for future use	52.8	9.3	43.5
8	Land and nonoperating, net	69.7	95.7	(26.0)
9	Rate stabilization account	141.5	79.3	62.2
10	ML&P Bond reserve account	1.5	-	1.5
11	Bond construction account	61.5	57.0	4.5
12	Restricted assets - other	4.7	3.9	0.8
13	Operating cash	165.4	56.9	108.5
14	Accounts receivable, net	59.5	81.8	(22.3)
15	Unbilled revenues	71.9	69.7	2.2
16	Current assets - other	30.0	26.6	3.4
17	Other assets	243.1	221.5	21.6
18	Total assets	$ 2,975.1	$ 2,669.8	$ 305.3
19				
20	**Liabilities and Equity**			
21	Long-term debt	$ 1,640.6	$ 1,515.8	$ 124.8
22	Noncurrent liabilities	55.8	55.0	0.8
23	Debt, notes, and obligation - current	88.9	58.7	30.2
24	Accrued interest	31.2	34.4	(3.2)
25	Current liabilities - other	80.8	73.4	7.4
26	Bonneville conservation augmentation	-	4.7	(4.7)
27	Rate stabilization deferred revenue	116.5	54.3	62.2
28	Deferred credits - other	14.1	18.9	(4.8)
29	Equity	947.2	854.6	92.6
30	Total equity and liabilities	$ 2,975.1	$ 2,669.8	$ 305.3

Net Income Variance Analysis
December 2011

Variance Year-to-Date 2011 Compared to 2010 Actuals: $62.2 million or 204.6%

Major components ($ millions):

$30.4	Net Income YTD through December 31, 2010
$31.8	Higher retail revenues primarily due to 4.3% rate increase effective January 1, 2011, 0.5% BPA pass-through effective October 1, 2010 and cold weather in first seven months
$44.3	Higher net wholesale energy sales due to historically high and well-timed precipitation this year
($7.9)	RSA deferred revenues
($6.9)	Higher generation expense, reflecting higher FERC fees and Boundary maintenance expenses
$8.5	Lower BPA purchased power expense
$4.0	Higher power-related revenues, net, reflects $7.0 million higher cash revenue (mainly BPA funding for conservation) and $(3.0) million lower noncash revenue (primarily fair valuation of power exchanges)
($7.0)	Higher customer service expense, due to $6.1 million increase in allowance for retail and sundry receivables
($10.9)	Higher interest expense
$13.2	Higher capital contributions and capital grants
($6.9)	Other (net)
$92.6	Net Income YTD through December 31, 2011

Variance 2011 Actuals Compared to Financial Plan: $6.7 million or 7.80%

Major components ($ millions):

$85.9	Net Income YTD through December 31, 2011 - Financial Plan
$6.2	Higher retail revenues due to cold weather in the first seven months of the year and increase in energy consumption for the rest of 2011
$1.6	Higher net surplus energy sales than planned
($8.5)	Lower power-related revenues, net, reflects $4.1 million less cash revenue (mainly from Priest Rapids) and $4.4 million less noncash revenue (primarily fair valuation of power exchanges).
($40.2)	Transfer to RSA
$8.6	Lower generation expense due to lower than anticipated FERC land use fees
$16.5	Lower long-term purchased power expense that reflects $5.1 million lower BPA purchased power expense and $11.4 million lower expenses for long-term purchased power - other
$8.9	Lower distribution expense
$6.4	Lower conservation expense
($7.3)	Higher customer service expense, due for the most part to an increase in allowance for receivables
$8.5	Lower A&G
$13.8	Lower interest expense
($9.3)	Lower capital contributions partially offset by higher capital grants
$1.5	Other (net)
$92.6	Net Income YTD through December 31, 2011

