Seattle City Light

Memorandum

DATE: December 16, 2011

TO: Mayor Michael McGinn
Seattle City Council

FROM: Jorge Carrasco Jorge Carrasco

SUBJECT: Financial Update – November 2011

This memo provides an analysis of Seattle City Light's financial condition and operating results through November 30, 2011. The attached Income Statement Analysis, which is summarized in the chart below, provides a perspective on how City Light performed year-to-date in 2011 compared to the same period of the previous year. In addition, we have provided a revised projection of City Light's financial results through December 2011 compared to the 2011 Financial Plan. The 2011 Financial Plan is based on the revenues and expense projections included in the adopted budget for 2011.

FINANCIAL HIGHLIGHTS
November 2011
($ millions)

	Year-to-date Actual		Year End Dec. 31		Revised Forecast change from prior month
	2011	2010	Plan	Revised Forecast	
Retail Power Revenues[1]	$ 595.2	$ 561.5	$ 649.8	$ 658.3	$ -
Net Wholesale Energy Sales (before booked-out LT purch)	$ 97.6	$ 47.8	$ 96.8	$ 95.7	$ (4.5)
Net Income	$ 110.6	$ 65.4	$ 85.9	$ 76.3	$ (0.0)
Cash Balances					
Operating Cash	$ 215.9	$ 107.1	$ 111.0	$ 144.1	$ (6.4)
Surety Bond Replacement Fund	$ -	$ -	$ -	$ 10.0	
Construction Account - Restricted	$ 74.5	$ 74.1	$ -	$ 34.6	$ -
Rate Stabilization Account	$ 105.3	$ 38.8	$ 101.1	$ 133.2	$ (4.5)
Bond Reserve	$ 1.5	$ -	$ -	$ 1.5	$ -
Debt Coverage Ratio[2]	-	-	1.80	1.85	(0.00)
Debt to Capitalization Ratio	63.6%	63.5%	63.3%	63.3%	0.0%

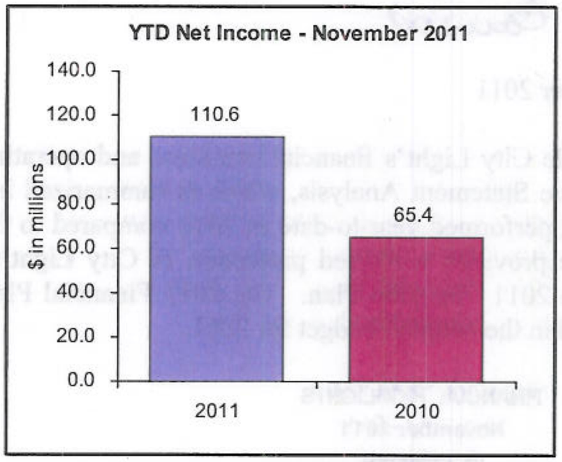
(1) Retail Power Revenues include revenues such as Green Power Program and Power Factor Charges and exclude low-income Rate Discounts.

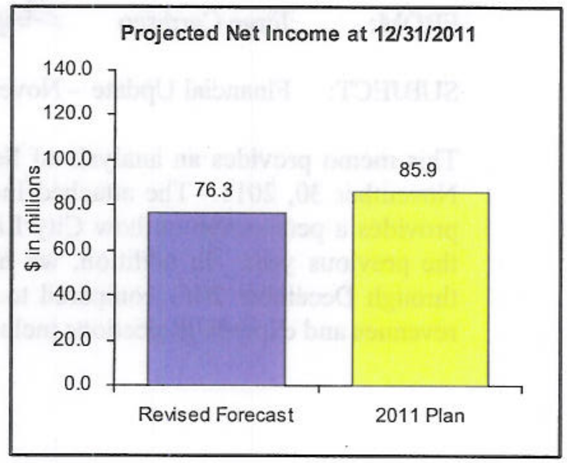
(2) Revised forecast reflects the plan to transfer cash in excess of the amount required for a 1.85x Debt Service Coverage Ratio from Operating Cash to the RSA.

Net Income

As indicated in the table on this page and in the charts on the next page, net income for the period ending November 30, 2011, was $110.6 million, which resulted in a $45.2 million or 69.1% increase over the same time period in 2010. This increase is explained by 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.

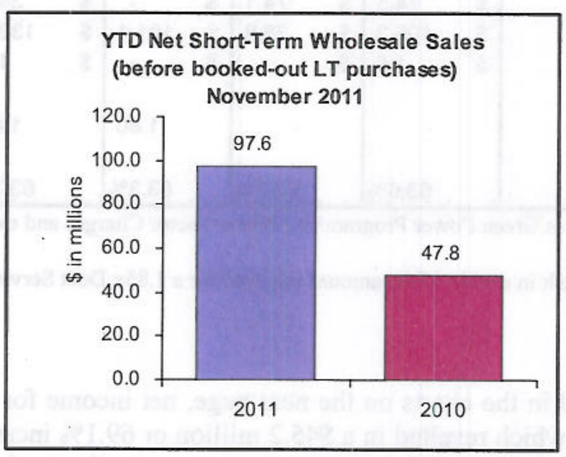
Extremely wet hydro conditions in the Pacific Northwest so far this year resulted in SCL's net wholesale revenues being much higher year-to-date ($49.1 million higher) as compared to the same period last year. An offsetting effect includes the transfer of $26.0 million to the Rate Stabilization Account (RSA) year-to-date.

