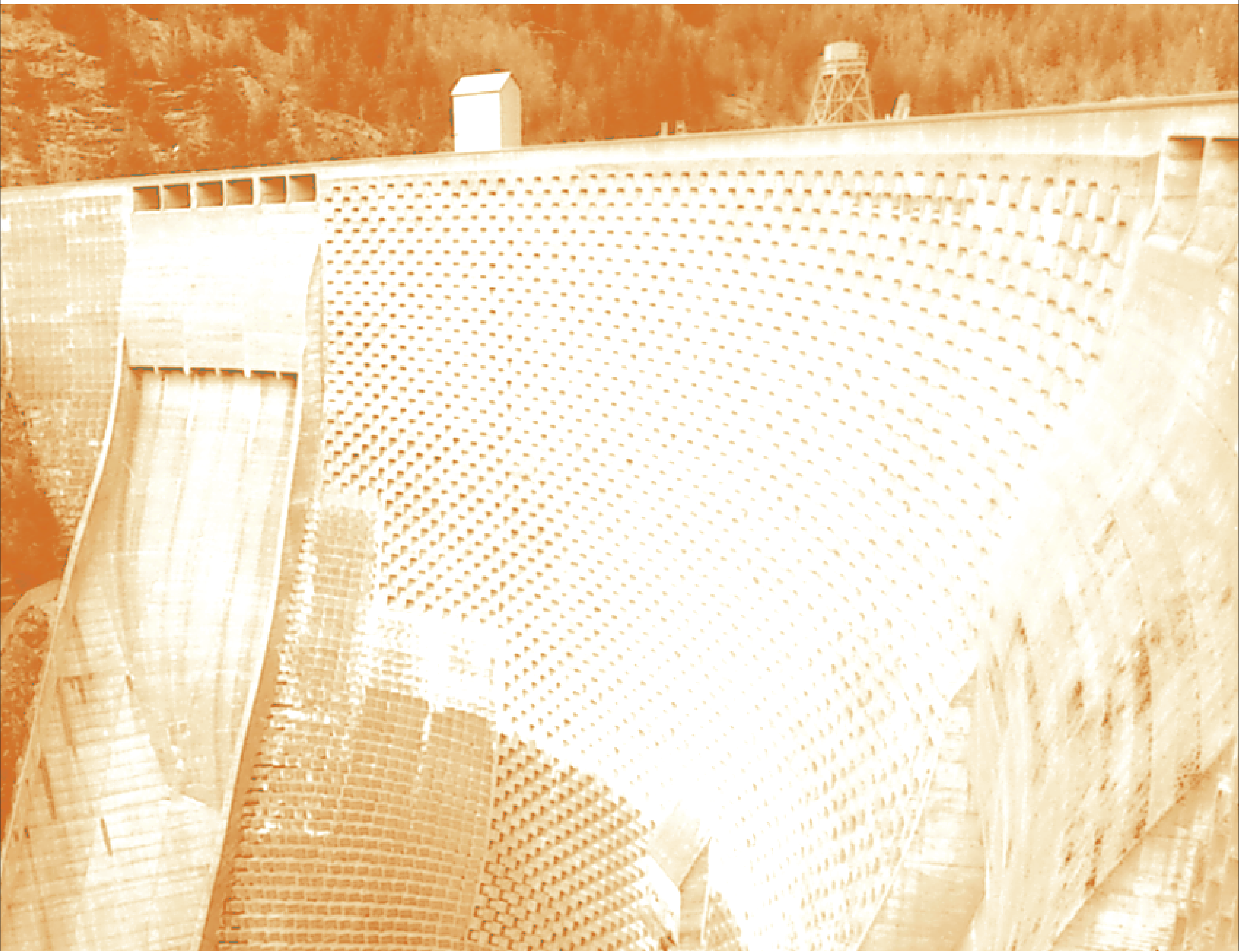
SEATTLE CITY LIGHT 1995 Annual Report



Seattle City Light is in business to sustain and enhance the community's quality of life by providing excellent energy services to our customers.

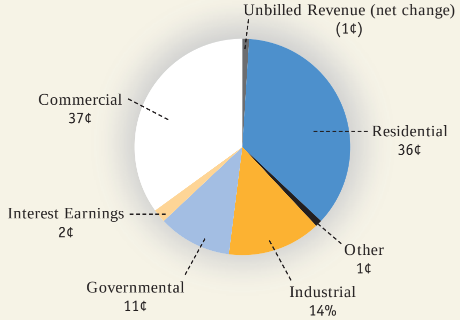
1995 Highlights

In millions	1995	1994	% CHANGE
FINANCIAL			
Total operating revenues	**$332.2**	$335.1	(0.9)
Total operating expenses	**291.8**	307.7	(5.2)
Net operating income	**40.4**	27.4	47.4
Interest earned on investments	**6.5**	7.1	(8.5)
Interest expense, net	**40.7**	34.5	18.0
Other income, (deductions) net	**(10.3)**	0.3	(100.0)
Net income (loss)	**$ (4.1)**	$ 0.3	–
Debt service coverage	**1.84**	1.66	–

ENERGY	
Total generation	7,451,795,000 kWh
Firm energy load	9,396,778,390 kWh
Peak load (highest single hourly use) — February 14, 1995	1,748,657 kW
Average number of residential customers	303,199
Annual average residential energy consumption	10,257 kWh

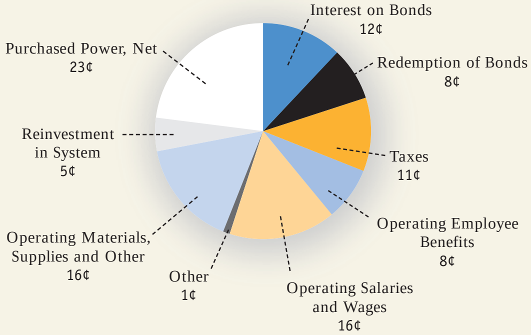
1995 Revenue Dollar: Sources

(cents per dollar)



1995 Revenue Dollar: Uses

(cents per dollar)



Smart move — moving to our new Key Tower headquarters allowed us to consolidate employees in one building and avoid $21.6 million in repairs to our old building.

