

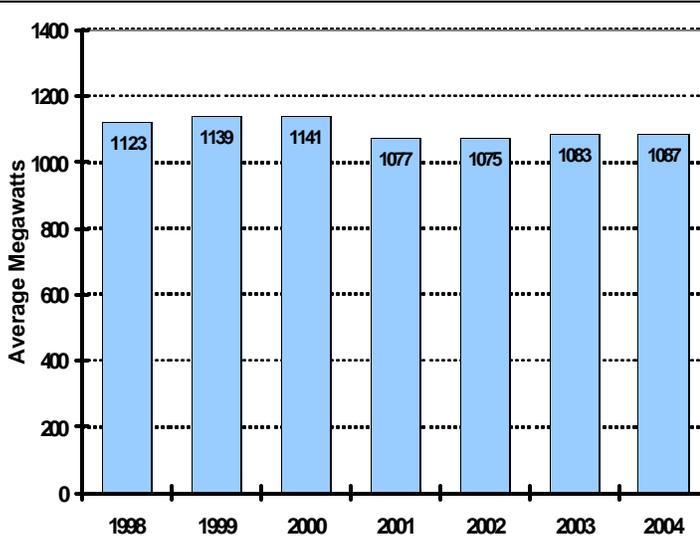


# Seattle City Light Operations Report

January 2005

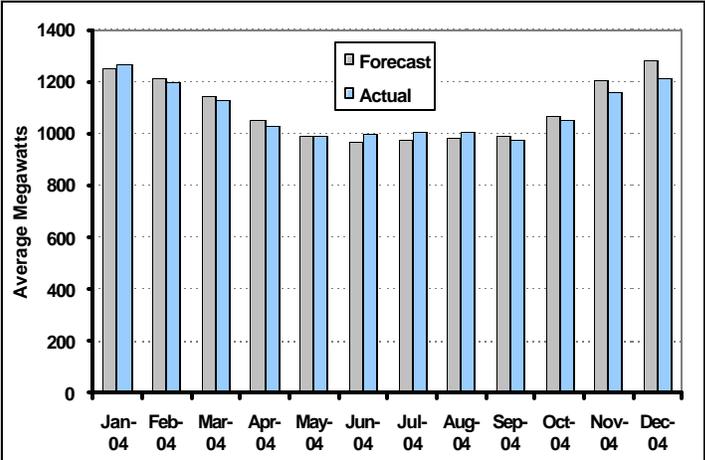
## - Historic and Projected Load -

Average Load History, 1998-2004



Annual load reached its highest level in 2000. Load has been recovering slowly, but it is still about 53 aMW less than in 2000.

Forecast vs Actual YTD 2004

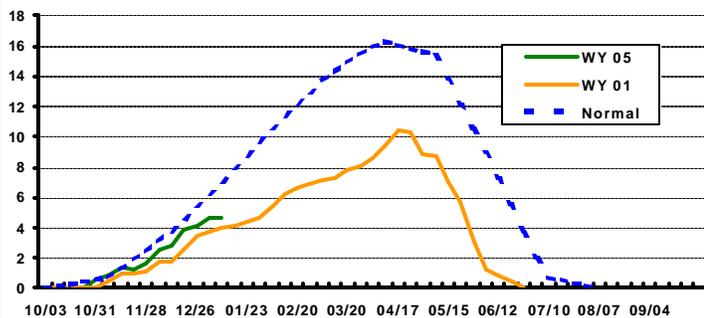


This chart compares the forecast of load for each month with actual load. The difference between forecast and actual can be due to weather and/or changes in the factors affecting load growth. Load did not grow as much as expected in the last half of the year.