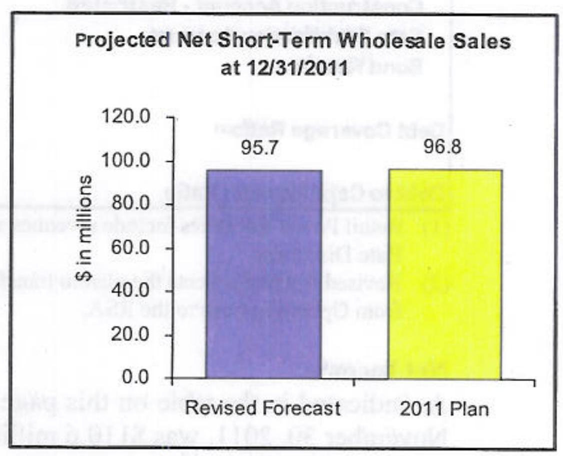




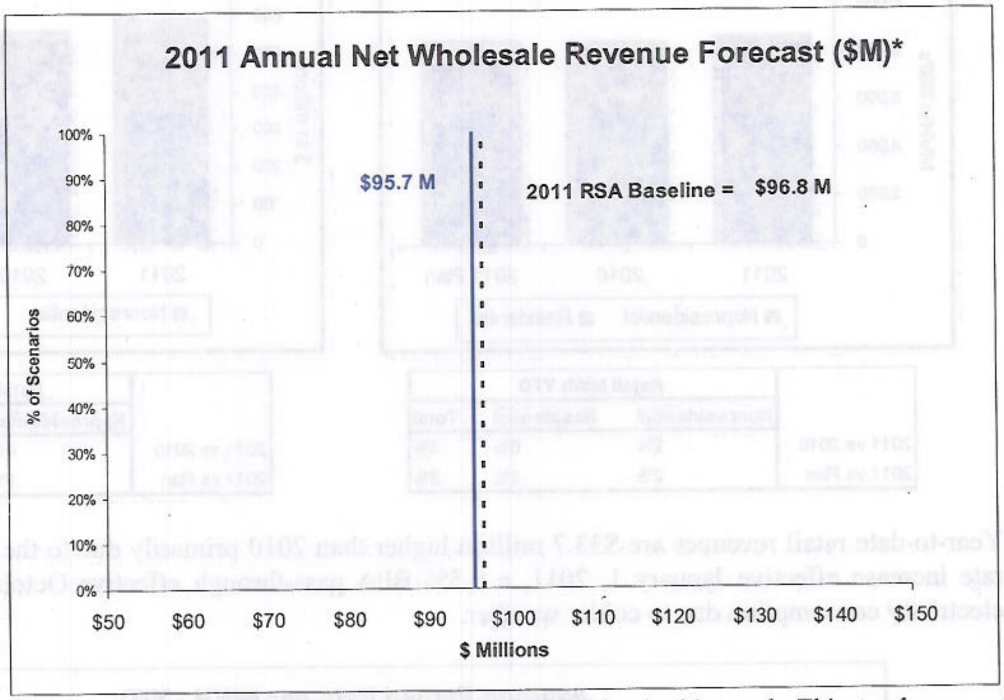
Projected net income at year-end December 31, 2011 is expected to be $76.3 million, $9.6 million or 11.2% lower than anticipated in the 2011 Plan. This is a large decrease from a couple of months ago, when projected net income for 2011 was $119.1 million. This is mainly due to a management decision to transfer cash that would result in more than a 1.85x debt service coverage ratio from the operating account to the RSA. It also reflects a $7.1 million increase in projected operating expenses due to the anticipated addition to the reserve for doubtful accounts, in November, of past-due retail revenue accounts receivable, now expected to be uncollectable, that have accumulated on the balance sheet over the past few years. Only $4.7 million was actually added to the reserve in November, and the next revised forecast, at year-end, will reflect this lower addition to the reserve.

Net Short-Term Wholesale Energy



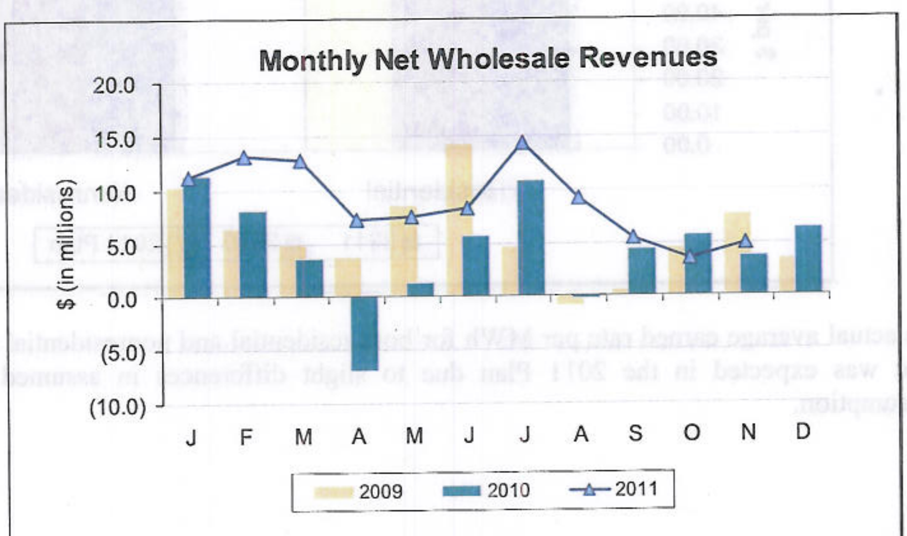


The projections of net short-term wholesale energy sales change weekly due to changes in water conditions, economic factors such as the price of natural gas, system load and the availability of surplus energy for resale. The chart below represents the current forecast for net short-term wholesale revenues before booked-out long-term purchases, which is expected to be $95.7 million.

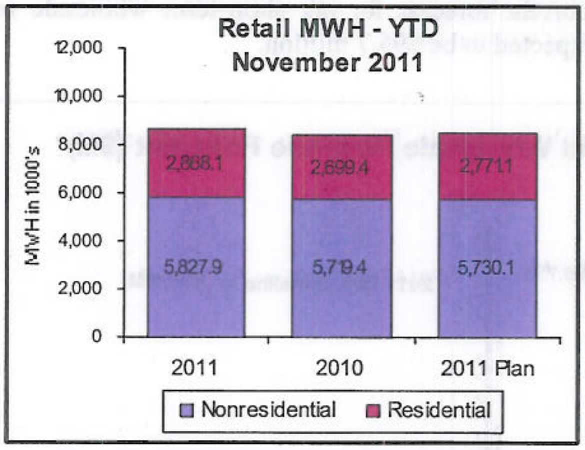


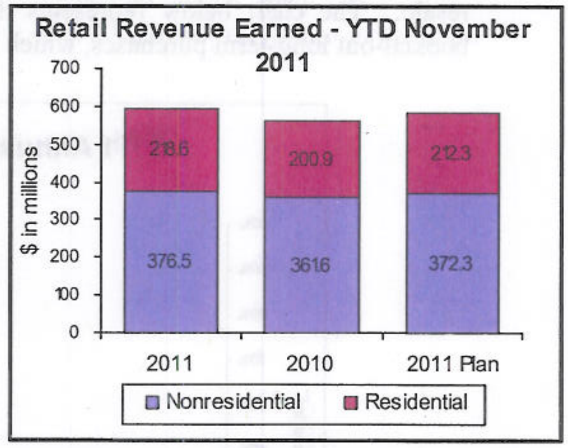
* In prior years we also showed the distribution for the financial plan in this graph. This graph now only shows the distribution of the forecast and the RSA baseline, which is based on the 2010 RSA ordinance. In the current forecast, there is no distribution around the expected value because it is so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

Net wholesale revenues for the month of November were $5.0 million compared to $3.8 million during the same period last year. The reason for the increase was a 52% higher quantity of surplus energy sold. Prices on wholesale energy sales were close to but slightly lower than their level a year earlier.



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

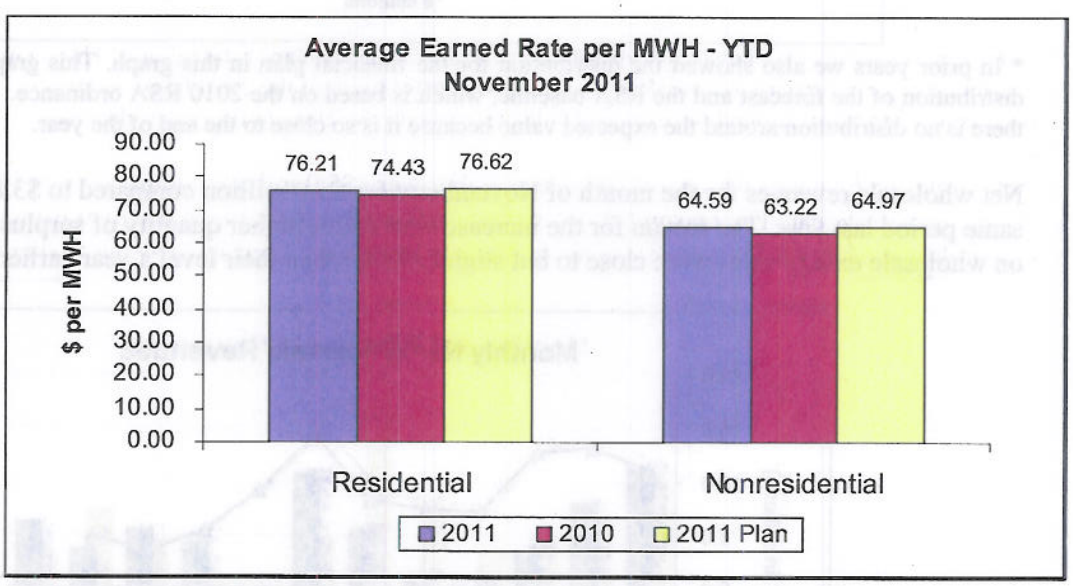




	Retail MWh YTD		
	Nonresidential	Residential	Total
2011 vs 2010	2%	6%	3%
2011 vs Plan	2%	4%	2%

