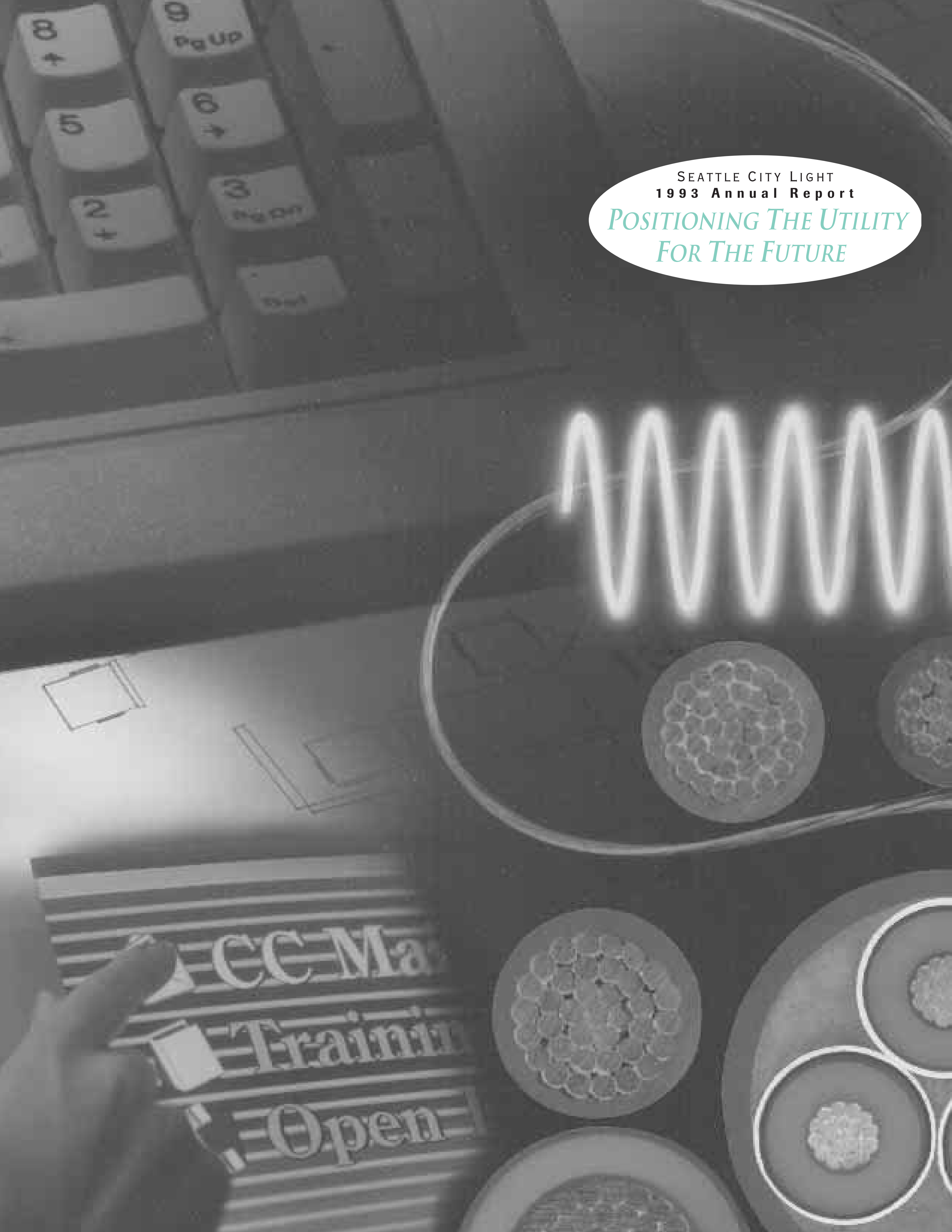
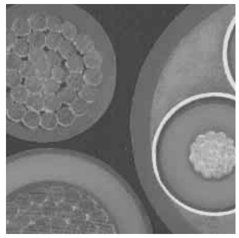
Seattle City Light

1993 Annual Report

Positioning The Utility For The Future



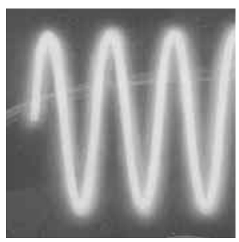
POSITIONING THE UTILITY FOR THE FUTURE



SAFETY

FINANCIAL

EMPLOYEE SATISFACTION



CUSTOMER SATISFACTION

1993 IN SUMMARY

ENERGY

Total generation (including Centralia)	6,044,832,000 kWh
Firm energy load	9,483,713,540 kWh
Peak load (highest single hourly use) – November 22, 1993	1,875,287 kw
Average number of residential customers	301,647
Annual average residential energy consumption	10,810 kWh

FINANCIAL

	In Millions		Percent Increase
	1993	1992	
Total operating revenues	$322.9	$295.1	9.4%
Total operating expenses	307.1	282.7	8.6%
Net operating income	15.8	12.4	27.4%
Interest earned on investments	9.1	7.8	16.7%
Interest expense, net	36.0	33.9	6.2%
Other income (expense), net	1.0	(.4)	100.0%+
Net loss	$(10.1)	$(14.1)	
Debt service coverage	1.68	1.47	

This has been a year of major strategic change for Seattle City Light — one where we named new top leadership, restructured the utility to function more effectively and created the vision and key strategies to take us into the next century.

Our new structure consists of two operating branches and five support divisions. The Wholesale Branch is responsible for the acquisition and transmission of power and the Retail Branch groups all functions and people directly serving our customers. It simply makes sense to have all employees charged with the same goal — providing excellent service to our customers — work under the same leadership.

Ted Coates, a 19–year City Light veteran, is the head of the Wholesale Branch. Barbara Harvey–Brayton, who comes to us from Memphis Light, Gas & Water and has more than 16 years experience in engineering and management, leads the Retail Branch.

Employees Choose Leaders

Not only are we pleased with the experience and leadership they bring to Seattle City Light, we're proud of the way they were selected. After a national search for qualified candidates, panels of employees — including crew chiefs, line workers and customer service representatives — made the decision. While I was a panel member, I had just one vote. At City Light, we believe in doing more than just talking about empowering employees.

With the leadership in place to take us to the next century, we needed a roadmap and launched one of the most in–depth strategic planning efforts in City Light history — examining our operating environment, assessing strengths and weaknesses and creating strategies for improvement.

Many of our strategic initiatives center on equipping our employees to provide the outstanding service that will be the key to survival in the future. During 1993 we emphasized improving communications among employees to build trust and support for our vision of the future, expanded training and added new systems and tools to improve productivity — all aimed at removing the barriers to improved service for our customers.

Corporate Goals Established

We also put more emphasis on setting and achieving goals. For the first time, Seattle City Light now has four corporate goals measuring progress in these areas: customer satisfaction, employee satisfaction, safety and financial health.

Customer service is our number one goal. And continuous improvement — along with continuous measurement — is the key to excellent customer service. With a goal of 97 percent of our customers satisfied with their service by 1995 and our current rating in the high 70s, we have work to do in this area.

Mother Nature has not been kind to our bottom line, with the Pacific Northwest reeling from the second worst drought in 115 years. That takes away a major source of income — the sale of surplus energy generated at our hydropower facilities. Lower revenues brought a year of negative earnings.

Debt Coverage Climbs

Still, there was good news. A 12.6 percent rate increase and a temporary 4.1 percent drought surcharge, removed by November, helped obtain debt coverage of 1.68 — up from 1.47 in 1992. Meanwhile, our rates remain among the nation's lowest.

We also mounted a highly successful cost control program, carefully reviewing staffing requirements and searching every nook and cranny for savings. When we added them up, we had trimmed some $2.8 million and reduced our staff level by 29.

Our efforts paid off on two trips to the bond market. Our $453 million parity refunding and new money issue was the largest in our history; a later issue of variable rate bonds totaled $22 million. The rating agencies confirmed our high AA/Aa and AA-/Aa ratings. This indicates the financial community understands that our

CHANGE

losses were due to factors beyond our control, we've taken the steps to manage our way through the situation and our earnings will improve.

New Power Sources

These drought years underscore, once again, our need to diversify our power resources. We're exploring possibilities that include a gas–fired combustion turbine and one or more cogeneration resources. We are also negotiating with the Bonneville Power Administration for a share of the Third AC Intertie to California, which would improve our ability to make seasonal power exchanges.

Conservation A Winner

And, conservation is critical to our future — our source for meeting much new load growth through the next century. Fortunately, we have an excellent program — in 1993 named by the Department of Energy as one of the nation's five best.

As we look ahead to the next century, no one can predict what the future will bring. But we at Seattle City Light know this — we have the vision, the leadership and the people to succeed.

Roberta Palm Bradley
Superintendent

Roberta Palm Bradley

Ted Coates and Barbara Harvey-Brayton head our new Wholesale and Retail branches.

Improved call handling is speeding customer service while boosting productivity.

A new service center structure is improving installation service — and efficiency.

New Vision and a New Spirit for the Next Century

Throughout history, change has accelerated near the end of the century. Why? It's a natural time to look ahead, take stock and plan for a brighter future.

That's what Seattle City Light was doing in 1993 and the scope and variety of change may have been unparalleled in our history.

A top–to–bottom makeover of the utility was underway with new top leadership, a new utility structure built around Wholesale and Retail branches and a new, in–depth strategic planning effort that charts a clear course to excellence in the next century.

A Commitment To Service

Among the priorities emerging from this effort is a commitment to outstanding service for our customers and providing employees the resources and the responsibility to make it happen.

Our new structure will play a key role in improving service, grouping in our Retail Branch all the people who serve the customer directly. With all customer service people working toward the same goal, improved coordination and communication are already boosting service levels.

Other service improvement measures include:

- A new service center structure which co–locates those responsible for new or enlarged electric services is providing faster installation.
- Improved telephone service for customers calling our Customer Service Center is speeding call answering while handling 10 percent more calls than last year, exceeding our goals.
- A faster refund procedure reduces by seven days the time needed to mail checks.
- Empowering employees to make critical decisions brings quicker help for customers needing low income assistance.

