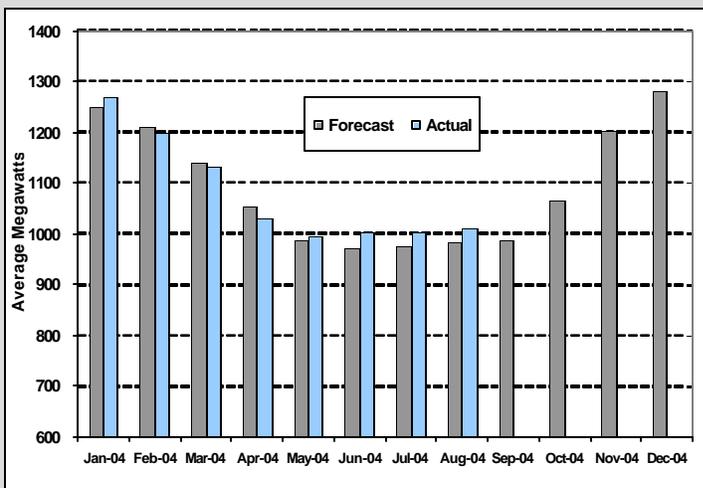
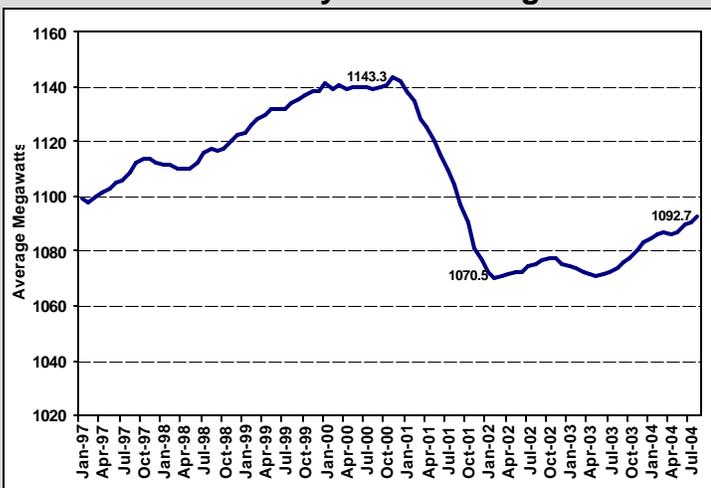




Seattle City Light Operations Report

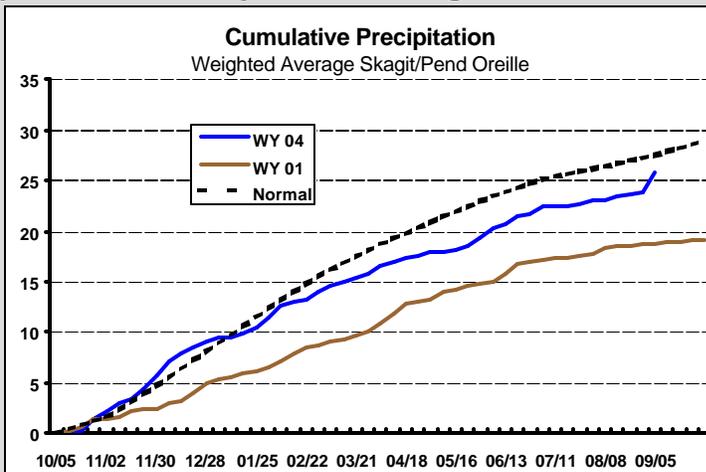
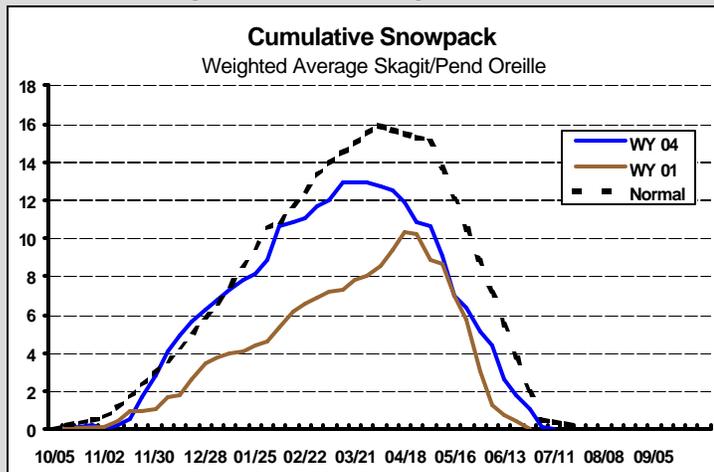
September 2004