City Light Risk Oversight Status Report
As Of
Wednesday, December 21, 2011

Summary

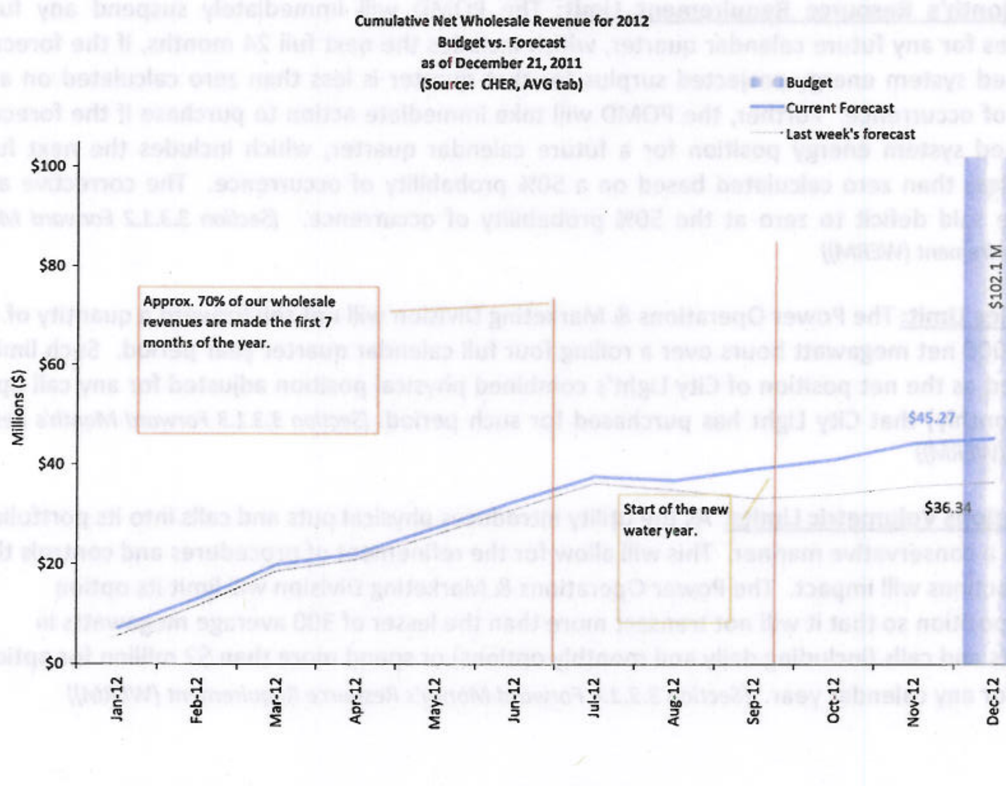
	% of 5 yr Avg	Current '11 Avg	5 Yr Avg
SCL Hydro Generation	88%	973 MW	1,101 MW
Peak Market Prices	56%	$30.25	$53.55

SCL Hydro Generation: The total average generation per hour for Seattle City Light's three major hydroelectric resources (Skagit, Boundary, and BPA Slice) for the 2011 calendar year. This average includes actual generation for past months, and forecasted MW for future months. The 5 year average value is comprised of actuals for years 2006-10.

Peak Market Prices: The average peak market price for the nearest electricity trading hub (Mid-C) for the 2011 calendar year. The 2011 average is comprised of monthly peak forward marks for future months and averaged Dow Jones firm peak index daily prices for past months. The 5 year average is calculated using Dow Jones peak daily prices for years 2005-09.

Wholesale Revenue Variance: The NWR for 2011 is now at $95.7 M. 2011 is no longer part of the 'forecast" purview therefore SCL will refine the numbers as updates to the STOMP and actuals comes in. In the 2012 approved budget, the approved Wholesale Revenue is $102.1 million. The chart (Chart 1) compares the current annual approved budget ($102.1 million) with the current forecast of $45.3 million with a 90% confidence level of $21.2 million and a 10% confidence level of $77.4 million. The Net Wholesale Revenue is up $8.9 M from two weeks ago. The primary driver of this increase is the resource forecast, which increased by 31 aMW for the Calendar Year.

Chart 1



Published Date: 12.28.11

Policy Compliance:

Tail Risk Limit	Prompt Month & Within Month Limit	Forward Month's Resource Requirement Limit	Forward Sales Limit	Physical Options Limit
Compliant	Compliant	Exceeded	Compliant	Compliant

**In this week's reports, the Forward Month's Resource Requirement Limit has been met under the 75% probability of occurrence for Q2 & Q4 of 2012. The POMD has no plans to sell forward any energy for Q2 & Q4 of 2012 until further notice. No further action is needed.*

Tail Risk: For the current calendar year, the Power Operations & Marketing Division will conduct its hedging activity to maintain the Utility's position within an $8 million Risk Tolerance Band (RTB) around the calculated 5% Tail Risk metric. For the prompt year (the year immediately following the current calendar year), the Utility's position will remain within a $12 million RTB around the 5% Tail Risk metric. *(Section 3.3.2 Prompt and Within the Month (WERM))*

Prompt Month & Within Month Volumetric Limit: The Power Operations & Marketing Division will maintain City Light's power portfolio position for any prompt month or any Balance of the Month period so that such position shall not exceed a 50 average megawatt deficit during such period. Such limit will be calculated as the net position of City Light's combined physical position adjusted for any call options (daily or monthly) that City Light has purchased for such month. If this limit is exceeded, the Division will take immediate action to reduce the deficit to under 50 average megawatts. *(Section 3.3.1.1 Prompt and Within the Month (WERM))*