SERVICE

Rising To The Occasion

One of the things that makes us so confident of our future is our employees' ability to take on the tough service challenges and come out on top. For example, when a major customer wanted to double the size of its electrical service, a service outage was necessary to install the new equipment. City Light negotiated for 72 hours, the customer demanded no more than 48.

Mounting a carefully coordinated effort involving pre–assembly of major components, City Light completed the installation in a near–miraculous 25 hours. Said the customer: "I'm just extremely delighted with Seattle City Light's performance."

Our employees also rose to the challenge in two serious outages. In January, 1993 a vicious Inaugural Day windstorm toppled trees, poles and wire—knocking 100,000 customers out of service and causing $2.3 million in damages to our facilities. Working around the clock, City Light crews restored power to 75 percent of our customers in 24 hours and the rest within five days.

On October 8, a vault fire on the edge of downtown created a severe outage, affecting a 37–square–block area. Some 210 of our employees worked shifts up to 17 hours to repair the damage in 80 hours.

Empowering Employees

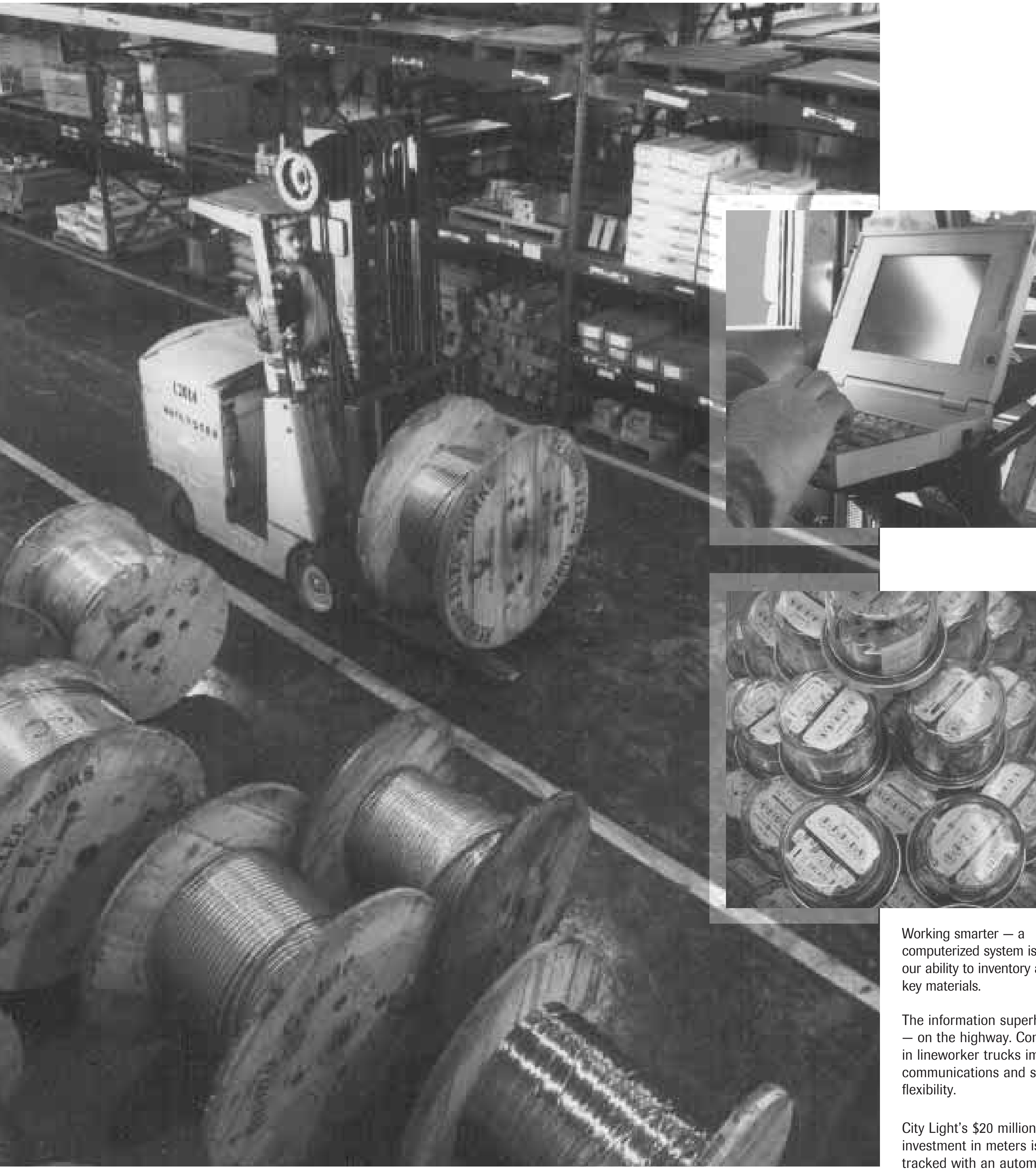
Customer satisfaction and employee satisfaction go hand–in–hand and in 1993 we worked hard to involve employees in our decision–making, to broaden their skills and help them make the most of their abilities. Some examples:

- Follow–up action from our first employee survey continues throughout the utility, with employee teams attacking problems and developing solutions. A just–completed second survey shows a small, but encouraging improvement in employee attitudes.
- We are communicating as never before, using new video, print and two–way communications. A new "Open Line" promises employees a one–week turnaround on answers to their questions. Superintendent Roberta Palm Bradley holds quarterly employee forums where she encourages frank discussion of

Battling the impact of a vicious windstorm, employees worked around the clock to restore service.

A new video program is just one element of a broad communications program aimed at employees.

What do you think? Our second employee survey shows an encouraging trend in employee attitudes.



Working smarter — a computerized system is improving our ability to inventory and order key materials.

The information superhighway — on the highway. Computers in lineworker trucks improve communications and service flexibility.

City Light's $20 million investment in meters is now tracked with an automated inventory system.

problems. And employees with a substantial issue can bring it to the her office for resolution — as long as all City Light stakeholders in the issue are there

- Employees are playing an important role in running the utility, helping select all supervisors — including deputy superintendents — and becoming more deeply involved in issues that affect them, such as right–sizing.

RESOURCES

- We're broadening the skills of our employees and developing those with the commitment, toughness and potential to be our leaders of the future. Even though cost–control was a priority in 1993, training budgets were not cut.

- We rededicated ourselves to a diverse workforce and improved our apprenticeship program, which plays a key role in moving women and minorities into non–traditional jobs. Some 30 percent of our apprentices are female and 40 percent minority — the best record in the state. It's not surprising that our program has been used as a model by other utilities across the nation.

WORKING SMARTER

Another way in which we're getting ready for the next century is by harnessing technology to help us work more efficiently. Last year we introduced a number of new systems to do just that. For example, a new computerized inventory system will allow us to track and forecast usage of key materials and recommend ordering quantities. The change replaces a manual card system and will help ensure we have the necessary materials on hand while reducing inventory levels.

A similar new system tracks City Lights investment of up to $20 million in meters. Another will track work orders and crew labor hours, improving our workforce scheduling and eliminating timesheets.

And with the renewed emphasis on improving communications, employees are pleased with the installation of a new, utility–wide electronic mail system –– one of the top priorities in our annual employee survey.

Expanding Energy Resources

While the next century will bring many changes, City Light's basic mission will not. When our customers flip that switch, the power must be there. Here are some of the things we did to get ready in 1993:

- Continued the rehabilitation of our 60–year–old Diablo Powerhouse, which produces about eight percent of our self-generated power.

ENERGY

- Began work on replacing high voltage breakers at our Boundary Dam hydro facility which will improve cold weather reliability. Other work at this facility will improve the performance of our generators — and power output.

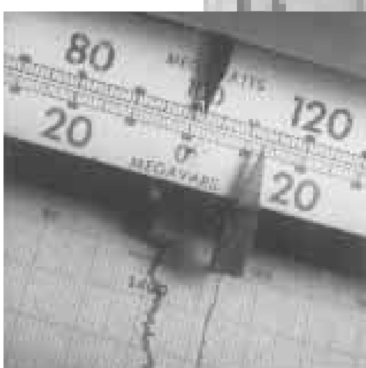
- Started construction of our 15 megawatt South Fork Tolt Hydro facility, a $54 million project using an existing Seattle Water Department dam on the Tolt River east of Seattle. The project is partially funded by the Bonneville Power Administration (BPA).

- Made a down payment on a $34.4 million share of the Third Pacific Northwest – Southwest AC Intertie. With the current environmental scrutiny of generating sources, transmission may be a critical resource for the future. This intertie could allow us to make important seasonal power exchanges with the Southwest.

Energy Conservation — Among The Best

Another certainty for Seattle City Light in the next century is energy conservation — a critical resource. In fact, City Light is committed to meeting much of our load growth in the next decade by conserving 100 megawatts of energy. We've always believed we have one of the nation's best conservation programs. Last year we were recognized for it — by the Department of Energy.

At the heart of our comprehensive conservation program are financial incentives, partially funded by BPA, encouraging our residential, commercial and industrial customers to install energy–saving measures. In effect, we are "buying" conservation, which is cheaper than building new generating resources.



The Diablo Dam powerhouse. A major maintenance effort will improve power generation.

We are building a new City Light — rebuilding or replacing obsolete or aging plant across the utility.

We're proud of our long history of protecting and enhancing natural resources.

Conservation program was named one of the nation's best by the Department of Energy.

For example, residential programs offer help in weatherizing one to four–unit buildings — many of them home to low income customers. And last year we worked with other city agencies to distribute 25,000 efficient, water–saving showerheads.

Commercial customers have been using our Energy Smart Design program to install energy saving measures, last year receiving $12.7 million in incentives producing annual savings of 69.3 million kWh.

Our Energy $avings Plan helped industrial customers save 5.5 million kWh annually.

