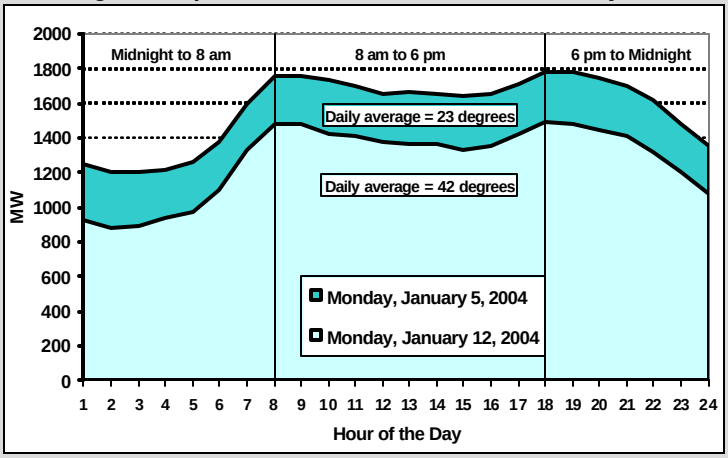
Seattle City Light
Operations Report
December 2004

- Historic and Projected Load -

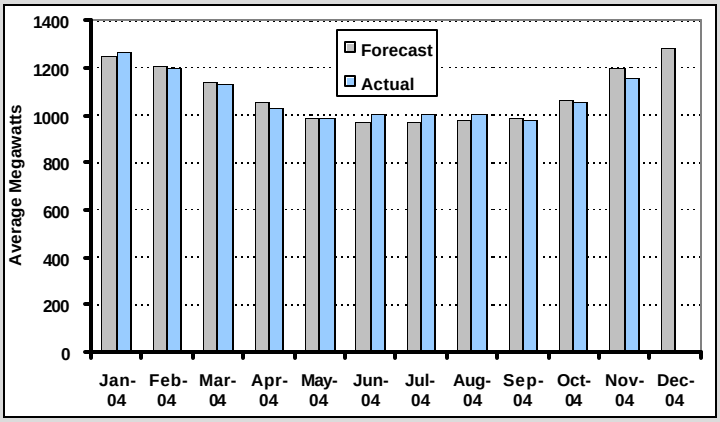
Load Shape: January 5, 2004 Cold Spell

A 20-degree temperature difference increased load by 300 MW



A cold snap, such as the one we experienced on January 5, 2004, increases load dramatically. The load on January 5 was nearly 300 MW higher throughout the day than on a more typical day, such as January 12. (The increase would have been greater by 42 MW if one industrial customer had not shut down).

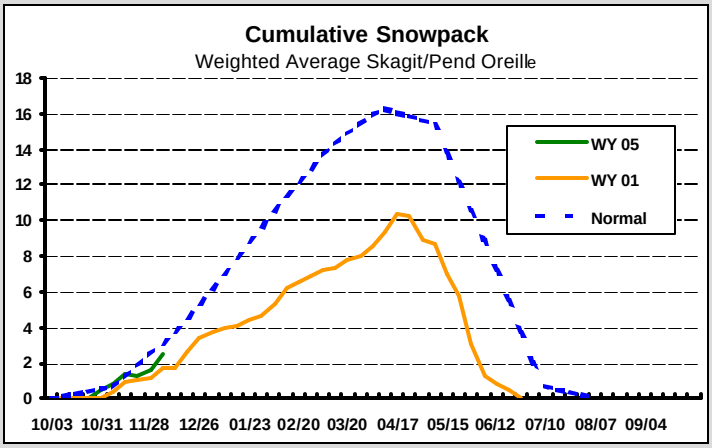
Forecast vs Actual YTD 2004

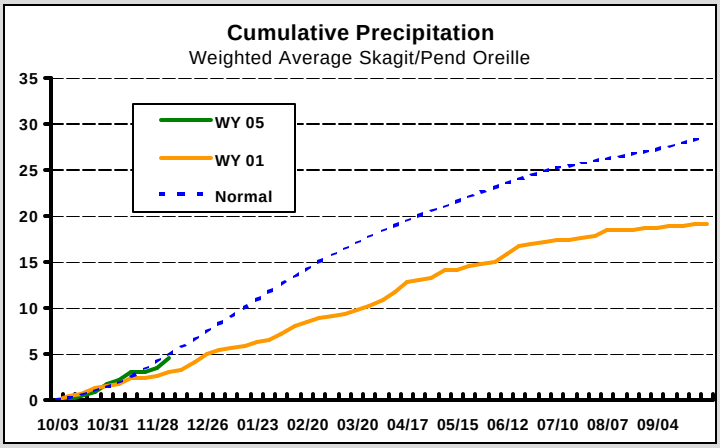


This graph compares the forecast with the actual load by month. The difference between forecast and actual can be due to weather and/or changes in the factors affecting load growth. Consumption in November was lower than expected and lower than last year. This was partly due to a very large customer going off-line for maintenance during the last week of the month.