Forward Month's Resource Requirement Limit: The POMD will immediately suspend any further forward sales for any future calendar quarter, which includes the next full 24 months, if the forecasted net combined system energy projected surplus for that quarter is less than zero calculated on a 75% probability of occurrence. Further, the POMD will take immediate action to purchase if the forecasted net combined system energy position for a future calendar quarter, which includes the next full 18 months, is less than zero calculated based on a 50% probability of occurrence. The corrective action shall reduce said deficit to zero at the 50% probability of occurrence. *(Section 3.3.1.2 Forward Month's Resource Requirement (WERM))*

Forward Sales Limit: The Power Operations & Marketing Division will not sell forward a quantity of more than 1,750,000 net megawatt hours over a rolling four full calendar quarter year period. Such limit will be calculated as the net position of City Light's combined physical position adjusted for any call options (daily or monthly) that City Light has purchased for such period. *(Section 3.3.1.3 Forward Month's Resource Requirement (WERM))*

Physical Options Volumetric Limits: As the utility introduces physical puts and calls into its portfolio it will do so in a conservative manner. This will allow for the refinement of procedures and controls that these transactions will impact. The Power Operations & Marketing Division will limit its option volumetric position so that it will not transact more than the lesser of 300 average megawatts in physical puts and calls (including daily and monthly options) or spend more than $2 million for option premiums for any calendar year. *(Section 3.3.1.4 Forward Month's Resource Requirement (WERM))*

5% Tail Risk Metric, 2012

In October 2007, City Light implemented a risk metric named the "5% Tail Risk". It is calculated as the average of the worst-case scenarios for City Light's cash from operations for the calendar year. Cash from operations is a bottom-line financial metric defined as the cash available to finance capital projects. There are numerous drivers of cash from operations such as retail revenue, investment income, debt service, and O&M expenses; however wholesale energy revenue is typically the primary driver of uncertainty in this metric.

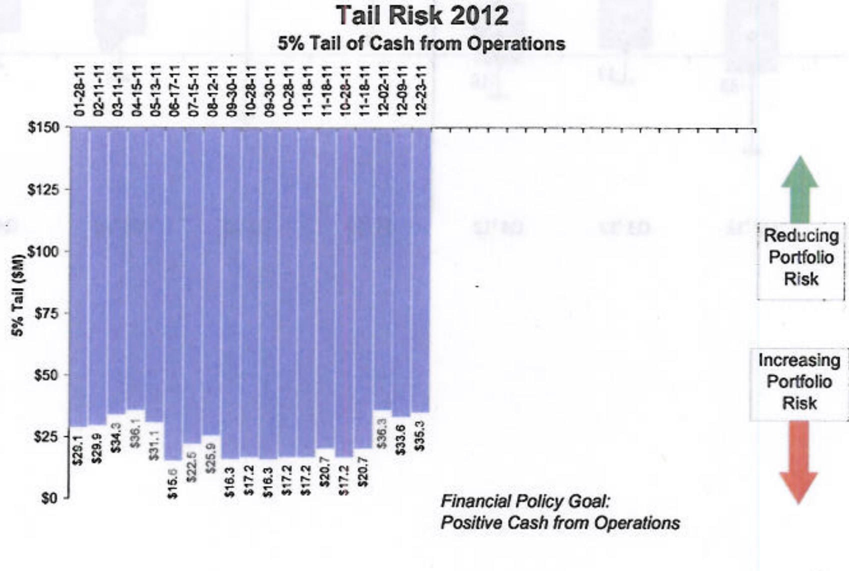
In 2011, the Rate Stabilization Account (RSA) became operational. The RSA is a cash reserve that is used to buffer the Utility from uncertainty in wholesale energy revenue. If the RSA becomes depleted, it is replenished via retail rate surcharges. The RSA significantly mitigates City Light's financial (i.e. cash from operations) risk associated with wholesale energy revenue; however retail customers are exposed in part to the wholesale energy revenue risk via RSA surcharges of up to 4.5%. To appropriately encourage management of risk borne by both City Light and retail customers, the cash from operations amount used in the 5% Tail Risk calculation excludes any effects of the RSA.

The 5% Tail Risk metric is used as a risk control measure in City Light's management of surplus hydro resources. It is used in concert with additional volumetric limits, as well as expert knowledge and analysis of western wholesale energy markets, river flow data, and generation unit outages, to inform power management decisions.

