

Seattle City Light Advisory Board

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News Release

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City Light Advisory Board issues second annual report Report cites good start on key areas of improvement; sustained effort needed

The Seattle City Light Advisory Board issued its second annual report today, citing 2004 as a year of “transition and transformation” for Seattle’s municipal electrical utility.

The report assesses City Light’s progress in four key areas identified last year and makes further recommendations on how the utility can meet an ambitious set of goals and expectations.

“We believe the utility has made an excellent start in 2004 toward restoring financial stability and the trust of its customers,” said Advisory Board Chair Carol Arnold. “But to achieve our overall vision for City Light, this effort has to be sustained well into the future.”

The four key recommendations of the board’s first annual report were to:

- ❖ Strengthen City Light’s financial condition;
- ❖ Improve City Light’s risk management processes;
- ❖ Implement strategic planning and periodic integrated resources planning;
- ❖ Strengthen City Light’s organizational and management systems and practices to help the utility become a high-performance organization.

The 2004 report makes observations about progress and recommendations for the future in each of those areas. Here are some highlights:

Financial Condition

The report notes that while City Light has repaid all short-term debt from the energy crisis, poor water years have reduced expected revenues from surplus power sales. The board says City Light should stay the course on current financial policies aimed at reducing long-term debt and building up cash reserves.

Risk Management

The report notes that City Light has become a seller rather than a buyer in the power market since the energy crisis of 2000-2001. But weather fluctuations and market volatility can cause swings of \$100 million in City Light's revenue from year to year. The report calls for more work on the risk strategy to manage this volatility and optimize revenues.

Strategic and Integrated Resources Planning

City Light has taken a "good, solid first step" toward effective long-range strategic planning with the development of Superintendent Jorge Carrasco's organizational priorities, according to the report. It also supports the plan to conduct an Integrated Resources Plan (IRP) in 2005 to ensure that City Light's resource portfolio will meet the future energy needs of its customers at reasonable cost and risk.

High-Performance Organization

The report calls City Light's transformation to a high-performance organization the most important ingredient in achieving all the other goals established by the board, mayor, council and utility. It praises the progress made so far by the utility on the board's 2003 blueprint for transformation.

Finally, the 2004 report discusses ground to be covered by the board in 2005, including in the area of governance. The City Light Advisory Board is in the last year of its three-year tenure and is required under its charter to evaluate the effectiveness of the governance of City Light and to determine whether significant changes in the governance model may be in order.

Seattle Mayor Greg Nickels and the City Council created the Seattle City Light Advisory Board in January 2003 "to provide expert industry-specific knowledge and nonpartisan advice to the Mayor, the Council, and the City Light Superintendent on key energy issues facing the City." The board consists of six members, three appointed by the mayor and three by the council. The members are:

Carol S. Arnold (chair)
Randall W. Hardy
Jay F. Lapin
Sara Patton
Gary B. Swofford
Donald M. Wise

The full 2004 annual report is available online at
http://www.seattle.gov/light/news/advisory/Docs/report_01_31_05.pdf.

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