This is an exciting time for the electric utility industry — standing at a crossroad. Competition is opening the doors to change, transforming electric utilities from regulated monopolies to competitors in an increasingly intricate marketplace. Change of this magnitude brings challenges and opportunities.

Our Commitment to Public Power

Here in the Pacific Northwest, I am on the steering committee of a task force commissioned by the governors of the states of Washington, Oregon, Idaho and Montana to conduct a top-to-bottom review of the region's energy system. We have been asked to examine the entire structure of the regional system and recommend changes that could affect the role of federal power, who owns and operates the regional system, separation of transmission and generation assets and pricing to ensure a competitive marketplace.

The region is blessed with an electrical industry that not only provides highly reliable and low cost energy services, but also supports a wide variety of services which are intimately connected to prosperity throughout the region. While it may be our privilege to participate in a comprehensive rethinking of this highly effective industry, our success is defined by the respect we show this incredible legacy we currently enjoy.

The end goal of the regional review is to make sure that the energy system is structured so that the benefits of a more competitive marketplace are shared efficiently and fairly. The benefits of low cost, environmental stewardship, community support and local control are parts of a cultural fabric of the Pacific Northwest. It is our commitment to the principles of public power.

Strengthening Who We Are Prepares Us for the Future

That is also our goal at Seattle City Light as we prepare for the future for the utility and our customers owners — while preserving the benefits of municipal ownership for the citizens of Seattle. Our vision is to be the most customer focused, competitive, efficient, innovative and environmentally responsible municipally-owned utility in the United States. Emphasizing our principle values in customers first, investment in employees, safety and financial responsibility and participating in the challenges ahead — our fundamental goal remains highly relevant and strong.

Fisheries protection was a key to a new 30-year license for our Skagit Hydroelectric Project.

A unique neighborhood conservation project included education for kids about their community, the environment and conservation.

Strengthening who we are puts us in an excellent position to make our vision a reality. We are using a new approach in business strategy to secure the future we want. We believe customer retention and satisfaction is essential to our business strategy and a responsibility of our employees. Our decision-focused scenario model includes options and strategies which will allow us to be successful in this industry — looking at things through our customers' eyes.

Getting Close to Our Customers

The focus on strong, proactive customer service will never be more important than in the few years ahead. The formation of a Customer Services Branch signals our intention of being responsive — to better understand and meet customer needs so that City Light remains their provider of choice. We are sharpening our focus by getting close to them while building customer loyalty.

As we determine our customers' needs and gauge how our services are perceived — we will meet our customers' expectations. We are actively partnering with our industrial customers to access retail power markets so they realize the benefits of a competitive market without shifting costs to other customers.

We are leveraging our relationship with commercial customers and other local utilities to support major downtown redevelopment projects. We are also consulting with residential communities to ensure quality customer service.

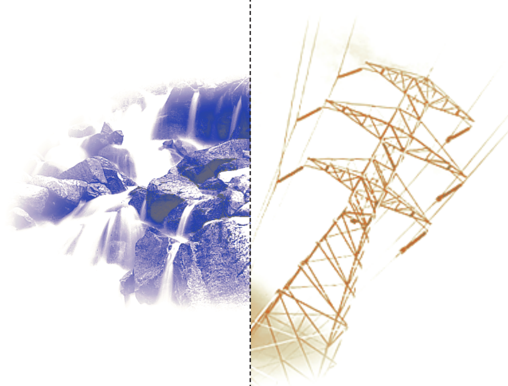
Meeting customers' expectations also include challenges in problem solving. We meet those challenges head on — upgrading the service for Boeing's wind tunnel and bringing them on line, working with Birmingham to install a new transformer for their new arc furnace and improving the University of Washington's distribution system upgrades not only to support its expansion but also to include a neighborhood development — by bringing in our experts to proactively resolve differences to the customers' satisfaction.

Preserving Our Low Cost Generation Assets

Another important step in preparing for the future is preserving our low cost generation assets. Through bold investments made in the past and efforts to make our electrical system highly efficient and well maintained, our customers reap and enjoy the benefits of low cost generation and high reliability. Our comprehensive approach following results of the 1994 R.W. Beck study

Our new System Control Center will allow us to gain an additional 15 average megawatts from our generating units.

Seattle City Light's diverse portfolio of low-cost power resources will make us a tough competitor.



yields an improved strategic approach for City Light's infrastructure. We are initiating comprehensive efforts to rehabilitate our generating plants.

A major investment was the relicensing of our Skagit River Hydroelectric Project. After many years of scientific studies and negotiations, agreements with a number of diverse groups cleared the way for a new 30-year license — one of the largest and most complex licensing settlement of its kind in the U.S. It will cost the utility $60 million in fish and wildlife, environmental, cultural and recreational improvements and $40 million in foregone power revenue over the 30-year life of the license. The costs will mean an average rate impact of about 1 percent over 30 years.

Our generating facilities are now controlled by a new System Control Center, the hub of Seattle's municipal power system, which opened in 1995. The $22.8 million center allows us to control and manage all of our hydroelectric facilities more efficiently, improve trading in the wholesale power market, and more quickly and safely restore service in emergencies and disasters.

City Light also brought a new hydro project on line this year — another element in our generation resources. Located on the South Fork of the Tolt River, the project can generate a peak capacity of 16.8 megawatts using an existing 30-year-old Seattle Water Department reservoir.

Strong Financial Performance

1995 was one of the most opportunity-filled years on record with a wide range of major changes taking place. They start with a change in the Pacific Northwest's weather — good news for City Light's cash flow. After three years of drought and low streamflows, the region had a year of bountiful rainfall and output at City Light's hydroelectric plants was far above normal.

As a result, we had more power than needed to serve our customers and were able to reduce our planned purchases from the Bonneville Power Administration and generation at the Centralia Steam Plant. Our surplus power in 1995 enabled us to realize savings and revenues worth more than $25 million — over $6 million higher than our forecast.

Our financial results last year were the best since 1990. The operating income was strong — our bottom line shows a loss of $4.1 million only because several one-time extraordinary charges

The experience, skill and teamwork of our employees are clear competitive advantages.

