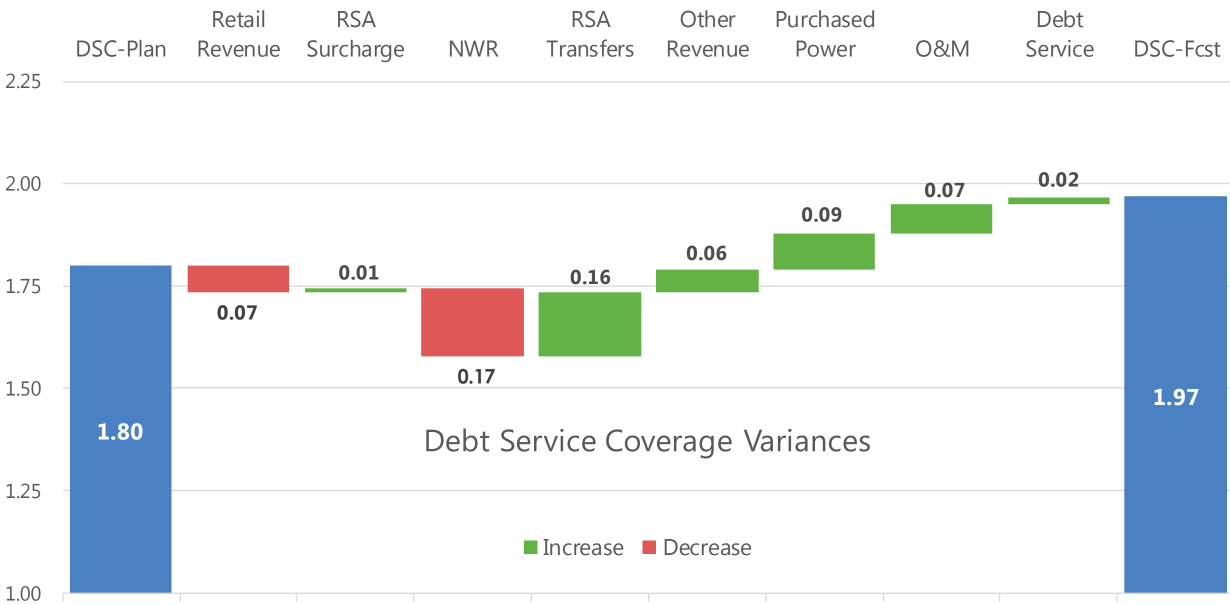
Seattle City Light

2019 FINANCIAL HIGHLIGHTS
SEPTEMBER 2019

Forecasted debt service coverage of 1.97x is 17 basis points favorable to planned coverage of 1.80x.



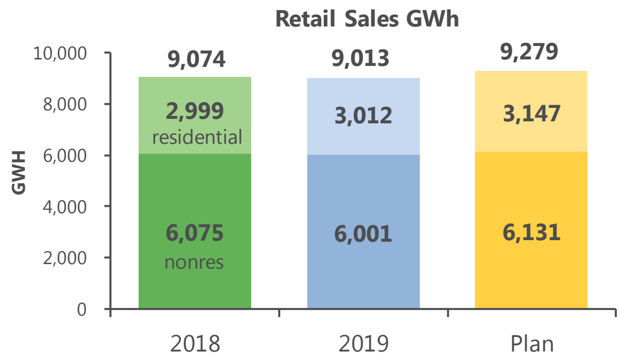
Retail revenue is forecasted to come in lower than planned by $14.6 million due to lower YTD actuals, a revised (lower) retail sales forecast for the remainder of the year and a 1.9% BPA passthrough credit effective November 1st.

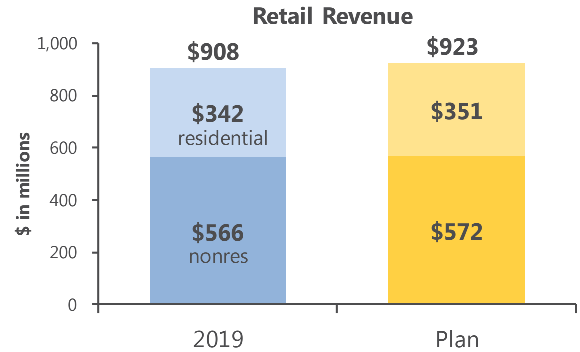
Forecasted **net wholesale revenue (NWR)** is $36.8 million lower than planned due to significantly below normal hydro conditions. The unfavorable NWR variance is mostly offset by transfers from the RSA and has minimal impact on debt service coverage.