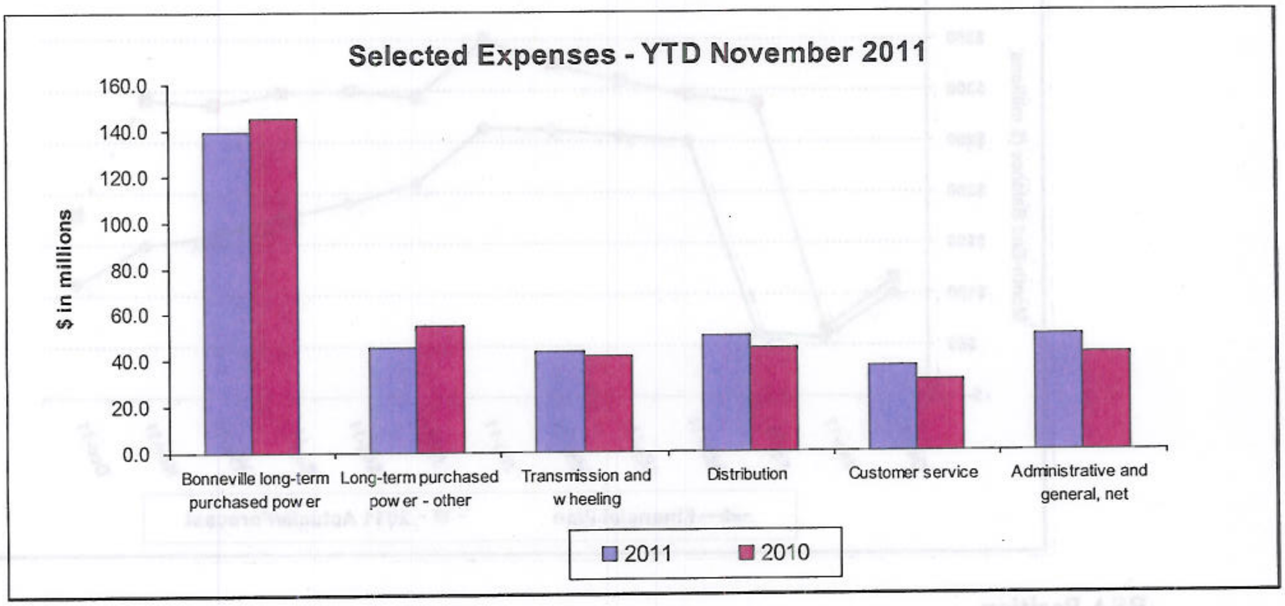
	Retail Revenue YTD		
	Nonresidential	Residential	Total
2011 vs 2010	4%	9%	6%
2011 vs Plan	1%	3%	2%

Year-to-date retail revenues are $33.7 million higher than 2010 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.

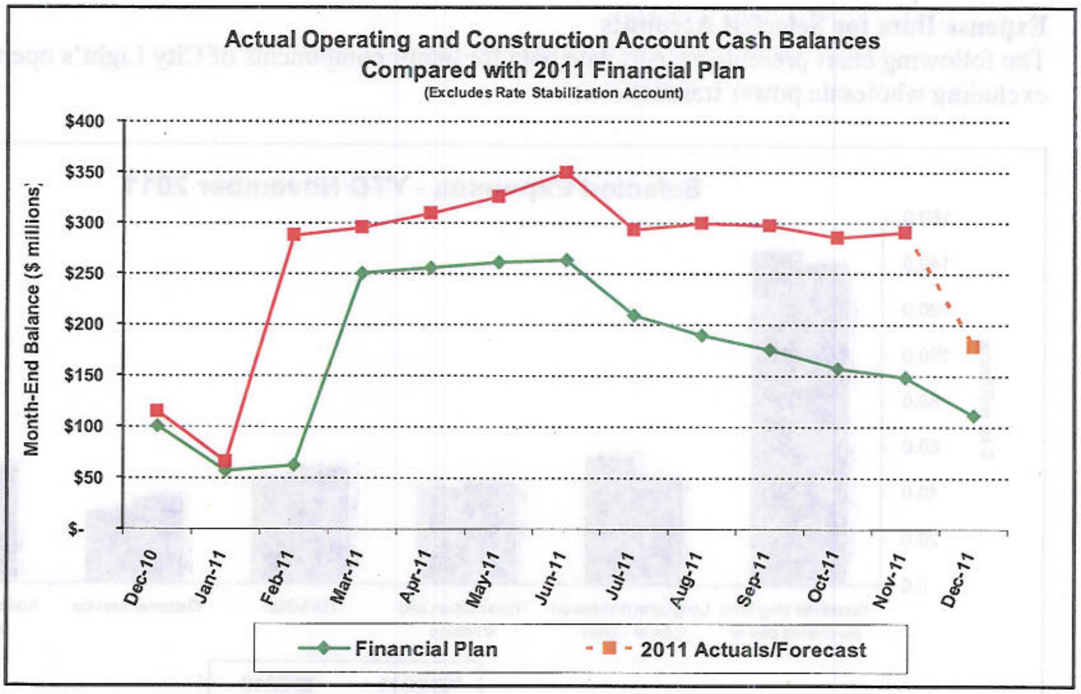
Expense Data for Selected Accounts
The following chart presents year-to-date data for major components of City Light's operating expenses excluding wholesale power transactions.



Bonneville expenses are lower year-to-date as compared to the same period last year primarily due to a higher BPA Slice true-up credit. Other long-term purchased power expenses are also lower. This decrease is 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 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 reflect an increase in pension contributions and benefits costs in 2011.

