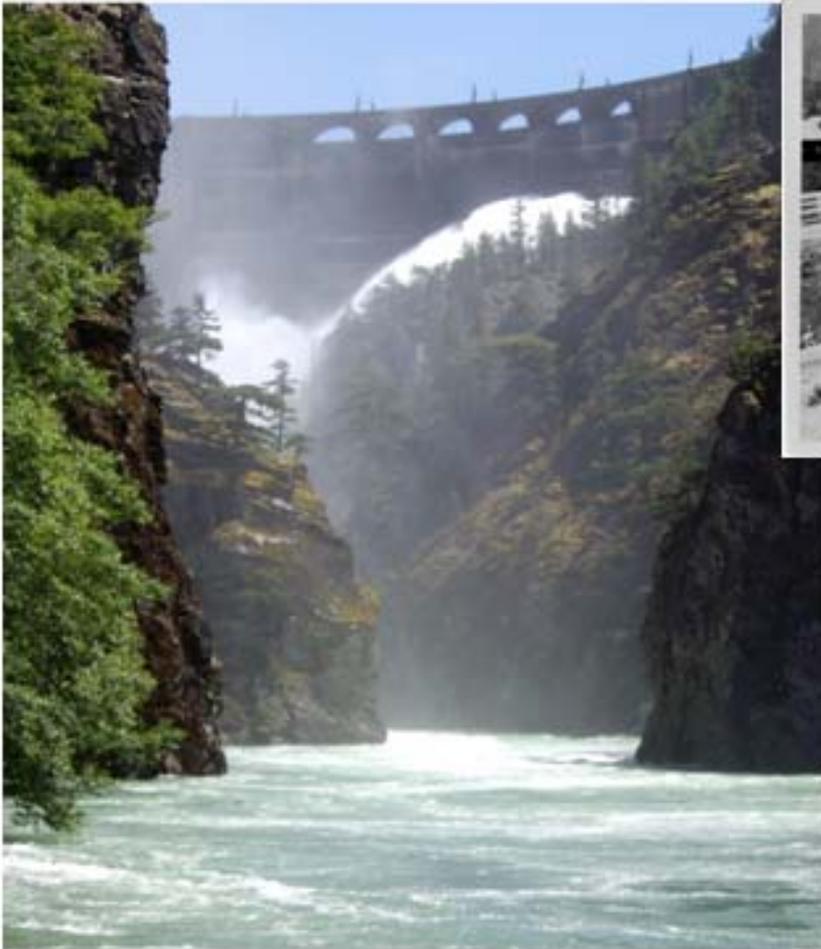


YOUR Seattle City Light



YOUR Seattle City Light

18,000 SEATTLE CITY LIGHT CUSTOMERS WITHOUT POWER | 200,000 PAGET SOUND ENERGY CUSTOMERS WITHOUT POWER | 9,000 SNOHOMISH PUD CUSTOMERS WITHOUT POWER

2332

No heat, no light, but rays of hope



Efforts by some to stay warm are playing havoc with air quality

BY LISA VITTA
Pajeros

With many homes facing a dark day without power and fire threatening a few warm cottages, firefighters were battling around the Puget Sound area this weekend.

Stashed up in a narrow, a swayer, a jaker and a looklike and with a couple of small legs on the fire, Judy Wilkins was struggling last evening to her powerless West Seattle home to get away. And overnight, "It might be a very good project."

With her Mark 115, Mary, at her side, WILKINS - who has lived in West Seattle for 26 years - was piling the time reading by flashlight with occasional reports for neighbors and a coffee at Mt. Rainier as they sat.

The Seattle Times SATURDAY OCTOBER 11, 2008 Metro Edition

What a mess

800,000 CUSTOMERS POWERLESS; DAMAGE IS WIDESPREAD
Some local outages expected to last for several days

POWERLESS

FIERCE STORM LEAVES 1.5 MILLION IN DARK

Floods, landslides, winds, downed trees - this was one for record books



BY LISA VITTA
Pajeros

It was dark and rain threatened to pour for many hours, threatening to cut off power from people down on a million miles of high-voltage power lines. And a widespread power outage was expected to last for several days.

It was a record for the region, with 1.5 million customers without power. The outage was the result of a fierce storm that hit the Pacific Northwest on Saturday, Oct. 11, 2008.

The storm brought heavy rain, strong winds, and a lot of power lines down. The outage was the result of a fierce storm that hit the Pacific Northwest on Saturday, Oct. 11, 2008.

