

# the light report

January 2003

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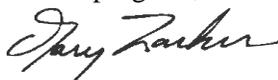
## Superintendent's Summary: City Light Audit and Work Program

On January 8, we met with the leadership group of the utility - 120 managers and supervisors with whom we meet regularly - to kick off the update of the business plan.

The business plan will have many different inputs. If the council passes the City Light Advisory Board proposal, the council and mayoral appointments will be deeply involved in the formation of the update. As appropriate, we'll use outside consultants to freshen the perspectives. We'll also be consulting with our customers as we move the process. Of course, the Mayor and Council will be critical in framing the ideas that will guide our future policies and as they move the process along with decisions as required.

But we start the process where the updated business plan will end - with the individuals who have to make it happen every day in the life of the utility.

We've briefed members of the Energy and Environmental Policy Committee on our initial approach and will soon be back before the council to describe our progress on this work program, one of the most important pieces of work we will do this year. More to come.



## The Periscope: FERC Ruling Bolsters City Light's Argument for Refunds

A surprise decision by the Federal Energy Regulatory Commission gives City Light and other Northwest utilities new hope of recovering millions of dollars in refunds for inflated prices during the energy crisis.

FERC commissioners have decided to reopen the record in the Northwest Refund Proceeding, allowing utilities to submit additional evidence and hinting that the federal agency may reverse previous stances.

Last year, a FERC judge recommended dismissing the refund case, arguing that prices which spiked to upwards of \$5,000 per megawatt-hour during the energy crisis were neither unjust nor unreasonable. But considerable evidence of market manipulation has emerged since then.

"We've known from the beginning that prices were artificially inflated," said Gary Zarker. "The \$278 million in refunds we've demanded still isn't a sure thing, but we're getting our day in court."

Meanwhile, it's expected that Congress will again take up energy restructuring legislation that creates new opportunities for abuse of market power and price gouging. The proposal nearly passed last year but was thwarted by a bipartisan coalition between the West and Southeast.

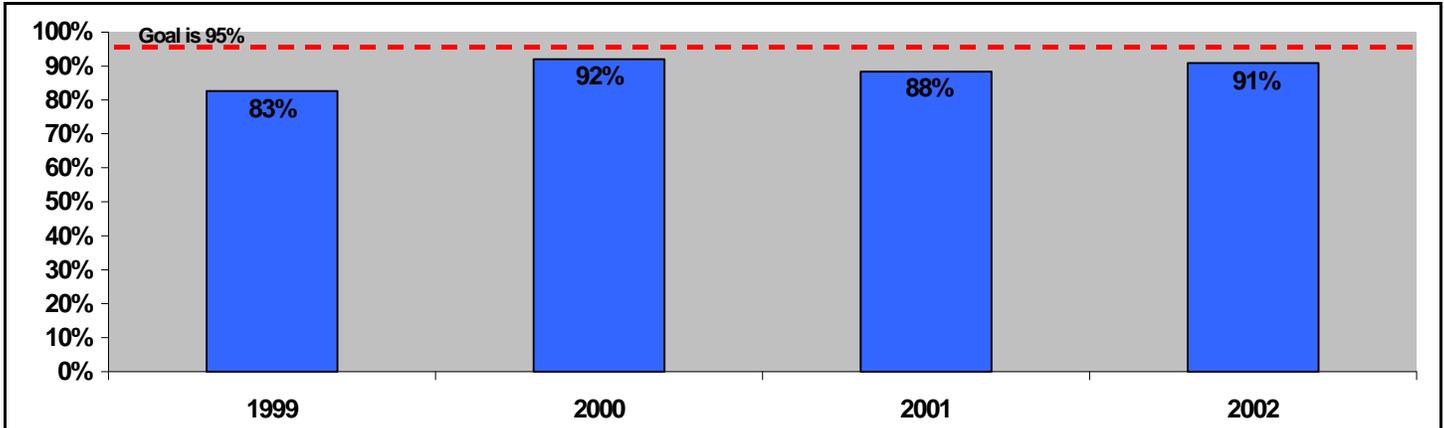
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City Light Fish Biologist Dave Pflug shows off a Chum salmon carcass on the upper Skagit River just below City Light's dams. This year's record-breaking Skagit River Chum run is the latest result of Utility's fish protection policy. Since the 1970's, City Light has carefully managed river flows to ensure that these and other Skagit River anadromous fish have sufficient water at all stages of their life cycle. The results have paid off. In addition to the Chum, the Skagit also supports the largest run of Chinook salmon in Puget Sound, and the largest Pink salmon run in the lower 48 states. See incredible footage of the Chum run in streaming video at: [http://www2.ci.seattle.wa.us/Media/ram\\_sc.asp?ID=812](http://www2.ci.seattle.wa.us/Media/ram_sc.asp?ID=812)