FUTURE

Stewardship Successes

At City Light we're proud of our record as stewards of energy resources — and our natural resources. Some success stories from 1993:

- Efforts to protect fisheries on the Skagit River paid big dividends with the highest return of spawning pink salmon in 10 years — larger than that of the Columbia River.
- City Light has an aggressive recycling program, using recycled chiller refrigerant, auto oil, retread tires and office supplies made from recycled materials.
- We've dramatically reduced our use of pesticides and herbicides — up to 75 percent — planting vegetation that will attract fewer insects and using natural enemies to control insects.

Investing In Our Future

In our recent employee survey, employees were uncertain about what the future will bring for Seattle City Light. We see that as good news, a clear recognition that the way we've run the utility in the past will not work in the future.

Our people hold the key to our success in the next century and we're investing heavily in them. We're looking for those who can inspire, share power and manage a renewal effort while being tough about performance.

When the next century arrives we intend to be ready.

1993 FINANCIAL REVIEW

From a financial perspective, 1993 was another year in which lack of precipitation was the primary factor in the performance of our hydro–based system. For the second straight year, Seattle City Light's operations resulted in a net loss. The amount of the loss was $10.1 million. Debt service coverage improved to 1.68, still below our financial planning guideline of 1.80, but above the interim target of 1.60 established for 1993 in recognition of the adverse water conditions.

As in 1992, low precipitation continued throughout the Northwest region. As a result, there was minimal nonfirm energy available for sale to other utilities. In fact, in order to meet its load, City Light had to purchase a substantial amount of nonfirm energy. This resulted in a net expense of $11.5 million, in contrast to a forecast of $19.7 million in net nonfirm revenue, assuming normal precipitation and the actual reservoir levels at the beginning of the 1992-1993 water year. In response, City Light initiated reductions in other operating expenses to lessen the impact of poor water conditions. Additionally, sluggish economic conditions present in the region also had an impact on electric sales to our ultimate consumers.

To address City Light's short–term financial situation and general revenue requirements, the City Council approved a permanent increase in base rates of 12.6%, along with a drought–related surcharge of 4.1%, effective May 1, 1993, for all customer classes. The permanent rate increase was the first since 1989. By the middle of the summer, water conditions improved significantly enough to warrant the removal of the surcharge on October 31, 1993. The higher rates in effect enabled City Light to achieve a record $320.4 million in energy sales.

The financial condition of Seattle City Light remains solid for the long term, irrespective of our recent setbacks. The financial community continues its firm belief in Seattle City Light. City Light had two revenue bond issues in 1993, a major first–lien issue and a smaller issue of subordinate lien bonds. The parity bonds issued in July totaled $453.4 million, consisting of $72.4 million in new money to finance a portion of our Capital Improvement Program and a refunding portion of $380.9 million to take advantage of lower interest rates. All pre–1992 parity bonds were defeased, producing a total refunding savings of $21 million in nominal terms, or $14.5 million in present value terms. In the fall of 1993, City Light also issued $22 million in subordinate lien adjustable rate revenue bonds bringing the total subordinate lien bonds outstanding to $92 million by the end of the year. The 1993 bond issues received excellent AA/Aa and AA–/Aa ratings by the financial community for the first–lien and subordinate lien bonds, respectively.

Coupon interest rates on the parity bonds range from 2.20% – 5.50%. The subordinate lien bonds were initially remarketed on a weekly mode basis at interest rates from 2.00% – 3.00% for 1993. With low short–term interest rates projected for 1994, City Light will continue to remarket the 1993 subordinate lien bonds on the weekly mode basis.

Seattle City Light is anticipating going to the bond market in 1994 to issue additional revenue bonds. The bonds will be used to finance our Capital Improvement Program. The construction of the South Fork Tolt River Project and a new Power Control Center are two of the major projects in progress. Another major project planned for next year is the purchase of a portion of Bonneville Power Administration's (BPA) Third AC Transmission Project, uniting the Northwest to California, subject to successful negotiations with BPA and final approval from the City Council. Finally, City Light is in the process of signing a significant new conservation agreement with BPA. The aggressive conservation plan is intended to offset a substantial share of projected load growth beyond the year 2000.

In summation, despite the recent unfavorable conditions, the Mayor, City Council and the Executive Team of Seattle City Light are committed to maintaining the financial integrity of the utility, while at the same time providing excellent energy services at the lowest possible cost well into the next century.

To the Superintendent of the City Light Department:

We have audited the accompanying balance sheets of the City of Seattle – City Light Department (the Department) as of December 31, 1993 and 1992 and the related statements of income and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statements based on our audits.

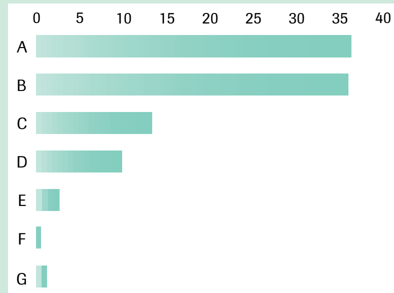
We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Seattle – City Light Department as of December 31, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte + Touche

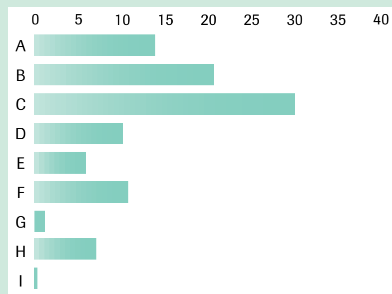
Seattle, Washington

March 11, 1994



1993 Revenue Dollar—Sources
(Cents per dollar)

A. Residential	36.4¢
B. Commercial	36.1¢
C. Industrial	13.4¢
D. Governmental	9.9¢
E. Interest Earnings	2.7¢
F. Unbilled Revenue (Net Change)	0.3¢
G. Other	1.2¢



1993 Revenue Dollar—Uses
(Cents per dollar)

A. Operating Salaries and Wages	13.9¢
B. Operating Material, Supplies and Other	20.7¢
C. Purchased Power, Net	30.0¢
D. Interest on Bonds	10.2¢
E. Redemption of Bonds	5.9¢
F. Taxes	10.8¢
G. Reinvestment in Systems	1.2¢
H. Employee Benefits, Operating	7.1¢
I. Other	0.2¢

BALANCE SHEETS

As of December 31,

	1993	1992
Assets		
Utility Plant, at original cost:		
Plant in service, excluding land	**$1,180,405,763**	$1,122,123,455
Less – accumulated depreciation	**(511,162,622)**	(485,935,784)
	669,243,141	636,187,671
Construction work in progress	**85,676,238**	54,865,992
Nonoperating property, net of accumulated depreciation	**5,782,109**	5,743,307
Land and land rights	**21,116,669**	12,392,475
	781,818,157	709,189,445
Capitalized Purchased Power Commitment	**107,603,630**	110,848,618
Restricted Assets:		
Municipal Light & Power Bond Reserve Fund:		
Cash and cash equivalents	**3,420,542**	1,058,596
U.S. Government securities and time certificates of deposit, at cost	**41,401,850**	47,752,162
Bond proceeds and other:		
Cash and cash equivalents	**32,814,451**	8,508,797
U.S. Government securities and time certificates of deposit, at cost	-	21,642,831
	77,636,843	78,962,386
Current Assets:		
Cash deposited with:		
City Treasurer – operating funds	**11,797,324**	5,190,851
City Treasurer – interest and redemption funds	**2,663,384**	1,736,151
U.S. Government securities and time certificates of deposit, at cost	**28,202,319**	25,119,736
Accounts receivable, customers and other (net of allowance of $1,751,500 and $1,549,000 respectively)	**40,413,138**	35,977,622
Accrued unbilled revenues	**26,169,297**	25,413,070
Materials and supplies and coal inventory, at average cost	**20,017,116**	20,298,623
Prepayments and other	**3,551,511**	3,854,865
	132,814,089	117,590,918
Other Assets:		
Preliminary costs of proposed projects	**86,799**	6,301,274
Real estate and conservation loans receivable	**2,960,696**	3,453,741
Deferred conservation costs, net	**35,407,903**	32,124,053
Deferred charges on early extinguishment of debt, net	**56,848,800**	36,033,999
Other deferred charges, net	**14,320,673**	15,509,939
	109,624,871	93,423,006
	$1,209,497,590	$1,110,014,373

The accompanying notes are an integral part of these financial statements.

	1993	1992
Equity and Liabilities		
Equity:		
Retained earnings	**$ 271,616,616**	$ 281,740,095
Contributions in aid of construction	**69,241,566**	63,856,067
	340,858,182	345,596,162
Long-Term Debt:		
Revenue bonds, due serially	**711,505,000**	608,850,000
Less – bond discount and premium, net	**(10,321,623)**	(10,536,402)
	701,183,377	598,313,598
Less – bonds due within one year	**(27,645,000)**	(21,900,000)
	673,538,377	576,413,598
Noncurrent Liabilities:		
Accumulated provision for injuries and damages	**4,359,000**	5,669,000
Long–term purchased power obligation	**107,603,630**	110,848,618
	111,962,630	116,517,618
Current Liabilities:		
Accounts payable, accrued payroll, taxes and other	**40,570,183**	33,449,693
Accrued vacation	**6,044,990**	5,663,367
Accrued interest	**7,986,237**	10,112,210
Revenue bonds due within one year	**27,645,000**	21,900,000
	82,246,410	71,125,270
Deferred Credits	**891,991**	361,725
Commitments & Contingencies (Note 10)	**—**	—
	$1,209,497,590	$1,110,014,373

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the years ended December 31,

	1993	1992
Electric Energy Sales and Other Operating Revenues	**$322,879,166**	$295,083,678
Operating Expenses:		
Operation	**112,804,244**	112,870,361
Maintenance	**26,180,138**	26,370,656
Depreciation	**32,027,721**	28,215,638
Purchases of firm power	**88,046,741**	82,322,123
Other purchases & interchanged power, net	**11,930,645**	1,062,975
City of Seattle occupation tax	**18,874,217**	17,029,225
Other taxes	**17,280,898**	14,788,770
Total operating expenses	**307,144,604**	282,659,748
Net operating income	**15,734,562**	12,423,930
Other Income and Deductions:		
Investment income	**9,107,478**	7,836,387
Interest expense, net	**(35,969,231)**	(33,931,837)
Other income (expense), net	**1,003,712**	(391,821)
	(25,858,041)	(26,487,271)
Net loss	**(10,123,479)**	(14,063,341)
Retained Earnings:		
Balance at beginning of the year	**281,740,095**	295,803,436
Balance at end of the year	**$271,616,616**	$281,740,095

