

Seattle City Light

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Department Description

Created by the citizens of Seattle in 1902, Seattle City Light provides affordable, reliable, and environmentally sound electric power to the City of Seattle and neighboring suburbs. Owned by the community it serves, City Light is a nationally recognized leader in energy efficiency, renewable resource development, and environmental stewardship.

Seattle City Light provides electric power to more than 345,000 residential, business, and industrial customers. Its service area of 131.3 square miles includes the City of Seattle, areas north to the King County boundary including the city of Shoreline and parts of Lake Forest Park, and areas south including the cities of Burien, Tukwila, and SeaTac.

Seattle City Light owns nearly 1,900 megawatts of very low cost, environmentally responsible hydroelectric generation capacity. Seattle City Light owns or contracts for approximately 80% of its own hydroelectric generating demands and obtains the remainder primarily through the Bonneville Power Administration. City Light is now the nation's seventh largest publicly owned electric utility in terms of customers served.

Policy and Program Changes

City Light is now recovering from the devastating effects of the 2000-2001 west coast power crisis. Over the past two years, the Utility spent approximately \$600 million more than planned, purchasing power to keep the lights on in Seattle. Because of this, City Light had to raise rates almost 60%, borrow to finance 100% of its Capital Improvement Program (CIP) plus portions of its operating expenses, and make significant reductions in its operating and maintenance (O&M) expenses as well as deferring portions of its CIP. City Light is now in recovery mode and expects to realize over \$100 million in revenues from surplus power sales on the wholesale market in 2002. This surplus cash must be used to repay the Utility's short-term debt.

Given City Light's financial circumstances, the Mayor directed the utility's leadership to limit new initiatives in the 2003-2004 budget. The department was directed to pursue those measures that enhance service delivery, protect the integrity of the system, and reestablish the Utility's financial health.

One action City Light has taken toward financial recovery is to place funds in a reserve to be used to retire the outstanding revenue anticipation notes (RANs) at the end of March 2003. To further reduce borrowing costs, City Light replaced its access to funds from the City's consolidated cash pool for operating liquidity with additional RANs to be repaid by the end of 2003.

To better serve the customers of the Utility, this budget provides funds for additional staff to mitigate the challenges that plagued the Department in 2002. The Department is committed to eliminating the incidence of incorrect charges and delayed billings, as well as the inappropriate application of the conservation tier charges to customers. This budget also provides funds to upgrade the Combined Customer Service System (CCSS) to incorporate features that support the effort toward excellent customer service.

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To protect the integrity of the Utility's system, this budget proposes a program to refurbish 10 generators that account for 70% of the Utility's generating capacity. This program is expected to be completed in 2013. With this undertaking, City Light hopes to position itself to meet the highest proportion of its load possible from owned resources and avoid generator failures.

This budget reflects City Light's efforts to lower operating and overhead costs through position eliminations, work consolidations, process automations, curtailment of consultant services, reductions in travel and training expenses, and the conversion of contracted information technology professionals to employees of City Light.

Acknowledging the long-term resource contracts that City Light has entered into since mid-2000 and the improved water conditions experienced in 2002, this budget seeks a much smaller appropriation for purchased power. This budget assumes that City Light will have surplus power available to sell on the wholesale market, but due to low market prices, revenues generated will likely be below previous forecasts.

City Council Budget Changes and Provisos

City Council required that \$400,000 and \$500,000, respectively, of City Light's 2003 and 2004 general expense appropriation be used to fund the enhanced Mayor and City Council oversight of the Utility as recommended by the Mayor's City Light Review Committee and Vantage Consulting Incorporated.