The shortfall in retail revenue was more than offset by favorable variances in **net purchased power** costs (higher than planned power marketing revenues (net) and lower than planned BPA and Stateline Wind costs), **O&M** costs (unplanned vacant positions) and **other revenue** (reversal of uncollected revenue written off in 2018).

The **RSA surcharge** has been in effect since August 2016 and is expected to remain in effect throughout 2019. The RSA balance fell slightly below the $80M trigger at September quarter end triggering an additional 1.5% surcharge (3% total) in November.

RETAIL POWER SALES AND REVENUE



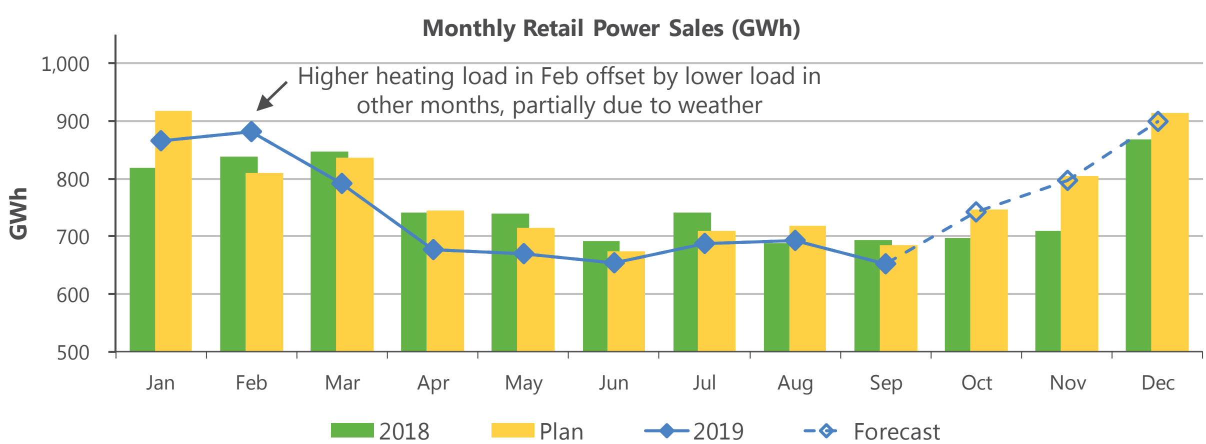


Retail Sales GWh			
	Nonresidential	**Residential**	**Total**
2019 Fcst vs. Plan	(2.1%)	(4.3%)	**(2.9%)**

Retail Revenue			
	Nonresidential	**Residential**	**Total**
2019 Fcst vs. Plan	(1.1%)	(2.4%)	**(1.6%)**

- BPA released its final rates for fiscal years 2020 and 2021. Given the lower than planned costs, an automatic credit will be applied to retail rates effective November 1st. The 1.9% (on average) downward adjustment to rates contributes $3.1 million to the overall 2019 retail revenue variance.

- The smaller variance for revenue compared to sales is also driven by differences in consumption patterns compared to the Plan (e.g., more second block relative to first block, higher peak demand and the overall consumption mix across rate classes).