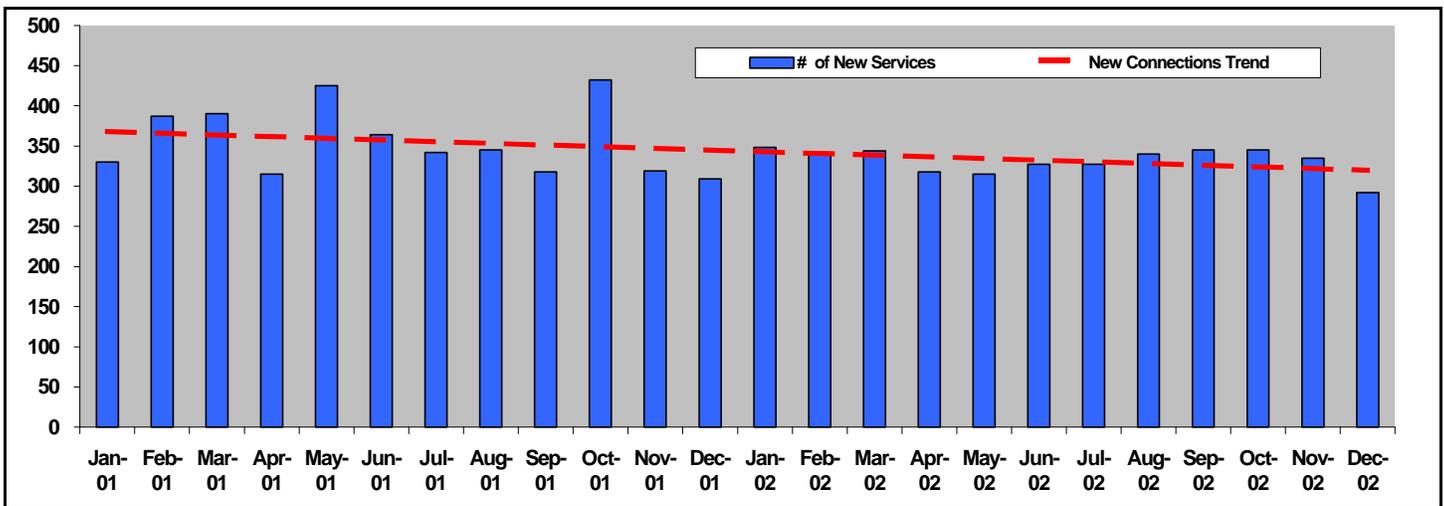
### Service Connections

#### Percent Completed Within Five Days of Request, January 1999 – December 2002



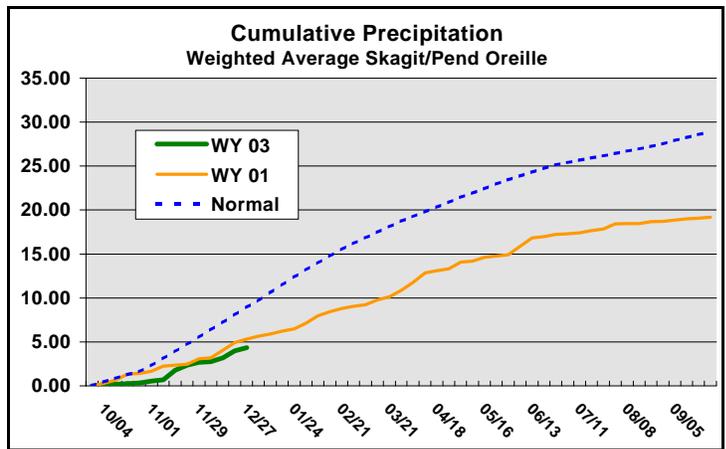
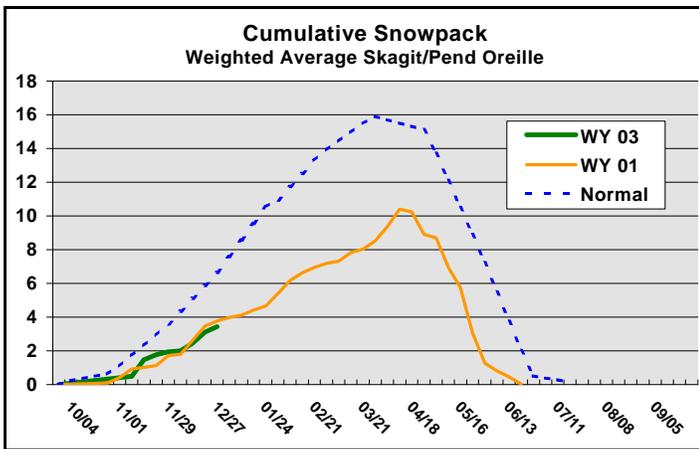
Our target is to hook up 95% of new residential overhead services within five working days of receiving approval for final connection. For 2002, the Utility has a 91% performance rate.