Service Territory and Key Facts



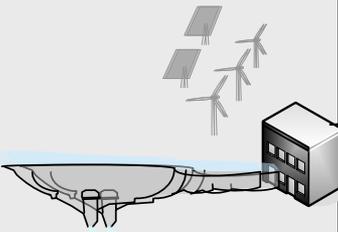
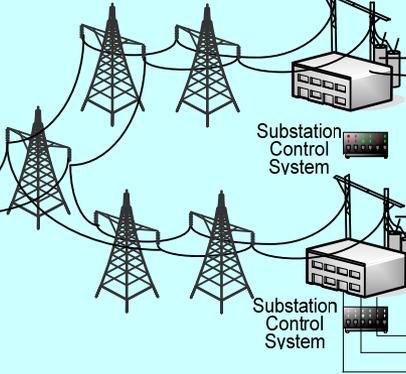
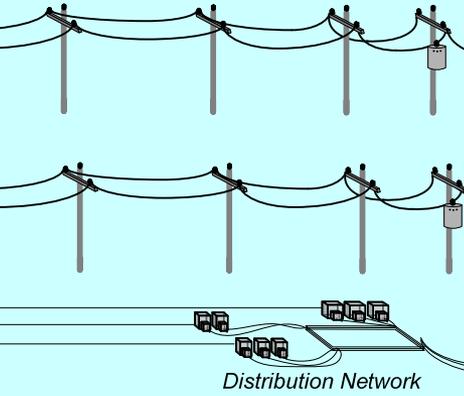
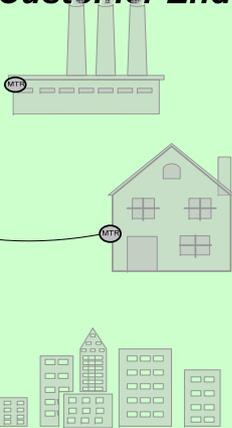
Public, municipally-owned utility:

- Incorporated 1902; First Streetlights on in 1905
- 131 Square Mile Service Area (Seattle and 7 suburban cities)
- 750,000 Population Served
- 394,000 Customers
- 1810 employee positions

