



Financial Services

Presented to the
Seattle City Light Advisory Committee
July 10, 2007



Seattle City Light

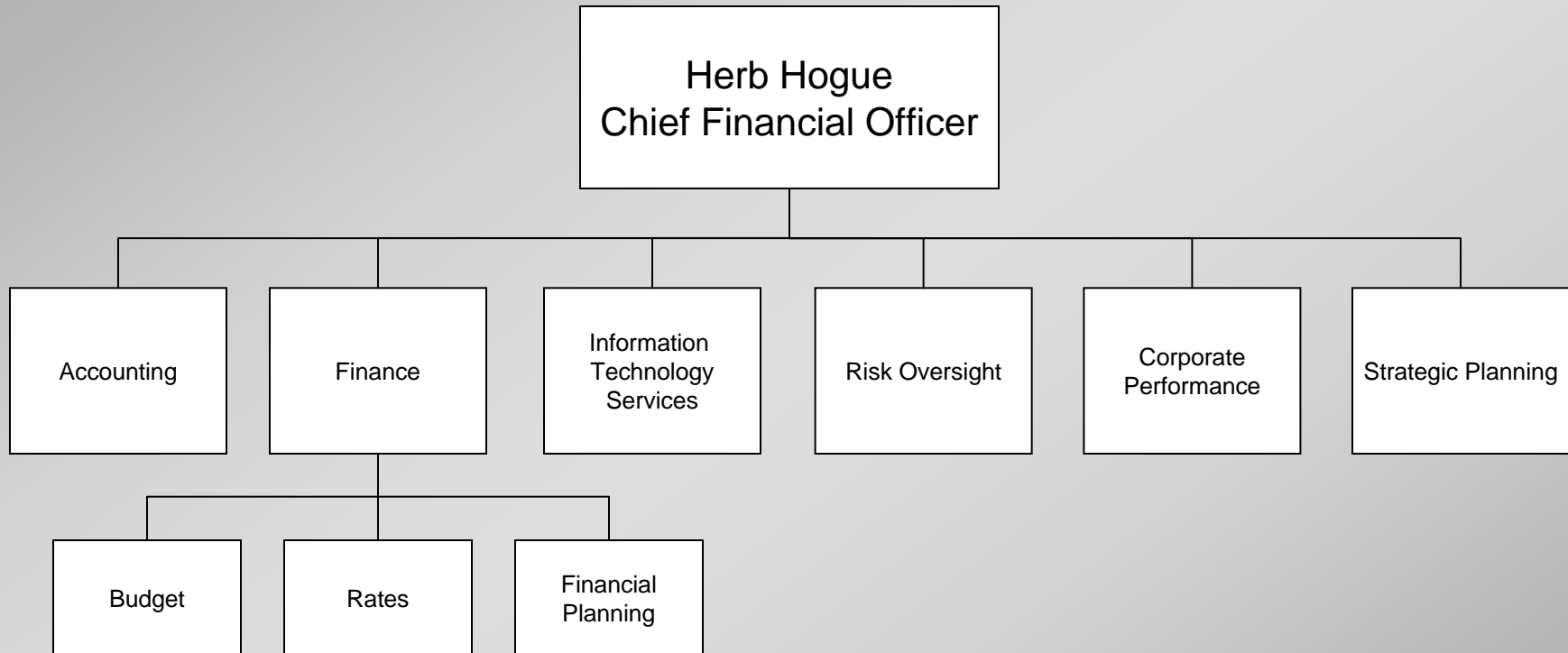
Introduction

- Background
- Key Areas of Focus
- Key Initiatives
- Summary of Challenges Ahead