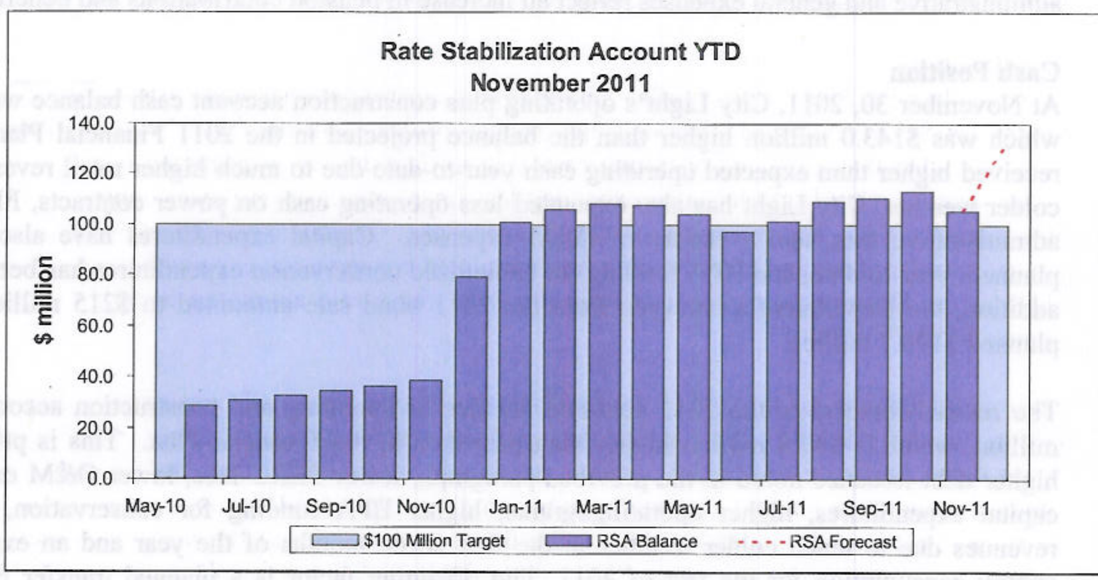
Cash Position
At November 30, 2011, City Light's operating plus construction account cash balance was $290.5 million, which was $143.0 million higher than the balance projected in the 2011 Financial Plan. City Light has received higher than expected operating cash year-to-date due to much higher retail revenues as a result of colder weather. City Light has also expended less operating cash on power contracts, FERC land use and administrative fees, and a variety of O&M expenses. Capital expenditures have also been lower than planned, year-to-date, and BPA funding for capitalized conservation expenditures has been much higher. In addition, the Department's proceeds from the 2011 bond sale amounted to $215 million rather than the planned $198.7 million.

The revised forecast of the 2011 year-end balance of operating and construction account cash is $178.8 million, which is $67.8 million higher than projected in the Financial Plan. This is primarily due to the higher debt issuance noted in the previous paragraph, lower FERC fees, lower O&M expenditures, lower capital expenditures, higher operating grants, higher BPA funding for conservation, and higher retail revenues due to much colder weather in the first seven months of the year and an expected increase in energy consumption for the rest of 2011. The offsetting factor is a planned transfer from the operating account to the RSA at year-end 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 November 30, 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 is projected to exceed the $100 million target by $33 million, reflecting an anticipated 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.



2011 Budget

As of November 2011, City Light is projecting that overall it will be within its budget authority through year-end 2011. The Department has spent 84% of the overall O&M budget (O&M budget includes Non-Power O&M expenses, Purchased Power, Taxes and Debt Service) through November. At this point in the year we would normally expect to have spent 91% of the annual budget. City Light's spending on the Capital program through November is 81% of the 2011 work plan for the year to date. City Light forecasts that the accomplishment rate will be 83% by year-end. The end of year forecast has decreased because several large Alaskan Way MOAs were signed on schedule but will not be encumbered.

Debt-to-Capitalization

At November 30, 2011, City Light's debt-to-capitalization ratio was 63.6%, which was 0.1% higher than this time last year but a slight decrease from the 64.3% reported at December 31, 2010. Based on the revised forecast, the 2011 year-end debt-to-capitalization ratio is now expected to be 63.3%, the same as in the 2011 Plan. The debt-to-capitalization ratio will decrease towards the end of the year as debt is paid off.

Compliance with Risk Policies and Standards

Attached for your information is the City Light Risk Oversight Status Report as of December 7, 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 November 2011, with 2010 data included for comparison, is attached.

Attachments

Line No.	Condensed Statements of Revenues and Expenses	Year-to-date [A] Actuals November 30, 2011	Year-to-date [B] Actuals November 30, 2010	Year-to-date [A - B] Actuals to Actuals Variance	Year Ending December 31, 2011 [C] 2011 Revised Forecast	Year Ending December 31, 2011 [D] 2011 Financial Plan	Year Ending December 31, 2011 [C - D] Variance
1	**(Unaudited)**						
2	(In millions)						
3							
4							
5	**Operating Revenues**						
6	Retail power revenues	$ 595.2	$ 561.5	$ 33.7	$ 658.3	$ 649.8	8.6
7	Short-term wholesale power revenues, net (lines 41 + 44)	98.5	65.9	32.6	101.9	120.2	(18.3)
8	Power-related revenues - other	53.7	61.6	(7.9)	58.9	80.8	(21.8)
9	Transfers to/from rate stabilization account	(26.0)	(13.8)	(12.2)	(54.0)	(22.0)	(32.0)
10	Other revenues	18.2	19.5	(1.3)	21.8	21.8	(0.0)
11	Total operating revenues	739.6	694.7	44.9	787.0	850.5	(63.5)
12	**Operating Expenses**						
13	Generation	25.7	24.9	0.8	30.6	37.9	(7.3)
14	Bonneville long-term purchased power	139.0	145.1	(6.1)	154.9	159.9	(5.1)
15	Long-term purchased power - other	45.6	54.9	(9.3)	53.4	63.2	(9.8)
16	Short-term wholesale power purchases	7.7	21.9	(14.2)	13.4	28.5	(15.1)
17	Power-related wholesale purchases - other	7.0	24.1	(17.1)	10.1	26.7	(16.6)
18	Other power costs	8.7	9.0	(0.3)	9.8	10.6	(0.8)
19	Transmission and wheeling	43.4	41.8	1.6	48.1	49.4	(1.3)
20	Distribution	49.9	45.0	4.9	61.7	67.2	(5.5)
21	Customer service	37.0	30.9	6.1	43.5	35.8	7.7
22	Conservation	16.8	15.2	1.6	20.6	25.5	(4.9)
23	Administrative and general, net	50.0	42.0	8.0	62.7	66.8	(4.2)
24	Taxes	66.8	62.9	3.9	73.8	73.6	0.2
25	Depreciation and amortization	81.0	77.7	3.3	86.9	85.4	1.4
26	Total operating expenses	578.6	595.4	(16.8)	669.4	730.7	(61.3)
27							
28	**Net Operating Income**	161.0	99.3	61.7	117.6	119.8	(2.3)
29							
30	**Other Deductions, Net**						
31	Investment income	4.5	3.3	1.2	4.8	4.5	0.3
32	Other income (expense), net	3.6	4.4	(0.8)	4.2	2.3	1.9
33	Interest expense	(69.6)	(59.6)	(10.0)	(79.1)	(89.8)	10.7
34	Noncapital grants	1.8	2.0	(0.2)	3.7	0.3	3.4
35	Capital contributions	9.2	14.4	(5.2)	24.6	46.6	(21.9)
36	Capital grants	0.1	1.6	(1.5)	0.5	2.2	(1.7)
37	Total other deductions, net	(50.4)	(33.9)	(16.5)	(41.3)	(33.9)	(7.3)
38							
39	***Net Income***	110.6	65.4	45.2	76.3	85.9	(9.6)
40	**Note A:**						
41	Short-term wholesale energy sales, gross	105.3	69.7	35.6	109.1	125.3	(16.2)
42	Short-term wholesale energy purchases	(7.7)	(21.9)	14.2	(13.4)	(28.5)	15.1
43	**Net ST wholesale sales before booked-out LT purchases**	**97.6**	**47.8**	**49.8**	**95.7**	**96.8**	**(1.2)**
44	Booked-out long term purchases	(6.8)	(3.8)	(3.0)	(7.2)	(5.1)	(2.1)
45	Net short-term wholesale energy sales	**90.8**	**44.0**	**46.8**	**88.5**	**91.7**	**(3.2)**
46	**Note B:**						
47	Power-related revenues, net (line 8 minus line 17)	46.7	37.5	9.2	48.9	54.1	(5.2)