Resources	Summit Code	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Customer Services Budget Control Level	SCL400	33,993,967	37,948,949	36,162,862	37,038,638
Debt Service Budget Control Level	SCL810	76,112,070	126,852,926	407,265,060	133,237,504
Distribution Budget Control Level	SCL300	99,618,200	118,851,953	104,087,007	106,859,693
Executive Budget Control Level	SCL100	12,362,452	13,512,075	10,581,117	11,233,393
Finance and Administration Budget Control Level	SCL500	52,012,469	46,075,630	41,663,200	42,405,183
General Expense Budget Control Level	SCL800	40,371,164	38,518,060	47,178,638	49,556,252
Generation Budget Control Level	SCL200	25,305,015	31,977,209	32,588,699	27,743,209
Power Management Budget Control Level	SCL600	9,030,131	6,854,307	6,425,143	6,597,841
Purchased Power Budget Control Level	SCL700	685,596,311	513,485,221	337,111,788	356,456,635
Taxes Budget Control Level	SCL820	50,877,761	69,075,142	57,453,808	58,534,390
Department Total		1,085,279,540	1,003,151,472	1,080,517,322	829,662,738
Department Full-time Equivalents Total*		1,660.53	1,798.69	1,786.10	1,780.10

**The department FTE total is provided for information only. All authorized positions are listed in Appendix A.*

Selected Mid-year Performance Measures

Most Reliable:

City Light's indicator for system reliability is its System Average Interruption Duration Index (SAIDI). SAIDI provides the average outage time in minutes/year for customers. A lower number indicates better reliability.

System Average Interruption Duration Index (SAIDI)

2001 Year End Actuals: 64.6

2002 Midyear Actuals: 63.7

2002 Year End Projection: A national survey showed an average SAIDI of over 115. Seattle City Light's target is 50.

Customer Service:

City Light's key customer service performance indicator is the percentage of bills it finds it necessary to adjust.

Percentage of bills adjusted

2001 Year End Actuals: 2.39%

2002 Midyear Actuals: 2.75%

2002 Year End Projection: The year-end 2002 goal is 3% as adjustment activity increases to eliminate backlogs.

Lowest Cost:

Cost is indicated by City Light's power portfolio cost per Megawatt-hour, as well as the cents per kilowatt-hour paid by its customers. A Megawatt-Hour (MWh) is a million watts per hour, an industry-standard measure of electricity generated or bought and sold on the wholesale market. A kilowatt-hour (kWh) is a standard measure of electricity use.

Power portfolio cost (the average cost to produce or acquire a MWh)

2001 Year End Actuals: \$62.26/MWh

2002 Midyear Actuals: \$12.18/MWh

2002 Year End Projection: Projected average for 2002 is \$13.22/MWh.

Comparison of Seattle City Light's average rate with the 25 largest U.S. cities

2001 Year End Actuals: U.S. estimated average:
7.16 cents/kWh

Seattle City Light average:
5.60 cents/kWh

2002 Midyear Actuals: n/a

2002 Year End Projection: Seattle City Light's projected average is 6.29 cents/kWh.

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Environmentally Responsible:

The size of the Chinook salmon population in the water influenced by Seattle City Light

2001 Year End Actuals: Returning adult Chinook salmon
17,900

2002 Midyear Actuals: Returning adult Chinook salmon are counted in the fall.

2002 Year End Projection: While factors beyond City Light's control heavily impact adult returns, the adult Chinook target is 12,000.

Seattle City Light commits to meet 100% of projected load growth over the period 2000 to 2011 with conservation and renewable resources. Wind turbines are an example of renewable power.

2001 Year End Actuals: 8.5% (16 aMW of conservation from years 2000 and 2001) [average megawatts - a measure of average system load in millions of watts.]

2002 Midyear Actuals: 11% (21 aMW of conservation)

2002 Year End Projection: Projected load growth from 2000 to 2011 is 188 aMW

Having achieved 25% of the 2011 target by mid-year 2002, City Light is ahead of its current goal.

Customer Services

Purpose Statement

The purpose of the Customer Services line of business is to manage ongoing business relationships with Seattle City Light customers, provide accurate and timely bills for electric services, and promote conservation as a resource so that customer satisfaction is achieved, revenues owed to the utility are collected, and energy is used wisely.

Program Summary

Fund staff enhancements and technology upgrades to assure timely and accurate customer billing. With these investments, the Utility and its customers should not experience the problems of inordinately large bills or delayed billing of new customers which were chronicled in the media in 2002.