Background

- Organization
- Financial Status
- Financial Policies
- Recent Accomplishments

Organization and Scope



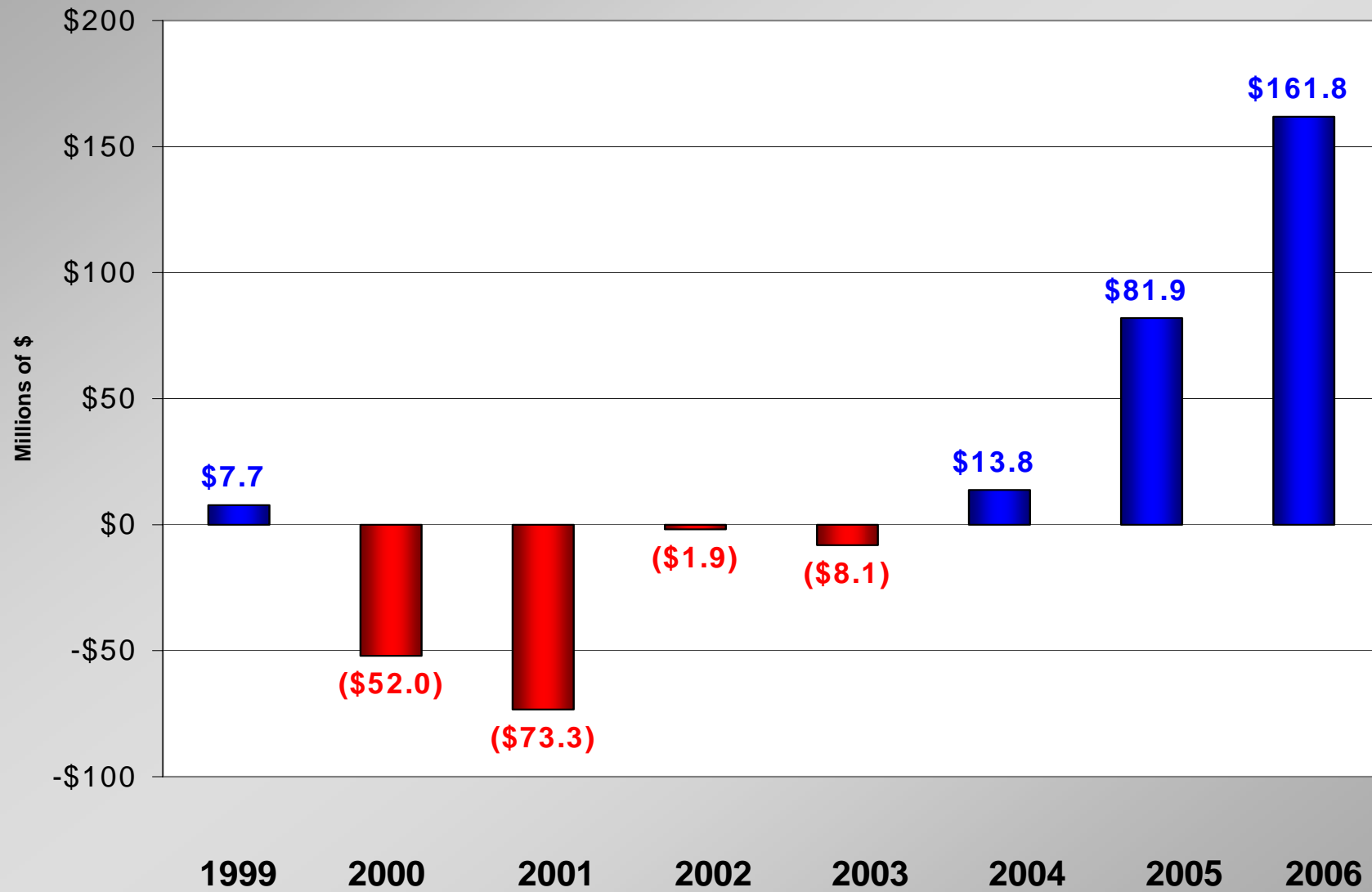
2006 Year-End Financial Highlights

- Net Income: \$162M
- Net Wholesale Revenue: \$140M
- Unrestricted Cash (less Reserves): \$127M
- Long-term Debt-to-Capitalization: 72%
 - Paid off \$69M of long-term debt
 - Increased equity by \$162M

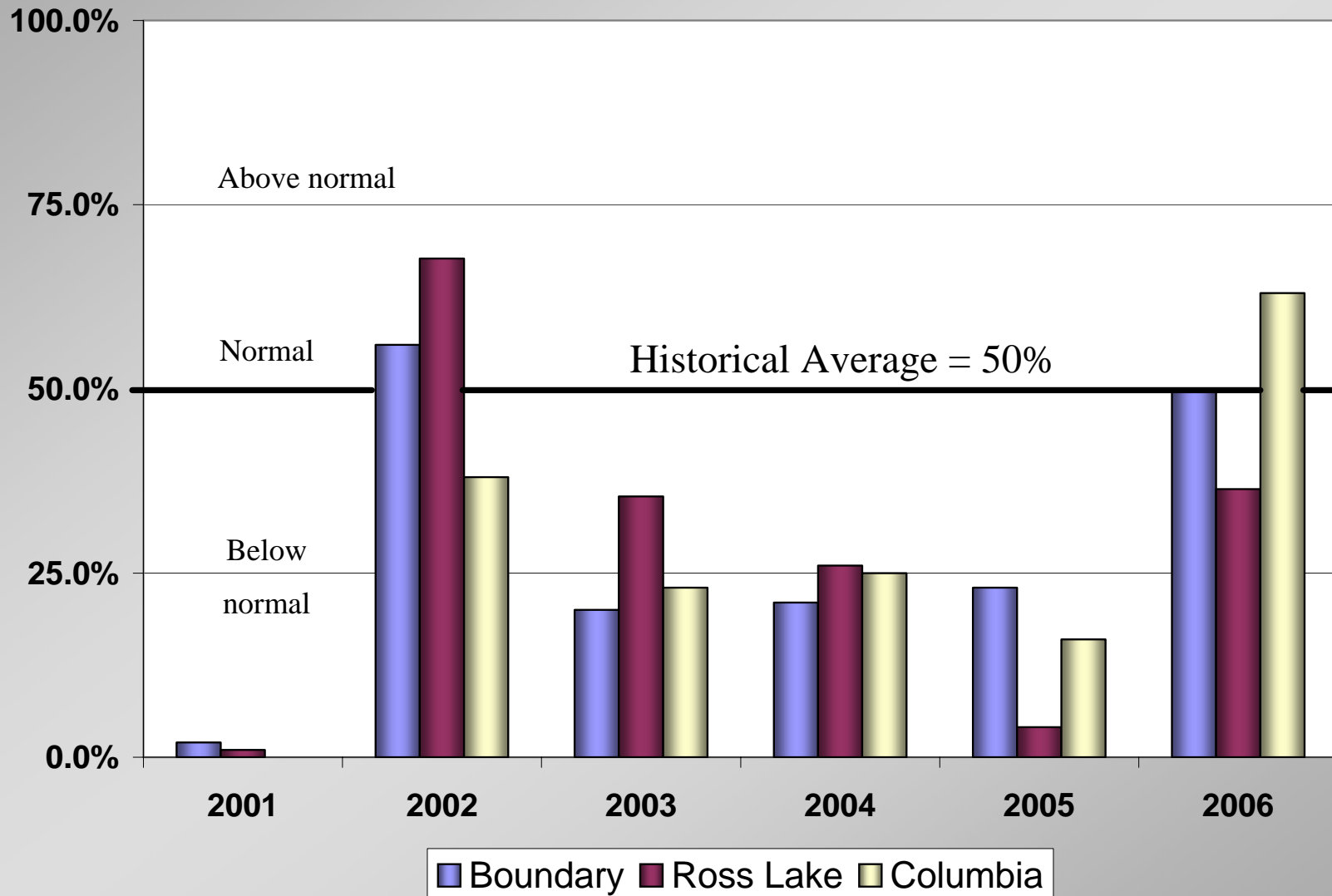
YTD 2007 Financial Highlights

	<u>May 31, 2007 Year to Date</u>	<u>2007 Forecast</u>
Net Income	\$72.6M	\$121.4M
Net Wholesale Revenue	\$93.4M	\$160.1M
Unrestricted Cash	\$172M	\$88.3M
Long Term Debt-to-Cap	69%	67%