Every week, portfolio models are updated with the most current information and the 5% Tail Risk is recalculated for both the current portfolio (forecast position plus purchases, less sales) and planned portfolio (current portfolio plus remainder of existing hedge plan). The metric provides an indication as to whether the utility's portfolios include too much or too little surplus resources.

Chart 2 (below) illustrates the 5% Tail Risk metric values for the calendar year 2012. As time progresses, the 5% Tail Risk metric value has decreased from an initial projection of $29.1 million to the current projection of a worse case of $35.3 million of Cash from Operations.

Chart 2

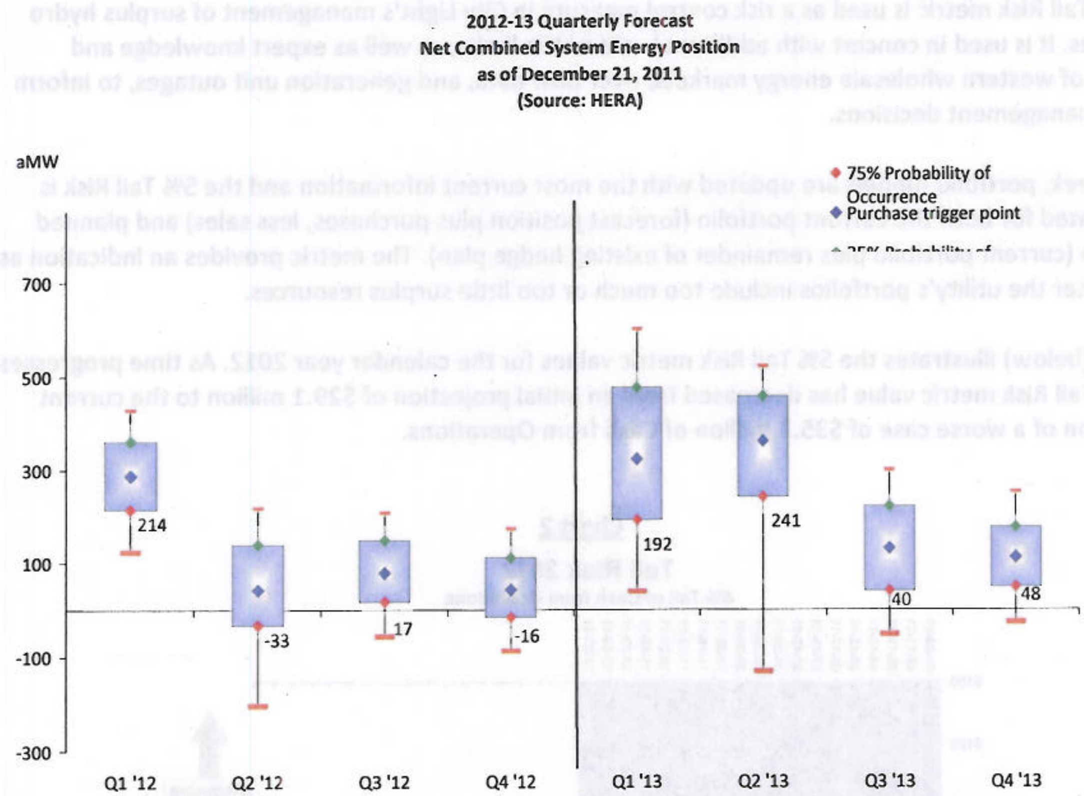


Hedging Plan & Position Status

Hedge Plan 2012, Phase 1 was last proposed on December 13, 2011 and was approved by ROC. The maximum additional net volume to be sold forward under this plan total is 292,800 MWh.

Risk Policy Section 3.3.1b was amended by the Chair of the Energy, Technology, and Civil Rights Committee on March 8, 2010, changing the trigger point for purchasing power in the forward quarter-year periods to the 50th percentile (previously, it was the 25th percentile, or 75% confidence), when, at that level of expectation, the net position is below 0 . On April 6, 2011, City Light's contracting authority was approved from 18 months to 24 months. Chart 3 shows the Net Combined System Energy Position for the next 8 quarter, 2 year periods to cover the full amount of City Light's contracting authority. The blue boxes represent the expected net energy position from the 25th to the 75th percentile. The dark blue diamonds inside the boxes represent the 50th percentile (the new purchase trigger). Under the amended rule, if the blue diamond is below 0, City Light must purchase energy to get back above 0.