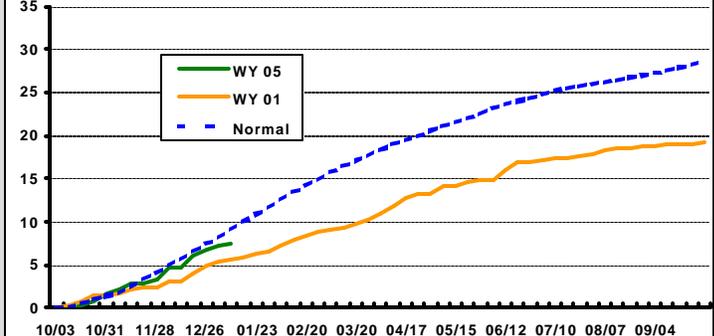
## - Hydro Resources: Rain and Snow -

### Snowpack and Precipitation Above Our Hydroelectric Projects as of January 2, 2005

Cumulative Snowpack  
Weighted Average Skagit/Pend Oreille



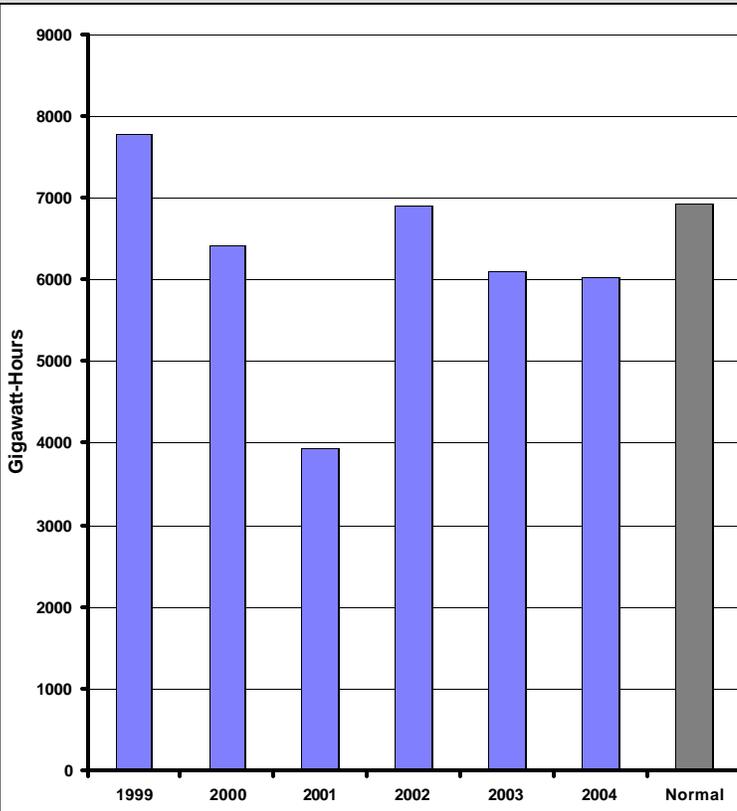
Cumulative Precipitation  
Weighted Average Skagit/Pend Oreille



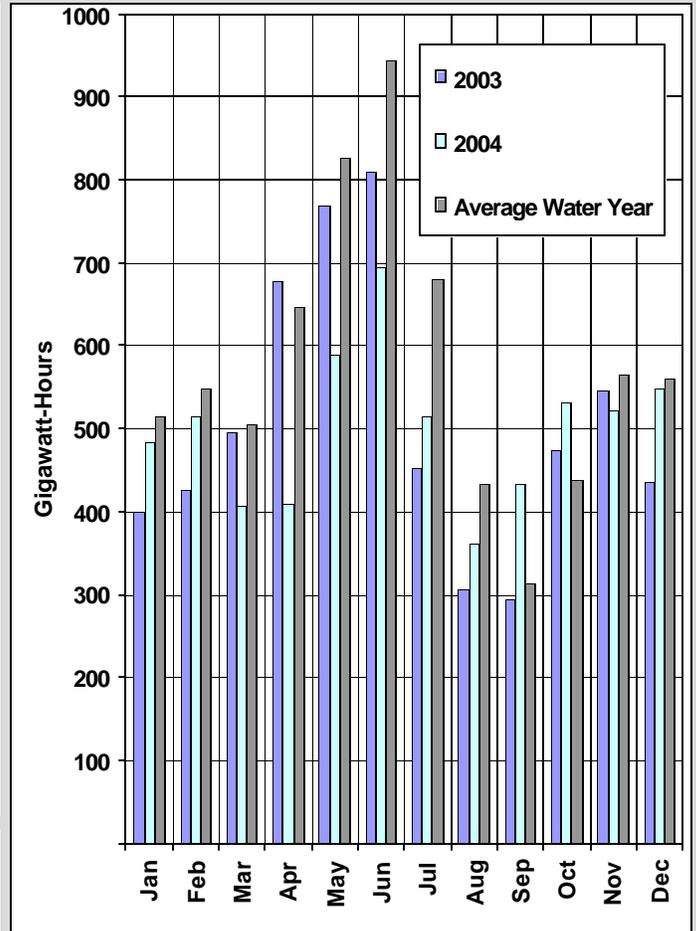
We have a complicated story to tell this month as a result of a very warm wet December in the Cascades. The snowpack above Ross Lake is about as bad or worse than our recent drought year in 2001. However, Ross lake is more than 27 feet higher than it was on Dec 31, 2000. The result? Unless the weather delivers record low snow for the balance of the winter, we expect to have enough water for fishery protection and customer loads. On the Pend Oreille and Columbia basins, the news is more straightforward. While the snowpack is below normal, it is far from being as bad as 2001. Thirty years out of a hundred would be worse. By comparison, only one year in a hundred would be worse than 2001. News from the National Weather Service is that their crystal ball is murkier than usual. The latest monthly El Nino update has no clear guidance for our region besides warmer than normal for the next two months. This is a little hard to credit given the current cold snap but that's what they say.