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the years ended December 31,

	1993	1992
Cash Flows From Operating Activities:		
Cash received from customers	**$333,931,564**	$297,957,826
Cash paid to suppliers, employees and others	**(244,260,524)**	(235,774,412)
Taxes paid	**(31,106,289)**	(26,896,578)
Net cash provided by operating activities	**58,564,751**	35,286,836
Cash Flows From Capital and Related Financing Activities:		
Proceeds from long–term borrowing, net of discount	**470,301,710**	174,998,445
Escrow requirement for refunded bonds	**(376,921,707)**	(74,304,900)
Bond issue costs paid	**(634,532)**	(293,077)
Principal paid on long–term borrowing	**(19,750,000)**	(18,360,000)
Interest paid on long–term borrowing	**(31,137,700)**	(31,421,886)
Acquisition and construction of capital assets	**(108,832,039)**	(81,321,283)
Net proceeds from sale of property, plant and equipment	**2,098,724**	565,399
Contributions in aid of construction	**5,145,862**	4,618,952
Net cash used for capital and related financing activities	**(59,729,682)**	(25,518,350)
Cash Flows From Investing Activities:		
Proceeds from long–term loans receivable	**1,469,805**	2,017,776
Long–term loans issued	**(712,788)**	(1,415,775)
Proceeds from investments	**38,284,379**	90,117,247
Purchases of investments	**(13,366,998)**	(101,514,341)
Interest received on investments	**9,691,839**	7,552,710
Net cash provided by (used for) investing activities	**35,366,237**	(3,242,383)
Net increase in cash and cash equivalents	**34,201,306**	6,526,103
Cash and cash equivalents at beginning of the year	**16,494,395**	9,968,292
Cash and cash equivalents at end of the year	**$ 50,695,701**	$ 16,494,395

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:

	1993	1992
Net Operating income	**$ 15,734,562**	$12,423,930
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	**35,948,729**	31,873,205
Changes in:		
Accounts receivable	**(2,705,310)**	(7,036,101)
Unbilled revenues	**(756,227)**	(3,721,022)
Materials and supplies and coal inventory	**1,173,011**	1,122,669
Prepayments and other	**(226,561)**	(369,135)
Provision for injuries and damages	**(1,310,000)**	(264,001)
Accounts payable, taxes and other	**7,120,490**	(411,039)
Accrued vacation	**381,623**	455,829
Other	**3,204,434**	1,212,501
Total adjustments	**42,830,189**	22,862,906
Net cash provided by operating activities	**$ 58,564,751**	$ 35,286,836

The accompanying notes are an integral part of these financial statements.

NOTE (1) OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City Light Department (the Department) is the public electric utility of the City of Seattle (the City). The accounting and reporting policies of the Department are regulated by the Washington State Auditor's Office, Division of Municipal Corporations, and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC).

The Department receives certain services from other departments and agencies of the City, including those normally considered to be general and administrative. The Department supplies electrical energy to other City departments and agencies at rates prescribed by City ordinances. The establishment of the Department's rates is within the exclusive jurisdiction of the City Council. A requirement of State law provides that rates must be fair, nondiscriminatory and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department is charged for services received from other City departments and additionally, must pay an occupation tax to the City. Included in accounts receivable at December 31, 1993 and 1992 are $554,000 and $607,000, respectively, representing amounts due from other city departments for services provided. Also included in accounts payable for the same time periods are $8,252,000 and $9,436,000 representing amounts due other city departments for goods and services received.

UTILITY PLANT

Utility plant is recorded at original cost which includes both direct costs of construction or acquisition and indirect costs, including an allowance for funds used during construction. The allowance represents the estimated costs of financing construction projects and is computed using the Department's most recent long–term borrowing rate. The allowance totaled $2,025,000 and $1,486,000 in 1993 and 1992, respectively, and is reflected as a reduction of interest expense in the statements of income and retained earnings. Property constructed with contributions in aid of construction received from customers is included in utility plant.

Provision for depreciation is made using the straight–line method based upon estimated economic lives of related operating assets. Prior to 1993, no depreciation was applied to current year additions to, or replacements of, plant–in–service. In 1993, the Department began applying depreciation to current year additions and replacements, using a half–year convention method, on the assumption that such additions and replacements were in service at mid–year. Application of this method accounted for $1.1 million of 1993 depreciation costs. The composite depreciation rate was approximately 2.8% in 1993 and 2.7% in 1992. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized.

AMORTIZATION

Bond issue costs and discounts are amortized to interest expense using the effective interest method over the term of the bonds. The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized over the term of the new bonds using the straight–line method.

Discounts or premiums on investments purchased are amortized over the term of the investment using the straight–line method.

CASH AND CASH EQUIVALENTS

The City pools and invests all temporary cash surpluses for City Departments. These residual investments are short term, and highly liquid; accordingly, the Department's equity in the residual investments is reflected as cash. Earnings from these investments are prorated monthly to City Departments based on average daily cash balances.

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

INVESTMENTS

The City is authorized to purchase Certificates of Deposit issued by Washington State depositories that participate in a state insurance pool, U.S. Treasury and agency securities, prime bankers' acceptances trading in the secondary market and repurchase or reverse repurchase agreements. Delivery is required on the underlying securities for all repurchase agreement transactions.

All investments of the Department, except repurchase agreements, are held by banks or trust companies as the City's agent and in the City's name. The Department did not own any repurchase or reverse repurchase agreements at either year end. It is the Department's policy to hold all investments to maturity.

Restricted Assets

In accordance with the Department's bond resolutions, state law or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of the Municipal Light & Power Bond Reserve Fund, financing of the Department's ongoing Capital Improvement Program and other purposes.

Revenues

Service rates are authorized by City of Seattle ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements under the caption "accrued unbilled revenues."

The Department's customer base is comprised of four identifiable groups. The residential customers account for 38.0% of all revenues, the commercial group for 37.6%, the industrial users for 14.0% and governmental consumers for 10.4%.

Preliminary Costs

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; costs are charged to expense if the project is abandoned or deferred if the costs are to be recovered through future rates.

At December 31, 1993 and 1992, the Department had preliminary planning and engineering costs of approximately $0.1 million and $6.3 million, respectively. During 1993, $0.1 million was expensed and $6.1 million, relating to development of a generating plant on the South Fork of the Tolt River, was transferred to construction work–in–progress. Construction for this project commenced in July.

Long–Term Sales of Property

Gains on the sale of nonoperating property sold under long–term contracts are deferred and recognized on the installment method. As of December 31, 1993 and 1992, deferred gains of $142,330 and $197,218, respectively, are included in "deferred credits" on the balance sheets.

Accrued Vacation

Permanent employees of the Department earn vacation time in accordance with length of service. A maximum may be accumulated and, upon termination, employees are entitled to compensation for unused vacation. The Department accrues vacation benefits based on salaries in effect at year end.

Reclassifications

Certain 1992 account balances have been reclassified to conform to the 1993 presentation.

NOTE (2) JOINTLY OWNED PLANT

The Department is one of eight public and private utilities which have constructed and own as tenants–in–common a 1,313 MW coal–fired, steam–electric generating plant located near Centralia, Washington. The Department's ownership interest is 8%. The Department's share of operating expenses and plant investment associated with Centralia Steam Plant is included in the accompanying financial statements. The Department's share of the investment in the Centralia Steam Plant at December 31, is as follows:

	1993	1992
Utility Plant	**$27,860,042**	$27,480,234
Less – accumulated depreciation	**(16,063,540)**	(15,157,251)
	$11,796,502	$12,322,983

On December 31, 1992, the Department established a trust for the purpose of funding the Department's 8% share of the reclamation costs of the Centralia Coal Mine. The initial funding of the trust in the amount of $1.7 million, was derived from the Department's previous contributions to the operator of the mine for reclamation costs. These costs have been, and will continue to be, reflected as a component of the fuel costs for the Centralia Steam Plant. Contributions are made directly to the trust. Trust assets are not reflected on these financial statements.

NOTE (3) LONG–TERM DEBT:

Parity Bonds

On July 14, 1993, the Department issued $453,355,000 in Municipal Light and Power Revenue and Refunding Revenue Bonds. The bonds bear interest rates ranging from 2.20% to 5.50% and mature serially on November 1, 1993 through 2018. The issue consisted of $72,400,000 in revenue bonds which are being used to finance a portion of the Department's Capital Improvement Program and $380,955,000 in refunding revenue bonds used to defease all outstanding pre–1992 parity bonds.

The defeasance of the pre-1992 parity bonds resulted in the recognition of a deferred charge in the amount of $23.5 million. This deferred charge, along with previous deferred charges, will be recovered through future rates over the life of the new issue. The defeasance resulted in net present value savings of $14.5 million computed at 5.024%.

In 1992, the Department issued $179,000,000 in Municipal Light and Power Revenue Bonds, consisting of two series. The 1992A Series, in the amount of $103,270,000, was used for financing a part of the Capital Improvement Program; the 1992B Series, in the amount of $75,730,000, was used to defease 1982, 1985 and 1988 bonds.

The 1992 defeasance resulted in the recognition of a deferred charge of $7.4 million, which will be recovered through rates over the life of Series B of the 1992 bonds. The defeasance resulted in a net present value savings of $3.8 million computed at 5.904%.