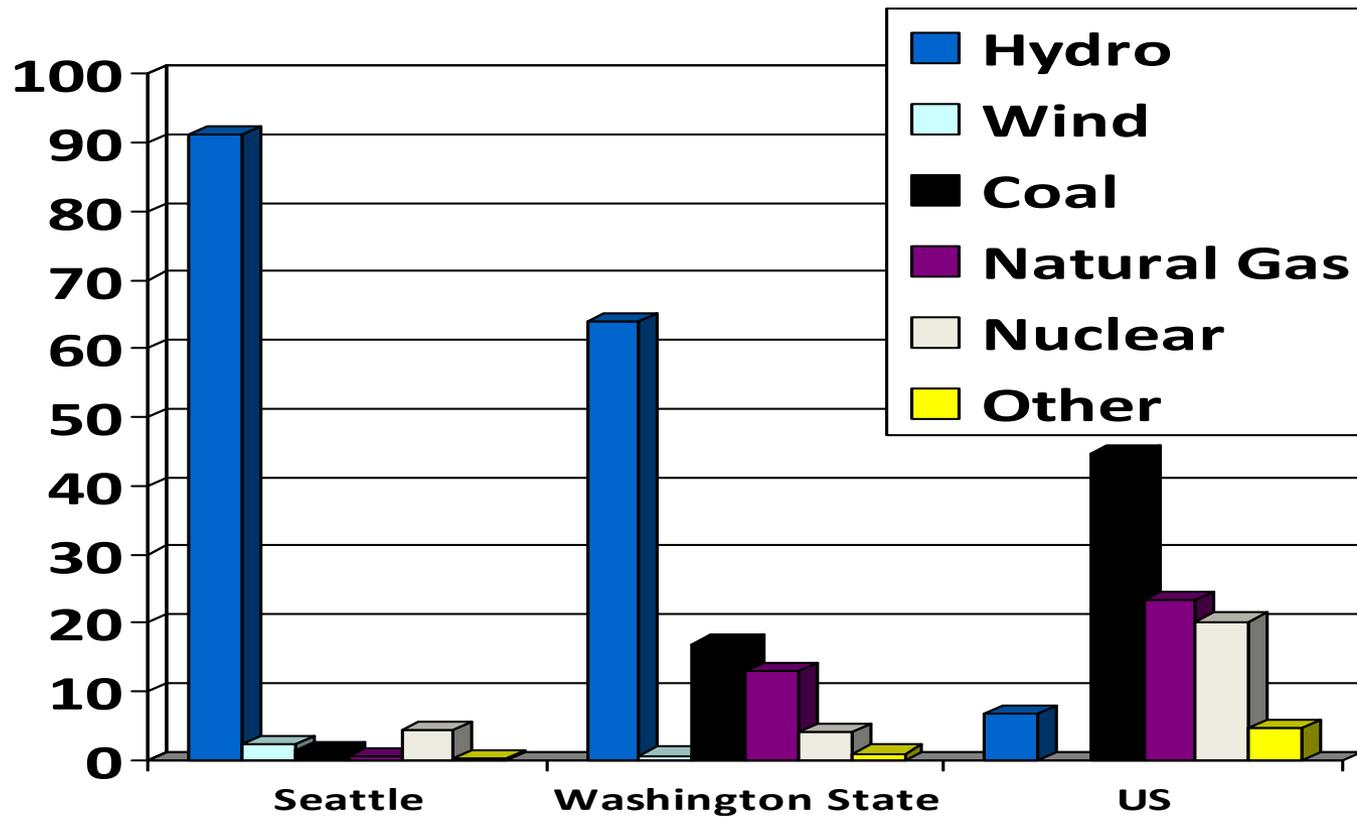
Key Generation Assets



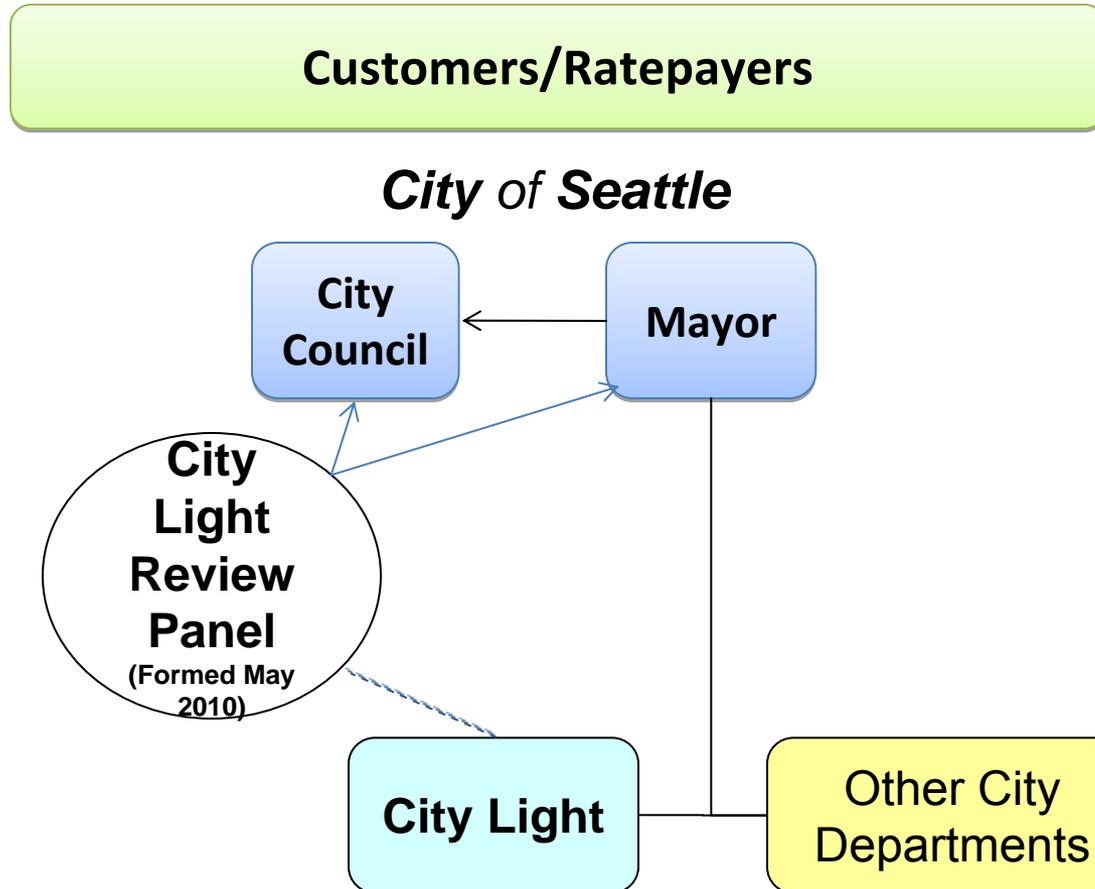
Utility Assets

<p>Generation</p> 	<p>Transmission/Substations</p> 	<p>Distribution System</p> 	<p>Customer End Systems</p> 
<p>7 dams</p> <p>7 Generation Stations</p> <p>26 powerhouse transformers</p>	<p>657 Circuit Miles of Transmission (22 miles underground)</p> <p>1200 Steel Lattice Transmission Towers</p> <p>700 Wood Transmission Poles</p> <p>15 major substations</p>	<p>53,720 Transformers</p> <p>108,000 Poles</p> <p>84,000 Street Lights</p> <p>2427 miles Distribution Lines (613 miles underground)</p>	<p>~ 400,000 customer meters</p>