- Hydro Resources: Rain and Snow -

Snowpack and Precipitation Above Our Hydroelectric Projects as of Nov. 28, 2004

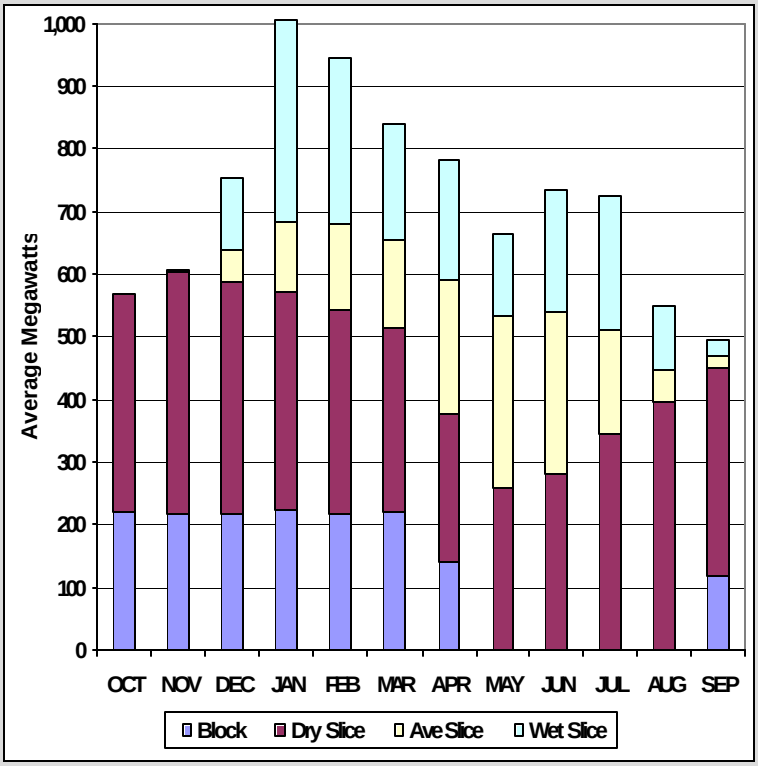




It is now two full months into the new water year that began October 1st. While the year is still young, it is not starting out as wet as we would have liked, but then again it is not as dry as 2001. The Pend Oreille Basin above Boundary, the most important to SCL's energy supply, received 112% of normal precipitation in October but only 68% in November, bringing the cumulative amount to 84% of normal. The Skagit basin is faring a little worse. Precipitation was 65% of normal in October and 76% in November, for a cumulative total of 72%. Snowpack is also below normal in both basins, due to the warmer than normal weather we have been experiencing. We hope for improvement in December, as the forecast is for wetter-than-normal. Conditions are much better than the drought of Water Year 2001 however, and we expect sufficient water for fishery and power needs throughout the coming year.