Net Income 2001-2006

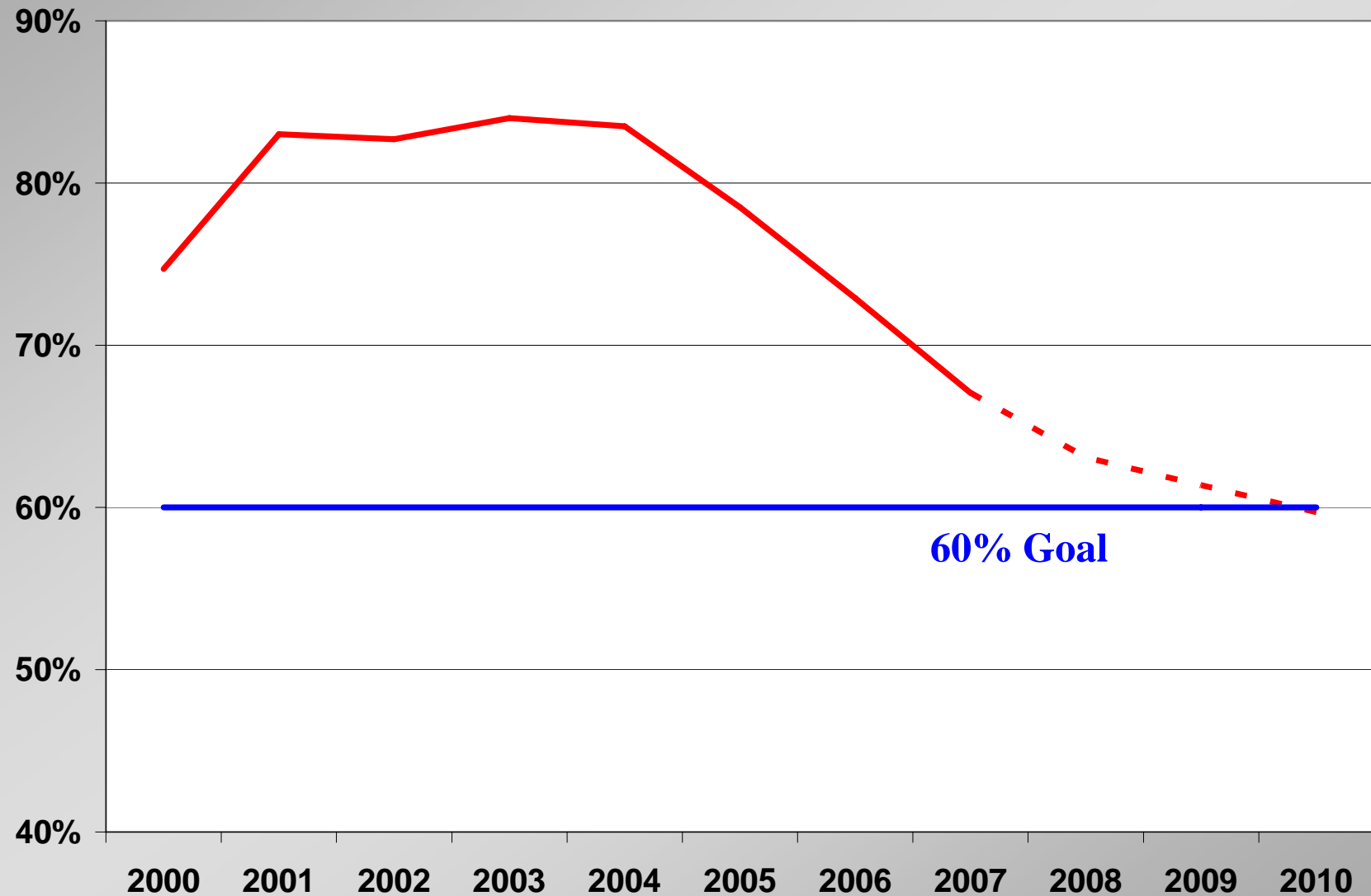


Water Conditions: 2001–2006



Historical Period: Boundary 1913-2006, Ross Lake 1910-2006 and Columbia at the Dallas 1928-2006

Debt-to-Capitalization Ratio 2000-2010



Financial Policies

➤ 2006 Post-Energy Crisis Rate Setting Policies

- Rates must be set to provide no less than 95% confidence of positive net revenue to fund capital requirements in each year
- AND 2.0 coverage on 1st and 2nd lien debt
- AND target a minimum \$30M month-end operating cash balance
- AND maintain a \$25M contingency reserve account
- AND achieve a debt-to-capitalization of 60% by year-end 2010

Resolution 30761, 2005

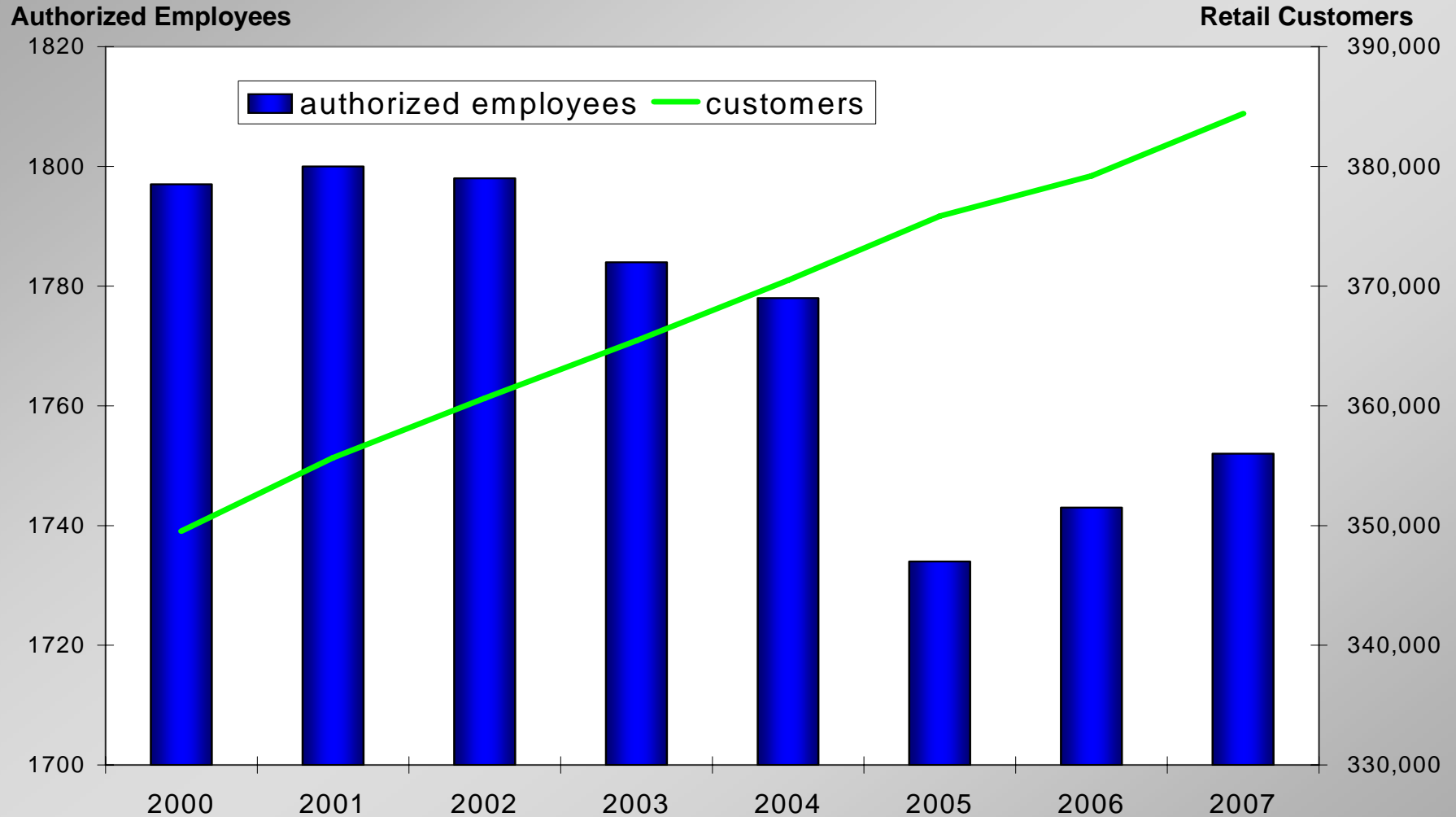
Recent Accomplishments

- Achieved Standard & Poors upgrade to “A+”
- Record earnings in 2006 will delay new borrowing until 2008
- Reduced Leverage Ratio to 69%
- Reduced 2007 and 2008 rates by 8.4% system-wide
- Reorganized Risk Oversight and completed Risk Policy
- Reorganized Information Technology Services and formed IT Strategy Council