The refunding proceeds of the 1993 bonds and the 1992B Series bonds, as well as the 1986 refunding revenue bonds, were placed in separate irrevocable trusts to provide for all future debt service payments on the bonds defeased. Accordingly, the respective trust accounts' assets and the liabilities for the defeased bonds are not reflected in the Department's financial statements. At December 31, 1993, the funds held in the respective trust accounts were sufficient to service and redeem the defeased bonds. The defeased bonds had balances outstanding of $255,190,000, $62,235,000 and $91,450,000 for the 1993, 1992B and 1986 advanced refundings, respectively, as of December 31, 1993.

The Department is required by ordinance to maintain a reserve fund for the parity bonds in an amount equal to the lesser of (a) the maximum annual debt service on all bonds secured by the reserve fund ($58,742,370) or (b) the maximum amount permitted by the Internal Revenue Code of 1986 as a "reasonably required reserve or replacement fund" ($44,413,531). The reserve was fully funded in 1993.

The Department's outstanding parity bonds, including the 1993 bonds, bear interest rates of 2.55 – 6.00% and are due serially through 2018. Total principal redemptions through 2018 amount to $619,505,000 for the parity bonds. Future debt service requirements on the parity bonds are as follows:

Year ending December 31,	Principal Redemptions	Interest Requirements	Total
1994	$27,645,000	$30,228,998	$57,873,998
1995	27,670,000	29,329,358	56,999,358
1996	29,200,000	28,277,482	57,477,482
1997	31,645,000	27,097,370	58,742,370
1998	27,150,000	25,800,690	52,950,690
Thereafter	476,195,000	219,071,515	695,266,515
	$619,505,000	$359,805,413	$979,310,413

Subordinate Lien Bonds

In addition to the parity bonds issued in 1993, the Department issued subordinate lien bonds in the amount of $22,000,000 on November 17, 1993. Subordinate lien bonds were also issued in 1990 and 1991. At December 31, 1993, the Department thus had outstanding subordinate lien bonds totalling $92,000,000. These bonds will remain subordinate in lien to the parity bonds until they are converted to fixed rates, making them equal in rank to the Department's parity bonds. The proceeds of these bonds were used to finance a portion of the Department's Capital Improvement Program.

The subordinate lien bonds may be adjusted based on weekly, unit pricing, term rate or fixed rate modes. The 1993 bonds, which may also be remarketed on a daily mode basis, were remarketed on a weekly mode basis in 1993 at interest rates from 2.00 – 3.00%. These bonds continue to be remarketed weekly at rates from 1.65 – 2.5%. Series A of the 1991 bonds, in the amount of $25,000,000, are currently in the term rate mode for a three–year period ending October 31, 1994 at an interest rate of 5.05% per annum. The 1990 bonds, for $25,000,000 and the Series B of the 1991 bonds, for $20,000,000, are in the unit pricing mode bearing interest rates ranging from 2.50 – 2.80% through mid–1994, at which time these bonds will be remarketed.

Future principal redemptions and interest requirements on the subordinate lien bonds, based on actual and estimated interest rates ranging from 1.65 – 5.05%, are as follows:

Year ending December 31,	Principal Redemptions	Interest Requirements	Total
1994	$ –	$3,163,715	$3,163,715
1995	–	3,674,800	3,674,800
1996	500,000	3,796,574	4,296,574
1997	600,000	3,552,856	4,152,856
1998	900,000	3,599,954	4,499,954
Thereafter	90,000,000	40,378,469	130,378,469
	$92,000,000	$58,166,368	$150,166,360

NOTE (4) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, Cash Equivalents and Short–Term Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Long–Term Investments

The fair values of the investments are estimated based on quoted market prices for those or similar investments.

Long–Term Debt

The fair value of the Department's long–term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities.

The estimated fair values of the Department's financial instruments are as follows:

	December 31, 1993		December 31, 1992	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Restricted Assets:				
Municipal Light & Power Bond Reserve Fund:				
Cash and cash equivalents	**$ 3,420,542**	**$ 3,420,542**	$ 1,058,596	$ 1,058,596
Short–term investments	–	–	1,125,044	1,125,044
Long–term investments	**41,401,850**	**44,951,705**	46,627,114	49,559,441
Bond proceeds and other:				
Cash and cash equivalents	**32,814,451**	**32,814,451**	8,508,797	8,508,797
Short–term investments	–	–	21,642,831	21,642,831
Current Assets:				
City treasurer – operating funds:				
Cash and cash equivalents	**11,797,324**	**11,797,324**	5,190,851	5,190,851
City treasurer – interest and redemption funds:				
Cash and cash equivalents	**2,663,384**	**2,663,384**	468,821	468,821
Short–term investments	–	–	1,267,330	1,267,330
U.S. Government securities and time certificates of deposit:				
Long–term investments	**28,202,319**	**30,406,096**	25,119,736	25,860,048
	$120,299,870	**$126,053,502**	$111,009,120	$114,681,759
Long Term Debt:				
Parity	**$609,551,940**	**$631,963,126**	$528,619,166	$543,021,152
Subordinate lien	**91,631,437**	**92,000,000**	69,694,432	70,000,000
	$701,183,377	**$723,963,126**	$598,313,598	$613,021,152

NOTE (5) PENSION COSTS:

All permanent nonuniformed City employees participate in the Seattle City Employee's Retirement System (the System), a single employer public employee retirement system. The payroll for City employees covered by the System for the year ended December 31, 1993 was $291.8 million; total City payroll was $429.8 million.

Benefits vest after five years of covered service. City employees may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by City ordinance.

City employees are required to contribute 8.03% of their annual basic salary to the System. The City is required to contribute 8.91% of covered payroll to fund the System.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going–concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems and employers. The System does not make separate measurements of assets and the pension benefit obligation for individual City departments. The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1992. The pension benefit obligation for the System as a whole at January 1, 1992 was $780.2 million. The System's net assets available for benefits on that date valued at cost were $538.8 million (market value $653.6 million), leaving an unfunded pension benefit obligation of $241.4 million. The Department's 1993 and 1992 contributions of $6.5 million and $6.4 million, respectively, each year represented approximately 26% of total contributions required of all participating entities.

Ten–year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1993 component unit annual financial report.

Deferred Compensation

The Department's employees may contribute to the City of Seattle's Voluntary Deferred Compensation Plan (the Plan), created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is paid to employees upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the Plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The amounts deferred are the property of the City of Seattle, the Department's oversight entity. As such, the Plan assets and the corresponding liability to employees for deferred compensation and accumulated net earnings thereon are not separately reported in the Department's balance sheets, but are instead reported in an agency fund in the City of Seattle's comprehensive annual financial report.

It is the opinion of the City's legal counsel that the City has no liability for losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, enrollees accept and assume all risks that adhere in the Plan and its administration.

NOTE (6) PURCHASED AND INTERCHANGED POWER:

Bonneville Power Administration

The Department purchases electric energy from the United States of America, Department of Energy, Bonneville Power Administration (BPA) under a long–term contract expiring in 2001. During 1993, the power purchased under this contract was approximately 215 average megawatts. The BPA rate structure is based on the total amount of energy delivered and the monthly peak power demand.

Public Utility Districts

The Department also purchases energy from two public utility districts (PUD's), three irrigation districts and a power exchange corporation under separate contracts expiring in 2005, 2026 and 2003, respectively. During 1993, the power purchased under these contracts was approximately 106 average megawatts. The rates under the PUD and irrigation district contracts represent a share of the operating and debt service costs in proportion to the share of total energy to which the Department is entitled whether or not these plants are operating or operable. The rates under the power exchange contract represent a share of the generating entities' operating and debt service costs in relation to the portion of energy received by the Department.

Lucky Peak

In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net output of a hydroelectric facility constructed in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable. During 1993, the power purchased under this agreement was approximately 35 average megawatts. To properly reflect its rights and obligations under this agreement, the Department includes as an asset and liability the outstanding principal of the project's debt, net of the reserve account requirements.

British Columbia–Ross Dam

In 1984, an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Department with power equivalent to the planned increased capacity of Ross Dam in lieu of the Department's construction of the addition. The agreement was ratified by a treaty between Canada and the United States in the same year. The power is to be received for eighty years and began in 1986. The Department makes annual payments to British Columbia of $21,848,000, which represent the estimated cost the Department would have incurred for financing had the addition been constructed. The payments are being made for thirty–five years and began in 1986. The Department is also paying equivalent operation and maintenance costs, estimated at $127,000 in current dollars, to British Columbia which began in 1986 and will continue for eighty years. The power to be purchased under this agreement is approximately 36 average megawatts per year.

In addition to the direct costs of power under the agreement, the Department had incurred costs of approximately $8 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual $1 million payments. These costs have been deferred and are being amortized to purchased power expense over thirty–five years.

Minimum Payments Under Purchase Power Contracts

The Department's share of minimum payments under the public utility districts, irrigation districts, Lucky Peak and British Columbia – Ross Dam contracts, excluding operating costs, for the period 1994 through 1998 and through 2021 are as follows:

Years	Minimum Payments
1994	$ 46,191,786
1995	46,193,003
1996	45,016,509
1997	44,990,868
1998	46,834,125
Thereafter	689,969,110
	$919,195,401

Costs under these long–term contracts totaled $49,461,860 in 1993. Energy received represented approximately 36% of the Department's total power purchases during the year.

Other

Other power transactions include purchases under short–term agreements and interchanges of secondary power between utilities in response to seasonal resource and demand variations. Fluctuations in annual precipitation levels affect the energy output from the Department's hydro facilities. Accordingly, the net interchange of secondary power in and out may vary significantly from year to year. The Department's net power purchases and interchange activities are reflected on the statements of income and retained earnings.

NOTE (7) WASHINGTON PUBLIC POWER SUPPLY SYSTEM:

The Washington Public Power Supply System (Supply System) is a municipal corporation and joint operating agency of the State of Washington organized in 1957. The Supply System is empowered to acquire, construct and operate facilities for the generation and transmission of electric power. The Supply System had been engaged in the construction of five nuclear generating facilities termed Project Nos. 1, 2, 3, 4 and 5. Project No. 2 was placed in commercial operation in December 1984. Construction for Project Nos. 1 and 3 has been delayed indefinitely. In January 1982, construction of Project Nos. 4 and 5 was terminated.