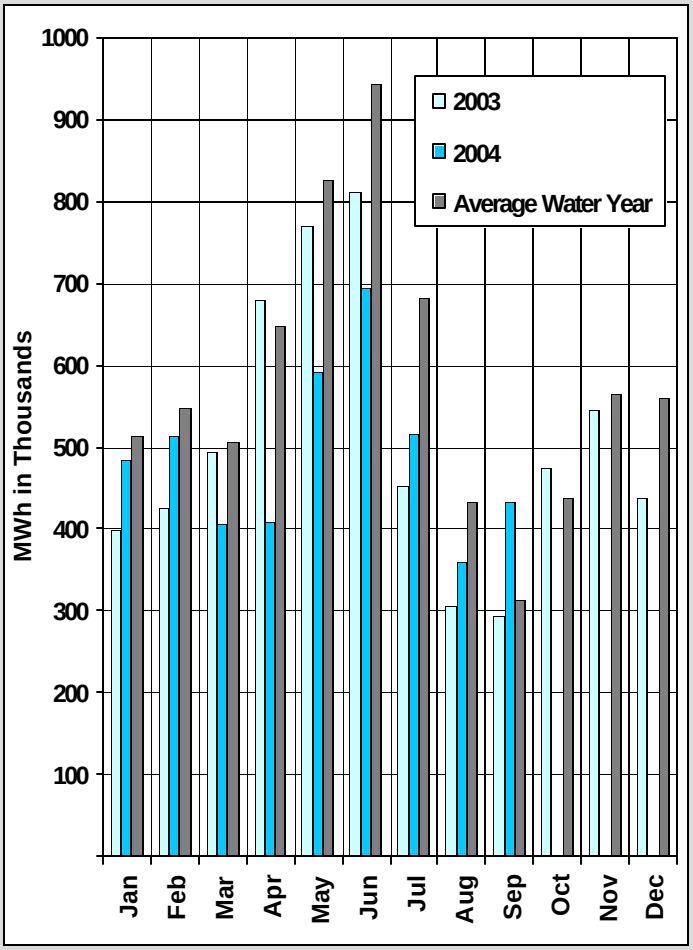
- Generation -

BPA Power Purchase 10/04 – 9/05



City Light buys about one-third of its power from the Bonneville Power Administration (BPA). This includes a 5% "Slice" of BPA's actual output, plus a fixed amount of power (called "Block") for some months shown in blue. In a repeat of the driest water year on record (1977), City Light would receive the combination of the Block and the red amount; in an average water year City Light would also receive the yellow amount; and in a repeat of the wettest year on record (1974) City light would also receive the light blue amount. For this year, City Light will get 130 average megawatts (aMW) of Block and at least 326 aMW of Slice for a total of between 456 aMW to 718 aMW (575 aMW total at average water).

Monthly Net Generation



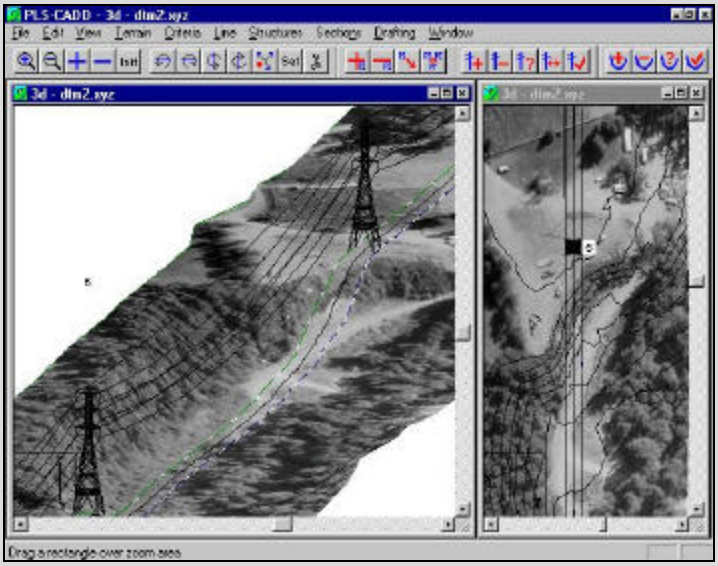
This chart compares City Light's monthly net generation from owned resources in average water years with the actual figures from 2003 and 2004, both of which had below average water conditions (see precipitation and snowpack charts on page 1).

- Transmission Systems -

Technology Improvements in Transmission

It is recognized widely that new transmission corridors are very difficult to develop and the need for transmission is growing at approximately 5% annually in the Pacific Northwest. Although there are no quick fixes to these problems, there are some emerging technologies. New high temperature conductors and accessories can deliver significantly more power without significant changes to clearances. Combinations of tools such as aerial laser surveys and three-dimensional computer modeling provide accuracy which allows higher utilization of the existing transmission facilities. The uses of real time data can be used to dynamically operate transmission facilities, further removing weather data assumptions which are used to calculate ratings. With these tools, utilities may be able to gain needed additional capacity in the corridors they already have.