Line No.	Condensed Balance Sheets (Unaudited) (In millions)	[A] November 30, 2011	[B] December 31, 2010	[A - B] Variance	[C] November 30, 2010	[A] - [C] Variance
1	**Condensed Balance Sheets**					
2	**(Unaudited)**					
3	(In millions)					
4	**Assets**					
5	Net utility plant at original cost	$ 1,904.9	$ 1,821.1	$ 83.8	$ 1,688.9	$ 216.0
6	Construction work-in-process	128.9	147.0	(18.1)	236.5	(107.6)
7	Assets held for future use	9.8	9.3	0.5	11.3	(1.5)
8	Land and nonoperating, net	96.0	95.7	0.3	91.1	4.9
9	Rate stabilization account	105.3	79.3	26.0	38.8	66.5
10	ML&P Bond reserve account	1.5	-	1.5	-	1.5
11	Bond construction account	74.5	57.0	17.5	74.1	0.4
12	Restricted assets - other	8.9	3.9	5.0	15.3	(6.4)
13	Operating cash	215.9	56.9	159.0	107.1	108.8
14	Accounts receivable, net	61.8	81.8	(20.0)	74.1	(12.3)
15	Unbilled revenues	69.0	69.7	(0.7)	64.7	4.3
16	Current assets - other	46.4	26.6	19.8	44.1	2.3
17	Other assets	230.8	221.5	9.3	224.5	6.3
18	Total assets	$ 2,953.7	$ 2,669.8	$ 283.9	$ 2,670.5	$ 283.2
19						
20	**Liabilities and Equity**					
21	Long-term debt	$ 1,645.3	$ 1,515.8	$ 129.5	$ 1,520.8	$ 124.5
22	Noncurrent liabilities	54.4	55.0	(0.6)	50.3	4.1
23	Debt, notes, and obligation - current	88.7	58.7	30.0	65.2	23.5
24	Accrued interest	24.5	34.4	(9.9)	28.6	(4.1)
25	Current liabilities - other	84.3	73.4	10.9	84.3	0.0
26	Bonneville conservation augmentation	-	4.7	(4.7)	5.0	(5.0)
27	Rate stabilization deferred revenue	80.3	54.3	26.0	13.8	66.5
28	Deferred credits - other	11.0	18.9	(7.9)	12.8	(1.8)
29	Equity	965.2	854.6	110.6	889.7	75.5
30	Total equity and liabilities	$ 2,953.7	$ 2,669.8	$ 283.9	$ 2,670.5	$ 283.2

Net Income Variance Analysis
November 2011

Variance Year-to-Date 2011 Compared to 2010 Actuals: $45.2 million or 69.1%

Major components ($ millions):

$65.4	Net Income YTD through November 30, 2010
$33.7	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
$49.8	Higher net wholesale energy sales due to more precipitation this year
($12.2)	RSA deferred revenues
$6.1	Lower BPA purchased power expense
$9.2	Higher power-related revenues, net, reflects $8.4 million higher cash revenue (mainly BPA funding for conservation) and $0.8 million higher noncash revenue (primarily fair valuation of power exchanges).
($4.9)	Higher distribution expense
($6.1)	Higher customer service expense, due primarily to $4.7 million increase in allowance for retail receivables
($8.0)	Higher A&G
($3.9)	Higher taxes
($10.0)	Higher interest expense
($5.2)	Lower capital contributions
($3.3)	Other (net)
$110.6	Net Income YTD through November 30, 2011

Variance 2011 Revised Forecast Compared to Financial Plan: ($9.6) million or (11.2%)

Major components ($ millions):

$85.9	Net Income YTD through December 31, 2011 - Financial Plan
$8.6	Higher retail revenues due to cold weather in the first seven months of the year and expected increase in energy consumption for the rest of 2011
($1.2)	Lower net surplus energy sales than planned
($5.2)	Lower power-related revenues, net, reflects $3.0 million less cash revenue (mainly from Priest Rapids) and $2.2 million less noncash revenue (primarily fair valuation of power exchanges).
($32.0)	Transfer to RSA
$7.3	Lower generation due to lower FERC land use fees
$5.1	Lower BPA purchased power expense
$9.8	Lower long-term purchased power - other
$5.5	Lower distribution expense
$4.9	Lower conservation expense
$4.2	Lower A&G
$10.7	Lower interest expense
($21.9)	Lower capital contributions
($7.7)	Higher customer service expense, due in part to an increase in allowance for receivables
$2.3	Other (net)
$76.3	Net Income YTD through December 31, 2011 - Revised Forecast

City Light Risk Oversight Status Report
As Of
Wednesday, December 07, 2011

Summary

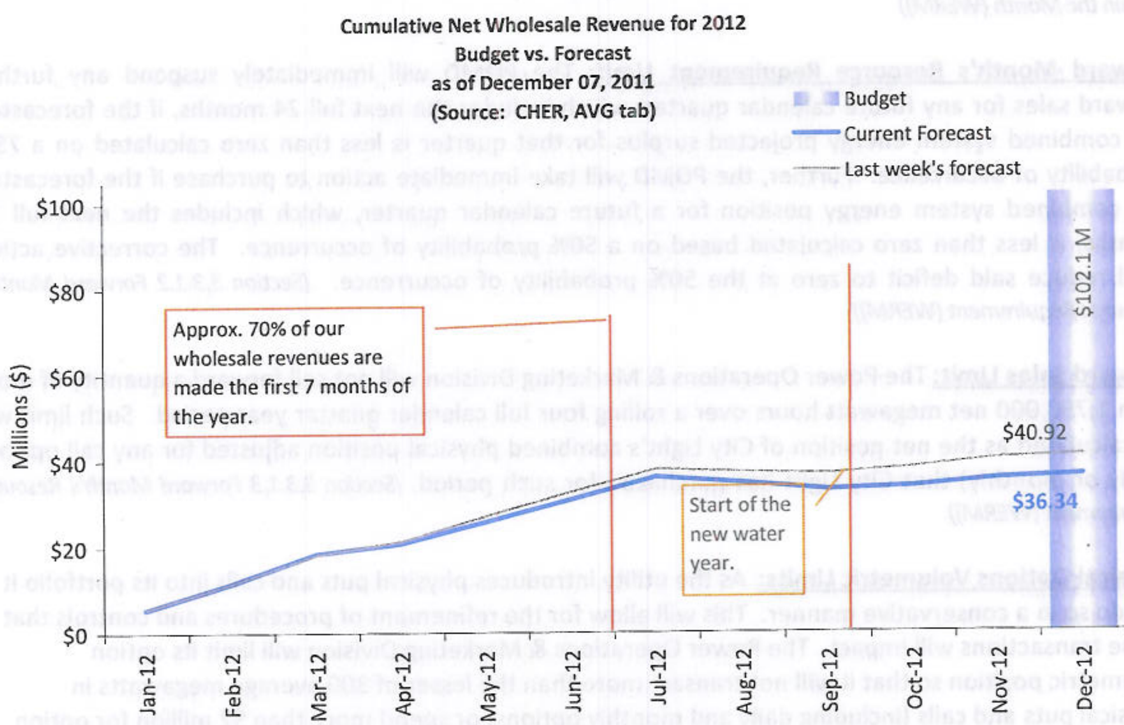
	% of 5 yr Avg	Current '11 Avg	5 Yr Avg
SCL Hydro Generation	85%	940 MW	1,101 MW
Peak Market Prices	58%	$30.93	$53.55

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 $36.3 million with a 90% confidence level of $15.7 million and a 10% confidence level of $62.8 million. The Net Wholesale Revenue is down $4.6 M to $36.3 M from last week. The primary driver of this reduction is the resource forecast, which decreased by 24 aMW for the Calendar Year.

