

the

light report



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Superintendent's Summary: Friends in High Places

The flurry of activity in Washington, D.C. this past month has produced an interesting array of allies for the coalition of utilities fighting against the federal takeover of the country's electricity systems. A letter to Secretary of Energy Spencer Abraham setting out objections to the Standard Market Design proposal and urging a "go slow" approach was signed by eight Northwest Senators and 16 Members of Congress. It brought together such diverse points of view as Oregon's Peter DeFazio and Spokane's George Nethercutt as well as Central Washington's Doc Hastings and Jay Inslee, whom Hastings defeated in 1994.

The Western Governor's Conference and Southern Governor's Conference each weighed in with letters in support of our cause. The growing support amongst conservative lawmakers of both parties led to a letter condemning FERC for pre-emption of state authority. It was signed by Senators who may not have supported Seattle concerns very often in the past: Senator Helms, Senator Lott, Senators Shelby and Sessions, Georgia's Zell Miller and Senators Cleland and Cochran.

A conservative group in Washington, D.C., "Conservatives for Balanced Electricity Reforms," collected signatures of noteworthy names from the conservative movement, notably Jack Kemp, Richard Viguerie, Lynn Nofziger and Club for Growth President Steve Moore.

Since the proposal has become public, a strong regional coalition against the federal takeover has developed including our Pacific Northwest, the Southwest and the Southeast. The coalition includes utilities, state utility commissioners, elected officials and consumer advocates. We continue trying to broaden our support nationally. Northwest Power Works has an excellent website and is worth a visit: <http://www.wpuda.org/nwpowerworks.html>.

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

- The Senate Energy Committee bashed FERC's standard market design proposal during a September hearing. Washington UTC Chair Marilyn Showalter testified very effectively. Wood indicated that he would like to regulate public power under this rule, but current law does not permit that. It does not appear that FERC is going to get additional authority this year.
- In September, FERC approved the region's filing on RTO West. They directed changes that will make it more compliant with their standard market design, ignoring most of the opposing comments and concerns.
- City Light described the electricity system impacts of Vulcan's South Lake Union project to their project team. It is a huge investment that could cost between \$350 and \$550 million depending on how much of the work has to be underground. Finance reports that current rates could support the lower figure without a rate increase but only if the loads Vulcan forecasts actually materialize. We are going to need two new substations to handle the plan for 2008. Neither is in the budget at this time. We have property for one substa-

tion at Interbay, but we need to immediately acquire property at South Lake Union to stay on schedule.

- After three-quarters of the BPA fiscal year, City Light has achieved 7.7 aMW of conservation savings (8.1 aMW with transmission/distribution credit), 86 percent of the BPA contract goal. We are on pace to meet or slightly ex-

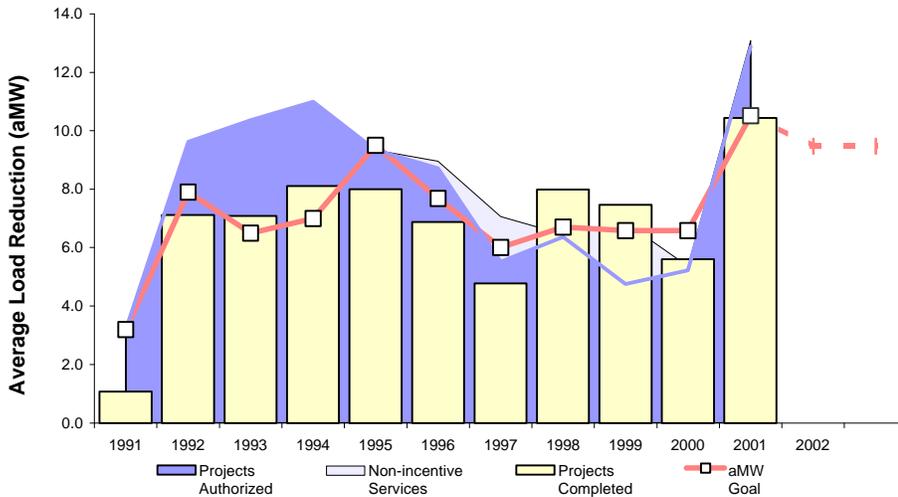
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These solar panels on the roof of Pathfinder Elementary School in West Seattle are examples of the Seattle Green Power installations currently underway at Washington, Greenwood and Orca schools. While the Pathfinder installation is the result of a prior agreement with the Seattle School District, the new installations are being funded through voluntary contributions by City Light customers to the Seattle Green Power fund and are scheduled to begin producing power this fall.

