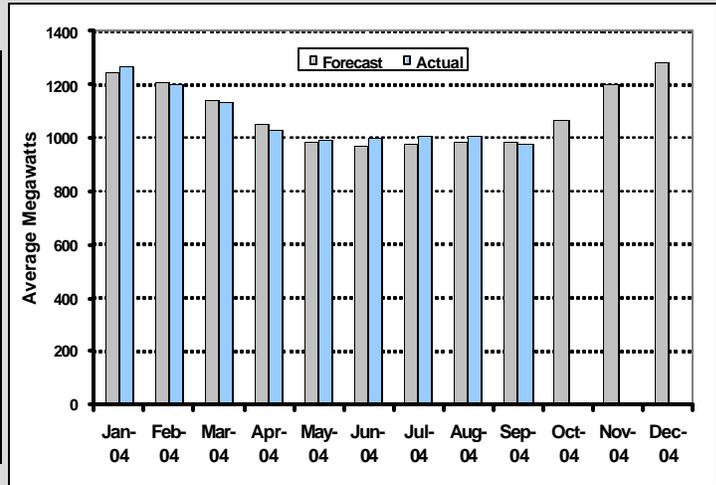
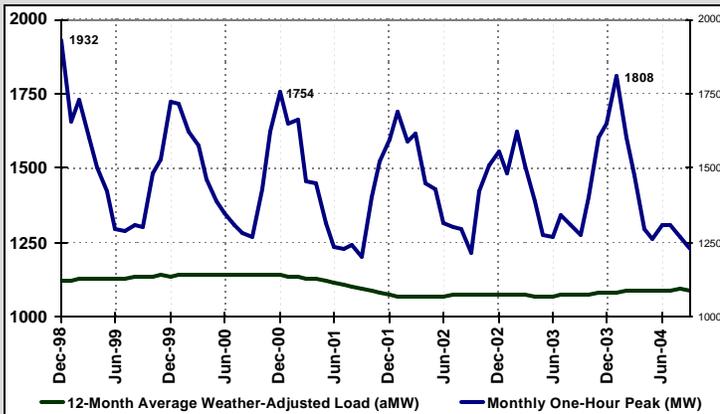




Seattle City Light Operations Report

October 2004

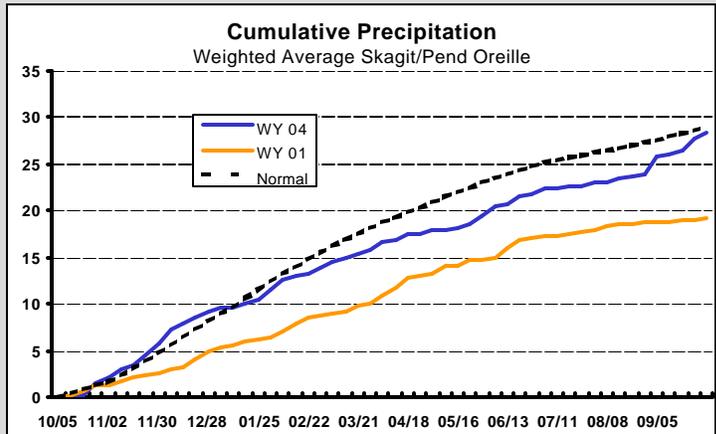
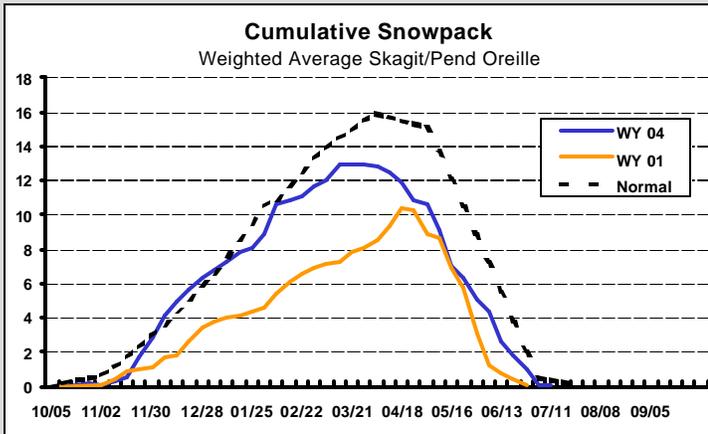
- Historic and Projected Load - Monthly One-Hour Peaks with 12-Month Average Weather-Adjusted Load Forecast vs Actual YTD 2004



System capacity must be adequate for meeting peak load. System load peaks in the winter because of residential space heat. Even though average load in January 2004 was less than in December 2000, low temperature on January 5, 2004 resulted in a one-hour peak load of 1808 MW.