Project Nos. 1 and 3 Commitment

The Department has entered into separate net billing agreements with the Supply System and BPA with respect to Projects Nos. 1, 2 and 3. Under these agreements, the Department is unconditionally obligated to pay the Supply System its pro rata share of the total annual costs including debt service to finance the cost of construction. The payments are required to be made whether or not construction is completed, delayed or terminated, or operation is suspended or curtailed. The net billing agreement provides that these costs for Projects 1, 2 and 3 are recovered through BPA rates. Given the uncertainty surrounding the Supply System, it is impossible to predict either the final cost of Project Nos. 1 and 3, or determine when, if ever, they will be placed in commercial operation.

Project No. 3 Litigation – Cost Sharing

Project Nos. 1 and 3 were being constructed as twin units to Project Nos. 4 and 5. Accordingly, certain common costs were allocated between the units. Claims were filed against the Supply System, BPA and the participating utilities, including the City, for Project No. 3. In February 1992, the Ninth Circuit Court of Appeals overturned the trial courts' ruling which had been in favor of the plaintiffs. The Ninth Circuit ruled that the "equitable cost sharing" principle was the method intended by all participants in the projects. Management believes that any eventual outcome in this litigation will not have a material effect on the Department's financial statements.

Project Nos. 4 and 5 Litigation – Default

Subsequent to the termination of construction on units 4 and 5 in 1982, the Supply System defaulted on interest and principal payments related to the outstanding bonds. Litigation persisted throughout the 1980s. In September 1991, the City's settlement, along with others, was approved by the Ninth Circuit Court of Appeals, releasing the City from any further actions related to claims for Project Nos. 4 and 5. The settlement required the City to pay $50 million to class plaintiffs, of which $43.2 was funded through insurance proceeds and the balance disbursed from Department funds, in 1988. The United States Supreme Court has reviewed this settlement, and it was final as of December 31, 1992.

NOTE (8) DEFERRED CONSERVATION COSTS:

The City Council passed resolutions in 1984 and 1985 authorizing the debt financing and deferral of all programmatic conservation costs incurred by the Department. These resolutions were fully implemented by 1986. Approximately $5,969,000 and $4,566,000 in programmatic conservation costs were deferred in 1993 and 1992, respectively. These costs are to be recovered through rates over twenty years. One new conservation program, Super Good Cents, was implemented in 1993 and net costs, included above, amounting to $393,000 were deferred. In 1993 and 1992, $2,685,000 and $2,460,000, respectively, were amortized to expense under all the conservation programs. The total remaining balances of unamortized conservation costs at December 31, 1993 and 1992 were $35,408,000 and $32,124,000, respectively.

NOTE (9) PROVISION FOR INJURIES AND DAMAGES:

The Department is self–insured for certain losses arising from personal and property damage claims by third parties and for casualty losses to the Department's property.

In 1984, the Department began environmental cleanup activities at several sites which continued through 1993. The accumulated provision for injuries and damages at December 31, 1993 and 1992 includes estimated costs for restoration of these sites, as well as for other claims and losses.

NOTE (10) COMMITMENTS AND CONTINGENCIES:

The Department is currently awaiting the issuance of a new 30–year operating license from the FERC for the Skagit Hydroproject. The final Settlement Agreements for renewing the license were sent to FERC on May 1, 1991. In December 1991, FERC decided to conduct an environmental assessment on the Skagit project as a separate entity from other hydroprojects in the Skagit Basin. The assessment, which was received in March 1994, recommended adoption of the Settlement Agreements as articles of the new license. The Department expects relicensing to occur by June 1994.

The financial requirement for the Department's 1994 Capital Improvement Program is approximately $80,743,000 and the Department has substantial contractual commitments relating thereto.

STATEMENT OF BONDED DEBT
Year Ended December 31, 1993

Name of Bond	When Due	Interest Rate (%)	Amount Issued	Amount Redeemed	Amount Outstanding 12/31/93	Amount Due Within One Year
Bonds redeemed at 12-31-93						
General Lien Bonds						
1903-14	1923-1924		$4,044,000	$4,044,000		
Revenue Bonds*						
1917-88	1923-2010		$1,014,191,000	$1,014,191,000		
Revenue Bonds issued not yet redeemed—						
Parity Bonds						
Series 1992	1994	3.600	$ 1,660,000		$ 1,660,000	$ 1,660,000
Series 1992	1995	4.000	1,850,000		1,850,000	
Series 1992	1996	4.300	3,405,000		3,405,000	
Series 1992	1997	4.600	4,655,000		4,655,000	
Series 1992	1998	4.800	4,280,000		4,280,000	
Series 1992	1999	5.000	4,270,000		4,270,000	
Series 1992	2000	5.100	4,250,000		4,250,000	
Series 1992	2001	5.200	4,740,000		4,740,000	
Series 1992	2002	5.300	4,710,000		4,710,000	
Series 1992	2003	5.400	5,680,000		5,680,000	
Series 1992	2004	5.500	5,630,000		5,630,000	
Series 1992	2005	5.625	5,575,000		5,575,000	
Series 1992	2006-2012	5.750	72,250,000		72,250,000	
Series 1992	2013-2014	6.000	19,310,000		19,310,000	
Series 1992	2015-2017	5.750	33,450,000		33,450,000	
Series 1993	1994	2.550	10,430,000		10,430,000	10,430,000
Series 1993	1994	2.850	15,555,000		15,555,000	15,555,000
Series 1993	1995	3.450	25,820,000		25,820,000	

Continued on next page.

Name of Bond	When Due	Interest Rate (%)	Amount Issued	Amount Redeemed	Amount Outstanding 12/31/93	Amount Due Within One Year
Series 1993	1996	3.850	25,795,000		25,795,000	
Series 1993	1997	4.100	26,990,000		26,990,000	
Series 1993	1998	4.300	22,870,000		22,870,000	
Series 1993	1999	4.500	25,205,000		25,205,000	
Series 1993	2000	4.600	26,370,000		26,370,000	
Series 1993	2001	4.700	27,620,000		27,620,000	
Series 1993	2002	4.800	28,840,000		28,840,000	
Series 1993	2003	4.900	27,250,000		27,250,000	
Series 1993	2004	5.000	28,525,000		28,525,000	
Series 1993	2005	5.100	29,795,000		29,795,000	
Series 1993	2006	5.200	23,020,000		23,020,000	
Series 1993	2007	5.300	24,200,000		24,200,000	
Series 1993	2008	5.400	12,020,000		12,020,000	
Series 1993	2009-2010	5.450	25,415,000		25,415,000	
Series 1993	2011-2013	5.500	12,425,000		12,425,000	
Series 1993	2014-2018	5.375	25,645,000		25,645,000	
Total Parity Bonds			$619,505,000		$619,505,000	$27,645,000
Subordinate Lien Bonds						
Series 1990	1996-2015	2.400-3.250**	$ 25,000,000		$ 25,000,000	
Series 1991	1998-2016	2.400-5.050**	45,000,000		45,000,000	
Series 1993	1999-2018	2.000-3.000**	22,000,000		22,000,000	
Total Subordinate Bonds			$ 92,000,000		$ 92,000,000	
Total Bonded Debt			$711,505,000		$711,505,000	$27,645,000

* Includes $560,800,000 in bonds defeased through 1986, 1992 and 1993 refundings.

** Adjustable rates in effect during 1993.

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON BONDED DEBT

Year Ended December 31, 1993

		Parity Bonds		**Subordinate Lien Bonds** 1990, 1991 & 1993 Bond Issues	
Years	Principal	Interest	Total	Principal	Interest **
1994	$ 27,645,000	$ 30,228,998	$ 57,873,998	$ 0	$ 3,163,715
1995	27,670,000	29,329,358	56,999,358	0	3,674,800
1996	29,200,000	28,277,482	57,477,482	500,000	3,796,574
1997	31,645,000	27,097,370	58,742,370*	600,000	3,552,856
1998	27,150,000	25,800,690	52,950,690	900,000	3,599,954
1999	29,475,000	24,624,518	54,099,518	1,900,000	3,547,419
2000	30,620,000	23,247,225	53,867,225	2,100,000	3,463,272
2001	32,360,000	21,786,695	54,146,695	2,400,000	3,372,817
2002	33,550,000	20,212,545	53,762,545	2,700,000	3,271,555
2003	32,930,000	18,543,913	51,473,913	2,900,000	3,158,080
2004	34,155,000	16,867,120	51,022,120	3,400,000	3,025,176
2005	35,370,000	15,096,122	50,466,122	3,700,000	2,879,337
2006	29,540,000	13,284,650	42,824,650	4,000,000	2,722,208
2007	30,650,000	11,676,686	42,326,686	4,500,000	2,548,546
2008	25,195,000	10,352,341	35,547,341	5,000,000	2,358,351
2009	26,355,000	8,939,171	35,294,171	5,400,000	2,149,439
2010	27,920,000	7,449,120	35,369,120	5,800,000	1,924,432
2011	12,300,000	6,135,357	18,435,357	6,400,000	1,683,412
2012	13,005,000	5,437,907	18,442,907	6,800,000	1,421,702
2013	13,740,000	4,700,469	18,440,469	7,400,000	1,141,779
2014	14,540,000	3,897,894	18,437,894	7,800,000	842,083
2015	15,385,000	3,054,275	18,439,275	8,300,000	524,867
2016	16,255,000	2,187,844	18,442,844	6,600,000	205,984
2017	17,170,000	1,272,363	18,442,363	1,400,000	91,060
2018	5,680,000	305,300	5,985,300	1,500,000	46,950
Totals	$619,505,000	$359,805,413	$979,310,413	$92,000,000	$58,166,368

* Maximum debt service—see Note 3 on page 24.