Sources of Power: Seattle vs. Nationwide

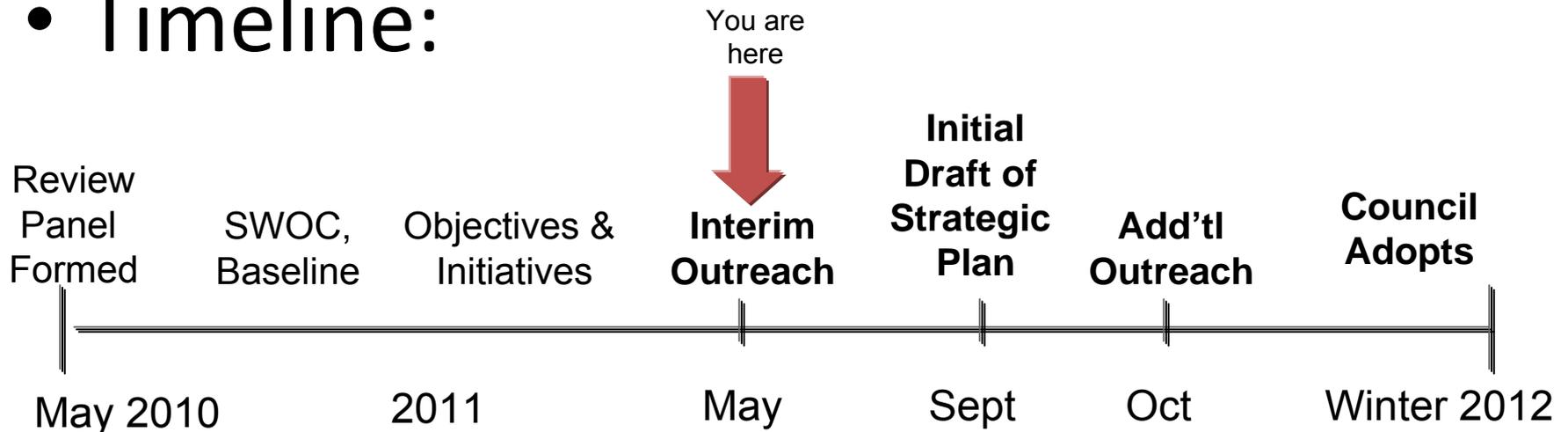


Seattle City Light is a department within the City of Seattle

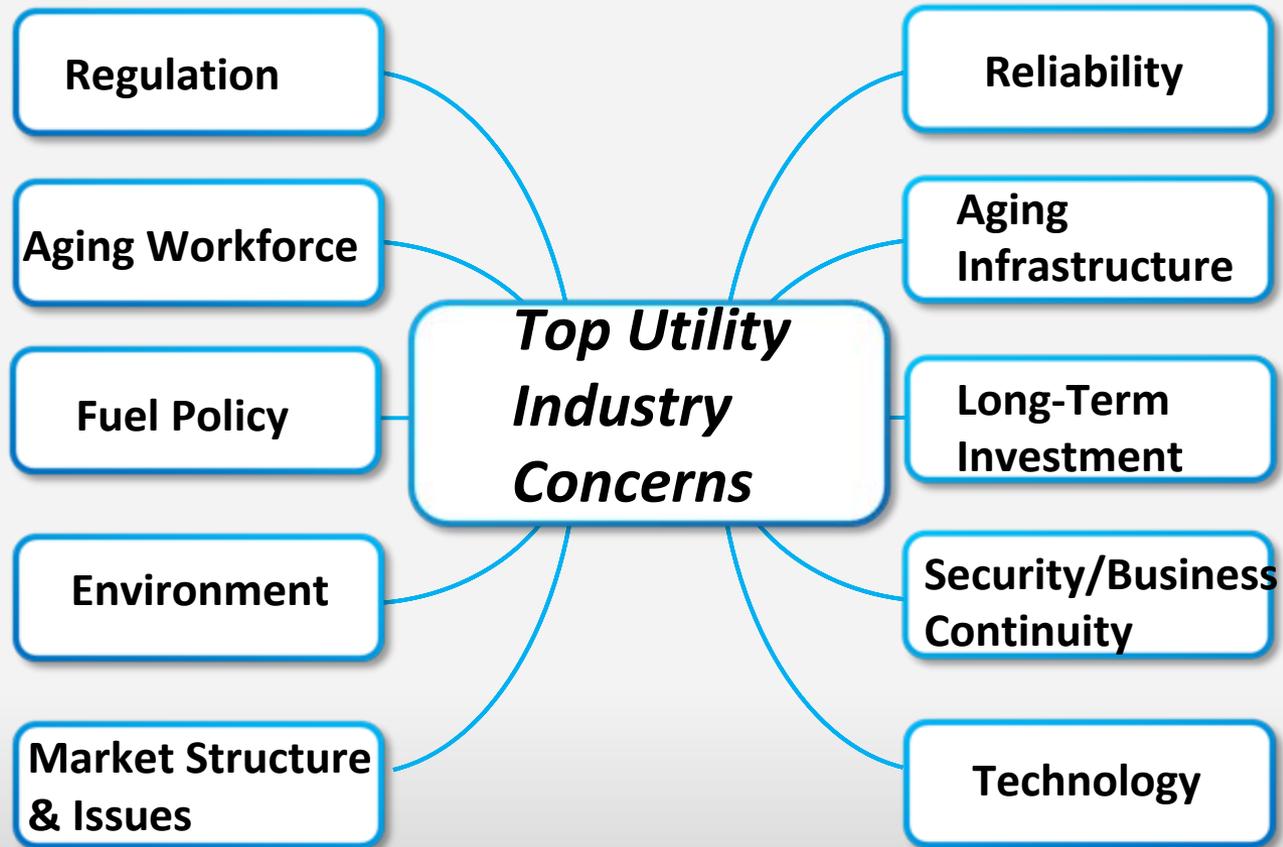


Purpose and Timeline of Strategic Plan

- Guide decisions on rates, budgets, investments, programs & services
- Covers: 2011 – 2016
- Timeline:



Challenges Facing Electric Utilities



Strengths, Weaknesses Opportunities & Challenges

Customers/Ratepayers

Workforce

Assets

Municipal Enterprise
Excellence

What If We Keep Doing The Same Things We Are Doing Today?