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. Consumption in September was lower than expected.

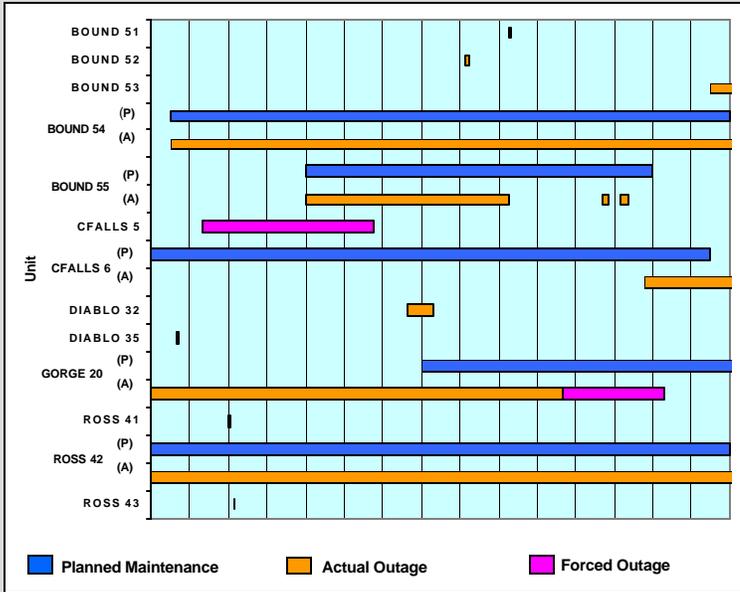
- Hydro Resources: Rain and Snow - Snowpack and Precipitation Above Our Hydroelectric Projects as of Sep. 26, 2004



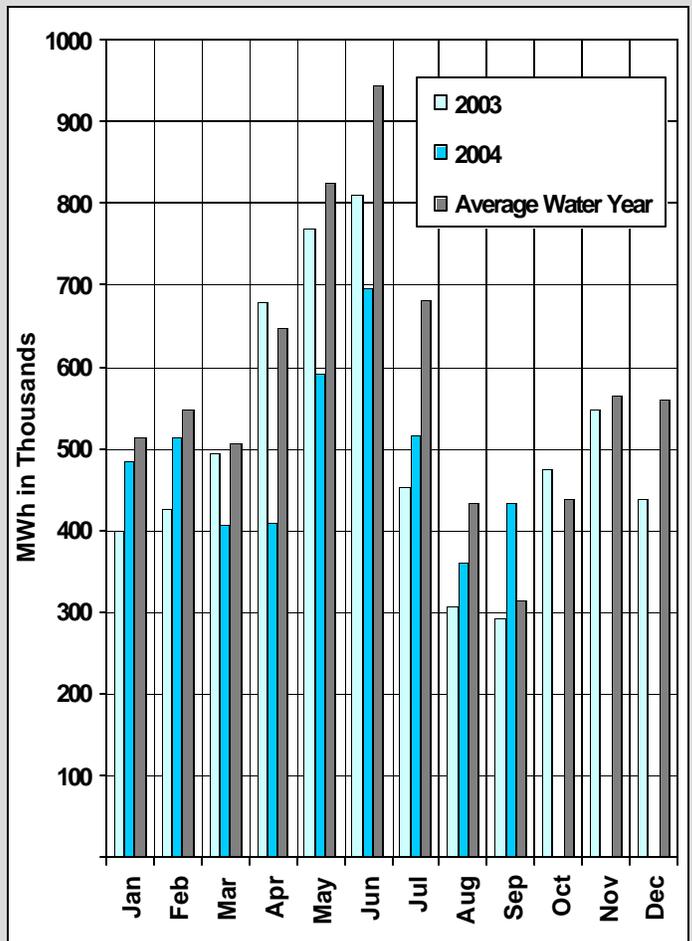
Happy New Year Everyone. A new water year began Oct 1st, and as we look forward to the new, it is also time to reflect on the old. The period Oct 2003 through Sep 2004 was an unusual water year. Although the precipitation amounts were almost exactly normal, a soggy beginning and ending framed a drier than average middle. October 2003 set new records for high streamflows on the Skagit. A warm winter of 2004 kept snowpack low and resulted in a smaller runoff last spring. The dry conditions which started in February 2004 ended in August. Felt especially in the watershed above our Boundary plant, a very wet late August through September recharged that hydro system and the benefits should be felt throughout the balance of the calendar year. The experts predict that the coming water year will look quite similar to the one just past.