SCL's Two Premier Power Sources: Conservation and Hydro

Ten-year Energy Savings Acquisition

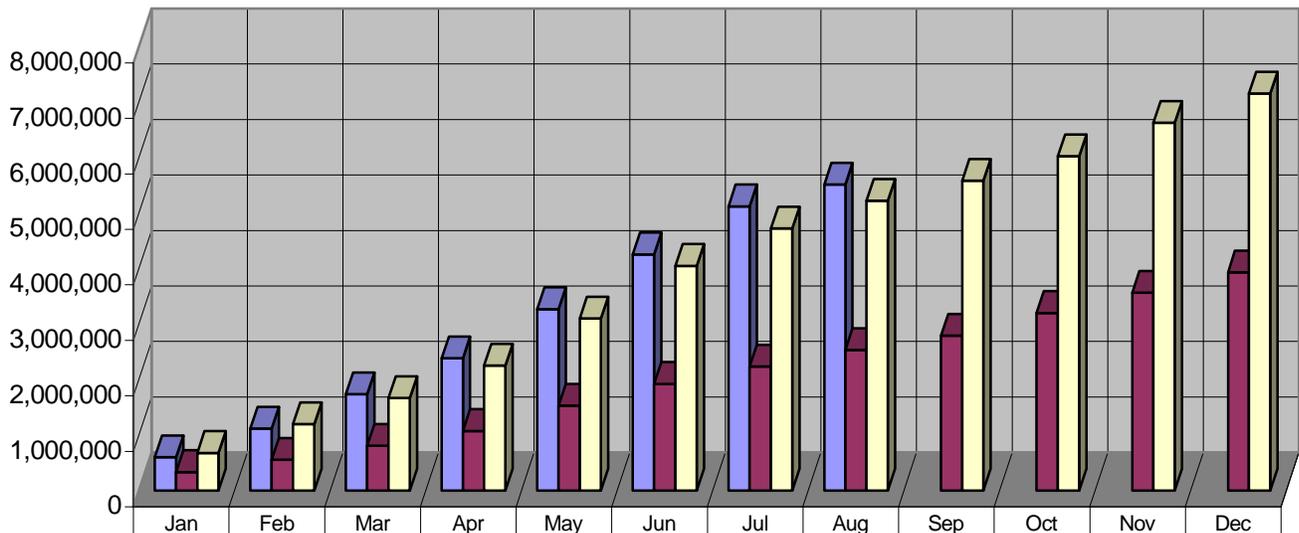


aMW Average Firm Load Reduction			
Year	Goal	Contracts Signed	Projects Completed
1991	3.20	3.21	1.08
1992	7.90	9.62	7.12
1993	6.50	10.36	7.08
1994	7.00	10.99	8.10
1995	9.50	9.34	7.99
1996	7.68	8.72	6.87
1997	6.01	5.51	4.77
1998	6.70	6.37	7.99
1999	6.59	4.76	7.47
2000	6.59	5.23	5.60
2001	10.52	12.88	10.44
2002	9.47		
To Date	87.66	86.97	74.53

Contracts signed with customers reflect commitments to bring new resources on line in the current and following years. Annual staff productivity is managed to meet customer service and contract goals (shown by the red line on the chart, above). By the end of 2001, customers contracted to save 87.0 aMW (blue area), surpassing the 1992-2001 goal of 78.2 aMW by 11%. In addition, new non-incentive services launched in 1996-2001 brought in a reported 4.3 aMW from commercial and industrial customers, bringing total acquisitions up to 91.3 aMW in 2001.

Projects completed (yellow columns) reflect resources put into production and now generating energy savings. This measure shows our progress in capturing the conservation resource. Customers completed projects saving 74.5 aMW during 1992-2001 (including the 1991 Energy Smart Design program).