**- Generation -**

**Owned Hydro Production 1999-2004**



**Monthly Net Generation**



Seattle's hydro generation over the past six years in GWH (thousands of megawatt-hours). While 1999 was our last above-average year. The year 2001 was one of the worst on record and the other years shown on the chart have disappointed. Dependent as we are on fuel falling from the sky for most of our electricity, planners are keeping a careful watch on how 2005 is shaping up. With our current power portfolio, we would be surplus every month even with another drought as bad as 2001, but we would not reach our wholesale revenue forecast.

This chart compares City Light's monthly net generation from owned resources in average water years with the actual figures from 2003 and 2004, both of which had below average water conditions (see precipitation and snowpack charts on page 1).

**- Transmission Systems -**

**Transmission Reliability and Risks**

Transmission Operators have been asked to squeeze more capacity out of the Transmission Grid. The increased transmission circuit usage impacts reliability as it takes away the operational flexibility. The Northeast blackout in U.S. followed by blackouts in England, Italy, and Scandinavia illustrates the complexity of interconnected transmission system. Northwest grid (mostly owned by BPA) is considerably more reliable than Eastern grid through the programs instituted by Western Electricity Coordinating Council (WECC) and Northwest Power Pool (NWPP) such as under frequency and voltage load shedding (UFLS/UVLS) and other measures after 1996 West Coast outage. Failure in one part of the system can rapidly cascade and affect remote areas of the grid. Some of the reasons for reliability-at-risk are:

- Open access legislation and deregulation added uncertainty
- System designed for reliability and not for commercial transactions
- Aging lines and equipment under considerable pressure
- Implementation of automated devices such as Flexible AC Transmission System (FACTS) devices and automatic load shedding increase the usage
- Budget constraints – always short-term view rather than long-term need (e.g., other than two small BPA transmission additions, no new BPA transmission lines since 1985)
- Difficulties getting new transmission lines permitted