Key Areas of Focus

- Budget Overview
- Rates
- Risk Oversight

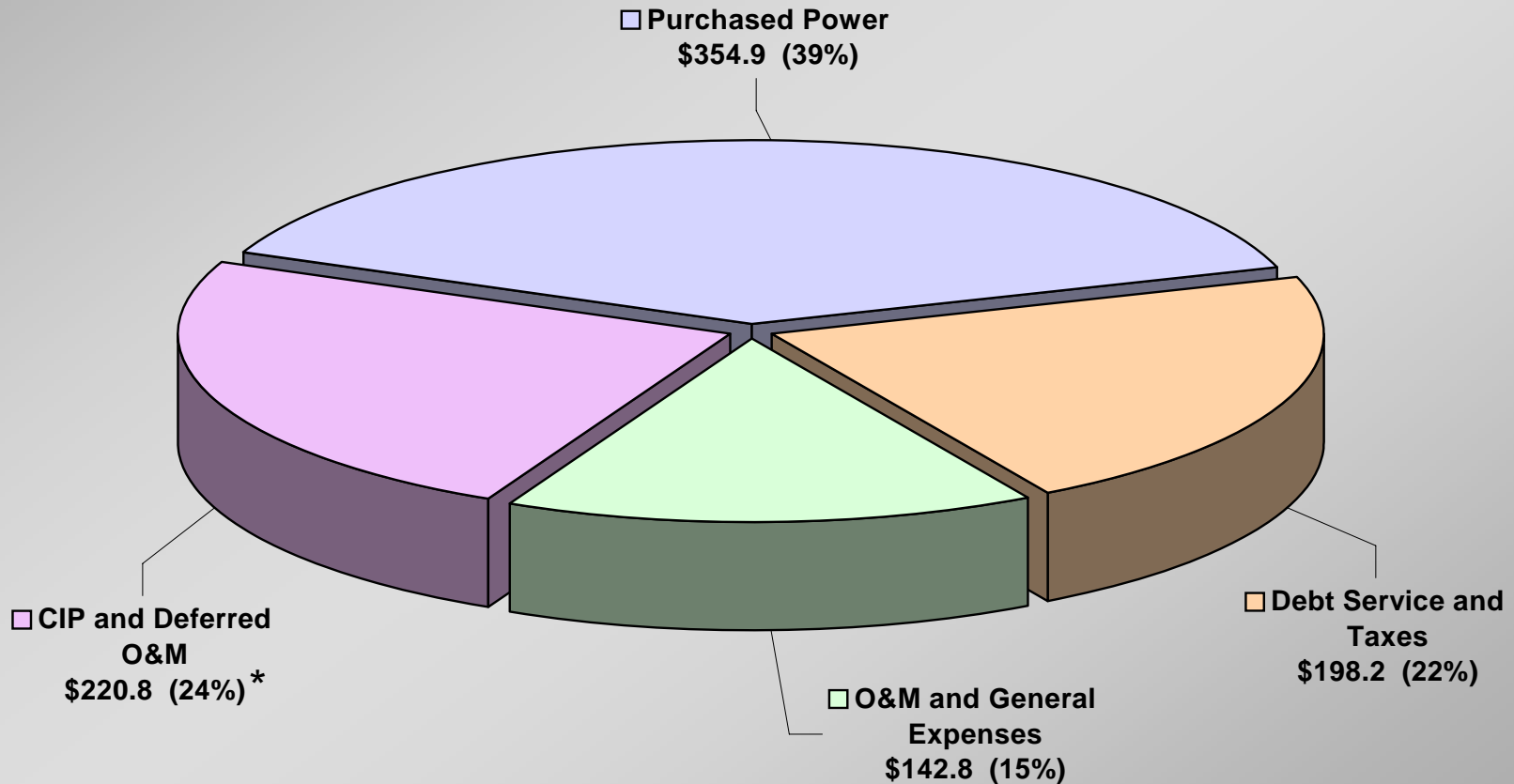
Trend of Employees to Customers



City Light staffing has not kept pace with customer growth

Current Budget Cycle

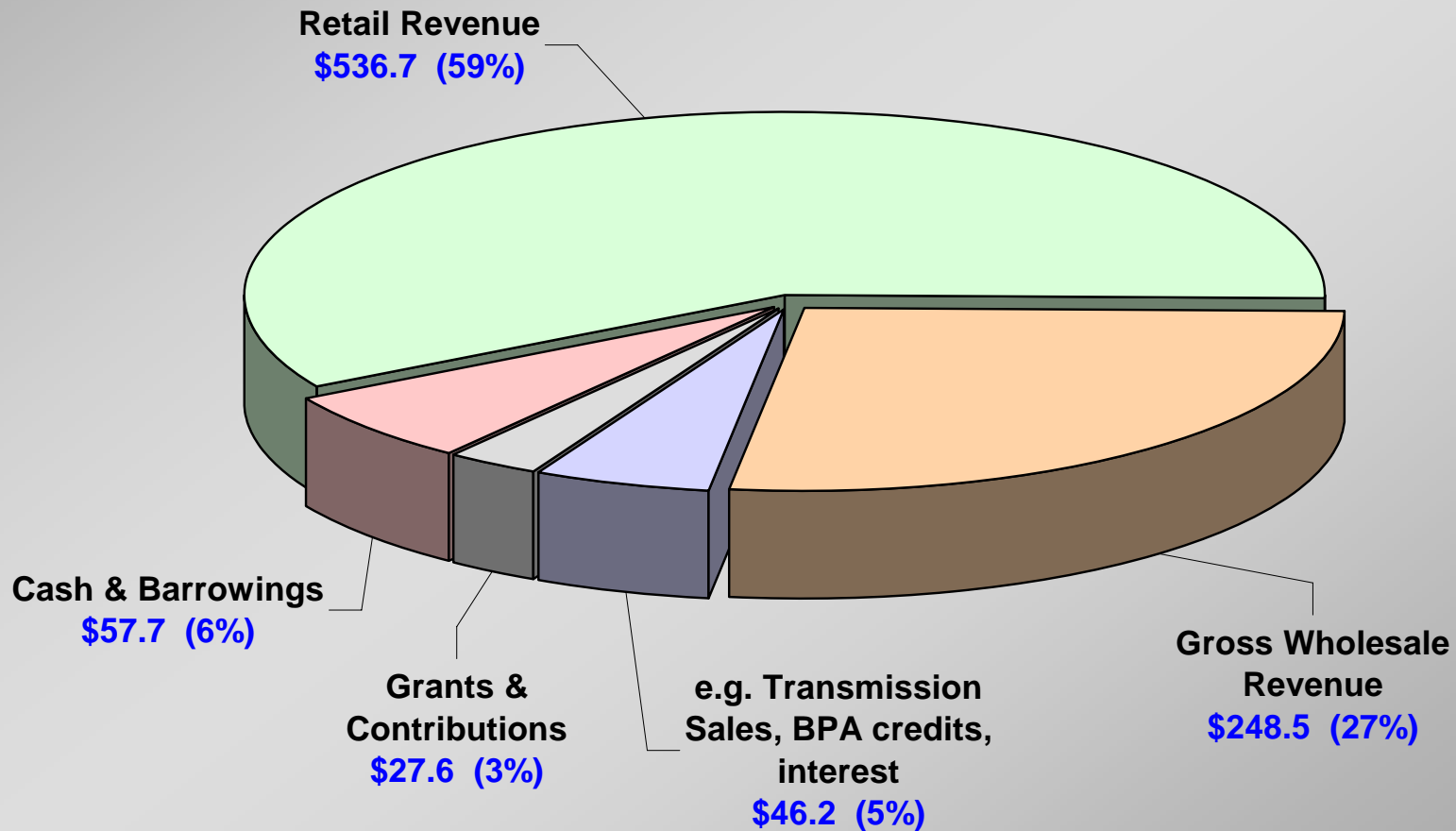
Seattle City Light 2007 Adopted Budget - \$916.7 Million (Total Department Budget)