Seattle City Light's diverse portfolio of low-cost power resources will make us a tough competitor.

related to the retirement of City Light's headquarters building, equipment from our old power control center and other accounting adjustments added $10.8 million to our expenses.

The move into a new headquarters, the Key Tower building, was a smart financial decision. It allowed us to relocate and consolidate 900 employees into one building — closer to other city government offices. We avoided $21.6 million in repairs to make the old building safe in an earthquake and the expense of leasing additional office space.

City Light's debt service coverage ratio — the key indicator of financial performance — was 1.84, comfortably higher than the 1.80 target used in setting rates. Our results improved even though bills for most customers were reduced in March, when a temporary 8.9 percent drought surcharge was replaced with a 5.7 percent permanent rate increase. City Light's average rates continue to be the lowest of the nation's 25 largest cities.

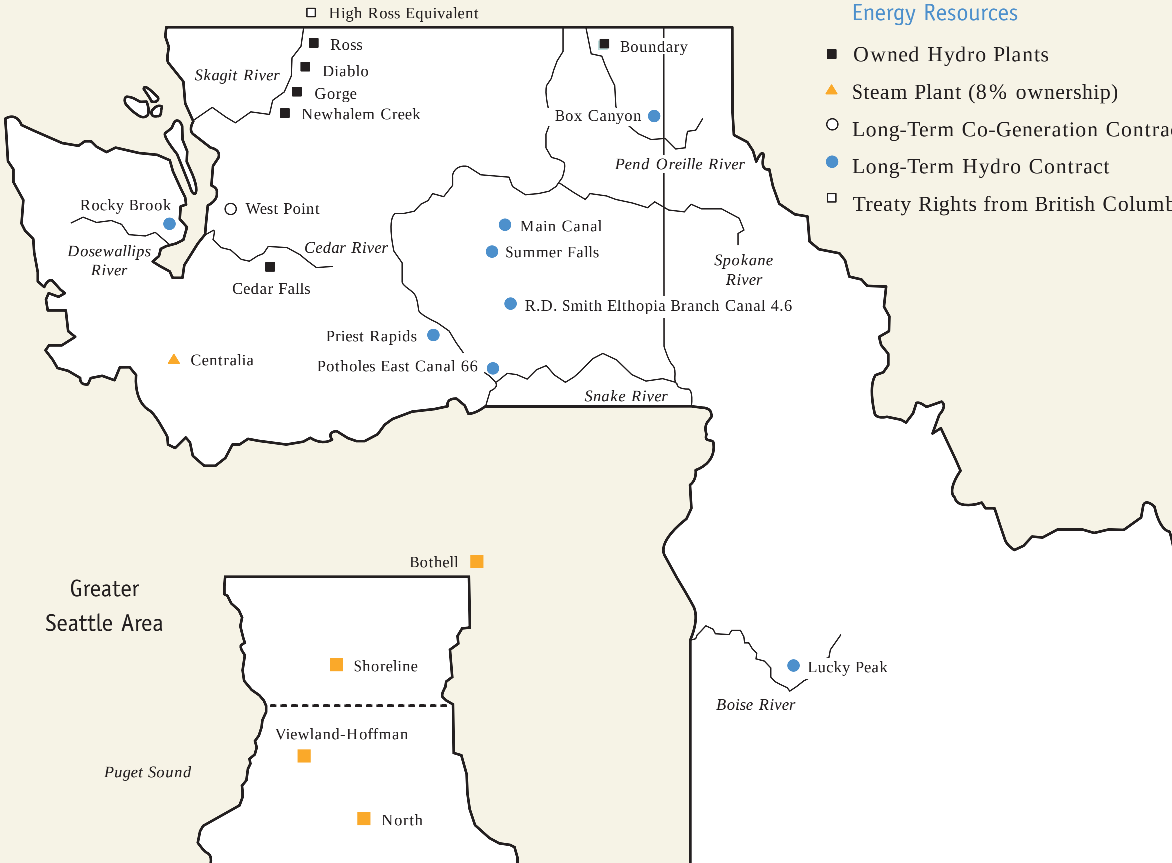
In other financial news, we sold $62.3 million in bonds last year which will be used to finance general capital improvements and our conservation program. It was a very successful bond issue in which we retained our AA rating with competitive interest rates. This figure includes $2.3 million in bonds of $500 denominations we sold directly to our customers and other Washington state residents — the first ever "minibond" sale for City Light.

Expanding Our Commitment to the Environment

While some are shying away from investments in environment initiatives as being too risky, Seattle expands its commitment to the preservation of natural resources amicably and affordably. Last year, City Light was one of 12 utilities nationwide joining with U.S. Energy Secretary Hazel O'Leary to sign the Global Climate Challenge, a voluntary effort to reduce global warming through conservation, efficiency improvements and a variety of environmental protection measures.

Our wise investment in energy conservation continues to be a core value and an important priority. The 1992 Conservation Implementation Plan calls for City Light to achieve 100 average megawatts of conservation over the next decade. We have achieved nearly 40 percent of this goal in late 1995 — and will continue to pursue our goal

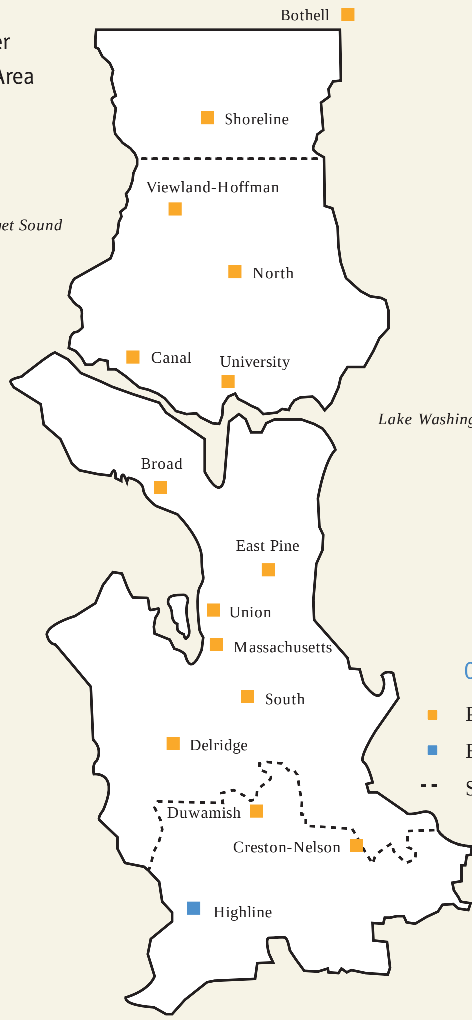
Service Area and Energy Resources



Energy Resources

- ■ Owned Hydro Plants
- ▲ Steam Plant (8% ownership)
- ○ Long-Term Co-Generation Contract
- ● Long-Term Hydro Contract
- □ Treaty Rights from British Columbia