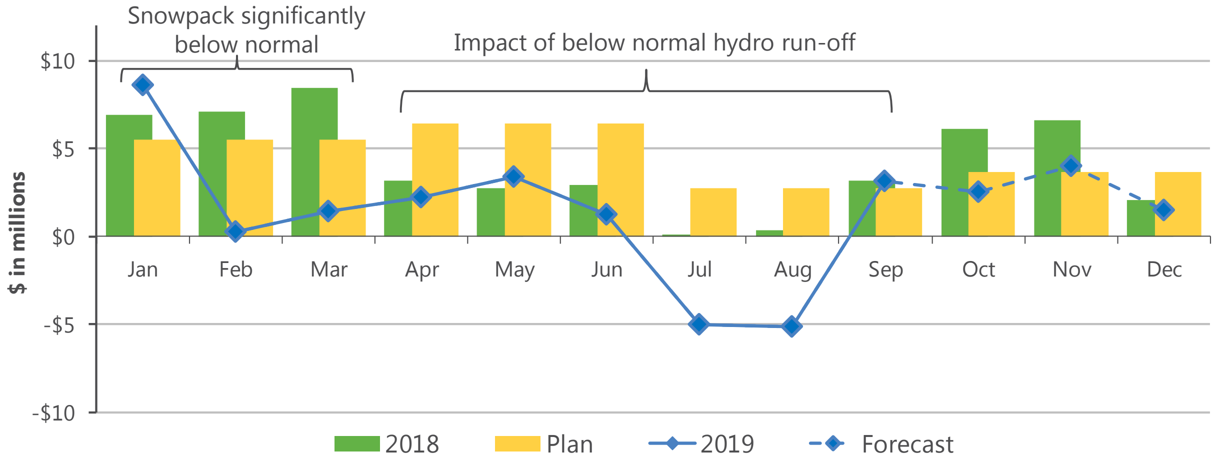


- 2019 retail sales (GWh) forecast to be under Plan by 2.9% resulting from lower YTD sales plus a downward revision to expected retail sales in the load forecast adopted in October 2018.

- Nucor operating at lower production. YTD consumption is 20% or 69,000 MWh lower than expected, attributing roughly 0.5% to the annual variance.

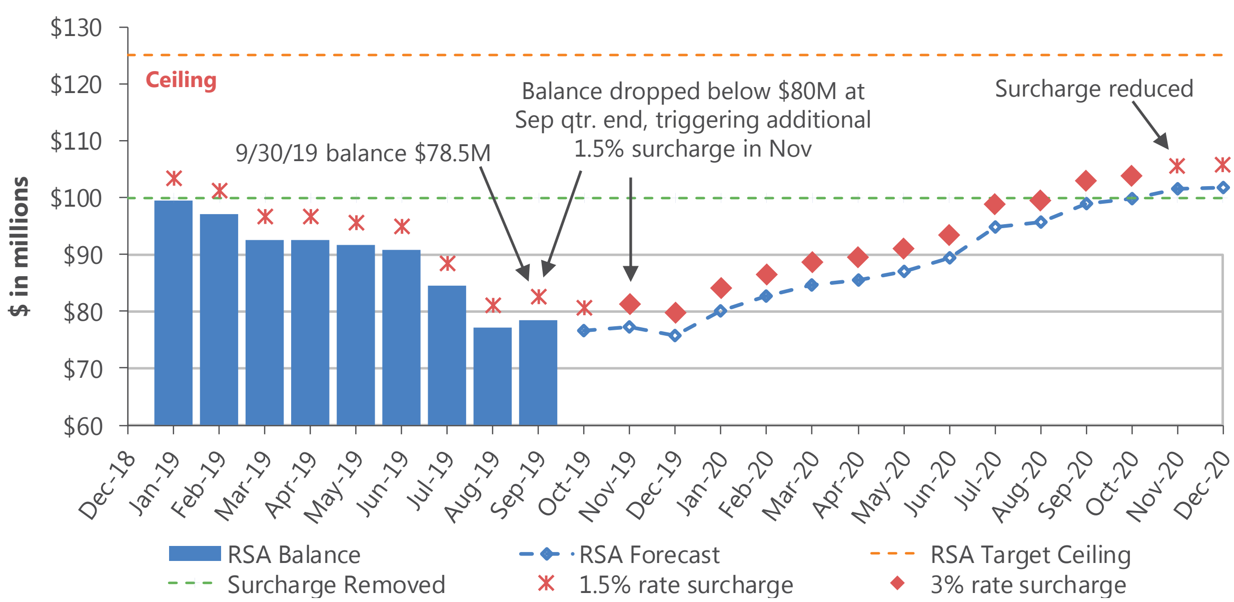
NET WHOLESALE REVENUE

$ in millions	2018	2019	Plan	Variance-Y/Y	Variance-Plan
Full Year	$49.9	$18.2	$55.0	($31.7)	**($36.8)**
YTD	$35.1	$10.2	$44.0	($24.9)	($33.8)