#### New Service Connection Requests, January 2001 – December 2002



The number of services City Light connects has been decreasing along with labor hours including overtime.

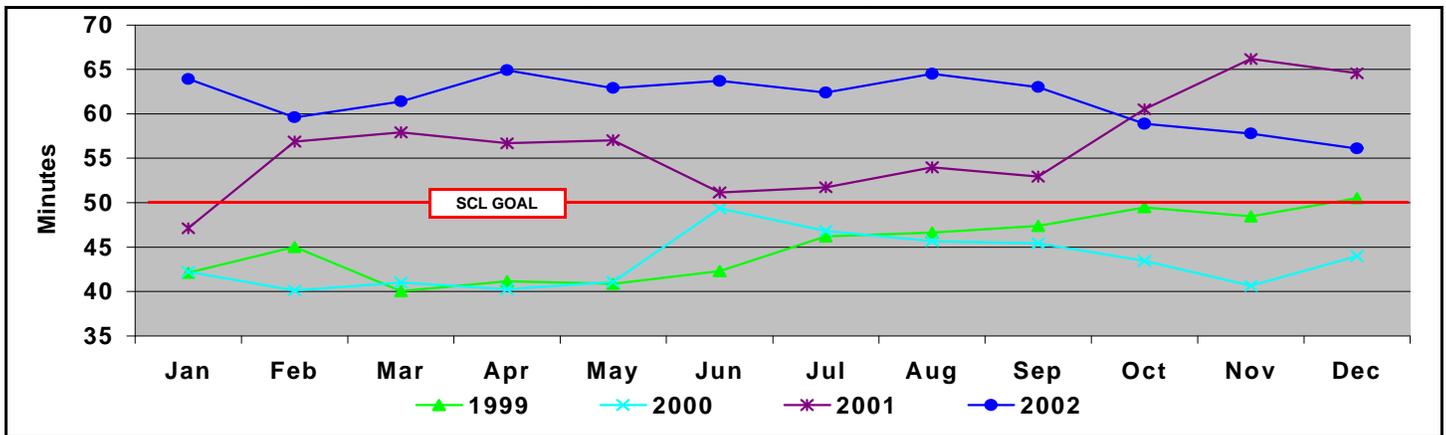
### Water Resources as of Dec. 27, 2002



The 2003 water year (green line) began October 1, and is off to a very dry start, lagging behind even the record drought year of 2001 (tan line). The National Weather Service reports that we are in another El Niño cycle, but not as strong as the 1997-98 event. This has resulted in a warmer and much dryer fall. The NWS predicts increased precipitation in early 2003.