Greater Seattle Area



Owned Hydro Plants

- ■ Principal Substations
- ■ Future Substations
- - - Seattle City Limits

1995 Financial Review

After three years of protracted drought, 1995 saw the return of more normal weather patterns in the Northwest. As a result, City Light's financial results were the best since 1990 and the Department realized debt service coverage of 1.84 on its first-lien revenue bonds, substantially higher than the target of 1.80. However, several exceptional non-cash expenses in 1995 totaling $11.6 million contributed to a net loss of $4.1 million. In 1994, the Department had net income of $270,937.

Operating Results

Total revenues for 1995 were $332.2 million, down $2.9 million from 1994. Sales of electricity declined about 1% to $329.8 million, largely due to warmer than normal temperatures during 1995. A drought surcharge of 8.9%, which was in effect from June 1994 through February 1995, was replaced with a permanent increase in base rates averaging 5.7% on March 1, 1995. Revenue per kilowatt-hour was virtually unchanged from 1994 to 1995.

Operating expenses, including taxes, depreciation and amortization, dropped to $291.8 million, a net decrease of $15.9 million from the previous year, primarily because of the improvement in water conditions. In 1995, the Department was able to generate 43% more hydroelectric power than in 1994, yielding sufficient surplus power to substantially reduce planned purchases from the Bonneville Power Administration (BPA) and generation from the Centralia Steam Plant.

Seattle City Light's 8% share of output at Centralia Steam Plant dropped 41% from 749,800 MWhs in 1994 to 441,900 MWhs in 1995, reducing steam generation costs from $13.1 million to $9.9 million. Greater financial impact resulted from the Department's ability to displace a large part of its entitlement to energy from BPA with energy from its own plants and economy purchases from other utilities. Purchases from BPA declined from 2,196,820 MWhs in 1994 to 610,345 MWhs in 1995 and associated costs dropped from $44.6 million to $21.3 million. Largely due to the reduction in BPA purchases, purchased power costs were $21.7 million lower in 1995 than in the prior year.

Nonfirm energy and interchange transactions showed a net increase of $8.2 million in expense from 1994 to 1995. Most of this amount was due to the deferral from 1994 to 1995 of $6.4 million in expenses related to poor water conditions in 1994. The deferred expenses were offset by revenue from the 8.9% drought surcharge in January and February of 1995.

Partially offsetting the savings in power purchases was an increase of $2.4 million in transmission expenses, $1.6 million of which was attendant to wheeling the increased output from the Boundary Project over Bonneville lines. About $0.5 million was attributable to City Light's share of the operating and maintenance costs of the Third AC Intertie, a portion of which City Light acquired in October 1994. At $33.1 million, costs for distribution system operating and maintenance showed less than a 1% variance between 1994 and 1995.

Customer service and accounting expenses, including conservation assistance, totaled $22.8 million, up slightly from 1994. A shift from conservation activities which are directly expensed in the current period to programs whose costs are deferred and amortized in future periods favorably affected the cost variance in this category. However, conservation savings were more than offset by increased charges for labor and data processing related to customer billing operations.

Before allocation of overhead costs to other expense categories and to capital projects, administrative and general (A&G) expenses totaled $64.4 million, down $2.9 million from 1994. Payroll-related insurance benefits, including medical premiums, accounted for $1.5 million of this reduction. The balance was comprised chiefly of reduced outlays for research and development, training, and toxic waste cleanup.

Administration and general expenses are allocated as overhead to capital and conservation projects and with increased construction and conservation activities during 1995, 69,000 more hours were charged to capital and conservation projects than in 1994. Coupled with an increase in the overhead rate, the allocation of A&G expenses thereby increased to $14.6 million, $2.2 million more than applied in 1994, further reducing net A&G expenses.

Depreciation expense rose 12% in 1995 to $39.6 million, commensurate with additions to plant of $152.2 million. Major capital work included the new System Control Center, rehabilitation work at the Diablo powerhouse and transmission station, underground network improvements, data processing equipment purchases, software development, and the Tolt River Hydroelectric Project which went into commercial operation on November 20, 1995.

The Department capitalized $9.4 million in residential, commercial and industrial conservation programs during 1995, exceeding the amount capitalized in 1994 by $6.7 million. In 1995 and 1994, $2,642,000 and $2,733,000, respectively, were amortized to expense.

Tax expense decreased from $40.8 million to $37.8 million largely due to an accounting adjustment made in 1994 in the recording of taxes attributable to unbilled revenues. The adjustment produced a substantial one-time only increase in tax expense in 1994, which was offset by a corresponding one-time increase in accrued revenue. Before then, the Department did not accrue taxes payable on unbilled revenues, but instead netted taxes against unbilled revenue. Also in 1994, the Department was assessed additional taxes as a result of an audit conducted by the Washington State Department of Revenue.

A number of nonrecurring non-cash transactions which occurred in 1995 seriously impacted the year's financial results. The pending sale of the City Light Building, which took place in the first quarter of 1996, required a write-down of the property to net realizable value in 1995, which resulted in a loss of $6.1 million. A write-down of $2.5 million was also required for obsolete communications equipment from the old Power Control Center.

In addition, a change in funding the expense of on-the-job injuries was approved by the City Council for City Light, effective in 1996. The plan converts insurance-based funding to an expense reimbursement program. This change resulted in an added expense accrual of $2.3 million for City Light in 1995 which represents the estimated remaining cost to service claims outstanding at the end of the year. The current year's share of this expense, amounting to $0.8 million, is included in *Operating Expenses* and the balance is reflected in *Other Income and Deductions*. City Light will be responsible for managing past and future industrial injuries with a focus on accountability and cost containment.