- Keep the same level of service
- Keep same level of operating risk
- Meet known regulatory and other requirements

Utility Rates “101”: A very simplified view:

- Rates set to cover utility operating costs, based on expected customer demand for energy, operating costs.

(Technically, the “revenue requirement” which is the amount necessary to collect from customers to cover Utility costs)



Utility costs (net of non-customer revenues)



Estimated Customer Usage

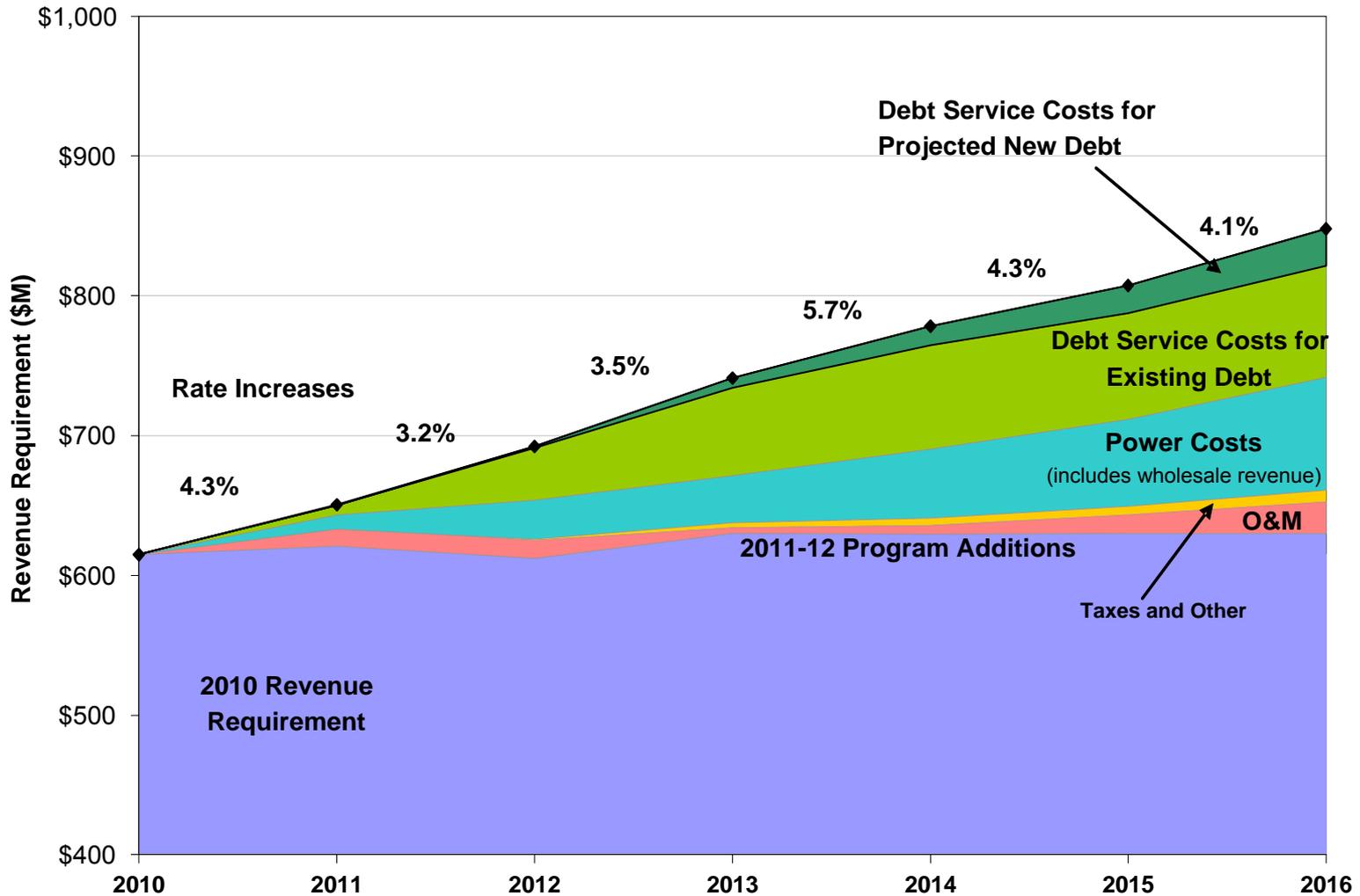
= Rate per Kwh

Revenues & Expenditures

- Revenues:
 - 82% of revenue from local ratepayers
 - About 12% from sale of excess power on wholesale market
- Expenditures:
 - Only about 13% of expenses are for staff & benefits
 - 35% related to capital expenditures
 - 35% for power contracts