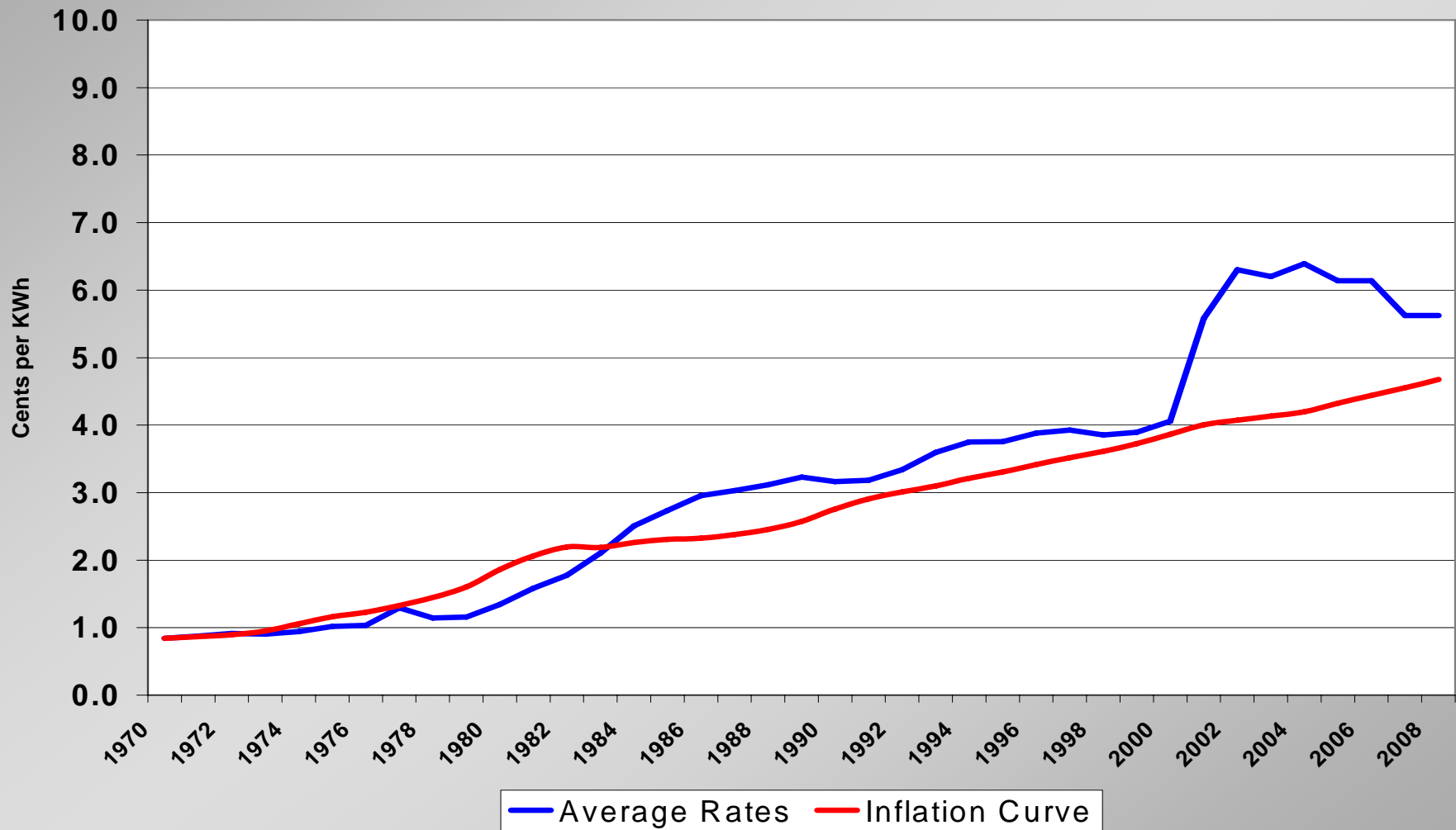
* "CIP and Deferred O&M" includes Labor Benefits and other Overheads.