In 1995, the Department implemented the provisions of a new accounting standard relating to deferred charges for refunding of debt. The cumulative effect on retained earnings for periods prior to 1995 was a reduction of $2.8 million; amortization expense for 1995 increased $0.7 million.

Accessing Capital Markets

In September, City Light accessed the bond market with a first-lien revenue bond issue totaling $60 million to finance a portion of the Capital Improvement and Conservation Programs. The effective interest rate of the 1995 bonds was 5.63%, with coupon rates ranging from 5.00% to 5.70%. Total outstanding first-lien revenue bonds were $741.5 million at year end.

Immediately after the $60 million bond sale, City Light offered Washington State residents the opportunity to invest in revenue bonds in denominations of $500, with maturities of 3, 5, 7 and 10 years. With interest rates ranging from 4.05% to 4.80%, the minibonds were well received and yielded proceeds of $2.3 million, which were also used to finance a portion of the Capital Improvement and Conservation Programs. The Capital Improvement Program focuses on replacement and upgrading of generation, transmission and distribution equipment to maintain system quality and reliability.

City Light's 1995 revenue bond issues were rated Aa and AA by Moody's Investors Service and Standard & Poor's Corporation rating agencies, respectively. The strong ratings demonstrate City Light's solid financial condition for the long term and continued favorable status with the financial community.

A subordinate lien revenue bond issue planned for late 1995 was postponed to 1996 because of improved water conditions and, as a consequence, improved cashflows. City Light's outstanding subordinate lien bonds, which remained constant throughout the year at $92 million, are remarketed at various intervals at lower rates than what would have been achieved had these bonds been issued as fixed rate securities. During 1995, interest rates averaged 3.83% for the $47 million in bonds placed in a weekly mode rate. Interest rates on the balance of the subordinate lien program, with various interest rate periods, averaged 3.95% for the year.

Vision For the Future

In 1995, the Seattle economy continued to play its traditional role as the engine of growth in the Northwest region. The area continues to experience in-migration, driven by the unparalleled quality of life in the region and job growth in high-value-added industries, such as information technology, biotechnology and aerospace. The low cost of electricity in the Northwest is an important consideration to industries considering locating or expanding their operations. Seattle's geographic position as a key focal point on the Pacific Rim has strengthened the area's key role in finance and business services related to international trade. With continued growth likely in all of the sectors that dominate the Seattle economy, the economic health of City Light's service area seems assured for the foreseeable future.

As deregulation of the electric utility industry unfolds, City Light is well positioned to meet the challenges of the near future while at the same time striving to be the most customer-focused, competitive, and innovative municipal utility. Controlling operating costs and responding to customer needs while maintaining the city's traditional commitment to environmental quality and system reliability are among the goals that will shape our policy and rate direction in the next few years. A strong management team is in place with a commitment to cost containment, debt service coverage of 1.80 on first-lien bonds, and continuation of the low electric rates which City Light customers have enjoyed over the past century.

Independent Auditor's Report

To the Superintendent of the City Light Department:

We have audited the accompanying balance sheets of the City of Seattle — City Light Department (the Department) as of December 31, 1995 and 1994, and the related statements of income and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 10, the Department adopted Governmental Accounting Standards Board Statements No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities" and No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," effective January 1, 1995.

Deloitte + Touche LLP

Seattle, Washington
March 15, 1996

Balance Sheets

As of December 31,	1995	1994
ASSETS		
UTILITY PLANT, at original cost		
Plant in service, excluding land	$1,435,553,597	$1,294,107,883
Less — accumulated depreciation	(579,252,987)	(540,562,575)
	856,300,610	753,545,308
Construction work in progress	54,932,427	103,682,393
Nonoperating property, net of accumulated depreciation	6,185,158	6,026,464
Land and land rights	23,784,784	21,486,248
	941,202,979	884,740,413
CAPITALIZED PURCHASED POWER COMMITMENT	99,116,465	103,507,934
RESTRICTED ASSETS		
Municipal Light & Power Bond Reserve Fund:		
Cash and cash equivalents	15,488,173	3,096,492
U.S. Government securities, held to maturity	32,123,015	41,364,185
Bond proceeds and other:		
Cash and cash equivalents	606,211	21,466,058
	48,217,399	65,926,735
CURRENT ASSETS		
Cash and cash equivalents	28,938,577	12,506,418
U.S. Government securities, available for sale	4,955,625	18,243,750
Accounts receivable, customers and other (net of allowance of $2,182,000 and $1,980,000 respectively)	39,913,288	41,447,054
Accrued unbilled revenues	29,866,965	32,212,702
Materials and supplies and coal inventory, at average cost	24,243,611	20,947,570
Prepayments and other	5,153,935	3,127,915
	133,072,001	128,485,409
OTHER ASSETS		
Real estate and conservation loans receivable	3,288,353	3,856,790
Deferred conservation costs, net	42,242,395	35,444,512
Other deferred charges, net	18,020,493	20,551,675
	63,551,241	59,852,977
	$1,285,160,085	$1,242,513,468

The accompanying notes are an integral part of these financial statements.

	1995	1994
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	$ 263,527,603	$ 268,762,974
Contributions in aid of construction	79,643,431	73,867,675
	343,171,034	342,630,649
LONG-TERM DEBT		
Revenue bonds, due serially	833,495,000	798,860,000
Less — bond discount and premium, net	(10,344,175)	(10,675,773)
Less — deferred costs on refunding	(46,509,763)	(53,465,472)
Less — parity bonds due within one year	(29,200,000)	(27,670,000)
	747,441,062	707,048,755
NONCURRENT LIABILITIES		
Accumulated provision for injuries and damages	2,877,181	1,468,000
Long-term purchased power obligation	99,116,465	103,507,934
Less — obligation due within one year	(4,630,000)	(4,250,000)
	97,363,646	100,725,934
CURRENT LIABILITIES		
Accounts payable, accrued payroll, taxes and other	41,529,508	43,125,123
Accrued vacation and sick leave	8,669,463	7,920,041
Accrued interest	12,347,697	8,418,386
Parity bonds due within one year	29,200,000	27,670,000
Purchased power obligation due within one year	4,630,000	4,250,000
	96,376,668	91,383,550
DEFERRED CREDITS	807,675	724,580
COMMITMENTS AND CONTINGENCIES (NOTE 11)	–	–
	$1,285,160,085	$1,242,513,468

The accompanying notes are an integral part of these financial statements.