Cumulative Net MWh Generation Through August 2002



■ TOTAL 2002	600,355	1,117,440	1,735,603	2,385,078	3,269,272	4,255,435	5,121,255	5,515,439				
■ TOTAL 2001	333,532	554,081	807,383	1,072,608	1,528,668	1,921,538	2,233,974	2,533,286	2,789,221	3,199,444	3,562,996	3,929,873
■ AVG WATER YR	676,603	1,196,484	1,667,882	2,253,055	3,099,865	4,049,529	4,723,926	5,220,365	5,582,631	6,025,141	6,624,518	7,152,358

Through August 2002, SCL's cumulative net generation is tracking at five percent greater than average and more than double 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 \$3.52/MWh, compared to \$3.72 in an average water year and \$6.99 in 2001. For comparison, the average Dow-Jones Mid-Columbia Index price for January through August 2002 is \$17.50/MWh.

Capital Improvement Program Through June 30, 2002

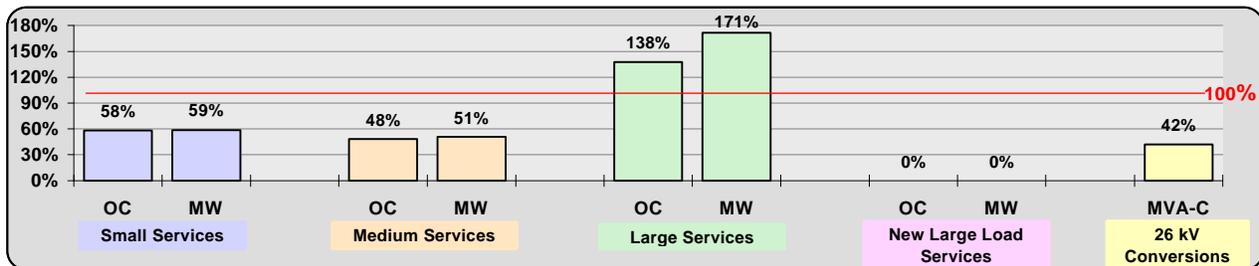
Department-wide Program Spending – Percent of Annual Plan Spent



Program Category	1st Qtr		2nd Qtr		3rd Qtr		4th Qtr		Total		
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Annual Plan	YTD Actual	% of Plan
Distribution	25,548	20,204	20,890	16,660	20,740	-	20,079	-	87,257	36,864	42%
Environment & Safety	2,542	2,517	664	253	612	-	568	-	4,386	2,770	63%
Facilities Management	394	489	453	(194)	448	-	234	-	1,529	295	19%
Information Technology	2,846	1,716	3,130	1,829	3,134	-	3,420	-	12,530	3,545	28%
Power Generation	26,552	11,259	5,084	14,729	5,534	-	3,256	-	40,426	25,988	64%
Total	57,882	36,185	30,221	33,277	30,468	-	27,557	-	146,128	69,462	48%
% of Plan		63%		110%						48%	

In **Distribution**, several large interagency transportation projects performed in the first half of the year will be paid in the third quarter. **Environment & Safety** is ahead of plan. **Facilities** spending is artificially depressed due to a multi-year adjustment to the loadings, but is on track to accomplish its work this year. **Information Technology** has delayed equipment purchases to the latter part of the year to obtain lower prices. **Generation's** contract for the North Cascades Environmental Learning Center was awarded in second quarter, bringing the Branch more in line with planned spending.

Distribution Work Accomplished – Percent of Annual Plan Completed



Annual Program - Units of Measure	1st Qtr		2nd Qtr		3rd Qtr		4th Qtr		Totals - 2002		
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Annual Plan	YTD Actual	% of Plan
Small Services - Orders Completed (OC)	816	978	817	926	816	-	816	-	3,265	1,904	58%
- MegaWatts (MW)	4	5	5	5	4	-	4	-	17	10	59%
Medium Services - Orders Completed (OC)	35	44	35	24	35	-	36	-	141	68	48%
- MegaWatts (MW)	17	22	17	13	17	-	18	-	69	35	51%
Large Services - Orders Completed (OC)	4	12	4	10	4	-	4	-	16	22	138%
- MegaWatts (MW)	7	27	7	21	7	-	7	-	28	48	171%
New Large Load Services - Orders Completed (OC)	-	-	-	-	1	-	-	-	1	-	
- MegaWatts (MW)	-	-	-	-	15	-	-	-	15	-	
26 kV Conversions - MVA Converted	1.63	0.36	1.63	2.40	1.63	-	1.63	-	6.52	2.75	42%

The table shows planned vs. actual results for Services and 26 kV Conversions in orders completed and megawatts. Megawatts indicates the maximum capacity of the installed services and allows comparisons between the service sizes. Small and medium services are tracking as planned, while large services exceed expectations. Installation rates have been stable and have kept pace with customer requests. 26 kV Conversion completions are highly variable, since relatively large projects are involved. We anticipate that we will finish the year on track. One area in Ballard was converted and two in Magnolia. All 26 kV Conversion work in Magnolia is now complete.

ceed the contract goal of 9.0 aMW by fiscal year end.