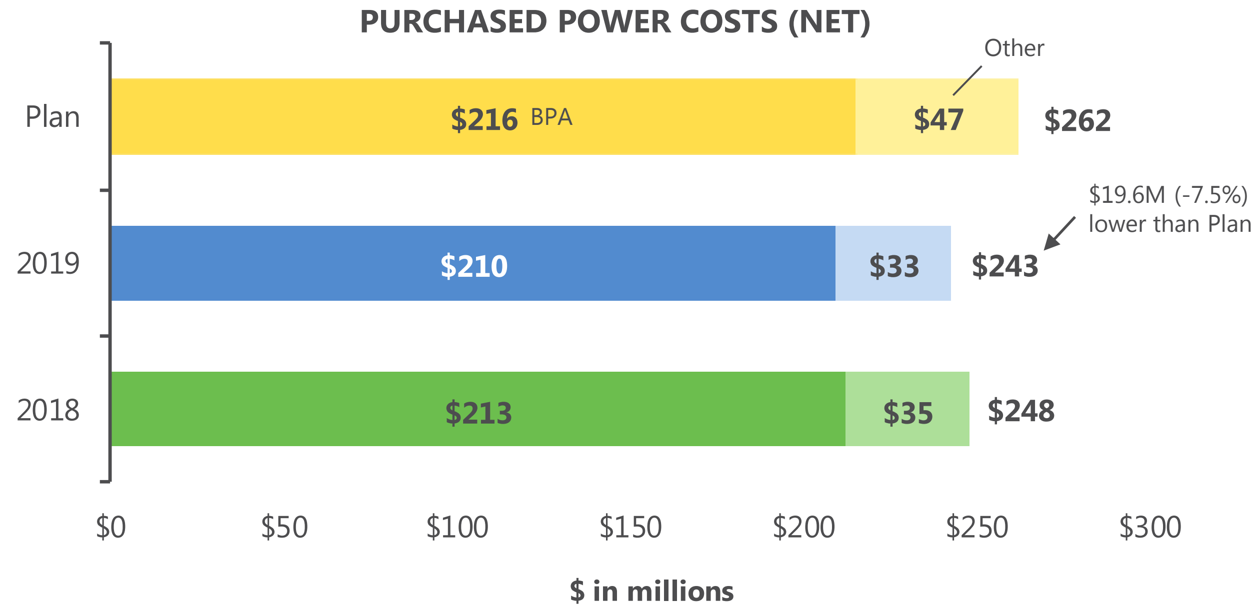


As of October 16, 2019	5 Year Avg	2019 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)	6,402	5,256	**82%**
Market Prices (On-Peak Hours)	$29.71	$33.78	**114%**