Statements of Income and Retained Earnings

For the years ended December 31,	1995	1994
ELECTRIC ENERGY SALES AND OTHER OPERATING REVENUES	**$332,184,980**	$335,113,006
OPERATING EXPENSES		
Operation	**109,623,896**	113,282,743
Maintenance	**25,349,174**	25,331,123
Depreciation	**39,607,336**	35,341,408
Purchases of firm power	**71,725,131**	93,441,862
Other purchases & interchanged power, net	**7,739,394**	(509,333)
City of Seattle occupation tax	**19,601,966**	21,357,616
Other taxes	**18,183,863**	19,453,404
Total operating expenses	**291,830,760**	307,698,823
Net operating income	**$ 40,354,220**	$ 27,414,183
OTHER INCOME AND DEDUCTIONS		
Investment income	**6,559,820**	7,078,653
Interest expense, net	**(40,668,327)**	(34,533,094)
Other income (expense), net	**(1,762,796)**	311,195
Loss on impairment of assets	**(8,584,533)**	–
	(44,455,836)	(27,143,246)
Net income (loss)	**$ (4,101,616)**	$ 270,937
RETAINED EARNINGS		
Balance at beginning of the year	**$268,762,974**	$269,752,806
Adjustment for the cumulative effect on prior years of implementation of GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities"	**(2,831,202)**	–
Unrealized gain on investments — cumulative effect of change in method of accounting for investments available for sale	**–**	1,033,177
Unrealized gain (loss) on investments available for sale	**1,697,447**	(2,293,946)
Net income (loss)	**(4,101,616)**	270,937
Balance at end of the year	**$263,527,603**	$268,762,974

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31,	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	**$ 356,144,654**	$ 344,493,331
Cash paid to suppliers and employees	**(226,879,706)**	(257,546,502)
Taxes paid	**(34,279,474)**	(32,256,814)
Net cash provided by operating activities	**94,985,474**	54,690,015
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from short-term borrowing	**–**	42,408,821
Principal paid on short-term borrowing	**–**	(42,408,821)
Interest paid on short-term borrowing	**–**	(115,553)
Net cash used for noncapital financing activities	**–**	(115,553)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term borrowing, net of discount	**61,756,999**	114,034,726
Bond issue costs paid	**(262,103)**	(273,428)
Principal paid on long-term borrowing	**(27,670,000)**	(27,645,000)
Interest paid on long-term borrowing	**(37,298,454)**	(33,420,321)
Acquisition and construction of capital assets	**(119,892,926)**	(139,683,953)
Proceeds from sale of property, plant and equipment	**894,853**	497,731
Contributions in aid of construction	**3,874,892**	3,136,831
Net cash used for capital and related financing activities	**(118,596,739)**	(83,353,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from long-term loans receivable	**1,586,886**	909,893
Long-term loans issued	**(1,202,061)**	(1,804,242)
Proceeds from investments held to maturity	**9,212,000**	–
Proceeds from investments available for sale	**30,011,696**	32,470,681
Purchases of investments available for sale	**(14,896,621)**	(23,622,750)
Interest received on investments	**6,863,358**	7,198,637
Net cash provided by investing activities	**31,575,258**	15,152,219
Net increase (decrease) in cash and cash equivalents	**7,963,993**	(13,626,733)
Cash and cash equivalents at beginning of the year	**37,068,968**	50,695,701
Cash and cash equivalents at end of year	**$ 45,032,961**	$ 37,068,968
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	**$ 40,354,220**	$ 27,414,183
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	**43,574,317**	39,336,128
Cash provided by (used for) changes in operating assets and liabilities:		
Accounts receivable	**5,030,157**	(1,762,547)
Unbilled revenues	**2,345,737**	(6,043,405)
Materials and supplies and coal inventory	**(2,641,307)**	(919,266)
Prepayments and other	**(2,362,329)**	341,754
Provision for injuries and damages	**465,125**	(1,348,711)
Accounts payable, taxes and other	**(651,962)**	981,686
Accrued vacation and sick leave	**749,422**	11,241
Other	**8,122,094**	(3,321,048)
Total adjustments	**54,631,254**	27,275,832
Net cash provided by operating activities	**$ 94,985,474**	$ 54,690,015

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 1995 and 1994

NOTE (1) OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Light Department (the Department) is the public electric utility of the City of Seattle (the City). The accounting and reporting policies of the Department are regulated by the Washington State Auditor's Office, Division of Municipal Corporations, and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC).

The Department receives certain services from other departments and agencies of the City, including those normally considered to be general and administrative. The Department supplies electrical energy to other City departments and agencies at rates prescribed by City ordinances. The establishment of the Department's rates is within the exclusive jurisdiction of the City Council. A requirement of State law provides that rates must be fair, nondiscriminatory and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department is charged for services received from other City departments and, additionally, must pay an occupation tax to the City. Included in accounts receivable at December 31, 1995 and 1994 are $2,020,000 and $157,000, respectively, representing amounts due from other City departments for services provided. Also included in accounts payable for the same time periods are $6,933,000 and $5,978,000 representing amounts due other City departments for goods and services received.

Accounting Standards

Pursuant to Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Department has elected to apply all Financial Accounting Standards Board statements and interpretations except for those that conflict with or contradict GASB pronouncements. Accordingly, in prior years, the Department implemented the Statements of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments," and No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Utility Plant

Utility plant is recorded at original cost which includes both direct costs of construction or acquisition and indirect costs, including an allowance for funds used during construction. The allowance represents the estimated costs of financing construction projects and is computed using the Department's most recent long-term borrowing rate. The allowance totaled $5.7 million and $3.8 million in 1995 and 1994, respectively, and is reflected as a reduction of interest expense in the statements of income and retained earnings. Property constructed with contributions in aid of construction received from customers is included in utility plant.