- Historic and Projected Load - Load History Jan 97 – Aug 04 Forecast vs Actual YTD 2004



The left chart shows how load has changed over time. The figures are adjusted for weather, and reflect changes in load due primarily to economic fluctuations. The right graph compares monthly forecast to actual loads in 2004. The difference between forecast and actual can be due to weather and/or changes in other factors affecting load growth. A warmer-than-normal summer is part of the reason consumption for June, July, and August is higher than expected.

- Hydro Resources: Rain and Snow - Snowpack and Precipitation Above Our Hydroelectric Projects as of Aug. 22, 2004

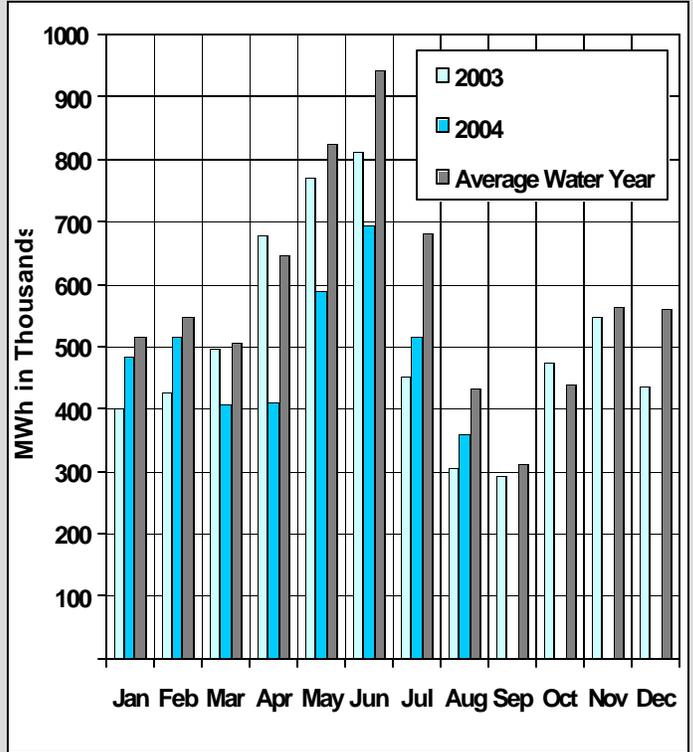
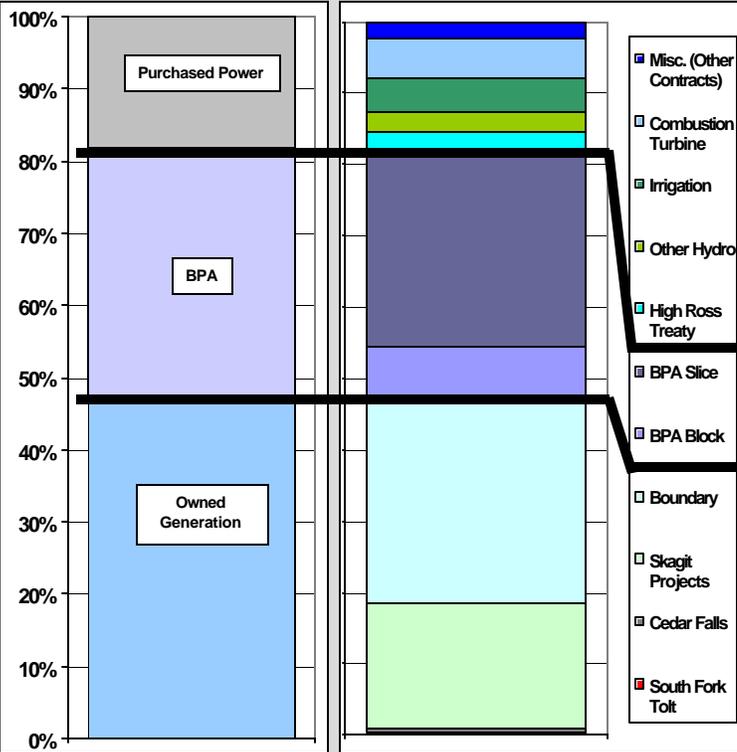


Water is the fuel that powers Seattle's generators. There are 32 precipitation stations in our 25,000 sq. mile Boundary watershed and 7 in the 1160 sq. mile Skagit, which our planning staff monitor closely. Due to the larger size of the Boundary watershed, an inch of precipitation there results in much more electricity than an inch of rain at the Skagit, about five-and-a-half times as much. Therefore we apply that weight to the Boundary measurement before charting it. Our water year runs from October 1 through September 30. The 2004 water year (blue line) has been drier than normal, although a very wet week east of the mountains at the end of August improved the situation a good deal.