Contribute to the Utility's austerity effort with this budget by eliminating its Appliance Repair Program, streamlining workplans, and reducing the Utility's expenses for memberships in industry associations. Low-income assistance customers and customers who pay their bills at Neighborhood Service Centers will not be affected by these reductions.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	33,993,967	37,948,949	36,162,862	37,038,638
Total	33,993,967	37,948,949	36,162,862	37,038,638
Full-time Equivalents Total*	199.31	216.05	232.50	232.50

**The program FTE total is provided for information only. All authorized positions are listed in Appendix A.*

Debt Service

Purpose Statement

The purpose of the Debt Services program is to borrow funds sufficient to meet City Light's capital expenditure requirements at the lowest possible cost.

Program Summary

Place funds in reserve and authorize expenditures to retire outstanding revenue anticipation notes (RANs) at the end of March, 2003. City Light further reduced borrowing cost by replacing the Utility's use of the City's consolidated cash pool for operating liquidity with additional RANs, to be repaid by the end of 2003.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	76,112,070	126,852,926	407,265,060	133,237,504
Total	76,112,070	126,852,926	407,265,060	133,237,504
Full-time Equivalents Total*	0.00	0.00	0.00	0.00

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Distribution

Purpose Statement

The purpose of the Distribution line of business is to deliver industry-standard, reliable electricity to customers through the efficient and effective planning, design, construction, maintenance, and operation of overhead and underground electrical distribution systems, substations, and transmission systems.

Program Summary

Contribute to the Utility's austerity effort by reducing or deferring tool and equipment purchases; reducing overtime; eliminating positions; and consolidating, redistributing, and automating work practices. Utility management was deliberate in selecting the cost-saving measures the Utility would take, and selected those that would not compromise system reliability. Customer impact resulting from these actions should be negligible.

Support the preparation of a distribution system development plan for the Utility. Distribution system capital projects are purposely restrained and deferred in this budget until such time as they can be guided by the results of the plan development effort. Utility operations are not affected in a way that would adversely impact customer service by this approach.

Support the development of the Sound Transit Link light-rail line connecting downtown Seattle to SeaTac Airport, and fund electrical planning and design efforts related to the Elevated Transit Company (the monorail) and the Alaskan Way Viaduct. Additionally, to the extent that construction is undertaken on these projects, the Utility will make the investment necessary to relocate the lines and to ensure general safety and reliability of the facilities.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	99,618,200	118,851,953	104,087,007	106,859,693
Total	99,618,200	118,851,953	104,087,007	106,859,693
Full-time Equivalents Total*	874.28	939.44	937.60	937.60

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Executive

Purpose Statement

The purpose of the Executive line of business is to provide overall management and policy direction for the Department to ensure the effective delivery of the Utility's fundamental service of providing reliable electric power in an environmentally sound manner. This branch of City Light provides broad departmental policy direction from the Superintendent's Office and leadership in the areas of human resources, environment and safety, strategic planning, and external affairs.

Program Summary

Implement the Utility's austerity measures by eliminating several positions, reducing the use of contracted consultant services, reassigning professional specialty staff to operating branches, and deferring work on relicensing projects, where possible, to reduce the Utility's administrative general expenses.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	12,362,452	13,512,075	10,581,117	11,233,393
Total	12,362,452	13,512,075	10,581,117	11,233,393
Full-time Equivalents Total*	90.75	96.46	87.50	87.50

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Finance and Administration

Purpose Statement

The purpose of the Finance and Administration line of business is to ensure efficient service delivery by providing leadership, support, and services in financial management, information technology, and facilities management for Seattle City Light.

Program Summary

Convert work formerly performed by contracted information technology professionals to work performed by City Light employees. The funding requirements for City employees, even when full benefits are provided, result in substantial savings per position for the Utility.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	52,012,469	46,075,630	41,663,200	42,405,183
Total	52,012,469	46,075,630	41,663,200	42,405,183
Full-time Equivalents Total*	226.89	247.50	248.00	248.00

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General Expense

Purpose Statement

The purpose of the General Expense program is to budget, track, and monitor general expenses of the Utility, which include payments for insurance, and employee benefits such as medical and retirement costs, intergovernmental services, such as legal services provided by the City's Law Department, and services rendered by the City's General Subfunded departments.

Program Summary

Provide increased funding to cover the increased costs of services provided by other City departments to the Utility. These costs increase the Utility's administrative general expenses and revenue requirements.