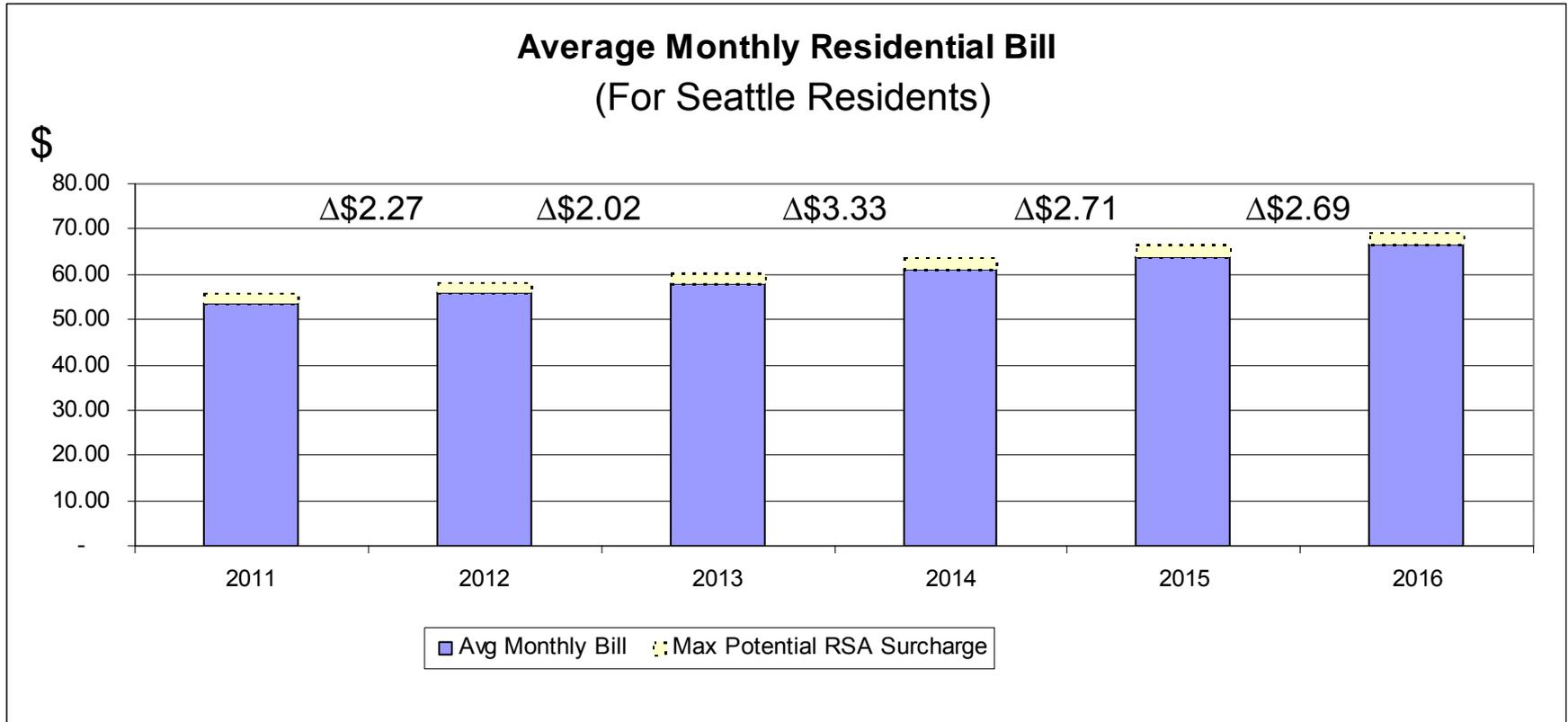
What Does the Future Hold?

Collections from customers would need to increase by ~4% annually



What Does the Future Hold?

Average Residential Monthly Cost



Rate Projection Conclusions

1. Rates

- Track inflation over long-term
- Likely to remain among lowest in nation and region

2. Ongoing investment necessary to maintain current level of service

3. Cost pressures and challenges remain and current revenue estimates don't fully pay for them

What Should Be Our Focus For The Next 5-6 Years?

Priorities → Objectives → Specific Actions

Customers

Workforce

Assets

Municipal Enterprise
Excellence

Customers

PROPOSED OBJECTIVES:

- Provide greater rate predictability
- Balance multiple policy goals in rate design
- Anticipate and exceed customer service expectations
- Promote environmental stewardship

Workforce

PROPOSED OBJECTIVES:

- Ensure a safe work environment
- Attract, train and retain a high performance workforce

Assets

PROPOSED OBJECTIVES:

- Provide reliable, safe, cost-effective electric service to our customers
- Maintain a stable, cost effective, environmentally responsible power supply portfolio
- Incorporate technology to meet future customer needs

Municipal Enterprise Excellence

PROPOSED OBJECTIVES:

- Improve communication about, and support for, City Light's strategic priorities
- Implement best practices in business processes and technology across the utility
- Ensure fiscal strength

What do you think?