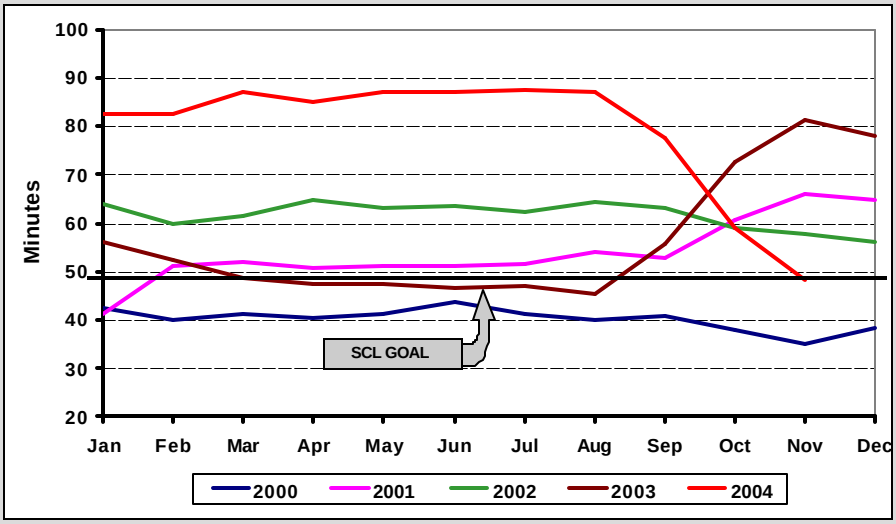
Three-dimensional Transmission Model



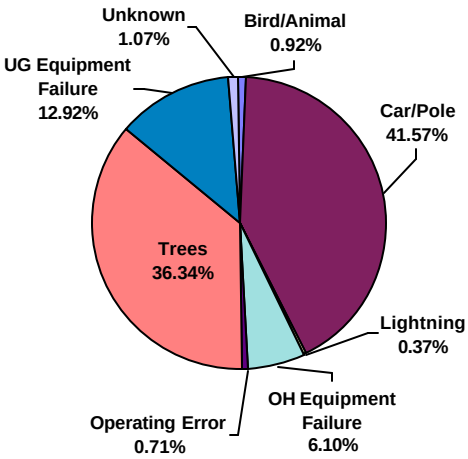
- Distribution System Reliability -

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



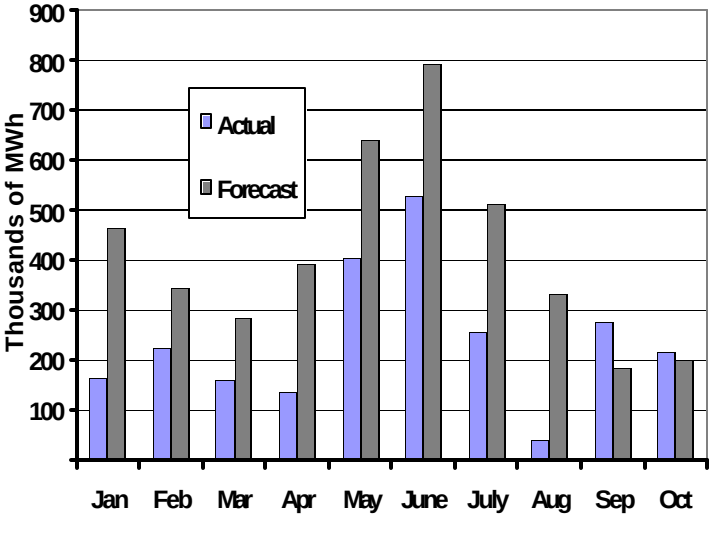
Reasons for Outages



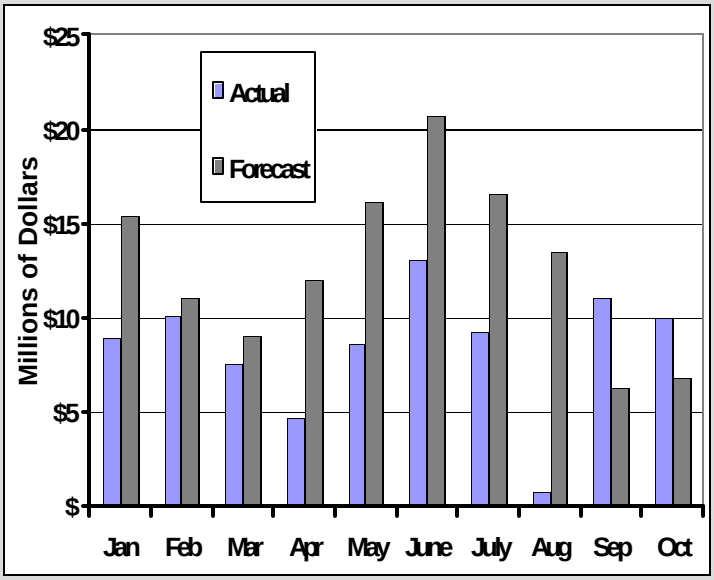
SAIDI for November was 3.2 minutes, yielding a total for the 12 months ending November 30th of 48.3 minutes, down over 10 minutes from October, and below the goal of 50. This substantial decline is comparable to the jump that occurred in November 2003 when we were heavily impacted by tree and equipment related outages which have now passed out of the rolling 12 month SAIDI calculation. For this November, an outage caused when a vehicle hit a pole on the afternoon of Wednesday November 10th in the Duwamish area, contributed about 1.3 minutes (42%). The impact of all other outages was low, contributing about 1.9 minutes to SAIDI. When storms are included, SAIDI is 170.4 minutes.