- Generation -

August Generator Availability



Monthly Net Generation

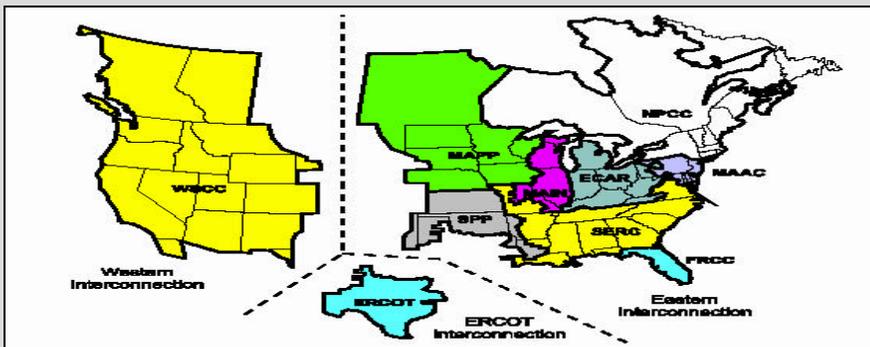


This chart compares planned to actual generator outages for the month of August 2004. Planned outages (blue) are scheduled in January to accommodate needed maintenance for all units. Actual outages (orange) reflect this plan and changes made in the intervening months. Forced outages (pink) are unplanned and are due to equipment failure. Gorge 20 is traditionally shut down in August due to low flows. Ross 42 is undergoing a major overhaul. Boundary Unit 55 maintenance outage was shortened by increasing staff to compensate for the continuation of Ross 42 outage for longer than predicted. Likewise Boundary Unit 53 outage was accelerated for the same reason. Cedar Falls 5 experienced a forced outage due to failure of a gate chain, causing the gate to close until a repair could be made. Cedar Falls 6 maintenance has been delayed due to water management issues by SPU. Gorge Unit 20 experienced low water flow earlier than expected and was undergoing needed maintenance, however water became available while the machine was being worked on and thus outage status changed to forced.

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 -

US and Canadian Control Areas



Western Grid Detail

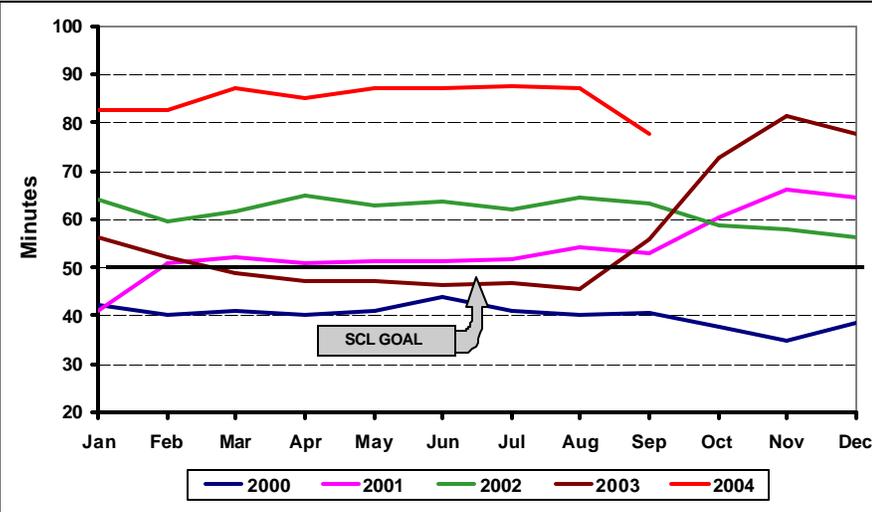


Non-Wire Solutions for Transmission The culture of transmission planning is changing. The northwest region is now being asked to consider Non-Wire Solutions for transmission congestion. BPA has developed a roundtable and WECC has created N-Tech to explore these solutions. Several pilot projects are underway to provide quantifiable analysis of the suitability of some of these solutions. The goal is to identify solutions which are least-cost from the customers' point of view and ensure that they adequately reduce congestion in the designated areas.