- Are the proposed objectives the right things for City Light to focus on in its Strategic Plan? Why or why not? What is missing? What questions do you have?
- Select 1 or 2 proposed objectives and give us feedback on what success looks like in your view: What should City Light do to achieve these objectives?

Thank You!

YOUR Seattle City Light



Appendix

- Following are materials for posterboards and are not part of the Powerpoint Presentation

Customers

Strengths and Opportunities:

- Strong public support for public power
- Quality service
- Low, competitive rates can support local economic activity
- Strong environmental stewardship programs
- Carbon neutral power supply
- Sophisticated customer base
- Strategic Plan: opportunity for engagement and long-term planning

Weaknesses and Challenges:

- Low customer satisfaction with call center
- System reliability is declining
- Reliance on wholesale power sales can result in rate shocks
- Possibility of extended economic downturn
- Electric cars could increase demand
- Changing customer expectations
- Communication of SCL challenges
- Expectations of continued very low power costs and high service levels.
- Significant exposure to climate change

Workforce

Strengths and Opportunities:

- Knowledgeable, experienced, diverse workforce
- Pride and commitment of staff
- Strong management team
- Utility will experience cultural change as retiring employees are replaced
- Salaries and benefits are only about 15% of our cost

Weaknesses and Challenges:

- Injury rates much higher than national averages
- Aging workforce: 50% eligible to retire within 5 years.
- Shortage of skilled engineers, journey-level linemen
- Some job salaries are not competitive with industry
- Competition for talent
- Lack of flexibility in workforce rules and classification system

Assets

Strengths and Opportunities:

- Low cost, carbon neutral power supply portfolio
- Adequate firm power for next 10 years
- We own or control over 50% of our power supply
- Reliable network
- Long-term rights to low cost federal system generation (BPA)
- Fully implementing asset management system can lower maintenance costs and increase reliability

Weaknesses and Challenges:

- Aging infrastructure requires increasing levels of maintenance or replacement
- Limited or incomplete asset and maintenance data
- Lagging technology
- New state and federal regulations—cyber security, continuity of ops.
- Regional transmission system bottlenecks—upcoming decisions on funding, cost allocation
- Wholesale power price variability.
- Cost and availability of qualifying I-937 resources (requirement to purchase renewable resources—hydro doesn't count)

Municipal Enterprise Excellence

Strengths and Opportunities:

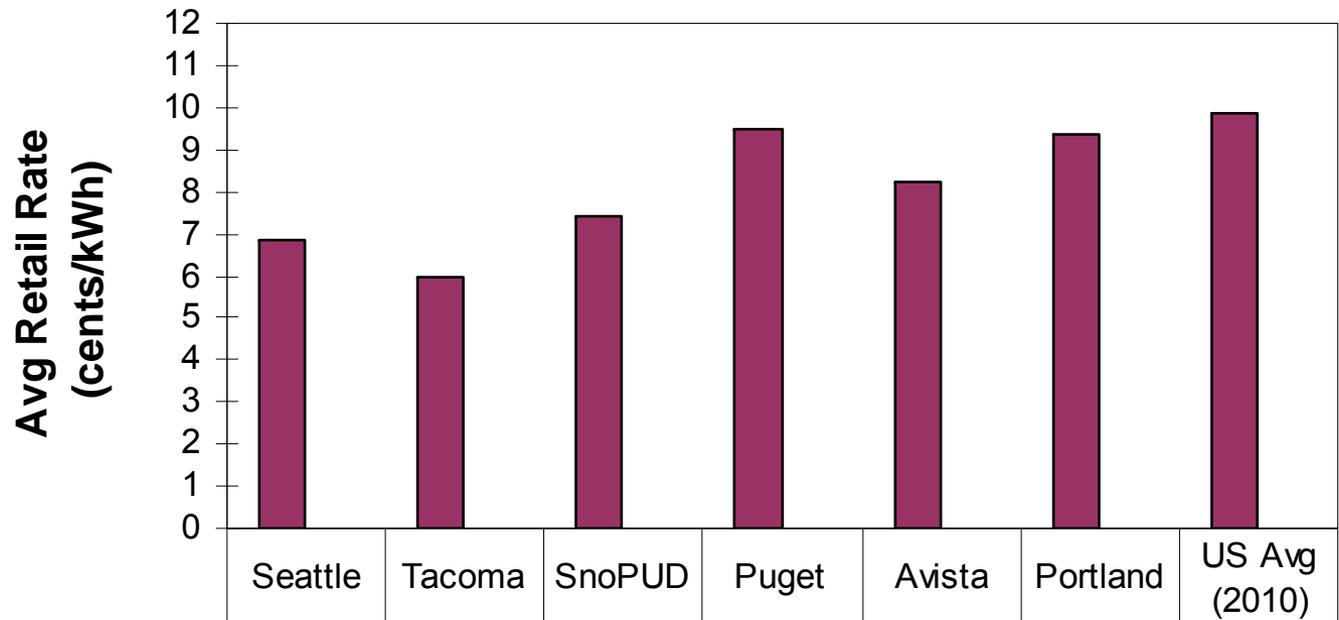
- Access to low cost capital
- AAA rating of City
- Financially stable
- Strong support for public power
- Strategic Plan adoption can increase certainty for customers, utility