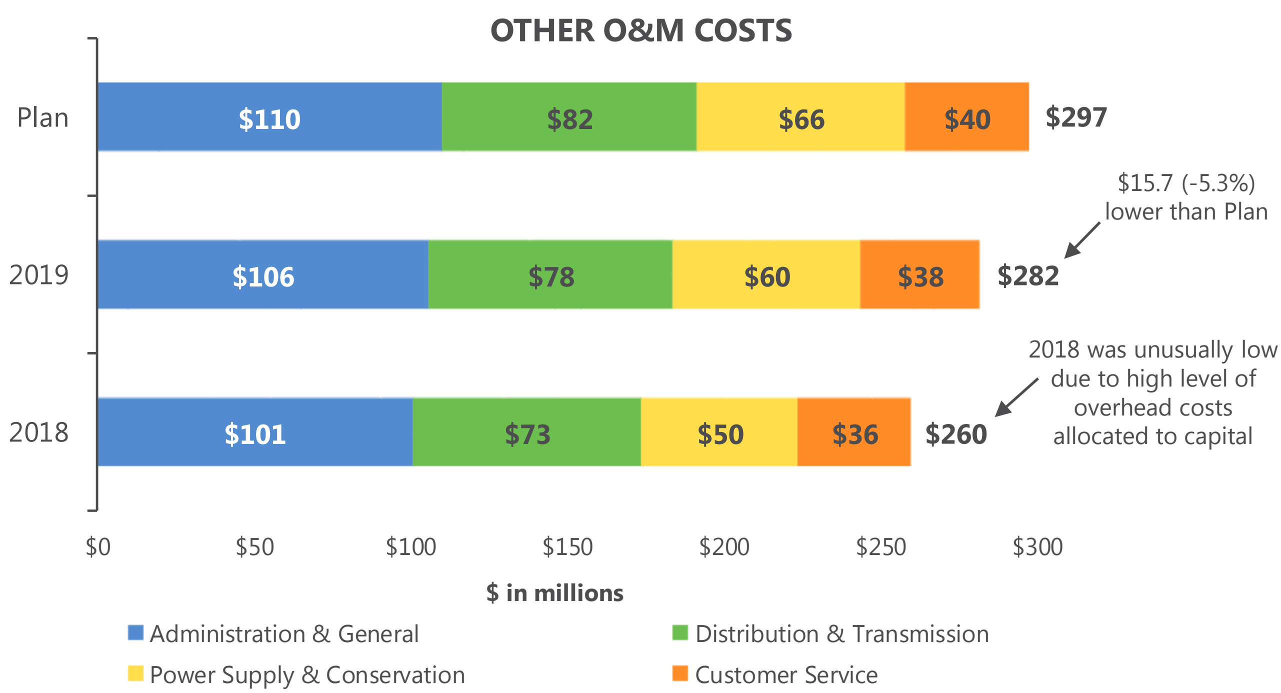
RATE STABILIZATION ACCOUNT



- The RSA balance fell slightly below the $80M trigger at the September 2019 quarter end triggering an additional 1.5% surcharge (3% total) in November.
- The RSA balance is expected to exceed the $90M trigger at the September 2020 quarter end resulting in the removal of the initial 1.5% surcharge (1.5% remaining).



- BPA recently announced new rates and purchase volumes for its customers effective Oct 1, 2019. City Light's BPA bill will be lower than expected in the Plan, with an Oct-Dec variance of $6 million.
- Non-BPA net costs were also favorable to Plan due to higher revenues from power marketing (net) and lower than planned Stateline Wind costs.



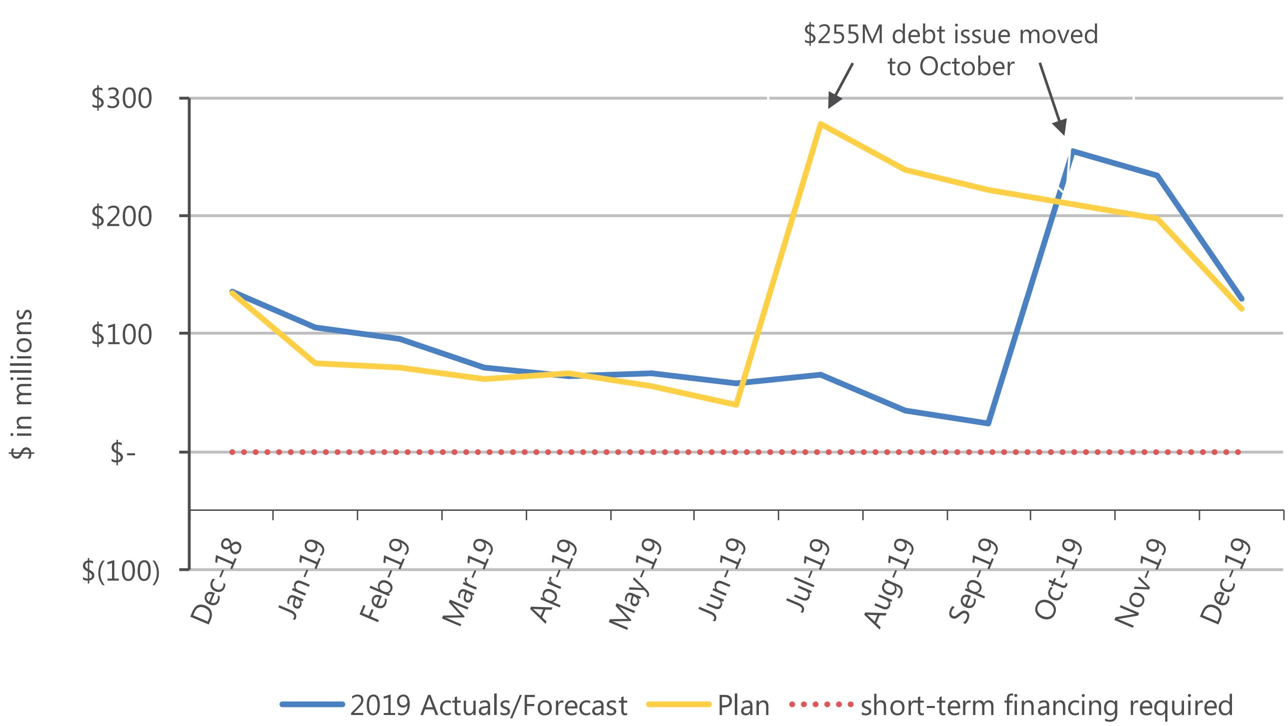
- Forecast vs. Plan variance due to higher than planned labor vacancies, lower than planned services related costs (consulting, IT, etc.) and higher than planned overhead allocated to CIP (overtime due to winter storms and fallen poles); partially offset by higher Adopted O&M budget compared to the Plan (O&M forecast used when setting 2019 rates).