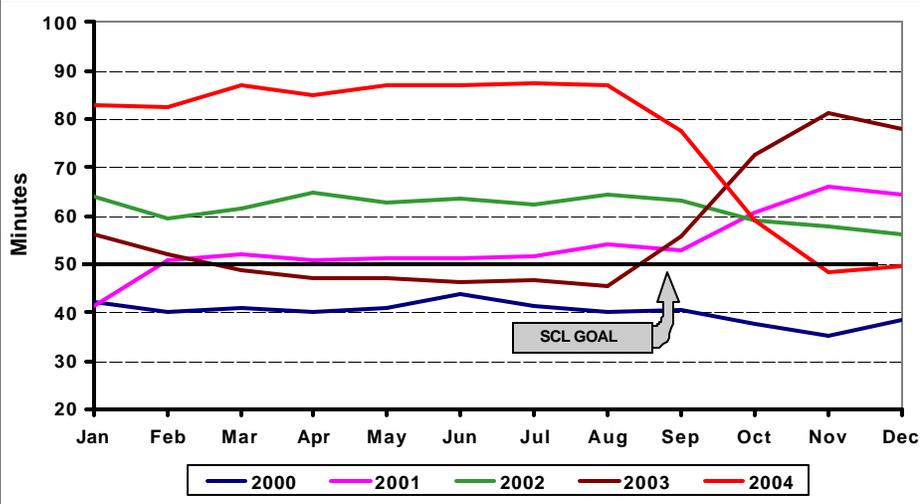
**The Western Grid**



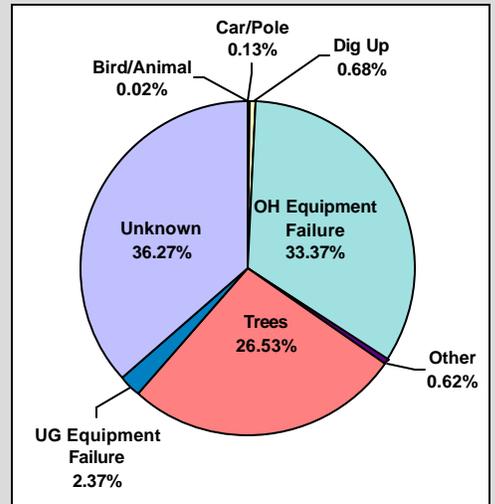
## - Distribution System Reliability -

SAIDI, the System Average Interruption Duration Index, is an industry standard reliability metric which reflects the average outage time for an average customer in minutes during the preceding 12 months. The lower the SAIDI figure, the better the reliability. Since 1998 City Light has had a SAIDI goal of 50 minutes or less. The SAIDI figure we report here excludes outage impact from Major Event Days (MED) as defined by the industry's leading professional organization, the IEEE. MEDs include severe weather or other events causing abnormal stress on the system.

### Average Customer Outage Minutes

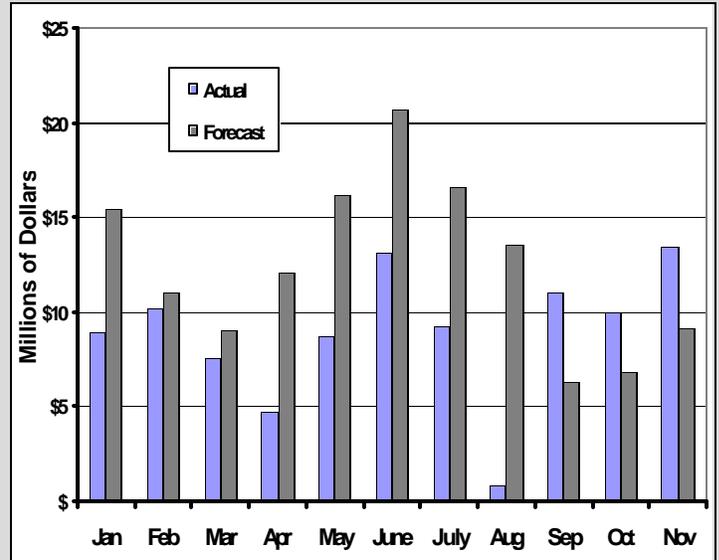
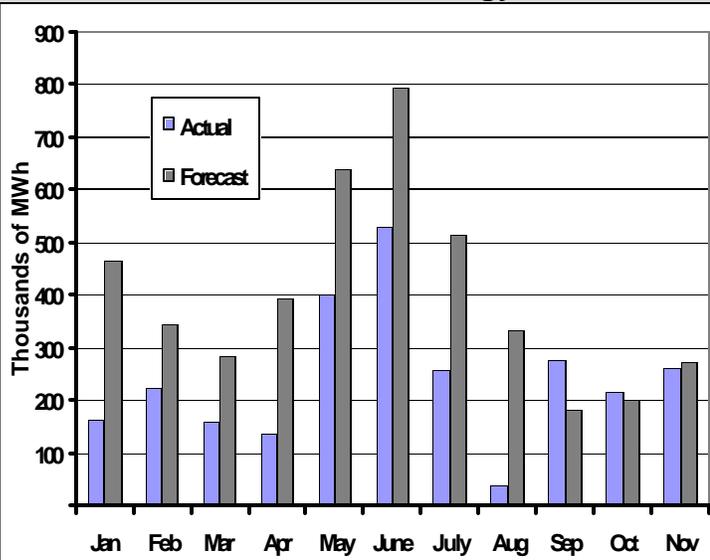