- The Business: Wholesale Activity Jan - Oct 2004 -

Net Wholesale Energy



Net Wholesale Revenue



Actual net revenue from wholesale market transactions, at $84.1 million, was $43.4 million below forecast, despite higher prices, because of a lower net volume of energy sold. Due to dryer than normal water conditions, generation at City Light-owned hydro resources and purchases of energy under long-term contracts were 13.9% lower than anticipated. Net surplus power available through the end of October was therefore 42.1% below the forecast. The average sales price, $37.58/MWh, was 22.4% higher than forecast. Net wholesale revenue in the month of October was $10.0 million or $3.1 million more than the forecast of $6.8 million. The net volume of surplus energy available in October, 217,419 MWh, was 7.6% above forecast, and the average sales price was 34.2% above forecast.

- Finances -

Income Statement, January 1-October 31, 2004

	Year-To-Date Through 10/31/04			Year-End Forecasts			
	Adopted Forecast	Actual	Actual - Adopted	Adopted Forecast	Revised Forecast	Revised - Adopted	Notes
Operating Revenues	**$624.9**	**$622.7**	**($2.2)**	**$760.4**	**$766.0**	**$5.6**	
Retail Power Revenues	463.7	468.7	5.0	573.9	569.9	(4.0)	4
Wholesale Energy Sales	127.6	124.3	(3.3)	145.0	162.0	17.0	1
Other Power-Related Revenue	22.8	16.8	(6.0)	28.6	20.9	(7.6)	
Other Revenues	10.8	12.9	2.1	12.9	13.1	0.2	
Operating Expenses	**$547.1**	**$573.8**	**$26.7**	**$672.3**	**$714.2**	**$41.9**	
Generation	15.9	15.9	(0.0)	20.2	18.6	(1.6)	3
Long-Term Purchased Power	206.0	183.0	(23.0)	250.2	233.3	(16.9)	2
Short-term Wholesale Energy Purch	0.0	40.1	40.1	1.0	53.0	52.0	1
Power-Related Wholesale Purch	4.3	0.1	(4.2)	5.1	0.8	(4.3)	
Amort. of Deferred Power Costs	83.3	83.3	(0.0)	100.0	100.0	0.0	
Other Power Costs	5.5	5.7	0.2	6.8	8.0	1.2	
Transmission and Wheeling	32.3	29.6	(2.7)	39.0	35.0	(4.0)	
Distribution	28.8	31.6	2.8	37.1	40.8	3.7	3
Customer Accounting	22.1	26.8	4.7	27.9	32.5	4.6	3
Conservation	9.0	9.0	0.1	11.8	12.4	0.6	
Administration & General	32.1	35.9	3.8	41.8	42.9	1.1	3
Taxes	50.5	50.3	(0.2)	62.5	62.5	(0.0)	
Depreciation	57.3	62.4	5.1	68.7	74.3	5.5	
Net Operating Income	**$77.8**	**$48.9**	**($28.9)**	**$88.1**	**$51.8**	**($36.3)**	
Other Deductions, Net	**($43.1)**	**($47.8)**	**($4.6)**	**($51.7)**	**($60.3)**	**($8.5)**	
Investment Income	5.4	2.8	(2.6)	6.4	2.8	(3.6)	
Other Income/(Expense, Net	1.4	0.3	(1.2)	1.7	1.7	0.0	
Interest Expense	(61.3)	(63.9)	(2.6)	(73.5)	(78.4)	(4.9)	
Contributions In Aid of Construction	11.0	8.6	(2.4)	13.3	13.3	0.0	
Grants and Transfers	0.3	4.4	4.2	0.3	0.3	0.0	
Net Income/ (Loss)	**$34.7**	**$1.1**	**($33.6)**	**$36.4**	**($8.5)**	**($44.8)**	

1. **Net Wholesale Revenue** – Low precipitation and streamflows in the Northwest have reduced the amount of energy available for sale in the wholesale market by 42% 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 October was $84.1 million, or 34% below forecast.
2. **Long-Term Purchased Power** – Power purchased from the Bonneville Power Administration (BPA) cost $16.2 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.
3. **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 October by $11.3 million , or 10.5%. 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 $8.4 million by year end.
4. **Retail Revenue** – Energy billed to retail customers was 0.5% above the forecast through October, at average billed rates that were 0.3% lower than forecast, resulting in a revenue surplus of $1.0 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.