- Sources and Uses of Power -

Power Portfolio

Monthly Net Generation

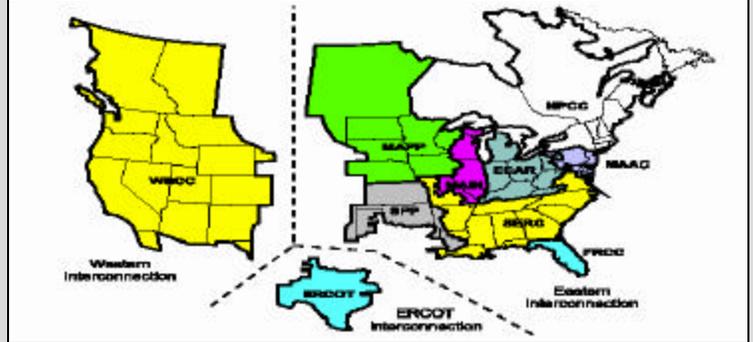


The left chart shows the various components of City Light's resource portfolio. The right chart compares City Light's monthly net generation from owned resources in average water years with the actual figures from 2003 and 2004, both of which had below average water conditions (see precipitation and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

- Transmission Systems -

Western Grid Detail

US and Canadian Control Areas

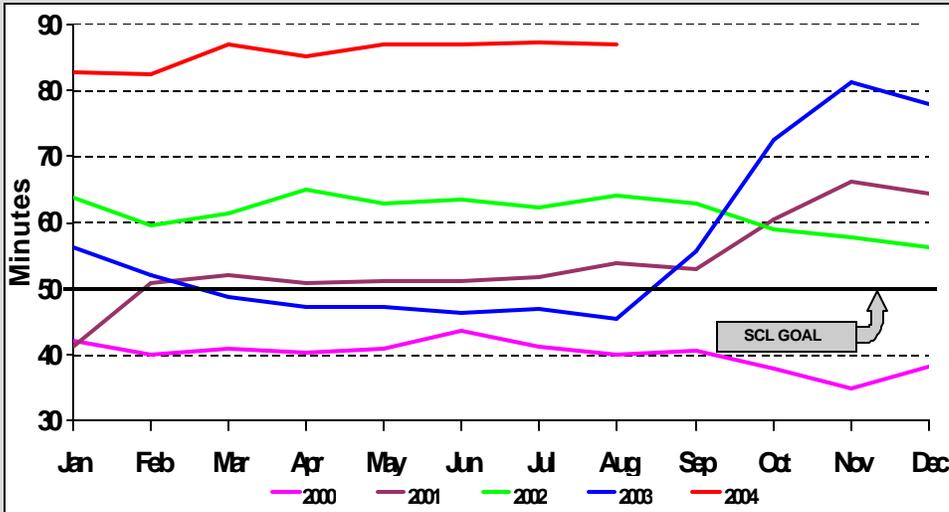


Seattle City Light is part of Western Electric Grid. This grid operates as one synchronous system from North Canada to Mexico. The whole system must operate as one machine. If one component of the grid fails, protective systems are in place to isolate this event from the rest of the system. In the event of multiple system failures, it is possible for the grid failures to cascade. The last major outage in the western region occurred Aug 10, 1996 when most of the grid collapsed. SCL was able to isolate from the grid and most of our customers did not lose service. The cause of this incident was a transmission line sagging into a tree. SCL has proposed to increase funding in 2005 and 2006 for tree trimming after several years of budget cuts which have reduced the amount of tree trimming. FERC, the Federal Energy Regulatory Commission, and NERC, North American Electric Reliability Council, have also stepped up compliance reporting programs.