Current Budget Cycle

Seattle City Light 2007 Adopted Revenue Budget - \$916.7 Million (Total Department Budget)



Rate Trend at Seattle City Light Average System Rates

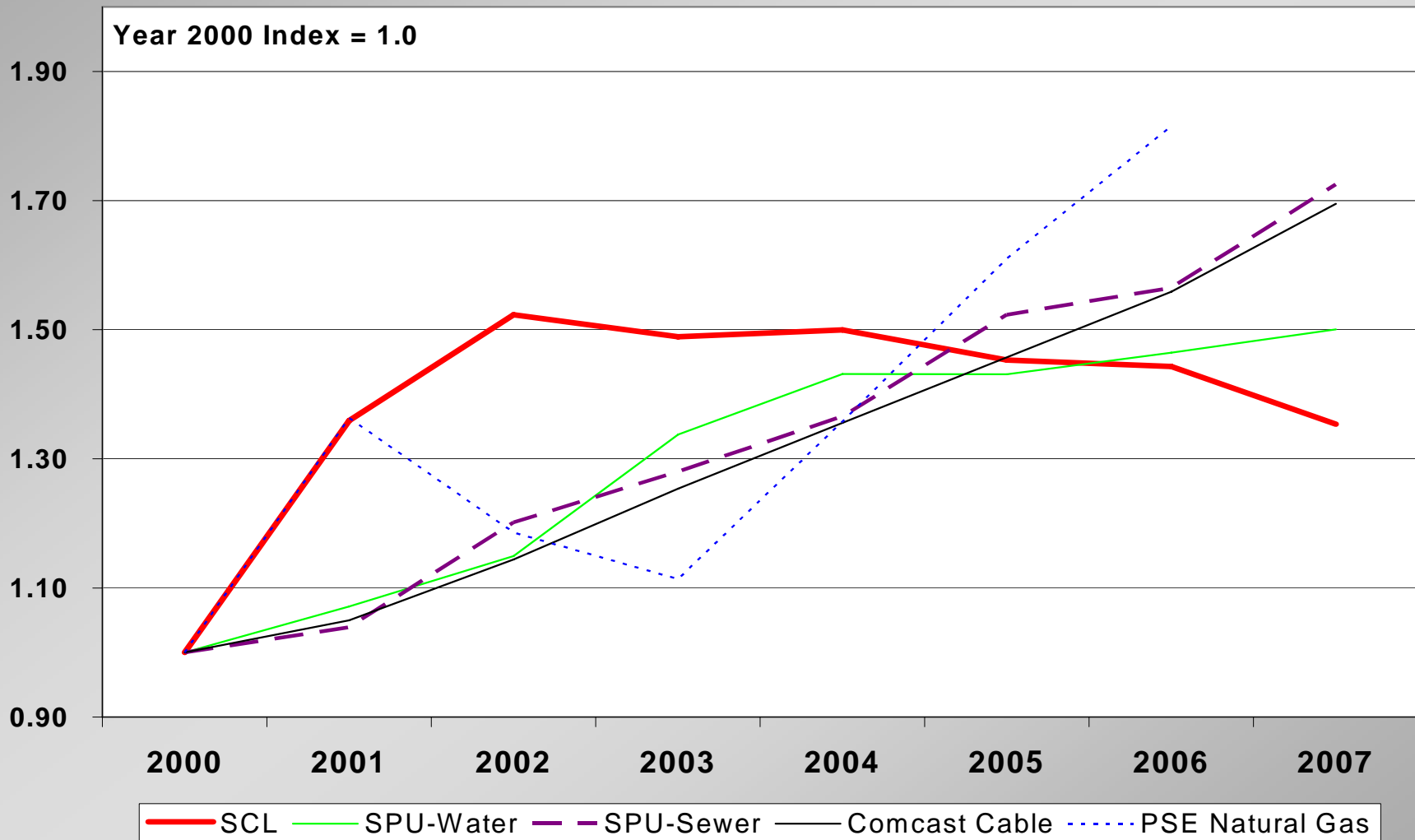


Adopted Rates 2007-2008

Customer Class	Seattle	Network	Suburban	Tukwila
Residential	-6.2%		-3.0%	-1.0%
Small General Service	-5.9%		-3.4%	-4.4%
Medium General Service	-17.0%	-9.9%	-12.2%	-13.3%
Large General Service	-12.3%	-5.2%	-6.7%	-7.6%
High Demand	-14.6%			-13.0%
Streetlights	60.8%			

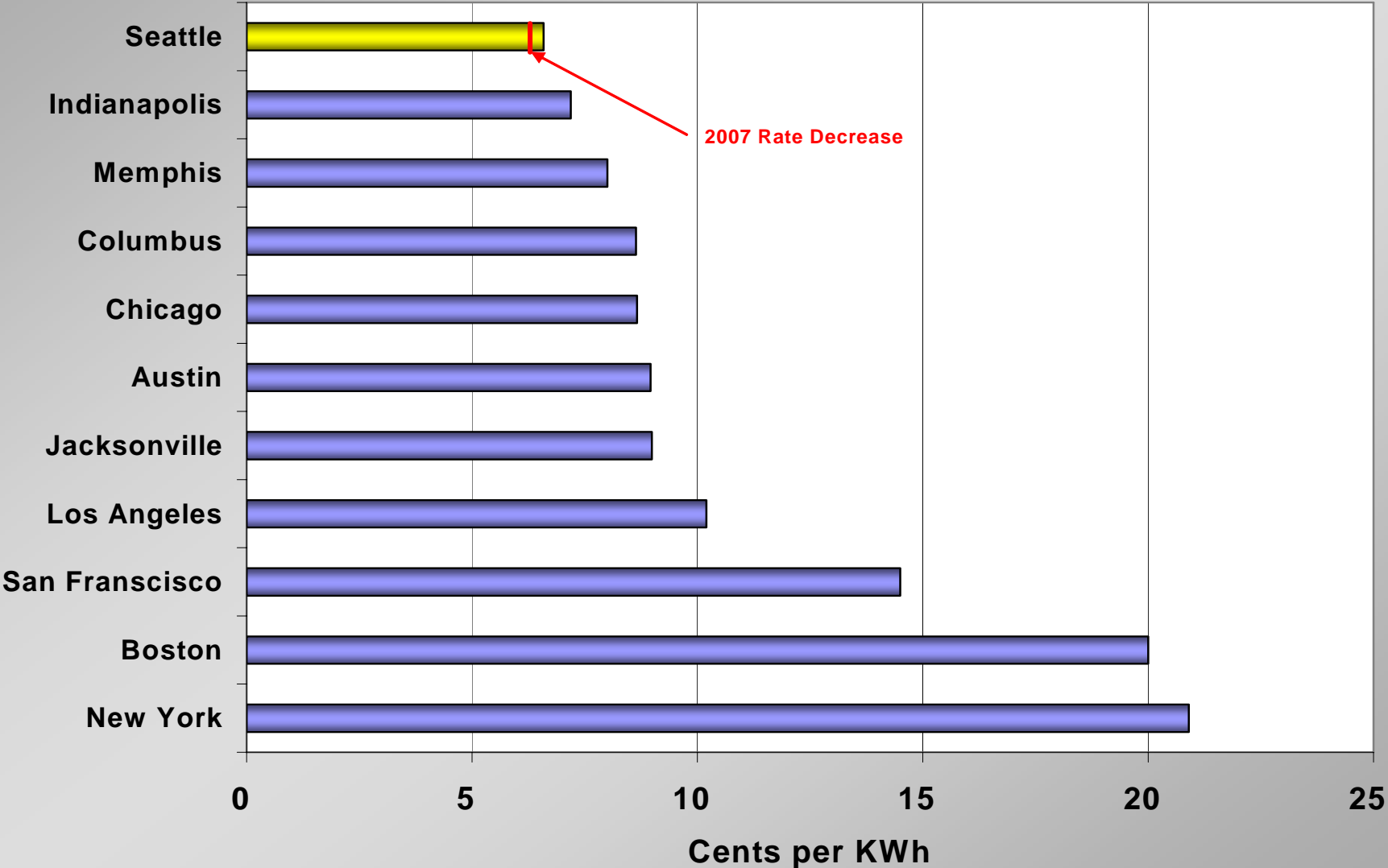
Average System Wide Rate Decrease of 8.4%