Provide increased funding to cover additional medical benefit premiums for Local 77 members. Local 77 member employees constitute one-third of the Utility's workforce. These costs increase total benefits and total Utility personnel-related expenditures.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	40,371,164	38,518,060	47,178,638	49,556,252
Total	40,371,164	38,518,060	47,178,638	49,556,252
Full-time Equivalents Total*	0.00	0.00	0.00	0.00

**The program FTE total is provided for information only. All authorized positions are listed in Appendix A.*

Generation

Purpose Statement

The purpose of the Generation line of business is to operate and maintain the City of Seattle's power generation facilities in a fashion which optimizes their value, while meeting the Utility's legal, contractual, and community obligations.

Program Summary

Initiate a generator rebuild program to refurbish 10 generators, accounting for 70% of the Utility-owned generating capacity. A rebuilt generator has an estimated life expectancy of 30-35 years, and some generators that are scheduled for restoration were rebuilt as long ago as 1962. City Light runs the risk that a generator failure will occur before a scheduled restoration. If a failure occurs, damage to ancillary electrical equipment may result, repairs could become more complicated and time consuming, and generating revenue could be lost.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	25,305,015	31,977,209	32,588,699	27,743,209
Total	25,305,015	31,977,209	32,588,699	27,743,209
Full-time Equivalents Total*	231.92	253.24	237.50	231.50

**The program FTE total is provided for information only. All authorized positions are listed in Appendix A.*

Power Management

Purpose Statement

The purpose of the Power Management branch is to manage Seattle City Light's Power Resource Portfolio to meet load demands at the least possible cost, manage the wholesale purchase and sale of power and transmission to maximize the Utility's financial position, negotiate and administer long-term wholesale power contracts, and develop and administer the Utility's power budget. The branch also leads and participates in regional and national conferences with an objective of maximizing both Seattle's and public power's influence.

Program Summary

Assume lower State of Washington Water Rights fees and lower the administrative cost of the Utility's Power Management Program through reductions in training and travel costs. City Light customers will not be able to discern a difference in how they are served as a result of these actions.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	9,030,131	6,854,307	6,425,143	6,597,841
Total	9,030,131	6,854,307	6,425,143	6,597,841
Full-time Equivalents Total*	37.38	46.00	43.00	43.00

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Purchased Power

Purpose Statement

The purpose of the Purchased Power Program is to acquire power in a cost-effective manner. This line of business also provides for transmission and other costs associated with wholesale power purchases to meet the electricity needs of our customers.

Program Summary

Reduce the purchased power budget due to long-term contracts and improved water conditions that eliminate the need to purchase wholesale power for much of the year. Spot wholesale power market prices are now about one-tenth of what they were at the height of the "energy crisis," which also means Utility revenues projected from excess energy sales will not be realized.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	685,596,311	513,485,221	337,111,788	356,456,635
Total	685,596,311	513,485,221	337,111,788	356,456,635
Full-time Equivalents Total*	0.00	0.00	0.00	0.00

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Taxes

Purpose Statement

The purpose of the Taxes line of business is to calculate and pay City Light's legally-required tax payments.

Program Summary

Reduce the General Fund revenues and tax expenditures on the Utility's gross retail revenues, as a result of the City's decision not to go forward with a rate increase planned for March 2002, and a downward adjustment in the Utility's load forecast.

Resources	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
Other Funds	50,877,761	69,075,142	57,453,808	58,534,390
Total	50,877,761	69,075,142	57,453,808	58,534,390
Full-time Equivalents Total*	0.00	0.00	0.00	0.00