### Reasons for Outages



SAIDI for December was 3.9 minutes, yielding a total for the 12 months ending December 31st of 49.7 minutes, up slightly from November, but still below the goal of 50. For December, an outage of undetermined cause on December 26th was the largest single outage event, contributing 1.4 minutes (36%). Overhead equipment related outages contributes about 1.3 minutes (33%) and tree related outages contributed about 1 minute (27%). When storms are included, SAIDI is 161.8 minutes. Non-Storm SAIFI was 1.2092, up from 1.1204 in November.

## - The Business: Wholesale Activity Jan - Nov 2004 - Net Wholesale Energy      Net Wholesale Revenue



Actual net revenue from wholesale market transactions, at \$97.6 million, was \$39.0 million below forecast, despite higher prices, because of a lower net volume of energy sold. Due to dryer than normal water conditions, power generated at City Light-owned hydro resources and purchased under long-term contracts was 13.0% lower than anticipated. Net surplus power available through the end of November was therefore 39.8% below the forecast. The average sales price, \$38.55/MWh, was 24.9% higher than forecast. Net wholesale revenue in the month of November was \$13.5 million or \$4.4 million more than the forecast of \$9.1 million. The net volume of surplus energy available in November, 261,699 MWh, was 3.7% below forecast, and the average sales price was 49.9% above forecast.

**- Finances -**  
**Income Statement, January 1-November 30, 2004**

	Year-To-Date Through 11/30/04			Year-End Forecasts			Notes
	Adopted Forecast	Actual	Actual - Adopted	Adopted Forecast	Revised Forecast	Revised - Adopted	
<b>Operating Revenues</b>	<b>\$683.4</b>	<b>\$685.5</b>	<b>\$2.1</b>	<b>\$760.4</b>	<b>\$766.0</b>	<b>\$5.6</b>	
Retail Power Revenues	509.9	511.6	1.7	573.9	569.9	(4.0)	4
Wholesale Energy Sales	136.6	141.8	5.2	145.0	162.0	17.0	1
Other Power-Related Revenue	24.9	18.1	(6.8)	28.6	20.9	(7.6)	
Other Revenues	11.9	14.0	2.1	12.9	13.1	0.2	
<b>Operating Expenses</b>	<b>\$601.8</b>	<b>\$632.9</b>	<b>\$31.1</b>	<b>\$672.3</b>	<b>\$714.2</b>	<b>\$41.9</b>	
Generation	17.3	17.5	0.3	20.2	18.6	(1.6)	3
Long-Term Purchased Power	227.7	205.2	(22.5)	250.2	233.3	(16.9)	2
Short-term Wholesale Energy Purch	0.0	44.2	44.2	1.0	53.0	52.0	1
Power-Related Wholesale Purch	4.7	0.1	(4.6)	5.1	0.8	(4.3)	
Amort. of Deferred Power Costs	91.7	91.7	(0.0)	100.0	100.0	0.0	
Other Power Costs	6.0	6.1	0.1	6.8	8.0	1.2	
Transmission and Wheeling	35.5	32.6	(2.9)	39.0	35.0	(4.0)	
Distribution	31.6	35.0	3.4	37.1	40.8	3.7	3
Customer Accounting	23.7	29.2	5.5	27.9	32.5	4.6	3
Conservation	10.0	9.9	(0.0)	11.8	12.4	0.6	
Administration & General	35.3	38.3	3.0	41.8	42.9	1.1	3
Taxes	55.5	54.5	(1.1)	62.5	62.5	(0.0)	
Depreciation	63.0	68.6	5.6	68.7	74.3	5.5	
<b>Net Operating Income</b>	<b>\$81.6</b>	<b>\$52.6</b>	<b>(\$29.0)</b>	<b>\$88.1</b>	<b>\$51.8</b>	<b>(\$36.3)</b>	
<b>Other Deductions, Net</b>	<b>(\$47.6)</b>	<b>(\$52.0)</b>	<b>(\$4.3)</b>	<b>(\$51.7)</b>	<b>(\$60.3)</b>	<b>(\$8.5)</b>	
Investment Income	5.9	3.1	(2.8)	6.4	2.8	(3.6)	
Other Income (Expense), Net	1.6	0.3	(1.3)	1.7	1.7	0.0	
Interest Expense	(67.4)	(69.9)	(2.5)	(73.5)	(78.4)	(4.9)	
Contributions In Aid of Construction	12.0	9.3	(2.6)	13.3	13.3	0.0	
Grants and Transfers	0.3	5.2	4.9	0.3	0.3	0.0	
<b>Net Income/ (Loss)</b>	<b>\$33.9</b>	<b>\$0.6</b>	<b>(\$33.3)</b>	<b>\$36.4</b>	<b>(\$8.5)</b>	<b>(\$44.8)</b>	