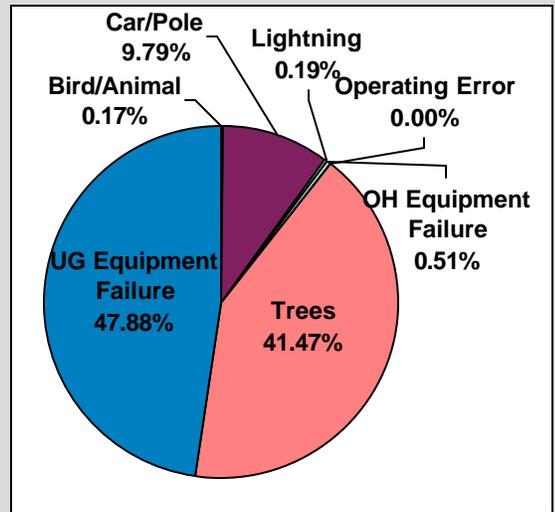
- Distribution System Reliability -

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 preceeding 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



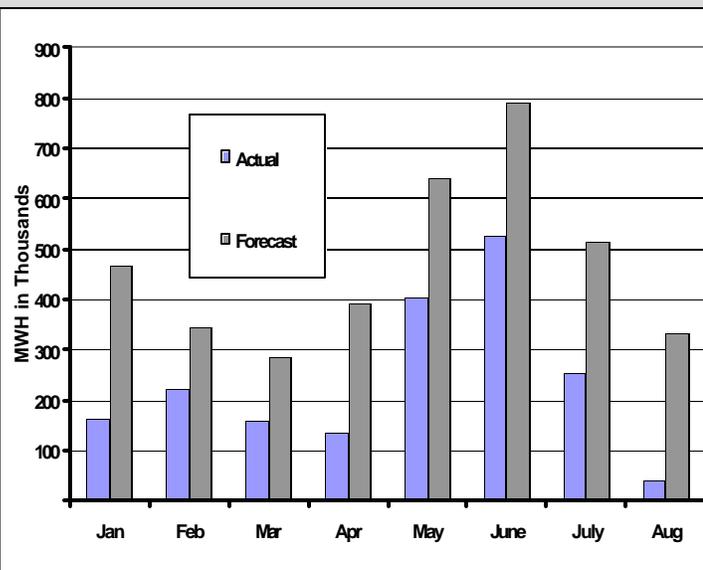
Reasons for Outages



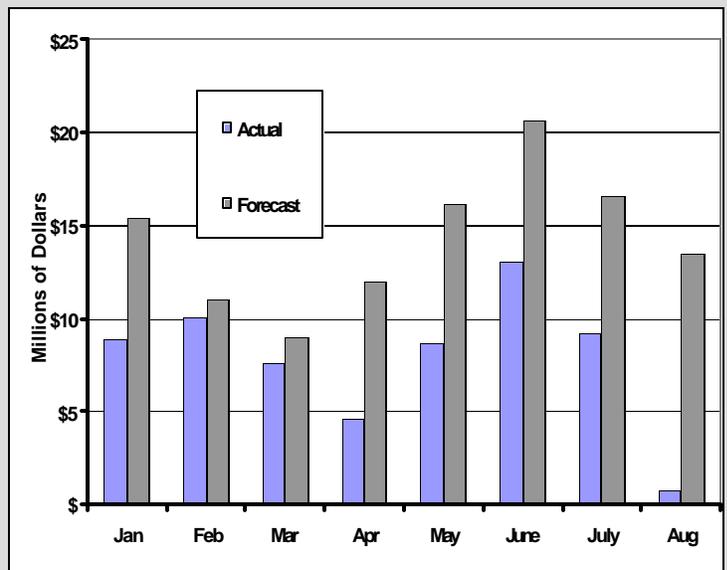
SAIDI for September was 2.7 minutes, yielding a total for the 12 months ending September 30th of 77.5 minutes, down almost 10 minutes from August. This substantial decline is comparable to the jump that occurred in September 2003 when we were severely impacted by a series of tree and equipment related outages which have now passed out of the rolling 12 month SAIDI calculation. For this September, equipment related outages contributed about 1.3 minutes (48%), almost all of which was related to underground equipment. Tree related outages contributed about 1.1 minutes (41%). SAIFI was 1.6168, down from 1.6745 in August.