**The program FTE total is provided for information only. All authorized positions are listed in Appendix A.*

2003-2004 Estimated Revenues for the City Light Fund

Summit Code	Source	2001 Actual	2002 Adopted	2003 Adopted	2004 Endorsed
431010	NW Energy Efficiency Alliance	\$ 319,766	\$ 883,224	\$ 740,898	\$ 752,011
431200	BPA Financing	540,720	1,822,080	1,822,080	1,822,080
431200	BPA Payments for Conservation	-	-	13,075,000	13,300,000
443300	Energy Sales to Customers	500,885,847	563,974,905	563,634,281	574,042,118
443310	Seattle Green Power	-	-	154,000	129,000
443310	Out of System Sales	2,551,425	-	-	-
443341	Sale for Resale	844,663	900,400	942,783	976,741
443345	Surplus Energy Sales	75,332,518	146,077,705	130,089,657	139,684,435
443345	SCL Green Tags	-	-	375,000	606,250
443345	South Fork Billing Credits	3,712,558	3,666,500	3,739,656	3,705,205
443345	Box Canyon Forced Outage Reserve	83,860	263,600	263,600	263,600
443345	Pacific Northwest Coordination	-	12,467,800	1,966,462	2,000,478
443380	Account Service Charge	467,146	545,288	544,052	558,279
443380	Water Heaters and Misc Equip Sales	120,360	134,163	133,418	136,920
443380	Other Customer Charges	2,571,241	2,748,574	2,751,593	2,779,790
443380	Property Rentals	1,350,429	1,446,214	1,113,897	1,521,289
443380	Reconnect Charges	250,377	295,076	302,454	310,393
443380	Pole Attachments	774,403	684,241	685,813	703,815
443380	Transmission Attachments	412,357	1,540,059	2,111,933	2,167,371
443380	Tree Trimming	437,366	286,131	375,354	317,419
447910	Skagit Receipts	249,089	291,114	311,699	369,492
461100	Interest	8,251,409	12,253,780	7,081,169	7,625,327
462900	Maple Valley-SnoKing Lease to BPA	699,996	700,000	700,000	700,000
462900	SnoKing - Bothell Lease to BPA	562,500	562,500	562,500	562,500
462900	North Mountain Substation	131,569	252,150	259,068	266,062
462900	Transmission Sales	1,336,573	1,681,000	1,727,118	1,773,750
469100	Miscellaneous	75,346	1,018,182	79,160	81,139
469100	Sale of Property, Material, and Equip.	724,383	452,019	761,055	780,081
482000	Contributions in Aid of Construct.	12,486,786	12,915,199	13,786,351	14,157,794
486000	Conservation Customer Payments	1,549,264	1,503,300	1,460,591	1,646,295
541830	Reimbursement for CCSS (O&M)	560,913	3,012,827	2,991,098	3,091,929
541830	Reimbursement for CCSS (CIP)	-	-	384,375	366,668
543250	Reimbursement for Postage	561,554	314,265	589,983	604,732
587900	Transfers from Construction Fund	467,435,122	230,459,176	325,001,223	51,859,774
Total Revenues		\$ 1,085,279,540	\$ 1,003,151,472	\$ 1,080,517,322	\$ 829,662,738

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Capital Improvement Program Highlights

City Light's Capital Improvement Program (CIP) is the vehicle for upgrading and expanding the Utility's infrastructure in a way that enhances safety and preserves the environment. This infrastructure includes: a distribution system with 14 major substations and more than 2,500 miles of overhead and underground cable; a generation system comprising seven major hydroelectric plants on the Skagit, Cedar, Tolt, and Pend Oreille Rivers with a combined capacity of almost 2,000 megawatts; 650 miles of high-voltage transmission lines linking these plants to Seattle; a state-of-the-art System Control Center to coordinate these activities; and billing and metering equipment to track almost 350,000 accounts. The overriding goal of the CIP is to assure that the facilities required to serve City Light customers with low-cost, reliable power are in place when and where the power is requested.

The table below displays City Light's CIP categorized by lines of business. A few highlights of City Light's CIP include: within Distribution, approximately \$11.1 million is allocated to provide electrical service connections and related improvements in the Downtown, First Hill and University network areas; within Finance and Administration, approximately \$6 million is allocated to technological improvements to the customer service and asset management systems; within Generation, approximately \$6.9 million is allocated to the Boundary Dam Rehabilitation project to rehabilitate major equipment, auxiliary systems, support features and recreational facilities. A detailed list of all programs and projects in City Light's CIP can be found in the separate Capital Improvement Program budget document.

Capital Improvement Program Allocation

Allocations	Fund Source	2003 Adopted	2004 Endorsed
Distribution	Seattle City Light Fund	89,505,000	92,042,000
Executive	Seattle City Light Fund	1,266,000	1,533,000
Finance & Administration	Seattle City Light Fund	13,041,000	12,850,000
Generation	Seattle City Light Fund	25,090,000	17,996,000
Total		128,902,000	124,421,000