** Based on actual and estimated interest rates ranging from 1.65–5.05%.

DEBT SERVICE COVERAGE

Year Ended December 31,

Year	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
1993	$81,203,608	$48,214,226	1.68
1992	69,088,191	47,068,934	1.47
1991	86,208,520	48,778,689	1.77
1990	90,377,365	48,689,421	1.86
1989	94,559,811	48,747,208	1.94
1988	85,317,261	44,177,993	1.93
1987	79,159,225	44,649,889	1.77
1986	88,635,827	46,264,511	1.92
1985	81,789,044	35,314,865	2.32
1984	72,374,649	35,270,428	2.05

TAXES AND CONTRIBUTIONS TO THE COST OF GOVERNMENT

Years Ended December 31,

	1993	1992
Taxes:		
City Occupation and Business Taxes	**$18,880,673**	$17,038,108
State Public Utility and Business Taxes	**10,830,223**	8,858,735
Federal Social Security Tax, City Unemployment and Other Special Taxes	**5,286,146**	4,590,633
In Lieu of Taxes:		
King County	**–**	255,546
Contract Payments:		
Whatcom County	**345,750**	334,748
Pend Oreille County	**734,323**	662,225
Lewis County	**78,000**	78,000
Total Taxes as shown in Statement of Income	**36,155,115**	31,817,995
Taxes and Fees Charged to Accounts Other Than Taxes:		
Federal License Fee	**1,767,165**	745,763
Federal Social Security Tax and City Unemployment Tax on Construction	**1,869,804**	1,735,606
State License Fees	**28,371**	28,371
Skagit County payment in lieu of school tax	**85,000**	106,250
Fire patrol taxes, miscellaneous licenses and franchise fees	**13,557**	13,726
Total	**3,763,897**	2,629,716
Other Contributions to the Cost of Government:		
Special services for other governmental departments	**497,949**	648,266
State gasoline tax	**9,663**	10,051
State and local sales tax	**2,990,033**	2,611,545
Total	**3,497,645**	3,269,862
Total Taxes and Contributions	**$43,416,657**	$37,717,573

10–YEAR FINANCIAL REVIEW

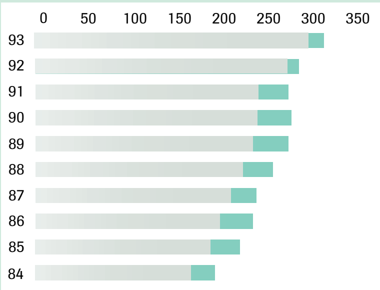
Years Ended December 31,

	1993	1992	1991	1990
Balance Sheet				
Assets:				
Utility plant, net	**$ 781,818,157**	$ 704,766,389	$ 664,896,345	$623,772,301
Capitalized purchased power commitment	**107,603,630**	110,848,618	113,733,115	103,225,260
Restricted assets	**77,636,843**	78,962,386	48,684,322	44,708,438
Current assets	**132,814,089**	117,590,918	119,826,042	118,469,511
Other assets	**109,624,871**	97,846,062	85,736,813	82,807,257
Total assets	**$1,209,497,590**	$1,110,014,373	$1,032,876,637	$972,982,767
Equity & Liabilities:				
Equity	**340,858,182**	345,596,162	355,967,422	339,032,545
Long–term debt, net	**673,538,377**	576,413,598	488,010,145	462,587,108
Noncurrent liabilities	**111,962,630**	116,517,618	120,086,115	110,620,260
Current liabilities	**82,246,410**	71,125,270	67,861,427	58,506,764
Deferred credits	**891,991**	361,725	951,528	2,236,090
Total equity & liabilities	**$1,209,497,590**	$1,110,014,373	$1,032,876,637	$972,982,767
Statement of Income				
Operating Revenues:				
Residential	**$ 121,445,608**	$ 105,763,215	$ 112,243,254	$109,549,630
Commercial	**120,246,908**	110,214,746	104,130,225	102,225,101
Industrial	**44,736,490**	42,408,964	38,022,921	41,545,295
Governmental	**33,174,146**	30,455,932	28,893,194	28,515,699
Unbilled revenue–net change	**756,227**	3,721,022	(2,344,378)	2,627,177
Total sales of electric energy	**320,359,379**	292,563,879	280,945,216	284,462,902
Other revenues	**2,519,787**	2,519,799	2,470,194	2,385,723
Total operating revenues	**$ 322,879,166**	$ 295,083,678	$ 283,415,410	$286,848,625
Operating Expenses:				
Operation & maintenance	**238,961,768**	222,626,114	191,931,141	190,072,896
Taxes	**36,155,115**	31,817,995	31,325,509	31,337,893
Depreciation & amortization	**32,027,721**	28,215,639	26,558,930	26,960,376
Total operating expenses	**$ 307,144,604**	$ 282,659,748	$ 249,815,580	$248,371,165
Net operating income	**15,734,562**	12,423,930	33,599,830	38,477,460
Other income (expense), net	**1,003,712**	(391,821)	(2,334,532)	(3,666,123)
Interest earned on investments	**9,107,478**	7,836,387	8,218,258	8,550,044
	$ 25,845,752	$ 19,868,496	$ 39,483,556	$ 43,361,381
Interest Expense:				
Interest, premium & discount	**37,994,537**	35,417,663	33,725,064	33,449,757
Interest charged to construction	**(2,025,306)**	(1,485,826)	(341,342)	(95,006)
Net interest expense	**35,969,231**	33,931,837	33,383,722	33,354,751
Net income (loss)	**$ (10,123,479)**	$ (14,063,341)	$ 6,099,834	$ 10,006,630

Total Operating Revenues and Expenses
($ in millions)

Revenues

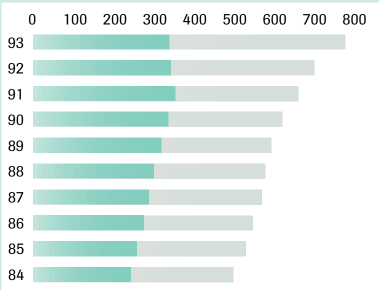
Expenses



Utility Plant and Equity
($ in millions)

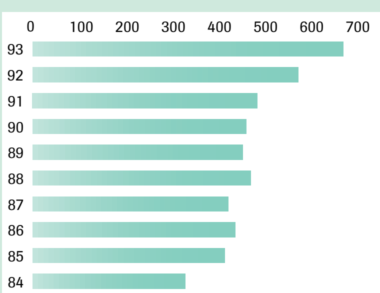
Equity

Net Utility Plant

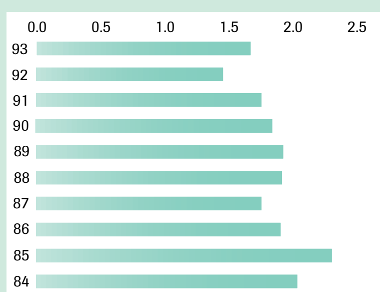


1989	1988	1987	1986	1985	1984
$597,398,716	$582,397,031	$573,365,529	$550,205,224	$532,413,243	$502,104,516
105,715,260	108,040,260	84,637,346	57,588,358	27,671,987	4,515,912
47,046,990	43,673,066	33,158,998	32,591,753	87,525,052	27,715,216
106,505,116	128,362,810	82,450,744	114,277,895	85,251,616	104,894,141
85,858,579	81,630,205	81,269,872	77,581,847	36,623,659	35,890,397
$942,524,661	$944,103,372	$854,882,489	$832,245,077	$769,485,557	$675,120,182
321,441,704	301,990,738	289,943,254	277,524,693	259,899,325	244,364,391
455,796,793	472,737,211	423,911,390	439,422,789	416,690,456	330,449,699
108,418,260	110,816,260	87,077,844	63,316,358	34,870,797	7,720,747
55,443,745	56,463,484	50,274,334	48,881,215	54,839,027	89,194,130
1,424,159	2,095,679	3,675,667	3,100,022	3,185,952	3,391,215
$942,524,661	$944,103,372	$854,882,489	$832,245,077	$769,485,557	$675,120,182
$110,887,496	$107,368,737	$ 99,440,763	$100,394,307	$100,167,863	$ 86,550,088
99,136,666	91,663,230	85,096,327	81,794,483	75,769,879	62,958,699
42,318,292	38,279,827	35,360,093	33,894,800	30,443,695	27,590,716
28,634,825	26,162,032	25,051,345	23,757,264	21,303,063	18,464,223
270,608	136,000	510,885	1,796,557	(240,648)	3,808,777
281,247,887	263,609,826	245,459,413	241,637,411	227,443,852	199,372,503
2,217,449	2,056,675	1,847,194	1,947,763	2,159,440	2,242,522
$283,465,336	$265,666,501	$247,306,607	$243,585,174	$229,603,292	$201,615,025
188,105,285	178,464,508	165,824,861	153,918,678	143,218,323	124,996,558
31,486,079	30,264,862	30,559,323	31,085,458	30,654,358	26,860,942
24,144,351	23,740,648	22,336,086	21,318,595	22,294,946	22,871,958
$243,735,715	$232,470,018	$218,720,270	$206,322,731	$196,167,627	$174,729,458
39,729,621	33,196,483	28,586,337	37,262,443	33,435,665	26,885,567
563,375	558,857	2,022,342	(915,426)	(5,453,278)	(569,971)
9,644,300	8,099,430	8,001,973	11,099,042	9,533,907	6,916,313
$ 49,937,296	$ 41,854,770	$ 38,610,652	$ 47,446,059	$ 37,516,294	$ 33,231,909
34,180,009	33,028,327	30,721,330	32,991,829	28,577,375	25,151,548
(178,230)	(158,077)	(724,417)	(558,834)	(4,576,477)	(2,140,080)
34,001,779	32,870,250	29,996,913	32,432,995	24,000,898	23,011,468
$ 15,935,517	$ 8,984,520	$ 8,613,739	$ 15,013,064	$ 13,515,396	$ 10,220,441

Long Term Debt
($ in millions)



Debt Service Coverage
(Times covered)



10 — YEAR CONSUMER STATISTICS

Years Ended December 31,

	1993	1992	1991	1990
Average Number of Consumers				
Residential	**301,647****	297,496	295,816	289,888
Commercial	**29,520****	33,339	33,162	32,892
Industrial	**286****	301	301	306
Governmental	**1,995****	2,190	2,178	2,251
Total	**333,448**	333,326	331,457	325,337
Kilowatt–Hours (in 000s)				
Residential	**3,260,890**	3,068,067	3,349,065	3,261,285
Commercial	**3,360,561**	3,315,871	3,301,670	3,289,805
Industrial	**1,420,708**	1,478,817	1,396,395	1,508,585
Governmental	**877,956**	866,674	861,020	852,973
Unbilled kWh–Net Change	**(5,227)**	32,951	(75,512)	84,368
Total	**8,914,888**	8,762,380	8,832,638	8,997,016
Average Annual Revenue Per Residential Consumer	**$402.61**	$355.51	$379.44	$377.90
Average Annual Kilowatt–Hour Consumption Per Residential Customer				
–Seattle	**10,810**	10,313	11,321	11,250
–National*	**9,739**	9,383***	9,660	9,514
Average Residential Rate Per Kilowatt–Hour				
–Seattle	**3.72¢**	3.45¢	3.35¢	3.36¢
–National*	**8.27¢**	8.20¢***	8.03¢	7.75¢

* Source: Edison Electric Institute Quarterly Statistics.

