Delivering Clean, Reliable Power for a New Economy

Seattle citizens and City Light's other customers in the greater Pacific Northwest and beyond face something of a dilemma. They need a growing amount of energy to fuel population growth and a rapidly expanding "new economy," but they also care deeply about the environment here and around the world. Not just any " power" will do. It must be clean, green, and lean.

Focus: Growing Green Power

The sale of Centralia leaves City Light with only hydroelectric generation, which must be balanced with alternative technologies in order to assure long term reliability of energy sources. One example of City Light's response was its negotiation of a pioneering "Green Power" agreement with the Los Angeles Department of Water and Power. Under this new approach, City Light and LADWP will exchange energy generated exclusively from renewable and carbon-neutral sources to help each other meet peak demands and special needs.

Dating back to the 1970s, City Light has relied heavily on conservation efficiencies to meet growing demand in an environmentally sensitive manner. This effort was greatly complicated in 1996, when policy and budgetary changes at the Bonneville Power Administration effectively ended its financial support for local conservation measures and turned the full costs of weatherization, customer efficiency upgrades, and similar programs over to local service providers.

Many utilities chose to abandon these efforts, but Seattle stayed on track and on target.

Conservation measures have met nearly half of our load growth over the past decade. City Light has initiated a thorough assessment of the future conservation potential in our service area. We will apply the essential public values embodied in the Northwest's conservation ethic to explore new sources of energy while achieving related environmental and social goals. Much remains to be done, but 1999 yielded significant progress on several fronts.

A Kilowatt Saved is a Kilowatt Earned

Seattle and University of Washington officials pose with a ceremonial check rewarding the UW's energy conservation efforts

In 1996, the Seattle City Council updated a 1992 conservation plan and adopted the Energy Management Services (EMS) Plan, with the ambitious goal of saving 6 average Megawatts (aMW) annually through 2002. City Light met the challenge in 1999 and went beyond to achieve total conservation-related energy savings of 7.2 aMW.

Significantly, City Light exceeded its goals across the board — from private homes to giant industries, from local neighborhoods to major institutions — by pursuing fine-tuned, multifaceted strategies tailored to the special needs and opportunities presented by each customer class.

In 1999, City Light celebrated the success of its partnership with the University of Washington in achieving the greatest single conservation savings in the utility's history. Since 1992, the University and City Light have together invested more than $12 million to install more efficient electrical systems and technologies. As a result, the University now saves $2 million annually on its electric bill, and City Light reaps enough extra energy to supply more than 4,000 homes.

Other Conservation and Clean Energy Advances in 1999:

- Birmingham Steel Post Combustion Retrofit Project (see facing page).
- Completion of Phase II of a continuing partnership with the Fred Hutchinson Cancer Research Center. This program has saved nearly 7 million kWh in energy since 1993 and has improved electrical reliability, which plays an important role in saving lives and researching cures for many forms of cancer.

- Continued progress in City Light's "tailored agreements" with local government agencies, including the City of Seattle, King County, and Seattle Public Schools. In all, these measures yielded 1999 savings of nearly 10 million kWh.

Los Angeles and Seattle will soon begin exchanging "green power" to meet local needs.

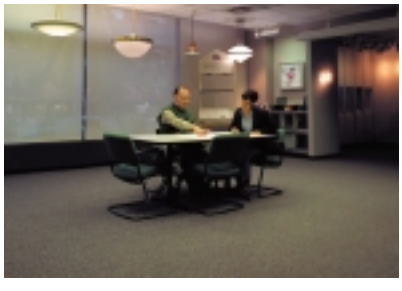
- Completion of the Southeast Seattle neighborhood conservation plan, the fourth of City Light's continuing series of community- based initiatives. City Light staff is also closely involved in the City's current cycle of neighborhood land use planning in order to help citizens create more energy efficient futures for their communities.
- Tenth anniversary of City Light's innovative Lighting Design Lab, which assists the building industry and other customers in the use of efficient lighting technologies. More than 4,000 clients consulted the Lab in 1999 alone.
- Continued success of innovative customer-based outreach programs such as Built Smart for developers of affordable housing, residential weatherization loans, energy retrofits of multi-family housing, appliance efficiency upgrade rebates, and $mart Business incentives for small commercial customers.

Focus: Buying and Selling Clean Power

Maintaining a utility focused on clean sources of electricity requires sophisticated approaches to the power markets of the West. To assure reliability and financial performance, City Light's Power Marketing Group participates in the 80,000 aMW West Coast market as an active buyer and seller. City Light's skillful marketing has realized substantial benefits from the seasonal differences in power supplies and needs in the Pacific Northwest and the rest of the Western United States.

Working Toward a Carbon-Neutral Future

In addition to meeting growing energy demand through conservation, City Light has pursued an array of aggressive programs to reduce environmental stresses related to energy production and consumption. Foremost among these, City Light is committed to drastically reducing the production of "greenhouse gases" — notably carbon dioxide — in its own operations and in those of major energy consumers.



SCL's Lighting Design Lab marked its 10th anniversary in 1999

City Light took a giant step in this direction by arranging the sale of the coal-fired Centralia Steam Plant and its adjacent mine, of which the City owned 8 percent. The entire project was purchased by TransAlta, based in Calgary, Alberta, for $453 million. Most significantly, the new owners committed to undertake all of the environmental improvements and mitigations planned by City Light and the other former owners.

Focus: Using Hot Air to Cool Energy Costs

In October 1999, officials of Birmingham Steel and the City of Seattle celebrated completion of one of City Light's most complex conservation initiatives, the Post Combustion Retrofit Project at Birmingham Steel's West Seattle plant. City Light provided $900,000 in monetary incentives and technical expertise to allow Birmingham to recycle hot gasses produced by giant arc smelters and lower total electricity consumption. The project will yield annual customer savings valued at $567,000 and conserve enough energy to power 1,700 homes, while also improving air quality. Ray Lepp, Birmingham's manager for West Coast Operations, praised City Light and noted that "efficiencies like this help us to maintain our competitiveness in a tough market."