Chart 1



Published Date: 12.13.11

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 & Q3 of 2012 and the 50% probability of occurrence for Q4 2012. The POMD has no plans to sell forward any energy for Q2 & Q3of 2012 until further notice and in addition, POM has taken corrective action to reduce the said deficit to zero at the 50% probability of occurrence. 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.

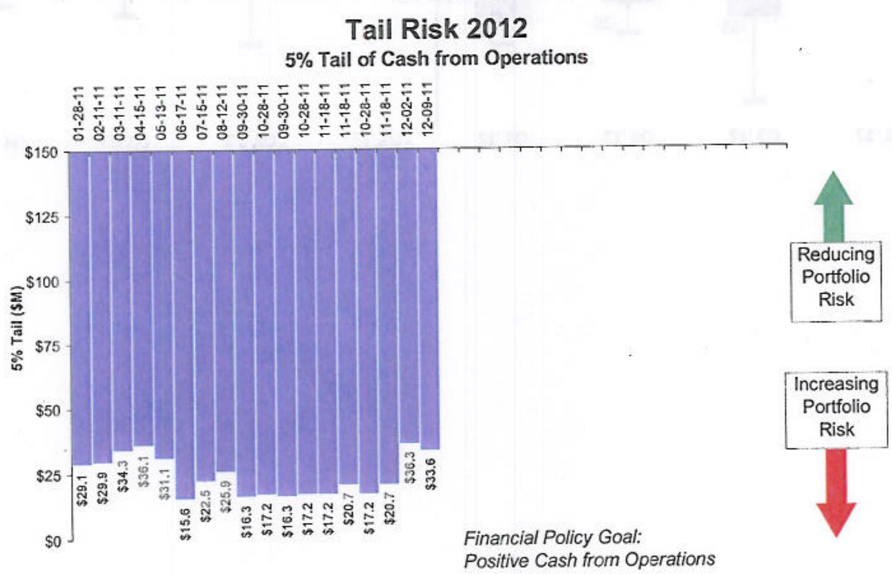
In 2011, the Rate Stabilization Account (RSA) became operational. The RSA is a cash reserve that is used to buffer the Utility from uncertainty in wholesale energy revenue. If the RSA becomes depleted, it is replenished via retail rate surcharges. The RSA significantly mitigates City Light's financial (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 $20.7 million to the current projection of a worse case of $33.6 million of Cash from Operations.

Chart 2



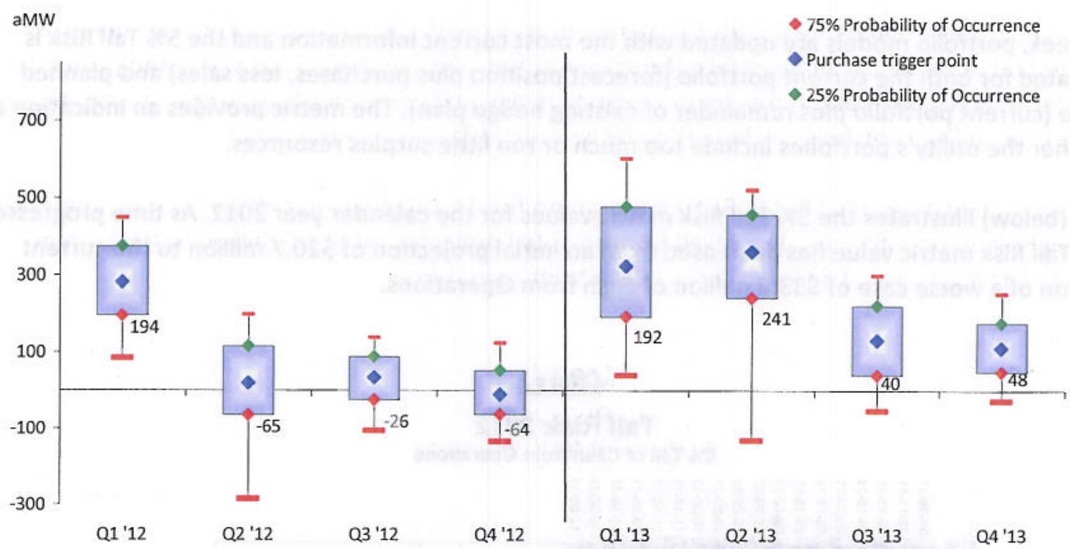
Hedging Plan & Position Status

Hedge Plan 2011, Phase 4 and 4a was last proposed on October 04, 2011 and was approved by ROC on October 04, 2011. The maximum additional net volume to be sold forward under this plan total is 637,600 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

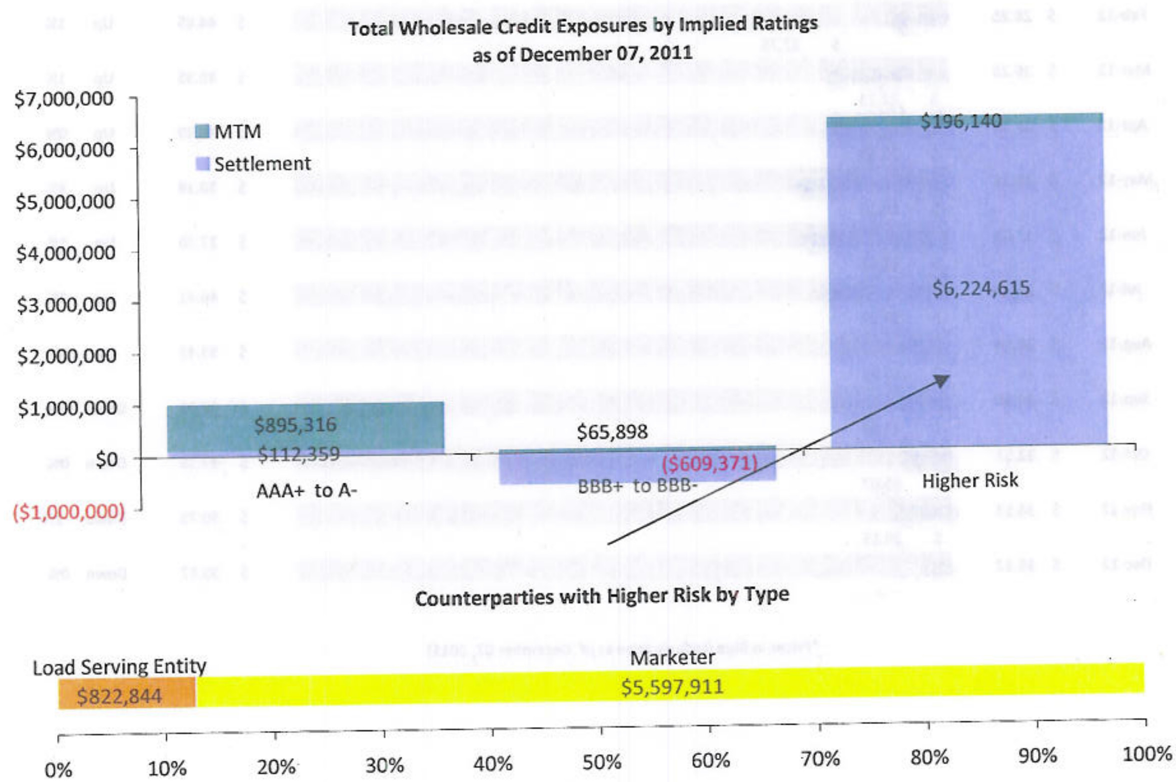
2012-13 Quarterly Forecast
Net Combined System Energy Position
as of December 07, 2011
(Source: HERA)