- The Business: Wholesale Activity Jan - Aug 2004 -

Net Wholesale Energy



Net Wholesale Revenue



Actual net revenue from wholesale market transactions, at \$61.3 million, was \$51.3 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 energy under long-term contracts were 20.5% lower than anticipated. Net surplus power available through the end of August was therefore 49.3% below the forecast. The average sales price, \$36.67/MWh, was 20.8% higher than forecast. Net wholesale revenue in the month of August was \$0.8 million, which was \$12.7 million less than the forecast of \$13.5 million. The net volume of surplus energy available in August, 39,076 MWh, was 88.3% below forecast, and the average sales price was 15.1% above forecast.

- Finances -
Income Statement, January 1-August 31, 2004

	Year-To-Date Through 8/31/04			Year-End Forecasts			Notes
	Adopted Forecast	Actual	Actual - Adopted	Adopted Forecast	Revised Forecast	Revised - Adopted	
Operating Revenues	\$518.6	\$504.4	(\$14.2)	\$760.4	\$767.0	\$6.6	
Retail Power Revenues	378.6	382.8	4.2	573.9	569.9	(4.0)	4
Wholesale Energy Sales	114.4	99.7	(14.7)	145.0	162.0	17.0	1
Other Power-Related Revenue	17.0	12.6	(4.4)	28.6	21.9	(6.6)	
Other Revenues	8.6	9.3	0.7	12.9	13.1	0.2	
Operating Expenses	\$435.3	\$463.0	\$27.6	\$672.3	\$715.9	\$43.5	
Generation	13.2	12.9	(0.3)	20.2	19.5	(0.7)	3
Long-Term Purchased Power	162.1	143.8	(18.3)	250.2	235.9	(14.3)	2
Short-term Wholesale Energy Purch	0.0	36.6	36.6	1.0	53.0	52.0	1
Power-Related Wholesale Purch	3.4	0.1	(3.3)	5.1	2.0	(3.1)	
Amort. of Deferred Power Costs	66.7	66.7	(0.0)	100.0	100.0	0.0	
Other Power Costs	4.4	4.6	0.2	6.8	8.0	1.2	
Transmission and Wheeling	25.7	23.7	(2.0)	39.0	35.0	(4.0)	
Distribution	22.9	25.7	2.7	37.1	39.8	2.7	3
Customer Accounting	17.3	21.1	3.8	27.9	30.5	2.6	3
Conservation	7.2	7.2	(0.0)	11.8	12.4	0.6	
Administration & General	25.4	29.2	3.8	41.8	42.9	1.1	3
Taxes	41.2	41.5	0.3	62.5	62.5	(0.0)	
Depreciation	45.8	49.9	4.1	68.7	74.3	5.5	
Net Operating Income	\$83.2	\$41.4	(\$41.8)	\$88.1	\$51.1	(\$37.0)	
Other Deductions, Net	(\$35.7)	(\$37.2)	(\$1.5)	(\$51.7)	(\$56.1)	(\$4.4)	
Investment Income	4.3	1.9	(2.4)	6.4	3.4	(3.1)	
Other Income/(Expense), Net	1.2	(0.2)	(1.4)	1.7	1.7	0.0	
Interest Expense	(49.0)	(49.3)	(0.3)	(73.5)	(74.9)	(1.3)	
Contributions In Aid of Construction	7.7	7.4	(0.3)	13.3	13.3	0.0	
Grants and Transfers	0.2	3.0	2.8	0.3	0.3	0.0	
Net Income/ (Loss)	\$47.5	\$4.2	(\$43.3)	\$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 49% 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 August was \$63.1 million, or 45% below forecast.
- 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 August by \$10.0 million, or 11.7%. 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, 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 0.3% above the forecast through August, at average billed rates that were 0.4% lower than forecast, resulting in a revenue shortfall of \$0.4 million. Unbilled revenue was \$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 \$4.2 million as of August 31 is expected to become a negative variance of \$4.0 million by year end.