Index of Seattle Household Utility Costs



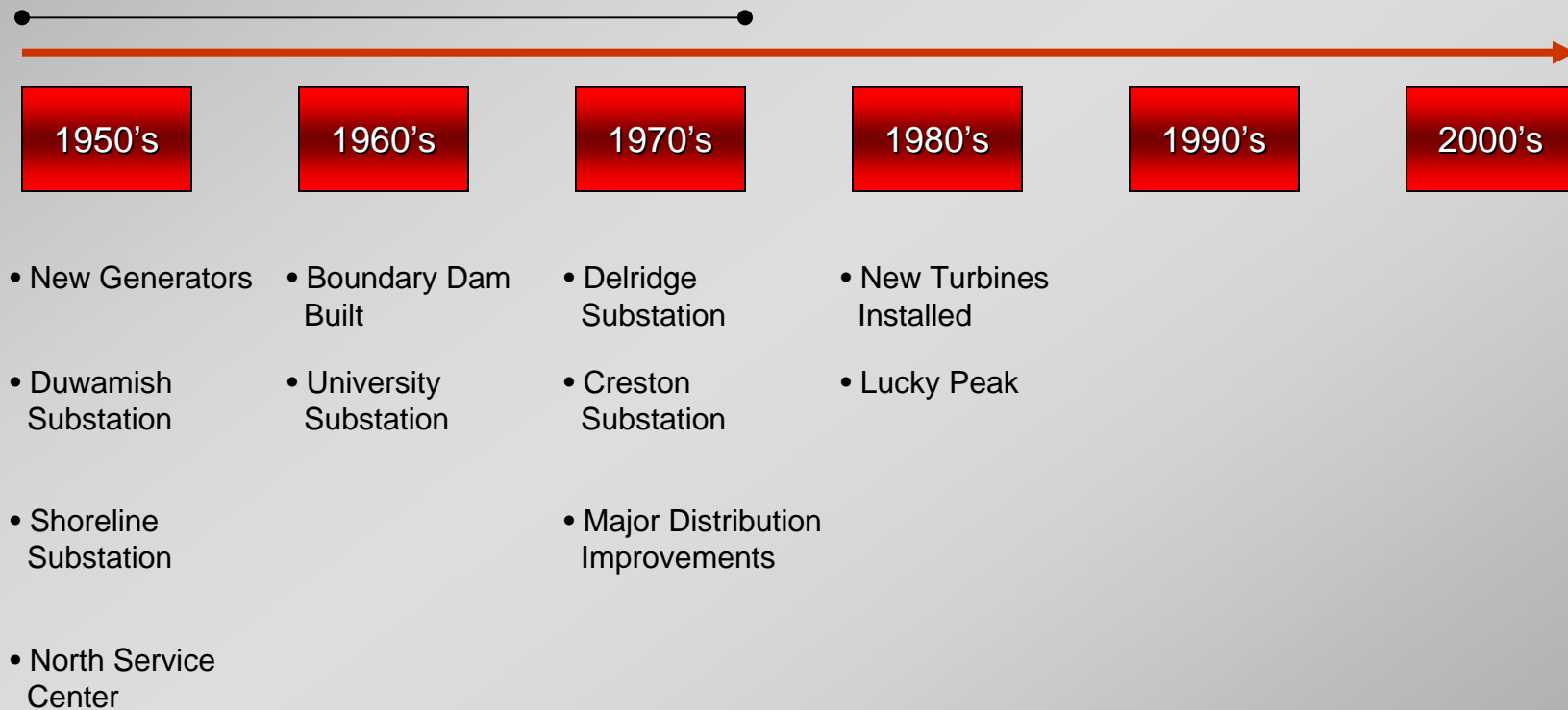
Represents average cost per unit of measure for residential customers

Comparison of 2006 Average Residential Rates per kWh Comparable Cities in the U.S.



Time Line of Major Investments

Period of 1950-1970's
Investing in Generation,
Facilities, and
Substations



Emerging Major Investments

\$13 million

Emergency Preparedness

- Emergency Response Center
- Outage Management System
- Backup System Control Center

