

**RECOMMENDATION of the UTILITIES COMMITTEE of the
GREATER SEATTLE CHAMBER OF COMMERCE**

March 31, 2005

Recommendation

The Utilities Committee of the Greater Seattle Chamber of Commerce recommends that the Chamber supports a 10 to 12.5% reduction in City Light utility rates, and an operating cash reserve and contingency reserve that ensures City Light's long term stability. We recommend that the Chamber accept a lower variability allowance to achieve this rate reduction.

Background

Following the 2001 power crisis, Seattle City Light raised rates four times, resulting in customers paying a cumulative 58% more than before the power crisis. As a result, rates for business customers are 21% higher than the regional average, while residential customers face rates that are 8% higher. Currently, City Light customers are paying \$186 million more each year than before the power crisis.

While these rate increases have been painful for customers, they have succeeded in improving City Light's financial outlook. As a result, City Light's bond outlook was recently upgraded by Moody's and Standard and Poor's. In addition, City Light has accumulated an operating cash reserve of \$112 million and a contingency reserve of \$25 million. City Light expects to end 2005 with at least \$30 million in cash reserves, and with an intact \$25 million contingency reserve.

City Light and the Seattle City Council are now weighing financial policies that will greatly affect future Seattle City Light rates.

Discussion

- The business community believes that in contrast to 2001, City Light today has sufficient power for its customers' needs and is well positioned to weather low water conditions.
- We believe City Light rates should be lowered to reflect City Light's improved financial situation, while also maintaining a prudent level of reserves.
- By reducing City Light's rates, the City Council will bring rates closer to those of other regional utilities, without jeopardizing the utility's financial health.
- The rate reduction will put money back to work in the Seattle economy, making Seattle businesses more competitive and making Seattle a more attractive place to do business.

Conclusion

The Utilities Committee of the Greater Seattle Chamber of Commerce recommends that the Chamber supports a 10 to 12.5% reduction in City Light utility rates, and an operating cash reserve and contingency reserve that ensures City Light's long term stability. We recommend that the Chamber accept a lower variability allowance to achieve this rate reduction.