OTHER REVENUE & EXPENSE (NET)

$ in millions	2018	2019	Plan	Variance-Plan
Other Revenue	$36.0	$36.6	$34.5	$2.1
Other Expense	$58.3	$42.0	$50.1	**($8.1)**
Debt Service Coverage Adjustments	$6.7	$2.4	($0.0)	$2.4
Other Revenue (Expense) - net	($15.6)	($3.0)	($15.6)	$12.7

- $6.2M favorable variance due to reduction in uncollected revenue resulting from resumption of collection processes in December 2018 (reversal of revenue previously written off).

OPERATING & CONSTRUCTION CASH BALANCES
(EXCLUDES SHORT-TERM FINANCING FROM CITY CASH POOL)



- Pushed out the planned July bond issue to consolidate it with a fall 2019 refunding option available on existing bonds.

SUMMARY FINANCIAL RESULTS – FULL YEAR 2019

$ in millions	Forecast	Plan	Variance	Page[1]
Debt Service Coverage				
Retail Revenue	$908.1	$922.7	($14.6)	2
RSA Surcharge Revenue	$16.0	$13.8	$2.1	--
Net Wholesale Revenue	$18.2	$55.0	($36.8)	3
RSA Transfers (net)	$21.2	($13.9)	$35.1	--
Other Revenue (expense)	($3.0)	($15.6)	$12.7	5
Total Revenue	**$960.5**	**$962.0**	**($1.4)**	--
Purchased Power (net)[2]	$242.7	$262.3	($19.6)	4
Other O&M[3]	$281.5	$297.2	($15.7)	4
Total Expense	**$524.3**	**$559.5**	**($35.3)**	--
Amount Available for Debt Service	**$436.3**	**$402.4**	**$33.8**	--
Debt Service	$221.5	$223.6	($2.1)	--
Debt Service Coverage	1.97	1.80	0.17	--
Net Income	$173.5	$101.9	$71.6	--
Debt to Capitalization Ratio	60.5%	62.9%	-2.3%	--
Liquidity				
Operating & Construction Cash @ September 30, 2019	$24.0	$221.3	($197.3)	5
Rate Stabilization Account @ September 30, 2019	$78.5	$98.9	($20.5)	3

[1]See referenced page for additional detail

[2]Purchased power costs (net) include long-term purchased power & wheeling expenses net of power contract and power marketing revenue

[3]Other operations and maintenance expense includes costs related to distribution, transmission, power supply, conservation, customer service and administrative activities

BUDGET

Budget Summary	YTD-Sep	Full Year -2019		
$ millions	**Actuals**	**Projections**	**Budget**	**Diff**
O&M				**- Over / + Under**
Purchased Power	$253.7	$342.5	$338.5	($4.0)
Utility Operations & Administration	$253.6	$367.3	$399.0	$31.7
Taxes and Debt Service	$277.1	$319.8	$335.3	$15.5
O&M Total	**$784.4**	**$1029.6**	**$1072.7**	**$43.1**
% of Annual Budget	73.1%	96.0%	100.0%	4.0%
CIP Total	**$330.5**	**$497.3**	**$581.2**	**$83.9**
% of Annual Budget	56.9%	85.6%	100.0%	14.4%
Total Budget	**$1114.8**	**$1526.9**	**$1653.9**	**$127.1**
% of Annual Budget	67.4%	92.3%	100.0%	7.7%

Purchased Power variance is primarily due to higher short-term wholesale purchases resulting from lower than expected hydro conditions and higher than expected prices.

Utility Operations and Administration $31.7 million under expenditure is primarily attributable to labor savings from vacant positions, conservation incentives (deferred O&M) underspend and an increase in the CIP overhead application rate.

Taxes and Debt Service underspend of $15.5 million is due to lower than projected interest payments partially offset by an increase in state taxes.

CIP is forecast to underspend by $83.9 million (86% achievement) and is not expected to meet the 90% achievement target for 2019. The majority of underspending is due to project delays in discrete projects, with approximately $53 million expected to carry forward into 2020.