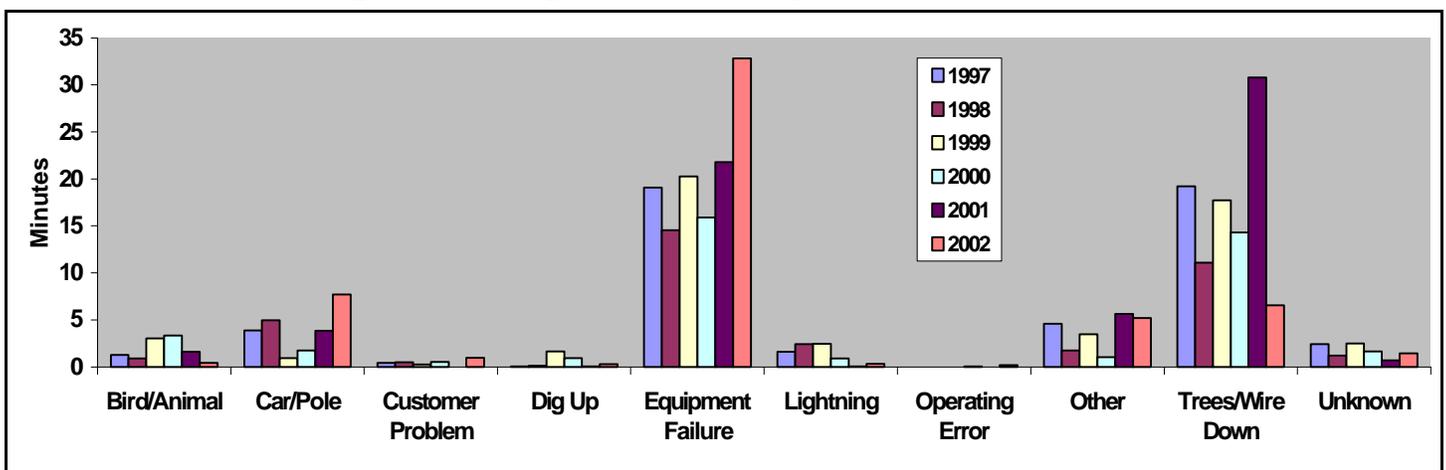
**Reliability**

**Average Customer Outage Minutes, January 1999 – December 2002**



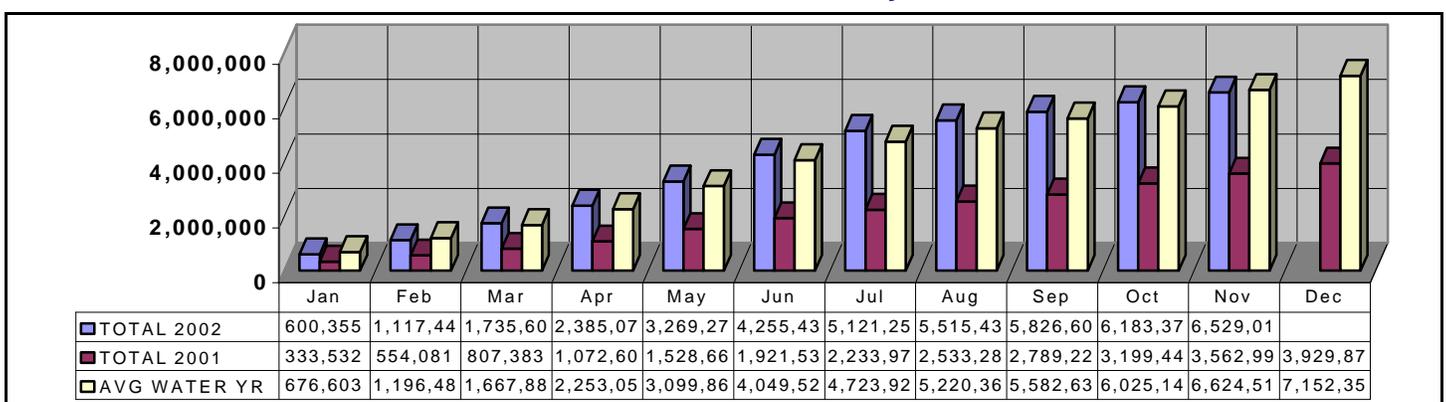
SAIDI has dropped about 8 minutes since August as the effect of several unusually high-impact outages from the fall of 2001 passed out of the rolling 12-month SAIDI database.

**Outage Minutes By Cause, January 1997 – December 2002**



The significant reduction in tree related outages which began in January continued throughout the year and helped offset a continuing increase in overhead and underground equipment failures.