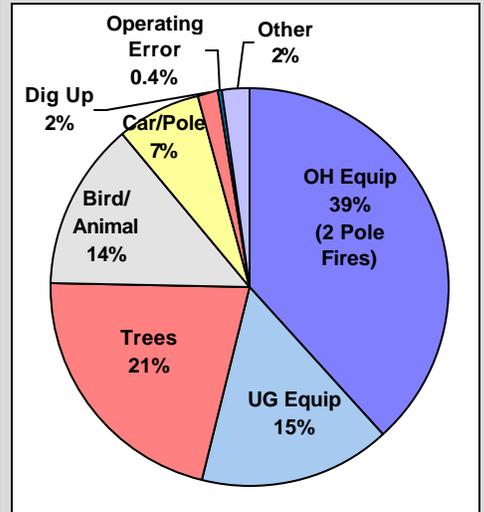
- Distribution System Reliability -

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



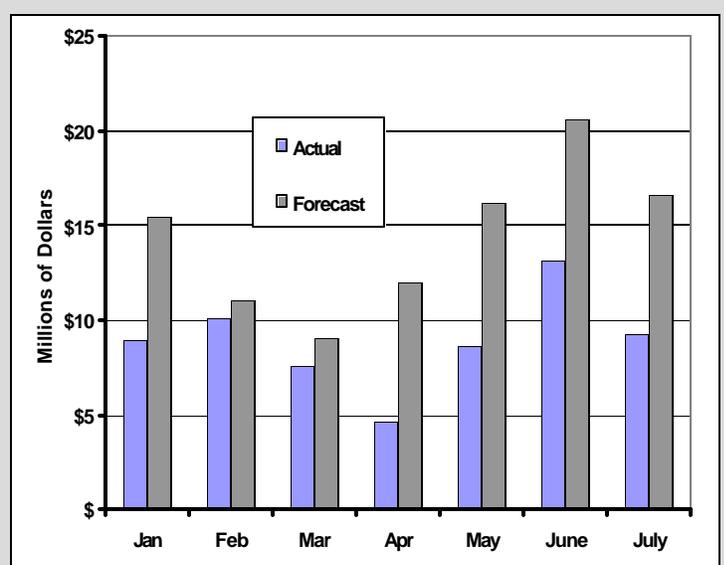
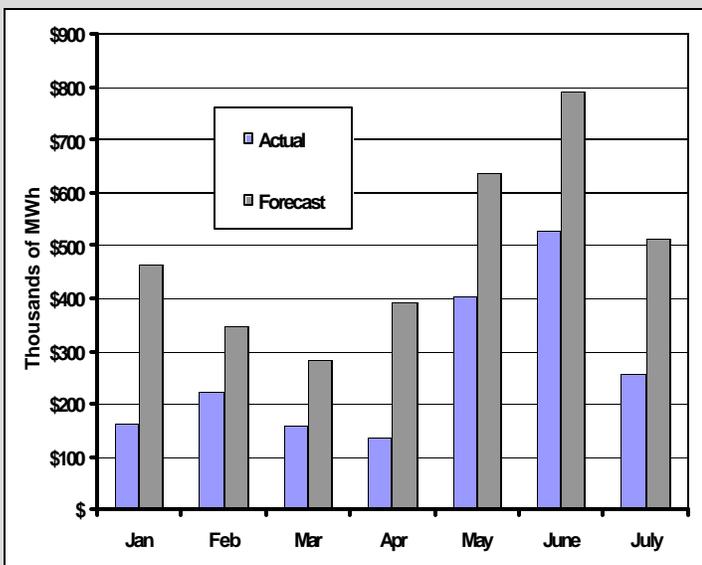
Reasons for Outages



SAIDI for August was 4.2 minutes, yielding a total for the 12 months ending August 31st of 87.0 minutes, down slightly from July. Overhead and Underground equipment related outages contributed 2.3 minutes (53%). Over 70% of this equipment related outage impact was due to 2 pole fire outages. Pole fires tend to occur with the first rains after a prolonged dry spell during which airborne contaminants accumulate on insulators and other pole top equipment. The accumulated contaminants mix with rain water and provide a short circuit path to ground through the pole and may ignite the wood. Tree related outages contributed about 1 minute

- The Business: Wholesale Activity Jan - July 2004 -

Net Wholesale Energy Net Wholesale Revenue



Actual net revenue from wholesale market transactions, at \$62.3 million, was \$38.6 million below forecast, despite higher prices, because of a lower net volume of energy sold. Due to drier-than-normal water conditions, generation at City Light-owned hydro resources and purchases of Slice energy from the Bonneville Power Administration were 19% lower than anticipated. As a result, the Department sold 1.6 GWh less net energy than projected to the wholesale power market. Both market purchases and market sales have been higher than projected this year, but the increase in purchases, 1.7 GWh higher than projected through July, has been much greater than the increase in sales, which were only 0.2 GWh above projections.