Provision for depreciation is made using the straight-line method based upon estimated economic lives of related operating assets. The Department uses a half-year convention method, on the assumption that additions and replacements are placed in service at mid-year. The composite depreciation rate was approximately 3.0% in 1995 and 1994. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized.

Amortization

Discounts or premiums on investments purchased are amortized over the term of the investment using the straight-line method, the results of which are not materially different from the effective interest method.

Bond issue costs and discounts are amortized to interest expense using the effective interest method over the term of the bonds.

The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using the straight-line method. Prior to 1995, these costs were being amortized over the term of the new bonds. In 1995, the Department implemented the provisions of GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which requires amortization over the shorter of the remaining life of the old debt or the life of the new bonds. The cumulative effect on retained earnings for periods prior to 1995 was a reduction of $2,831,202; the 1995 financial statements reflect an amortization expense of $4,124,508, which is $741,180 more than would have been expensed under the method used before implementation of GASB Statement No. 23.

GASB Statement No. 23 prescribes that deferred costs on refunding should be reported as a component of long-term debt on the balance sheet. Accordingly, deferred costs in the amount of $46,509,763 and $53,465,472, respectively, are reflected as such in the 1995 and 1994 balance sheets.

Restricted Assets

In accordance with the Department's bond resolutions, state law or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of the Municipal Light & Power Bond Reserve Fund, financing of the Department's ongoing Capital Improvement Program and other purposes.

Cash and Cash Equivalents

The City pools and invests all temporary cash surpluses for City departments. These residual investments are short term, and highly liquid; accordingly, the Department's equity in the residual investments is reflected as cash. Earnings from these investments are prorated monthly to City departments based on average daily cash balances.

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

The City is authorized to purchase Certificates of Deposit issued by Washington State depositories that participate in a state insurance pool, U.S. Treasury and agency securities, prime bankers' acceptances trading in the secondary market and repurchase or reverse repurchase agreements. Delivery is required on the underlying securities for all repurchase agreement transactions.

All investments of the Department, except repurchase agreements, are held by banks or trust companies as the City's agent and in the City's name. The Department did not own any repurchase or reverse repurchase agreements at either year end.

Pursuant to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Department has defined its investments as either 'held to maturity' or 'available for sale.' Investments in the bond reserve fund are restricted as to use and it is the Department's policy to hold such reserve investments to maturity. These investments are reported at historical cost.

Investments unrestricted as to use are 'available for sale' and are reported at fair value. Unrealized gains and losses on investments available for sale are recorded as a separate component of equity. Realized gains and losses are reflected in the income statement upon sale of a security.

Revenues

Service rates are authorized by City of Seattle ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements under the caption "accrued unbilled revenues."

The Department's customer base is comprised of four identifiable groups which accounted for revenues as follows:

	1995	1994
Residential	**36.6%**	36.9%
Commercial	**38.5**	38.3
Industrial	**13.9**	13.9
Governmental	**11.0**	10.9N
	100.0%	100.0%

Compensated Absences

Permanent employees of the Department earn vacation time in accordance with length of service. A maximum may be accumulated and, upon termination, employees are entitled to compensation for unused vacation. At retirement, employees receive compensation equivalent to 25% of their accumulated sick leave. Beginning in 1994, management employees may be awarded merit leave of up to six days per year which must be utilized in the succeeding year.

The Department accrues all costs associated with compensated absences, including payroll taxes.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Department has used significant estimates in determining reported accrued unbilled revenues, accumulated provision for injuries and damages, allowance for doubtful accounts, accrued sick leave, and other contingencies. Actual results may differ from those estimates.

Reclassifications

Certain 1994 account balances have been reclassified to conform to the 1995 presentation.

NOTE (2) LOSS ON IMPAIRMENT OF ASSETS

The loss on impairment of assets consists of the write-down of plant relating to the pending sale of the City Light Building in downtown Seattle upon relocation of staff to leased facilities and the retirement of obsolete equipment subsequent to installation of an updated system in the new Control Center. The fair value of the City Light Building was based upon expected proceeds from the sale which resulted in an estimated loss of $6.1 million. The old Control Center equipment was determined to have no significant resale value. This determination resulted in recognition of a loss of $2.5 million.

NOTE (3) JOINTLY OWNED PLANT

The Department is one of eight public and private utilities which have constructed and own as tenants-in-common a 1,343 MW coal-fired, steam-electric generating plant located near Centralia, Washington. The Department's ownership interest is 8%. The Department's share of operating expenses and plant investment associated with the Centralia Steam Plant is included in the accompanying financial statements. The Department's share of the investment in the Centralia Steam Plant at December 31, is as follows:

	1995	1994
Utility Plant	**$ 28,125,280**	$ 28,208,499
Less — accumulated depreciation	**(17,568,390)**	(16,980,166)
	$ 10,556,890	$ 11,228,333

On December 31, 1992, the Department established a trust for the purpose of funding the Department's 8% share of the reclamation costs of the Centralia Coal Mine. The initial funding of the trust in the amount of $1.7 million was derived from the Department's previous contributions to the operator of the mine for reclamation costs. Payments into the trust have been, and will continue to be, reflected as a component of the fuel costs for the Centralia Steam Plant. At December 31, 1995, the balance in the trust was $2.8 million. Trust assets are not reflected on these financial statements.

NOTE (4) LONG-TERM DEBT

Parity Bonds

On September 28, 1995, the Department issued Municipal Light and Power (ML&P) Revenue Bonds, Series A, in the amount of $60,000,000, bearing interest rates ranging from 5.00% to 5.70%. These bonds, issued in denominations of $5,000, will mature serially on September 1, 1999 through 2020. On October 17, 1995, the Department issued ML&P Revenue Bonds, Series B, in the amount of $2,305,000, bearing interest rates ranging from 4.05% to 4.80%. These bonds, issued in denominations of $500, will mature serially on September 1, 1998 through 2005. Proceeds from the 1995 bonds were used to finance a portion of the Department's ongoing Capital Improvement and Conservation Programs.