Weaknesses and Challenges:

- Lack of strategic plan and investment strategy
- Business practices need updating
- Outdated information technology systems.
- Communications to policy makers
- Opportunities to engage busy policy makers about City Light's issues
- Financial downturn makes it more difficult to fund needed investments

Comparison of Average City Light Rates and Neighboring Utility Rates

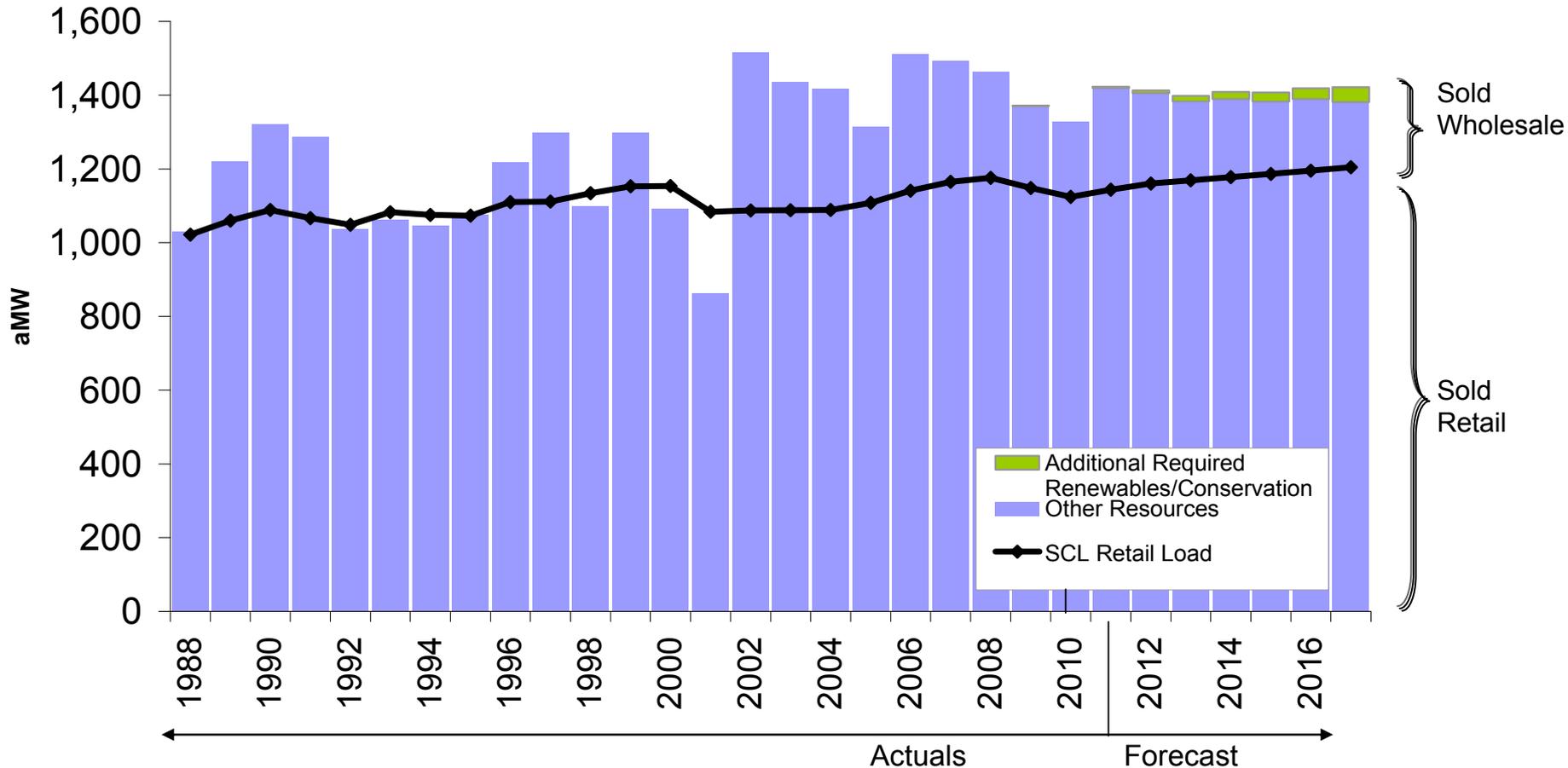
2011 Average Retail Rates



■ Avg Rate (cents/kWh)	6.84	5.96	7.42	9.46	8.21	9.36	9.88
2011 Rate Increase	4.3%	5.8%	0.0%	0.0%	7.2%	4.2%	0.0%
Example Res Bill (\$/Month)	53.52	48.25	59.49	70.22	55.86	69.51	

From 2001, City Light has a surplus of power in most years

City Light Resources vs. Retail Load



Load Growth will come from the Commercial Sector