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.

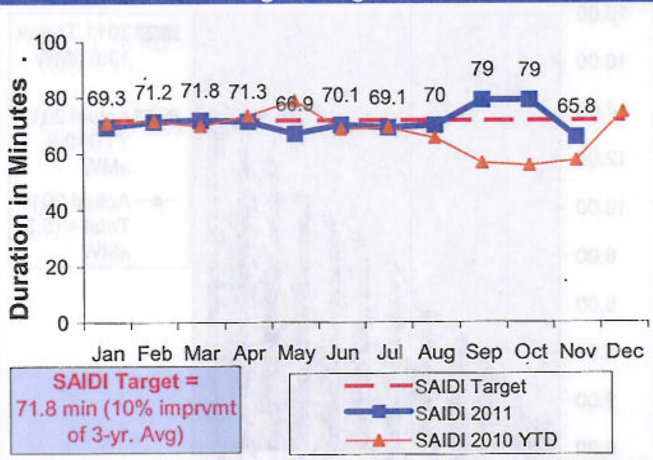
Chart 5

Mid- C Power	Low for the period	Price range since December 07, 2010 (data source: PLATTS)	High for the period	% from last wk
Jan-12	$ 29.75	$ 31.50	$ 46.51	Up 1%
Feb-12	$ 28.25	$ 29.75	$ 44.65	Up 1%
Mar-12	$ 26.25	$ 27.75	$ 39.35	Up 1%
Apr-12	$ 25.18	$ 27.23	$ 36.39	Up 0%
May-12	$ 20.18	$ 22.57	$ 30.18	Up 3%
Jun-12	$ 17.03	$ 19.20	$ 27.20	Up 1%
Jul-12	$ 29.92	$ 32.53	$ 46.41	Up 3%
Aug-12	$ 36.24	$ 37.27	$ 53.43	Up 1%
Sep-12	$ 34.90	$ 35.65	$ 49.71	Down 0%
Oct-12	$ 32.51	$ 33.48	$ 47.15	Down 0%
Nov-12	$ 34.53	$ 35.67	$ 50.73	Down -1%
Dec-12	$ 38.32	$ 39.15	$ 55.87	Down 0%

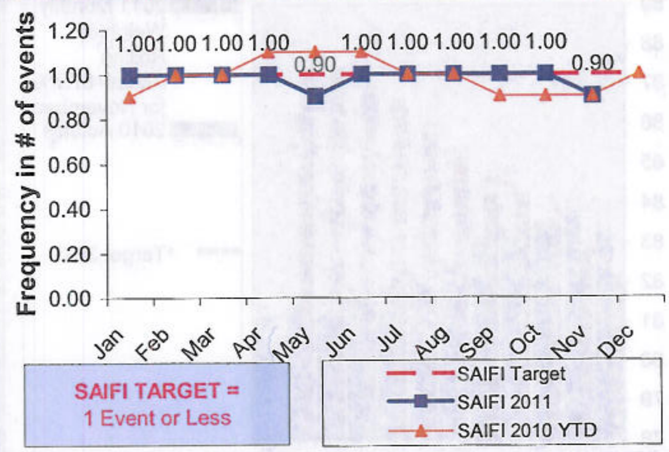
*Prices in Blue (today's price as of December 07, 2011)

Distribution Operations:

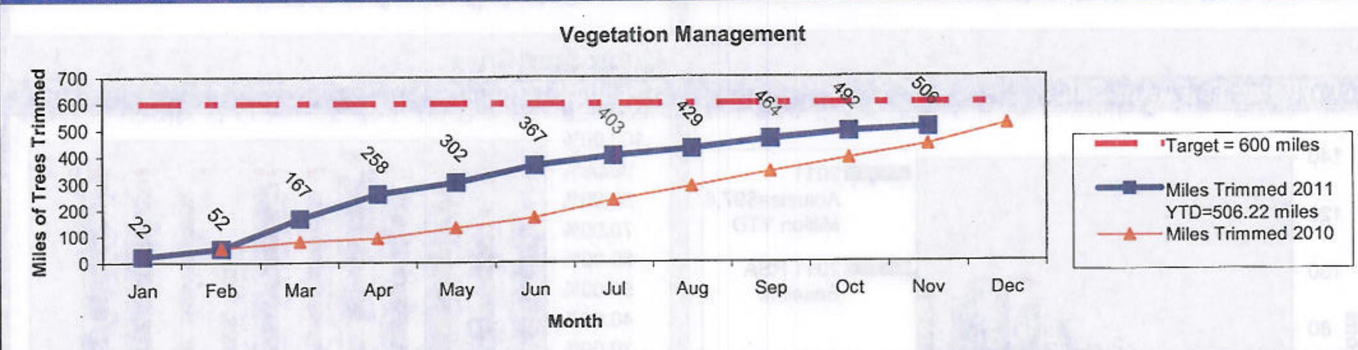
SAIDI -12 Month Rolling Average YTD



SAIFI - 12 Month Rolling Average YTD

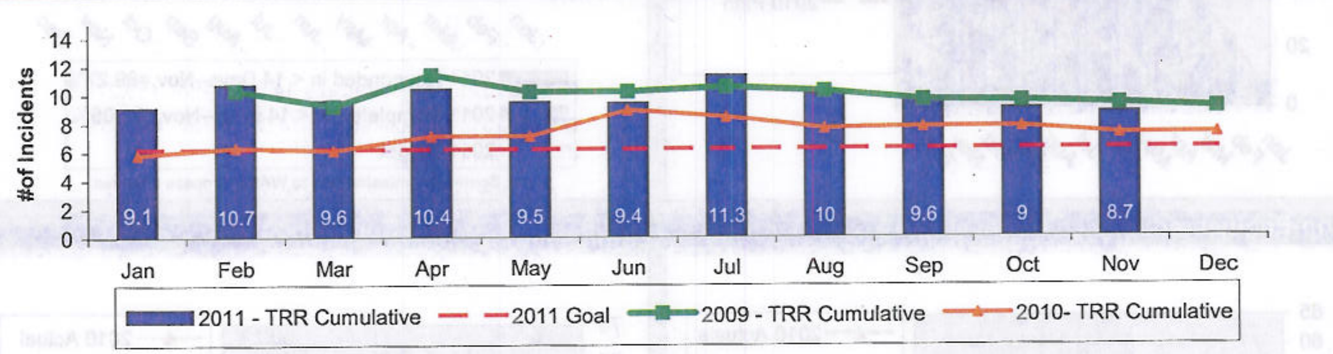


Cumulative Miles of Trees Trimmed vs Annual Target



Human Resources:

Safety - Average Total Recordable Incident Rate (TRR) YTD

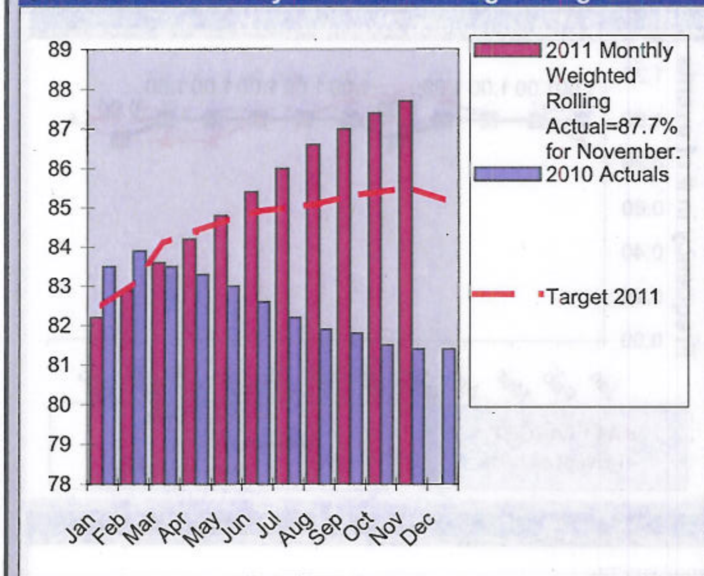


Hiring Statistics Cumulative YTD

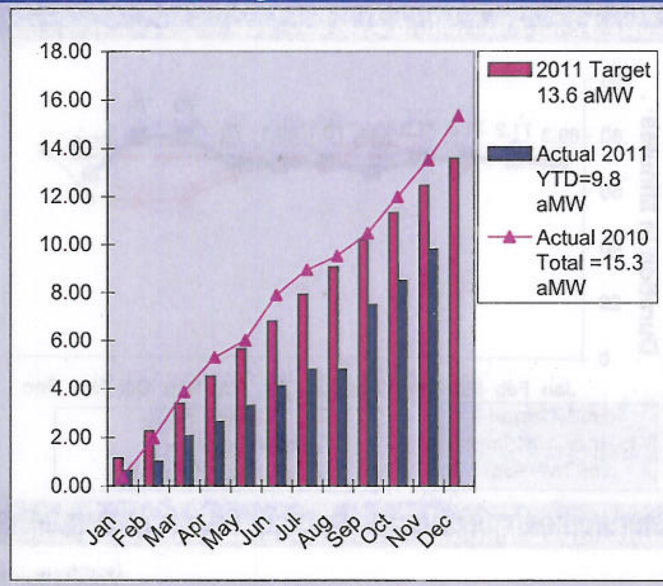
	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
# of New Hires YTD	11	14	32	37	42	53	61	85	107	115	123	
# of Promotions YTD	17	19	23	26	37	54	66	81	100	111	121	
# of Days for Hiring	45	42	42	43	44	44	43	43	44	46	47	
# of Attrition YTD	11	19	41	47	57	65	73	79	83	92	96	
Vacancy Rate Mo. End	9.6%	10.2%	10.1%	10.1%	10.4%	10.3%	10.2%	9.5%	8.4%	8.4%	8.3%	

Power Resources:

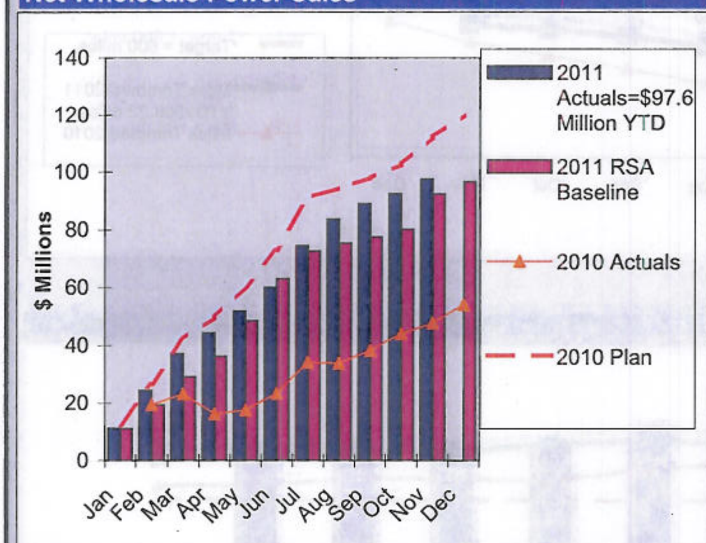
Generator Availability-12 Month Rolling Average



Conservation Savings

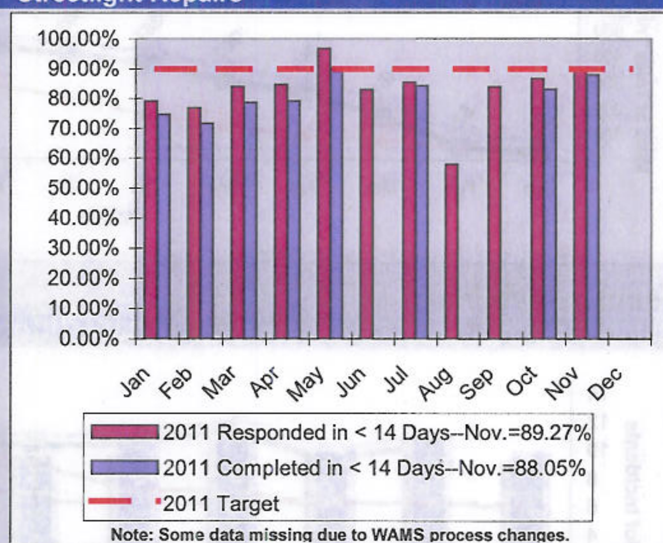


Net Wholesale Power Sales

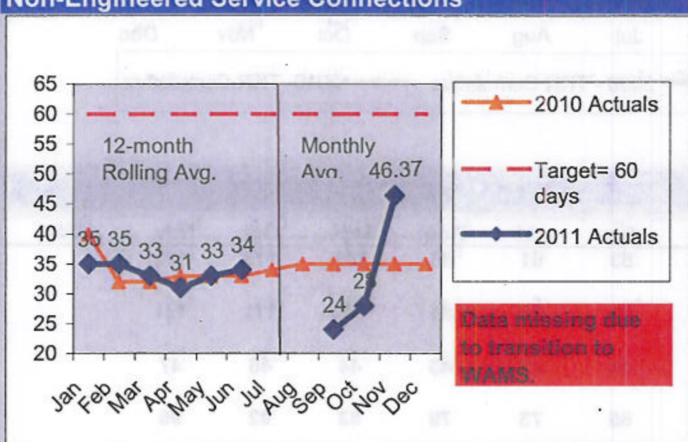


Customer Care:

Streetlight Repairs



Non-Engineered Service Connections



Engineered Service Connections