



Seattle City Light's Skagit River dams occupy the stunning terrain of the North Cascades

Putting Public Values to Work in 1999

Focus: New Multi-Year Rates for Sustainable Service



In November 1999, the Seattle City Council approved the first City Light rate increases since 1996, which initially raised average system rates 3.2 percent, well below local CPI growth. It allows recovery of uncertain transmission cost increases. A second increase of 3 percent was also approved effective March 1, 2002. The new multi-year rates support City Light's financial requirements through 2002 and attempt to establish predictability for major businesses and institutions in a volatile power market. They also better reflect the varying power needs and service costs of discrete types of consumers, some of whom will actually enjoy lower bills.

As a public utility owned by the people of Seattle and accountable to them both politically and financially, Seattle City Light's mission has never been *just* to generate and deliver energy — but to do its job in a way that respects the Pacific Northwest community's values for environmental quality, reliable service, economic opportunity, and sustainable regional progress.

In serving our community and customers for nearly a century, Seattle City Light has consistently maintained the nation's lowest urban electric rates, protected vital Northwest rivers and fish stocks, delivered clean power to fuel new industries and communities, and demonstrated an unparalleled spirit of employee commitment and creativity in responding to accelerating technological change and increasingly volatile markets.

The past year presented new and significant challenges in meeting this fundamental mission. The region continued to experience dramatic growth, and the rapid emergence of the electronic "New Economy" tested both energy supplies and distribution systems. Seattle City Light consistently performed well in taking care of its customers, its system, and the natural environment while meeting, and often exceeding, its financial goals.

Let me highlight a few of Seattle City Light's accomplishments during 1999:



Gary Z. Zarker, Seattle City Light Superintendent

- ▶ We benefited from improved water conditions and effective cost control to record a net income of \$7.7 million. We exceeded our debt service coverage target of 1.80, which represents our average ratio over the past decade.
- ▶ We took a major step toward Seattle's goal of "carbon-neutral" generation with the arrangements for the sale of the coal-fired Centralia Steam Plant. The new owners committed to a high level of pollution abatement, ensuring that the region's air quality will benefit. City Light is now exploring new clean and "green" sources of energy in addition to hydroelectricity in order to balance its generation portfolio.
- ▶ We continued adapting to a deregulated energy market. Our new Power Marketing Group recruited superb executives and technicians from the private sector and exceeded its 1999 goals for non-firm power sales.
- ▶ Last year's federal listing of wild Chinook salmon runs under the Endangered Species Act highlighted City Light's longstanding leadership in balancing the needs of nature and hydroelectric production. Past investments in habitat protection and the accumulated expertise of our environmental staff helped to minimize the direct impact of the ESA on City Light facilities and operations.
- ▶ City Light invested more than \$16 million in its continuing commitment to conservation as an economical and socially responsible energy resource. The utility and its corporate, institutional, and citizen customers saved the equivalent of 7.2 average Megawatts that we would have otherwise needed to generate or purchase.
- ▶ City Light employees completed major repair, retrofit, and other capital projects on time and on budget at our Skagit River complex and at Boundary Dam. Careful reinvestment in our hydroelectric assets remains a top priority and a key strategy in maintaining our historically low rates.

These successes and others detailed in this report reflect City Light's continued strength as a vertically integrated utility that can generate and distribute economical energy while responding to our citizen-owners' values, our customers' special needs, and a dynamic marketplace. We believe that we have been able to reach and sustain this high level of performance, service, and innovation because we *are* a public utility — empowered by the people and spirit of the great region we are privileged to serve.

A handwritten signature in black ink that reads "Gary Zarker". The signature is fluid and cursive, with a large initial "G".

Gary Zarker
Superintendent
Seattle City Light



Focus: Changing Times

Two events in 1999 touched deep historical chords at City Light. First, the City Council returned ownership and management of Seattle's street lighting system to the utility.

Illuminating Seattle's streets was City Light's original mission, but it later ceded responsibility to the City's engineering department. Also last year, technological changes and fiscal constraints led City Light to discontinue its low-cost appliance repair service, which dated back to 1912.