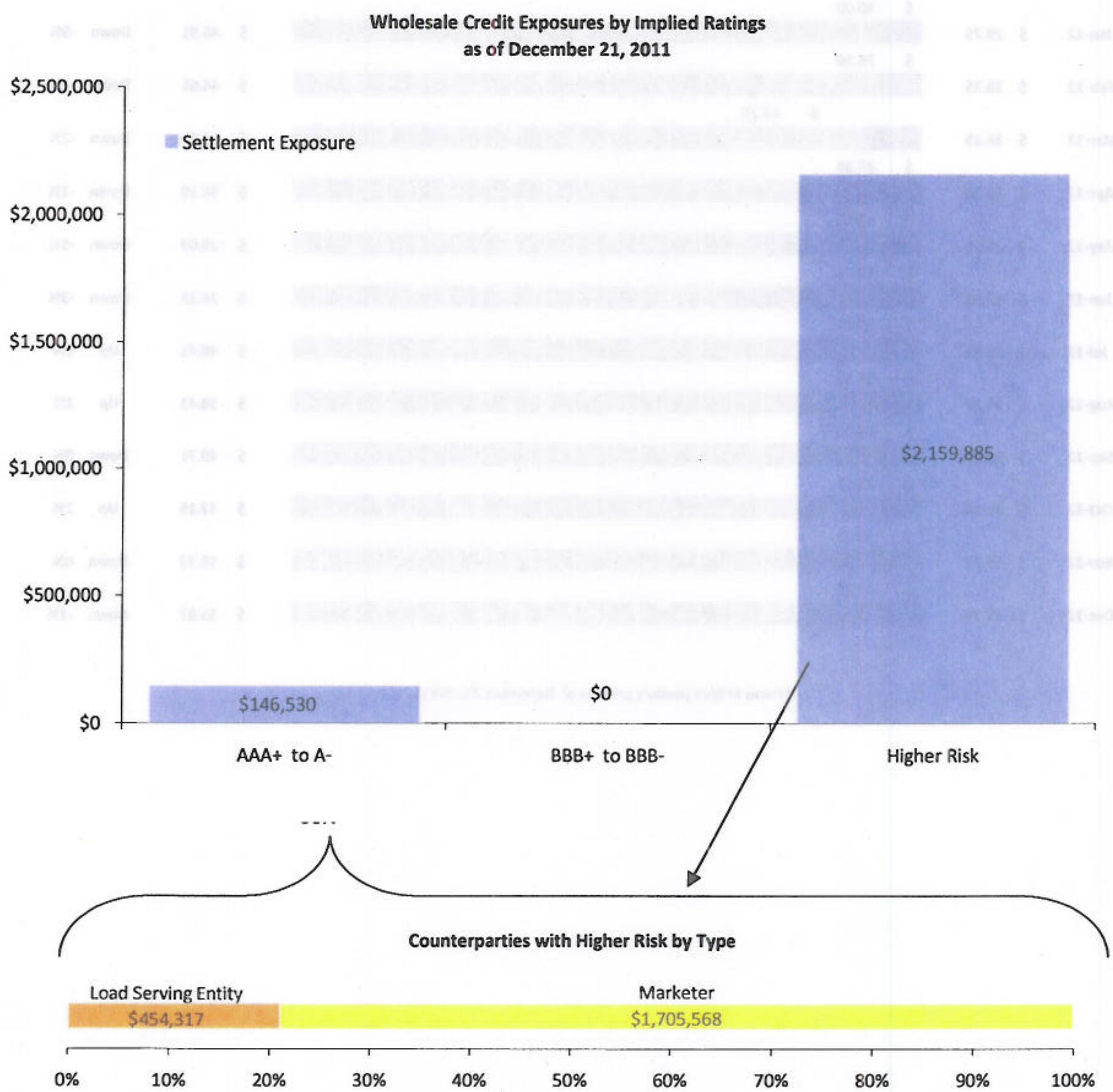
Chart 3



Credit

City Light actively manages its wholesale energy market credit risk by: setting credit limits for each counterparty that are derived from credit scoring models and analysis; securing credit enhancements; monitoring industry news; and by tracking counterparty credit exposures. Beginning in 2009 the Risk Management Division began using an industry standard tool (Moody's KMV) to proactively measure changes in counterparty creditworthiness. This necessitated the use of implied (internal) credit ratings instead of the actual rating agency ratings for Chart 4, below. It is important to note that this represents the assessment of credit risk by the Director of Risk Management. Actual credit ratings by Standard and Poors and Moody's Investor Services are higher.