- Finances -
Income Statement, January 1-July 1, 2004

	Year-To-Date Through 7/31/0			Year-End Forecasts			
	Adopted Forecast	Actual	Actual - Adopted	Adopted Forecast	Revised Forecast	Revised - Adopted	Notes
Operating Revenues	\$459.5	\$450.1	(\$9.4)	\$760.4	\$767.0	\$6.6	
Retail Power Revenues	336.2	339.2	3.0	573.9	569.9	(4.0)	4
Wholesale Energy Sales	100.9	92.0	(8.9)	145.0	162.0	17.0	1
Other Power-Related Revenue	14.8	10.8	(4.1)	28.6	21.9	(6.6)	
Other Revenues	7.6	8.2	0.6	12.9	13.1	0.2	
Operating Expenses	\$380.5	\$403.6	\$23.1	\$672.3	\$715.9	\$43.5	
Generation	11.6	10.7	(0.9)	20.2	19.5	(0.7)	3
Long-Term Purchased Power	141.3	126.7	(14.6)	250.2	235.9	(14.3)	2
Short-term Wholesale Energy Purch	0.0	29.7	29.7	1.0	53.0	52.0	1
Power-Related Wholesale Purch	3.0	0.1	(2.9)	5.1	2.0	(3.1)	
Amort. of Deferred Power Costs	58.3	58.3	(0.0)	100.0	100.0	0.0	
Other Power Costs	3.8	4.1	0.3	6.8	8.0	1.2	
Transmission and Wheeling	22.4	20.7	(1.7)	39.0	35.0	(4.0)	
Distribution	20.0	22.6	2.6	37.1	39.8	2.7	3
Customer Accounting	14.6	18.5	3.9	27.9	30.5	2.6	3
Conservation	6.3	6.2	(0.1)	11.8	12.4	0.6	
Administration & General	22.5	25.2	2.7	41.8	42.9	1.1	3
Taxes	36.6	37.1	0.5	62.5	62.5	(0.0)	
Depreciation	40.1	43.7	3.6	68.7	74.3	5.5	
Net Operating Income	\$79.0	\$46.5	(\$32.4)	\$88.1	\$51.1	(\$37.0)	
Other Deductions, Net	(\$31.1)	(\$33.0)	(\$2.0)	(\$51.7)	(\$56.1)	(\$4.4)	
Investment Income	3.7	1.6	(2.1)	6.4	3.4	(3.1)	
Other Income/(Expense, Net)	1.0	(0.2)	(1.2)	1.7	1.7	0.0	
Interest Expense	(42.9)	(43.2)	(0.3)	(73.5)	(74.9)	(1.3)	
Contributions In Aid of Construction	6.9	7.3	0.4	13.3	13.3	0.0	
Grants and Transfers	0.2	1.4	1.2	0.3	0.3	0.0	
Net Income/ (Loss)	\$47.9	\$13.5	(\$34.4)	\$36.4	(\$5.0)	(\$41.4)	

- Net Wholesale Revenue** – Low precipitation and streamflows in the Northwest have reduced the amount of energy available for sale in the wholesale market by 46% relative to the forecast, which had assumed normal water conditions. Higher than expected market prices have partially offset the effect of low water. .
- Long-Term Purchased Power** – Power purchased from the Bonneville Power Administration (BPA) cost \$11.5 million less than anticipated, due mainly to the receipt of a \$6.3 million true-up payment from BPA (a true-up payment of \$5.2 from City Light to BPA had been anticipated).
- 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 July by \$8.2 million, or 9.8%. Causes were a shift of resources from capital improvement to O&M activity affecting both distribution and A&G, a higher than anticipated level of effort in the apprenticeship program, and higher uncollectable accounts. The revised forecast for 2004 assumes that the variance in these categories will be reduced to \$6.3 million by year end.
- Retail Revenue** – Energy billed to retail customers was 0.5% below the forecast through July, resulting in a billed revenue shortfall of \$1.6 million. Unbilled revenue was also \$4.5 million below the forecast. Offsetting these negative variances was the receipt of a \$9 million true-up payment from Nucor in March 2004. The positive variance of \$3.0 million as of July 31 is expected to become a negative variance of \$4.0 million by year end.