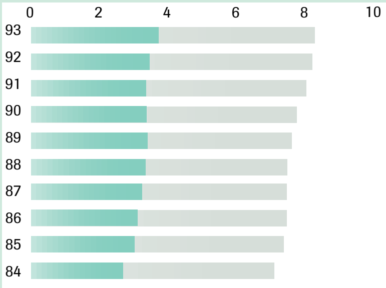
** The methodology for counting customers was changed in January 1994 to improve accuracy. The new method is reflected above and approximates the average consumers for 1993. The change resulted in shifts in the way some classes of consumers are reported, though in fact, no major losses of customers occurred.

*** Revised.

Average Residential Rates
(cents per kilowatt hour)

Seattle

National Average

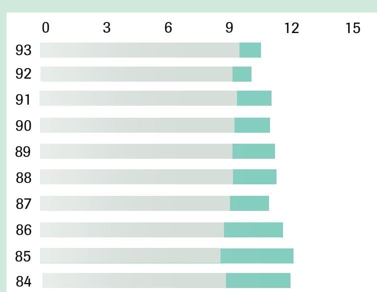


1989	1988	1987	1986	1985	1984
284,984	278,724	274,383	272,131	268,995	266,010
31,885	31,874	31,528	31,231	30,770	30,400
309	310	306	300	298	292
2,404	2,445	2,387	2,387	2,545	2,470
319,582	313,353	308,604	306,049	302,608	299,172
3,271,220	3,218,714	3,068,650	3,233,897	3,329,146	3,223,790
3,096,150	2,955,426	2,844,495	2,806,521	2,807,932	2,664,151
1,503,463	1,465,874	1,386,547	1,428,095	1,413,723	1,369,790
839,410	804,281	780,151	762,575	732,289	703,315
(2,086)	11,624	20,526	(59,849)	39,260	(9,000)
8,708,157	8,455,919	8,100,369	8,171,239	8,322,350	7,952,046
$389.10	$385.22	$362.42	$368.92	$372.38	$325.36
11,479	11,548	11,184	11,884	12,376	12,119
9,409	9,427	9,287	8,987	8,823	8,968
3.39¢	3.34¢	3.24¢	3.10¢	3.01¢	2.68¢
7.60¢	7.47¢	7.46¢	7.46¢	7.37¢	7.09¢

Average Annual Consumption
(Thousands of kilowatt hours)

Seattle

National Average



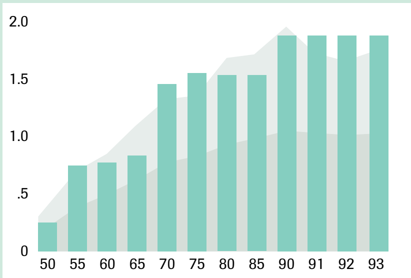
OWNED GENERATING CAPABILITY ADDITIONS AND TOTAL INSTALLED CAPABILITY

Year		KW Added	Peaking Capability Total KW
1905–09	Cedar Falls Hydro Units 1,2,3 & 4	10,400	10,400
1912	Lake Union Hydro Unit 10	1,500	11,900
1914–21	Lake Union Steam Units 11,12 & 13	40,000	51,900
1921	Newhalem Hydro Unit 20	2,300	54,200
1921	Cedar Falls Hydro Unit 5	15,000	69,200
1924–29	Gorge Hydro Units 21,22 & 23	60,000	129,200
1929	Cedar Falls Hydro Unit 6	15,000	144,200
1932	Cedar Falls Hydro Units 1,2,3 & 4	10,400*	133,800
1932	Lake Union Hydro Unit 10	1,500*	132,300
1936–37	Diablo Hydro Units 31, 32, 35 & 36	132,000	264,300
1951	Georgetown Steam Units 1,2 & 3	21,000	285,300
1951	Gorge Hydro Unit 24	48,000	333,300
1952–56	Ross Hydro Units 41, 42, 43 & 44	450,000	783,300
1958	Diablo Plant Modernization	27,000	810,300
1961	Gorge Hydro, High Dam	67,000	877,300
1967	Georgetown Plant, performance test gain	2,000	879,300
1967	Boundary Hydro Units 51,52,53 & 54	652,000	1,531,300
1972	Centralia Units 1 & 2	102,400	1,633,700
1980	Georgetown Steam Units 1,2, & 3	23,000*	1,610,700
1986	Boundary Hydro Units 55 & 56	399,000	2,009,700
1987	Lake Union Steam Units 11, 12 & 13	40,000*	1,969,700
1989–92	Gorge Units 21,22, & 23, new runners	4,600	1,974,300

*Retirement of units (decrease in total capability)

SYSTEM REQUIREMENTS

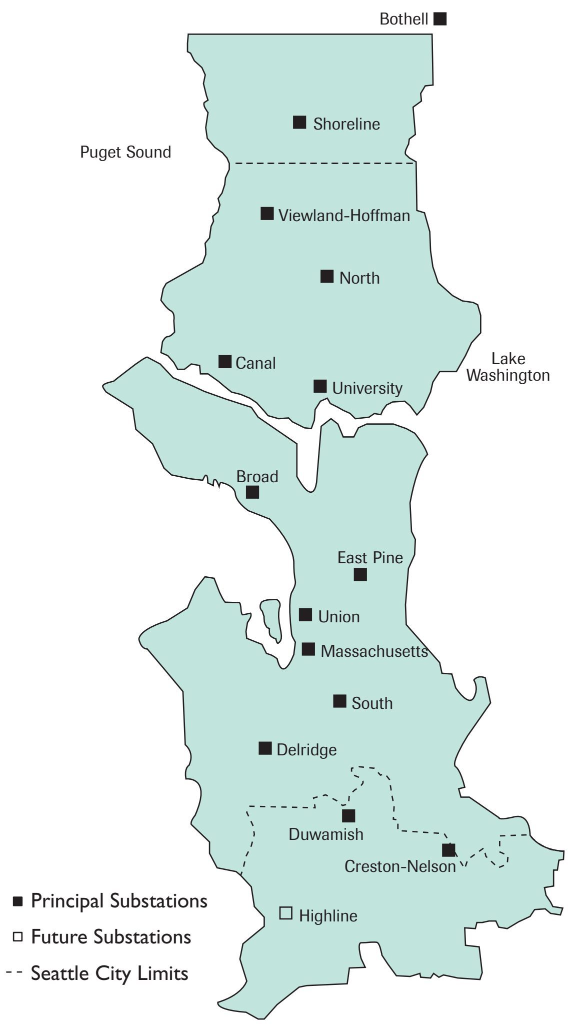
Year	Kilowatts Average Load	Kilowatts Peak Load
1950	154,030	312,000
1955	381,517	733,000
1960	512,787	889,000
1965	635,275	1,138,000
1970	806,813	1,383,000
1975	848,805	1,429,387
1980	963,686	1,771,550
1985	1,025,898	1,806,341
1986	996,648	1,699,434
1987	987,070	1,724,726
1988	1,022,442	1,731,518
1989	1,059,272	1,979,528
1990	1,088,077	2,059,566
1991	1,065,987	1,815,164
1992	1,048,055	1,743,975
1993	1,082,616	1,875,287



Capability and Requirements
(Millions of kilowatts)

Generating Capacity
Peak Load
Average Load

SERVICE AREA/ENERGY RESOURCES



Elected Officials

MAYOR OF SEATTLE
Norman B. Rice

CITY ATTORNEY
Mark H. Sidran

City Council Members

George Benson, President
Martha Choe
Cheryl Chow
Susan Donaldson
Sherry Harris
Jane Noland
Margaret Pageler
Jim Street
Tom Weeks

City Light Management as of December 31, 1993

Roberta Palm Bradley, Superintendent

Barbara Harvey–Brayton, Deputy Superintendent, Retail Branch
- Dana Lee Backiel, Acting Director of North Electric Services
- Lawrence G. Gunn, Director of South Electric Services
- Myrtis Thompson, Director of Account Services
- Marc J. Sullivan, Director of Energy Management Services
- Rich Stockinger, Acting Director of Facilities Management

Theodore C. Coates, Deputy Superintendent, Wholesale Branch
- D. Fred Butler, Chief Engineer
- Dennis Parrish, Acting Director of Energy Resources Planning & Forecasting
- Ray A. Nelson, Director of Power Management
- William C. Newby, Director of Skagit Operations
- Elisabeth A. Tobin, Acting Director of Power System Construction & Maintenance

Joseph J. McGovern, Acting Director of Finance & Administration

Laura L. Gilbert, Acting Director of Human Resources

Norm Alberg, Acting Director of Strategic Technology & Planning

Kirvil Skinnarland, Director of Environmental Affairs, Health & Safety

Mattie Bailey, Cynthia Della-Rovere, Dorothy Nelsen,
Managers, Corporate Communications

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