- Net Wholesale Revenue** – Low precipitation and streamflows in the Northwest have reduced the amount of energy available for sale in the wholesale market by 40% relative to the forecast, which had assumed normal water conditions. Higher than expected market prices have partially offset the effect of low water. Net wholesale revenue through November was \$97.6 million, or 29% below forecast.
- Long-Term Purchased Power** – Power purchased from the Bonneville Power Administration (BPA) cost \$16.4 million less than anticipated, due mainly to the receipt of a \$6.3 million true-up payment for 2003 Slice power purchases from BPA (a true-up payment of \$5.2 from City Light to BPA had been anticipated). BPA 2004 rates have also been lower than projected. Purchases from State Line and Lucky Peak and expenses for seasonal exchange energy received from the Northern California Power Authority were also lower than forecast.
- Other Operations & Maintenance (O&M) Expenses** – Expenses in the categories of generation, distribution, customer accounting and advisory, conservation and administration and general (A&G) exceeded the forecast through November by \$12.2 million, or 10.4%.
- Major causes were a shift of resources from capital improvements to O&M activity affecting both distribution and A&G, a higher than anticipated level of effort in the Apprenticeship program, higher uncollectable accounts, and the quarterly accrual of estimated injuries and damages and property insurance claims forecast to be recorded only at year end. The revised forecast for 2004 assumes that the variance in these categories will be reduced to \$8.4 million by year end.
- Retail Revenue** – Energy billed to retail customers was 0.1% below the forecast through November, at average billed rates that were 0.3% lower than forecast, resulting in a revenue deficit of \$2.2 million. Unbilled revenue was \$5.1 million below the forecast. The Department also received a \$9 million true-up payment from Nucor in March 2004. The positive variance of \$1.7 million as of November 30 is expected to become a negative variance of \$4.0 million by year end.
- 2004 Bond Issue** - The Department issued \$284.9 million of first lien debt on December 16, 2004. \$60.0 million of the bond proceeds were deposited to the construction fund. \$237.5 million of the bond proceeds were used to refund \$215.3 million of 1995A, 1996 and 1999 bonds, resulting in a net present value savings on those issues of \$14.7 million. Proceeds total more than the amount of the bond issue because the bonds were issued at a premium of \$15.3 million which was partially offset by \$2.6 million of debt issue costs.
- Cash Balances at Year-End** - Cash balances for the week ending January 2, 2005 totaled \$185.0 million. Unrestricted cash totaled \$91.1 million, consisting of \$62.1 million in operating funds and the construction account balance of \$29.0 million. Restricted cash totaled \$93.9 million, consisting of the \$85.5 million bond reserve fund, \$3.2 million for debt service, \$1.8 million for the streetlight refund and \$3.4 million in vendor retainage, customer and other deposits.