Chart 4



Price

To ensure that prices are independently developed, City Light's official price curve is prepared by PLATTS and used for internal analysis, valuation and modeling tasks. Chart 5 shows the forward price range (Mid-C) for the upcoming 12 months since the previous 12 months.

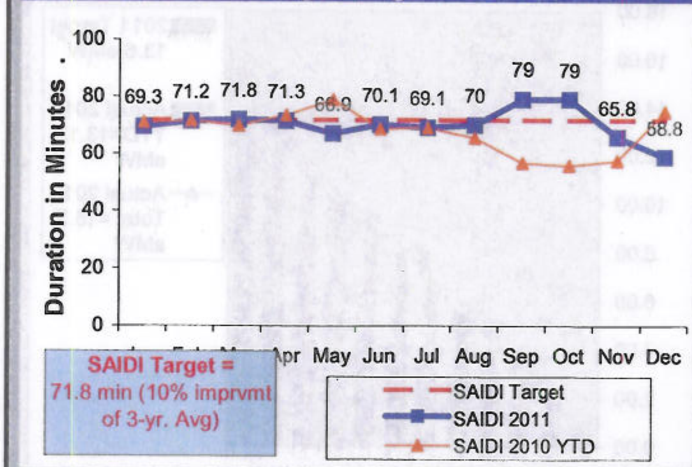
Chart 5

Mid- C Power	Low for the period	Price range since December 21, 2010 (data source: PLATTS)	High for the period	% from last wk
Jan-12	$ 29.75	$ 30.00	$ 46.51	Down -5%
Feb-12	$ 28.25	$ 28.50	$ 44.65	Down -3%
Mar-12	$ 26.25	$ 27.25	$ 39.35	Down -2%
Apr-12	$ 25.18	$ 26.38	$ 36.39	Down -1%
May-12	$ 20.18	$ 22.12	$ 29.09	Down -5%
Jun-12	$ 17.03	$ 19.75	$ 26.18	Down -3%
Jul-12	$ 29.92	$ 32.89	$ 46.41	Up 1%
Aug-12	$ 35.67	$ 36.51	$ 53.43	Up 1%
Sep-12	$ 33.92	$ 34.55	$ 49.71	Down 0%
Oct-12	$ 32.46	$ 33.42	$ 47.15	Up 2%
Nov-12	$ 34.22	$ 34.22	$ 50.73	Down 0%
Dec-12	$ 37.74	$ 37.82	$ 55.87	Down -1%

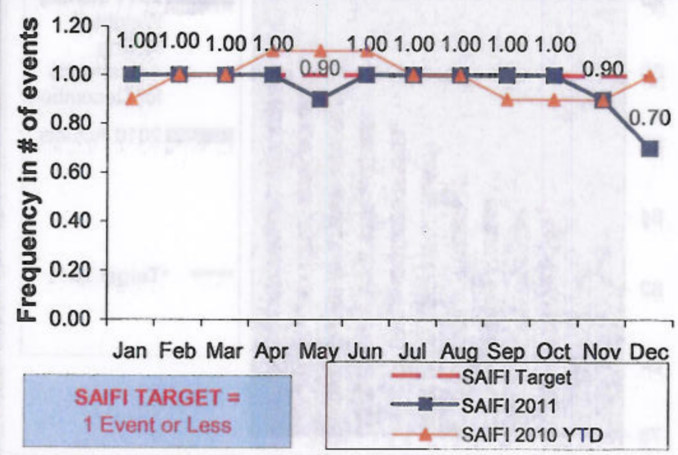
*Prices in Blue (today's price as of December 21, 2011)

Distribution Operations:

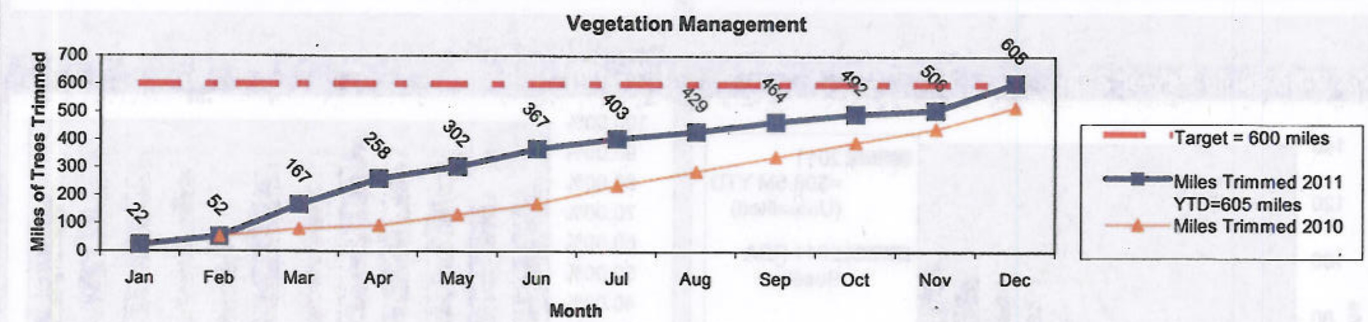
SAIDI -12 Month Rolling Average YTD



SAIFI - 12 Month Rolling Average YTD

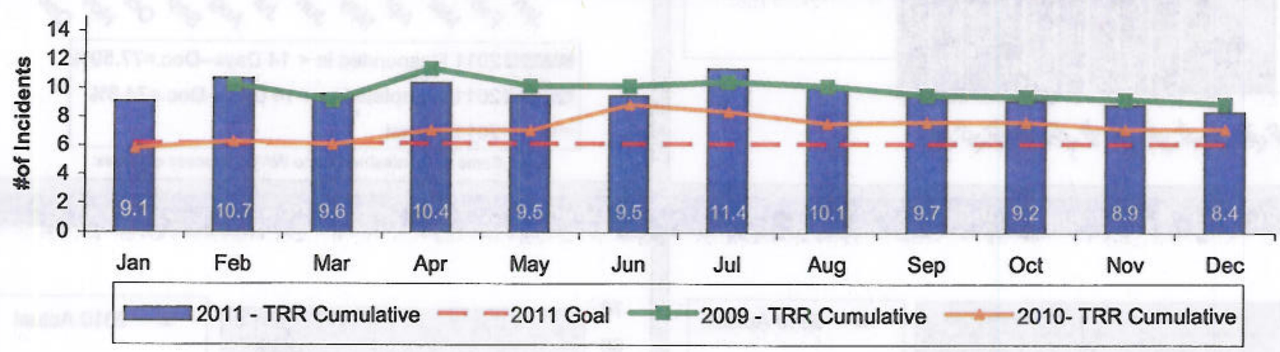


Cumulative Miles of Trees Trimmed vs Annual Target



Human Resources:

Safety - Average Total Recordable Incident Rate (TRR) YTD

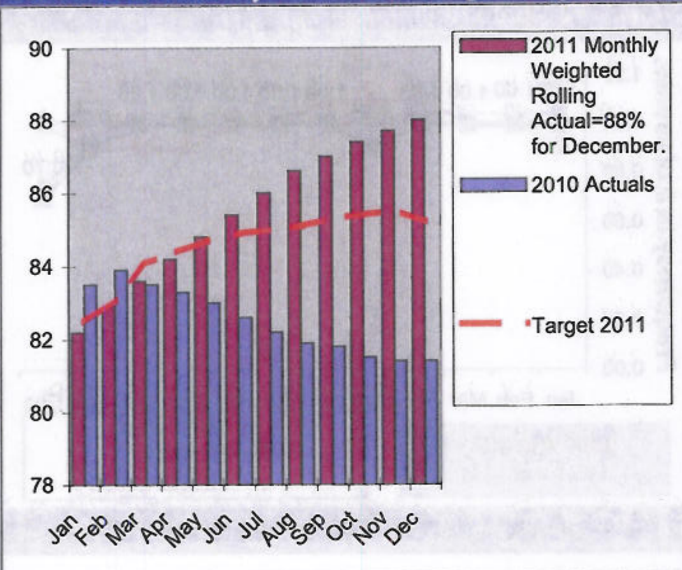


Hiring Statistics Cumulative YTD

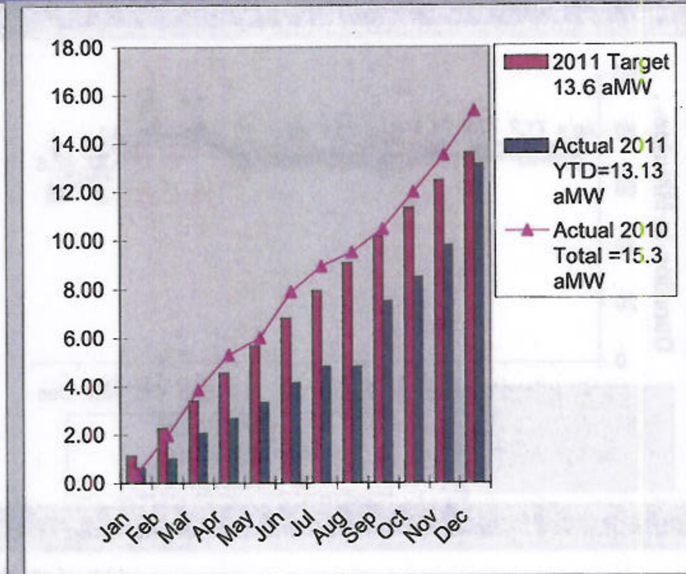
	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
# of New Hires YTD	11	14	32	37	42	53	61	85	107	115	123	134
# of Promotions YTD	17	19	23	26	37	54	66	81	100	112	122	124
# of Days for Hiring	45	42	42	43	44	44	43	43	44	46	47	47
# of Attrition YTD	11	19	41	47	57	65	73	79	83	92	96	99
Vacancy Rate Mo. End	9.6%	10.2%	10.1%	10.1%	10.4%	10.3%	10.2%	9.5%	8.4%	8.4%	8.3%	8.0%