- The Energy Efficient Water Heater Rebate Program (EE-WHRP) ended July 31, 2002. During its ten-year history, EE-WHRP provided rebates for over 47,500 efficient water heaters in City Light’s service area. It delivered cumulative annual energy savings in 2001 of about 1.27 aMW (1.33 aMW with transmission/distribution credit).
- Two separate entities have expressed interest in purchasing the total generation output of the Lucky Peak plant for a one-year term. In addition to the potential for increased power sales revenues, the sale from the Lucky Peak bus on a forward basis has the added advantage of saving us firm transmission costs of more than \$750,000 per year. The Law Department confirms that the proposed sale is legal, but is waiting for the formal opinion from our expert tax attorney.
- City Light staff worked closely with Will Patton to compile documents for October submittal to the bankruptcy court of New York covering final amounts that are owed by Enron Power Marketing, Inc. to City Light. The total amount of the Proof of Claim is \$6,101,352.
- Pricewaterhouse Coopers (PwC) was selected as our new auditor for the years 2002-2006. Once a contract is signed, PwC will start work on the 2002 financial statement audit.
- The Law Department filed for intervenor status in Puget Sound Energy’s relicensing effort for its Baker River projects. PSE is arguing that our Skagit River operations affect the fish obligations of their projects downstream of us.

The Periscope: City Light Renews Focus on Delinquent Bills

City Light has revamped its credit and collection practices to help customers get current with their bills – and stay current.

We’re committed to making personal contact with all delinquent customers, either over the phone or in person. Our priority is to help them make a payment plan and follow through with it until their bill is paid in full.

Customers who make and honor payment plans will not accrue late fees, nor will they face risk of disconnection.

“Shutoffs will happen only as a last resort, and only with my personal permission in every case,” said Superintendent Gary Zarker.

City Light suspended disconnection of service for nonpayment last spring when we discovered some incorrect bills had been released to customers and in the wake of numerous high-bill complaints.

According to Zarker, “We wanted to make sure no customer with a possible bill dispute was at risk of losing electricity.”

High bill complaints have been reviewed, addressed and resolved. City Light audited and confirmed that the computer billing system computes accurate bills.

Here’s how the new collection policy works: City Light’s “active receivable management” vendor will call active customers with a past balance of \$150 to establish a payment plan. They’ll provide information about bill payment and rate assistance programs.

Our Credit and Collections staff will make outbound calls to customers who don’t follow through on the payment arrangement. Those who fail to pay may receive an urgent notice and face risk of disconnection. Field collectors also may hand deliver urgent and shutoff notices in a last attempt to contact and work with customers.

Customers with inactive accounts (e.g., customers who’ve moved out of our service territory without paying their closing bill or responding to payment reminders) are referred to the City’s collection agency.

No disconnection will take place if:

- a service order is in progress
- the bill is in dispute
- a payment plan is in place and current
- a low-income customer has a pending pledge for bill payment assistance
- the customer is on life support.

“Shutoffs will remain a rare occurrence,” Zarker said. “Our goal is to work with delinquent customers so they catch up and stay caught up. It’s essential for their financial health and ours that people pay their bills on time.”

UPCOMING COUNCIL AGENDA ITEMS

Oct. 3 Energy and Environmental Policy Committee:

- Communications Strategy Briefing
- Voluntary Time-of-Use rates Pilot Program
- Comments to FERC on Standard Market Design
- Forward Review of CIP
- Customer Satisfaction and Customer Service Plan

Oct. 31 Energy and Environmental Policy Committee:

- Greenhouse Gas Mitigation Contract Ordinance
- Financial Status Briefing
- Short-term Financing Alternatives Discussion