\$201 million

People, Infrastructure & Facilities

- Related costs for 300 additional staff
- Asset Management System

\$345 million

Customer Service & Demand

- South Lake Union Sub
- North Downtown network

\$357 million

Regional Transportation

- Relocations for State Routes 99 and 520
- Sound Transit – North Link

\$118 million

Information Technology

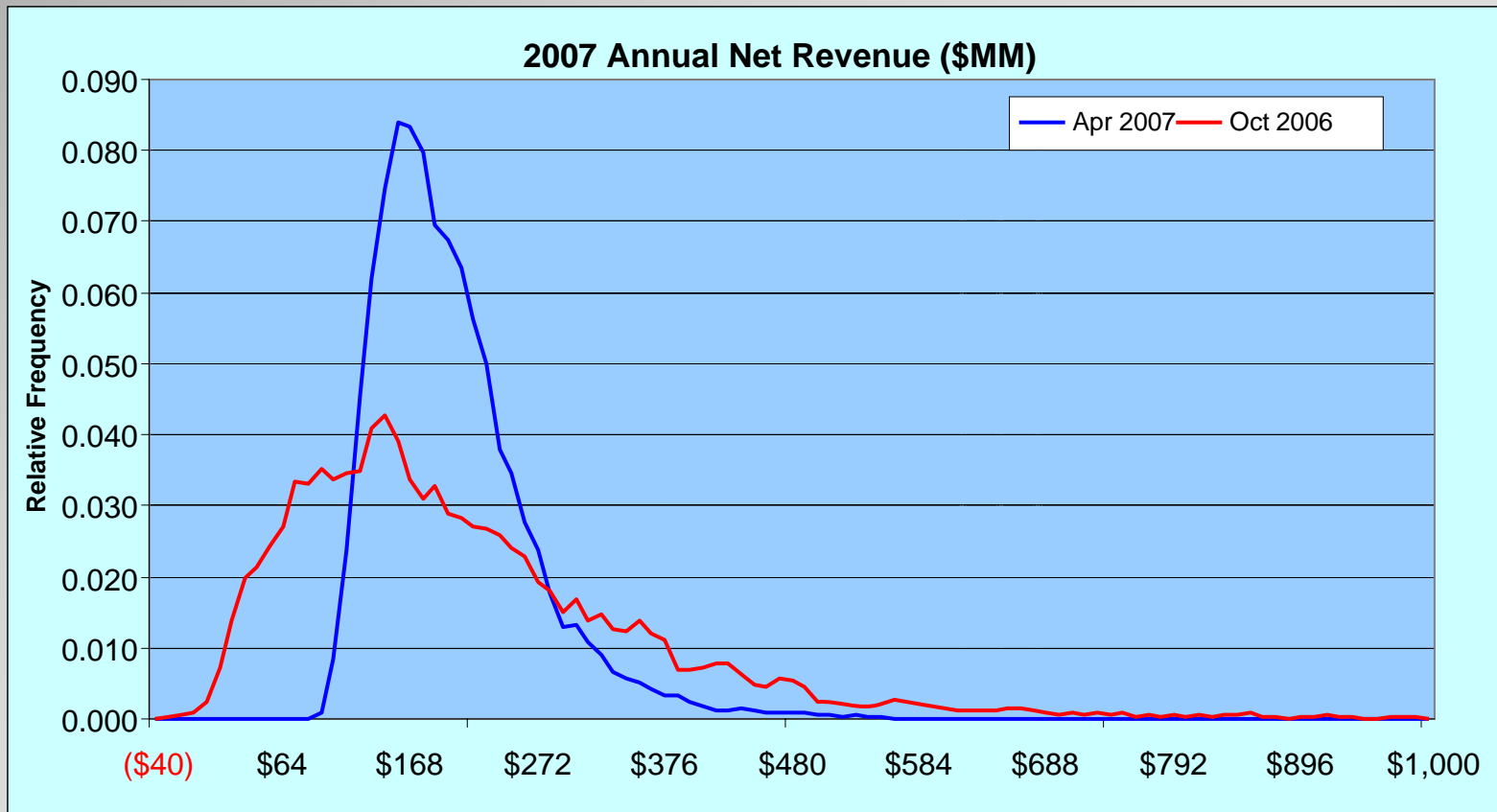
- CCSS Replacement
- Advanced Metering Infrastructure

\$319 million

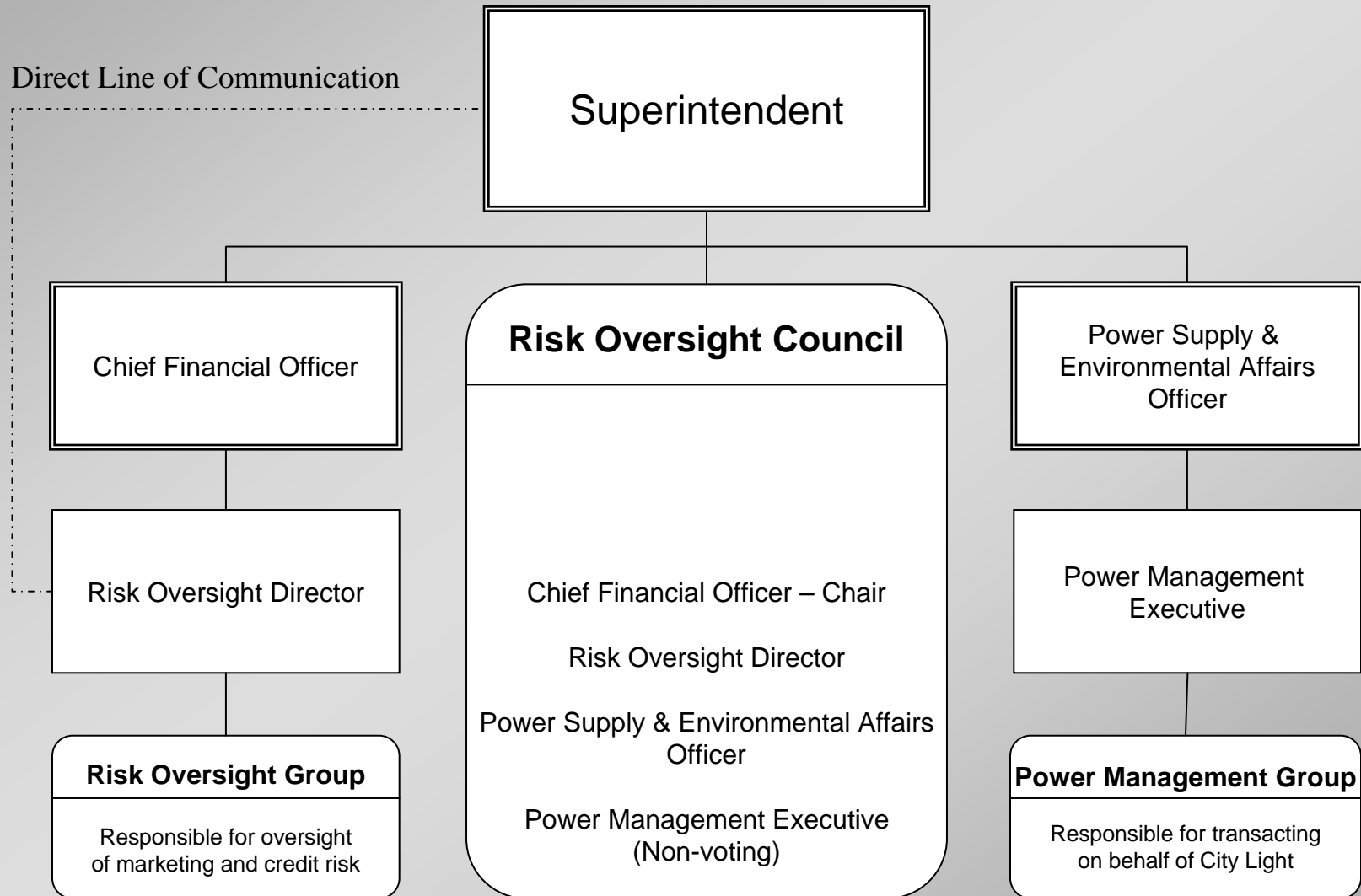
Resources & Environment

- Boundary Mitigation
- Gorge Tunnel

The Goal of Hedging



Risk Oversight Structure



Key Initiatives

- Enterprise Performance Management
- Strategic Plan
- Planning and Rates Process Improvement

Challenges Ahead

Summary of Challenges

1. Build Financial Strength: stay the course
2. Manage Risk
3. Prepare for Future Large Capital Expenditures