Power Resources:

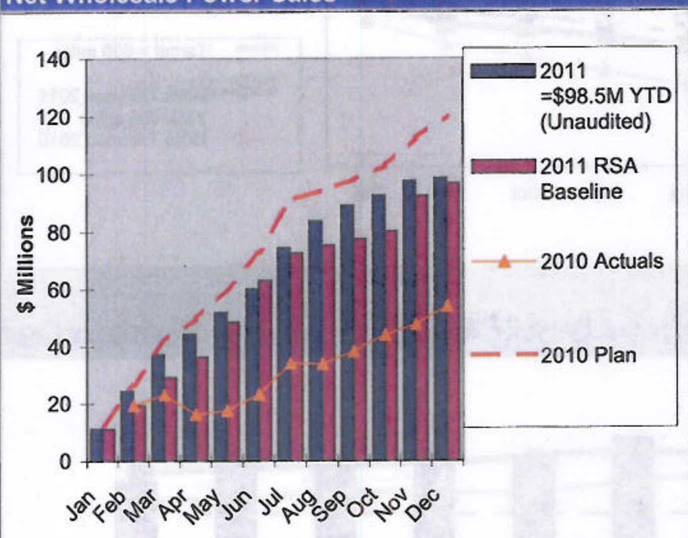
Generator Availability-12 Month Rolling Average



Conservation Savings

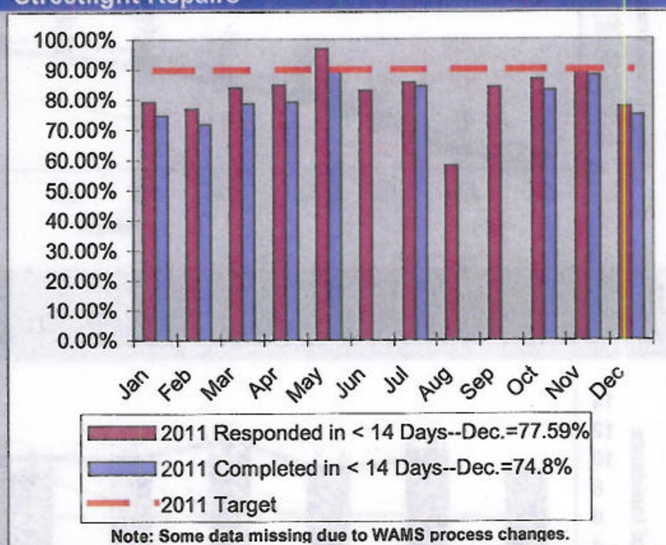


Net Wholesale Power Sales

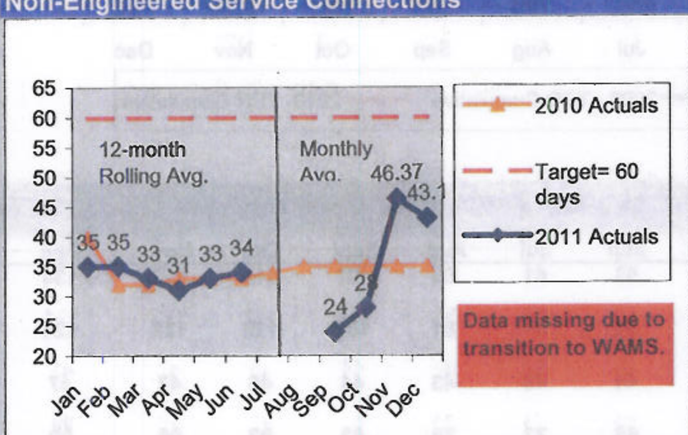


Customer Care:

Streetlight Repairs



Non-Engineered Service Connections



Engineered Service Connections