**Cumulative Net MWh Generation, January – November 2002**



Through November 2002, SCL's cumulative net generation is tracking at one and one-half percent less than average, but almost double (183%) the drought-influenced 2001 figure. The inverse of this relationship is reflected in our generation costs for this period: due primarily to SCL's cost-containment efforts, this year's average production cost is \$4.02/MWh, compared to \$3.96/MWh in an average water year and \$6.92/MWh in 2001. For comparison, the average Dow-Jones Mid-Columbia Index price for January through November is \$18.48/MWh.

It's hard to imagine any other issue that would unite the likes of Senator Trent Lott with Patty Murray, Maria Cantwell and Barbara Boxer," Zarker observed. "But other parts of the country will continue trying to get their hands on our low-cost power. We can't afford to let our guard down."

City Light has played a central role in managing and staffing a vital coalition of utilities, state regulators, and consumer groups opposed to further industry restructuring. This includes the formation of Northwest Power Works, which provides a wealth of information and resources on FERC, the proposed regional transmission organization, standard market design, and federal energy legislation. See their web site at <http://www.wpuda.org/nwpowerworks>.

### Bits and Pieces: News and Notes from City Light and the Utility Industry

- **System Control Center:** City Light is establishing a back-up control system and center. Our goal is to have the first phase operational by the end of January. The back-up system will be able to monitor and control our critical generation and distribution stations.
- **GIS/CADD Services:** A new and improved version of the Electrical System Status (ESS) application was released: <http://ess>. It gives a high level web-based view of the status of the utilities distribution system. During storms, the system provides current information on the extent and location of outages.
- **Key Customer Satisfaction Survey:** We are creating an on-line survey form that will be e-mailed to customers by the Account Executive staff. Staff will be able to query the data for analysis.
- According to the Northwest Power Planning Council, the region should make it through this winter with little risk of electricity shortages, but the danger of supply crunches increases for the following years if no new power plants are

built or major conservation measures are put in place. The council said the probability of electricity shortages this winter is estimated at 4 percent. The industry generally considers 5 percent to be the acceptable level.

- The Bonneville Power Administration may be sending some of its customers, including Seattle City Light, bills for millions of dollars of unexpected costs under the year-old "slice" plan. City Light's share is \$11.4 million. City Light and other utilities plan to ask for a review of the line items making up the cost calculations.
- Media articles report that the Bonneville Power Administration ended fiscal year 2002 in the black because of significantly reduced expenses resulting from refinancing Energy Northwest bonds. "BPA had severely depressed hydro revenues in 2002 due primarily to the 2001 drought, and market prices that were far lower than expected," said BPA administrator Steve Wright. The agency has earmarked \$348 million in expense reductions for the next four years. BPA currently projects that power related expenses can be controlled at 2001 levels, or below, through fiscal year 2006.
- In response to an agency request for comments on reform of the hydro relicensing process, APPA said reforms "will have greater and more immediate impact if they improve not only the process but also the quality of the end result, by better balancing the public interest in domestic, renewable, emission-free power generation, costs to electric consumers and other hydro power benefits with environmental and recreational enhancements." APPA's comments are posted at <http://www.appanet.org/>
- A federal regulatory judge ruled that energy companies overcharged California by \$1.8 billion during the state's power crisis. Seattle City Light officials have been closely watching the California case for an indication of what lies ahead. SCL is claiming \$280 million in overcharges. A decision in the Northwest case is expected by spring.

## UPCOMING COUNCIL AGENDA ITEMS

### Jan. 9 Energy and Environmental Policy Committee:

- Resolution opposing FERC Standard Market Design and RTO Proposals
- SCL Strategic Business Plan Progress Report
- SCL Electrical Distribution Plan

### Jan. 16 Energy and Environmental Policy Committee:

- Ordinance to establish a City Light Advisory Board
- Ordinance authorizing purchase of carbon dioxide offsets
- SCL Performance Measures Progress Report (Consultant and Council Central Staff)

### Jan. 17 Special Meeting of the Energy and Environmental Policy Committee:

- Regional Energy Forum Panel Discussion and Public Comment
  - \* Marilyn Showalter, Chair, WUTC
  - \* Dick Hemstad, Commissioner, WUTC
  - \* Patrick Oshie, Commissioner, WUTC
  - \* Anne Fennessy, Principal, Cocker Fennessy Inc.
  - \* Gary Zarker, Superintendent, Seattle City Light
  - \* Jim Harding, Director of External Affairs, Seattle City Light