In December, 1994, the Department issued $115,000,000 in ML&P Revenue Bonds, which bear interest rates ranging from 6.00% to 6.625% and mature serially on July 1, 1998 through 2020. Proceeds were used to finance a portion of the Department's Capital Improvement and Conservation Programs.

Parity bonds outstanding at December 31, 1995, bear interest rates of 3.85% to 6.625%. Principal redemptions extend through 2020 and total $741,495,000. Future debt service requirements on the parity bonds are as follows:

Year ending December 31,	Principal Redemptions	Interest Requirements	Total
1996	$ 29,200,000	$ 39,046,647	$ 68,246,647
1997	31,645,000	37,879,002	69,524,002
1998	31,313,000	36,582,322	67,895,322
1999	33,385,000	35,173,003	68,558,003
2000	34,079,500	33,576,761	67,656,261
Thereafter	581,872,500	300,749,310	882,621,810
	$741,495,000	$483,007,045	$1,224,502,045

The Department is required by ordinance to fund reserves for parity bond issues in an amount equal to the lesser of (a) the maximum annual debt service on all bonds secured by the reserve fund or (b) the maximum amount permitted by the Internal Revenue Code (IRC) of 1986 as a "reasonably required reserve or replacement fund." Upon issuance of the 1995 bonds, the maximum annual debt service on parity bonds increased from $66,153,972 to $69,524,002. The IRC's requirement increased from $54,098,703 to $65,775,784. At December 31, 1995, the balance in the reserve fund was $47,611,188. The reserve must be fully funded by September 1, 2000.

In 1986, 1992, and 1993, the Department issued refunding revenue bonds which were used to defease certain outstanding parity bonds. Proceeds of the refunding bonds were placed in separate irrevocable trusts to provide for all future debt service payments on the bonds defeased. Accordingly, neither the assets of the respective trust accounts nor the liabilities for the defeased bonds are reflected in the Department's financial statements. The bonds defeased in 1986 were redeemed in full during 1995. The bonds defeased in 1992 and 1993 had outstanding balances of $57,700,000 and $228,860,000, respectively, as of December 31, 1995. Funds held in the respective trust accounts on December 31, 1995, will be sufficient to service and redeem the defeased bonds.

Subordinate Lien Bonds

At December 31, 1995, the Department also had outstanding subordinate lien bonds totaling $92,000,000. These bonds will remain subordinate in lien to the parity bonds until they are converted to fixed rates, making them equal in rank to the Department's parity bonds. The proceeds of these bonds were used to finance capital improvements and conservation programs.

Subordinate lien bonds may be remarketed daily or weekly, or for longer periods based on unit pricing, term rate, or fixed rate modes. The 1990 bonds in the amount of $25,000,000 and 1991 Series B bonds in the amount of $20,000,000 were marketed on a unit pricing mode during 1995 with interest rates ranging from 2.80% to 4.40%. The 1991 Series A bonds in the amount of $25,000,000, which were converted from a term rate mode of 5.05% on November 1, 1994, and the 1993 bonds in the amount of $22,000,000 were marketed weekly during 1995. Interest rates in 1995 for bonds priced weekly ranged from 2.60% to 5.50%.

Future principal redemptions and interest requirements on the subordinate lien bonds, based on estimated interest rates ranging from 3.05% to 5.00%, are as follows:

Year ending December 31,	Principal Redemptions	Interest Requirements	Total
1996	$ 500,000	$ 3,472,095	$ 3,972,095
1997	600,000	3,617,446	4,217,446
1998	900,000	3,402,382	4,302,382
1999	1,900,000	3,280,667	5,180,667
2000	2,100,000	3,267,425	5,367,425
Thereafter	86,000,000	31,779,652	117,779,652
	$92,000,000	$48,819,667	$140,819,667

NOTE (5) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short maturity of these instruments.

Long-Term Investments: The fair values of the investments are estimated based on quoted market prices for those or similar investments.

Long-Term Debt: The fair value of the Department's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities.

The carrying amount and estimated fair values of the Department's financial instruments are as follows:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
RESTRICTED ASSETS				
ML&P Bond Reserve Fund				
Cash and cash equivalents	**$ 15,488,173**	**$ 15,488,173**	$ 3,096,492	$ 3,096,492
U.S. Government securities held to maturity, maturing 1999 to 2003	**32,123,015**	**34,376,978**	41,364,185	40,477,927
Bond proceeds and other				
Cash and cash equivalents	**606,211**	**606,211**	21,466,058	21,466,058
	$ 48,217,399	**$ 50,471,362**	$ 65,926,735	$ 65,040,477
CURRENT ASSETS				
Cash and cash equivalents	**$ 28,938,577**	**$ 28,938,577**	$ 12,506,418	$ 12,506,418
U.S. Government securities available for sale maturing 2001	**4,518,947**	**4,955,625**	19,504,519	18,243,750
Unrealized gains (losses)	**436,678**	**–**	(1,260,769)	–
	4,955,625	**4,955,625**	18,243,750	18,243,750
	$ 33,894,202	**$ 33,894,202**	$ 30,750,168	$ 30,750,168
LONG-TERM DEBT				
Parity	**$731,487,332**	**$760,128,195**	$696,536,760	$668,033,543
Subordinate lien	**91,663,493**	**92,000,000**	91,647,467	92,000,000
	$823,150,825	**$852,128,195**	$788,184,227	$760,033,543

NOTE (6) PENSION COSTS

All permanent nonuniformed City employees participate in the Seattle City Employees' Retirement System (the System), a single employer public employee retirement system. The payroll for City employees covered by the System for the year ended December 31, 1995, was $310.7 million; total City payroll was $470.4 million.

Benefits vest after five years of covered service. City employees may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by City ordinance.

City employees are required to contribute 8.03% of their annual basic salary to the System. The City is required to contribute 8.91% of covered payroll to fund the System.

The 'pension benefit obligation' is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems and employers. The System does not make separate measurements of assets and the pension benefit obligation for individual City departments. The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1994. The pension benefit obligation for the System as a whole at January 1, 1994, was $891.6 million. The System's net assets available for benefits on that date valued at cost were $617.5 million (market value $793.6 million), leaving an unfunded pension benefit obligation of $274.1 million. The Department's 1995 and 1994 contributions of $6.8 million and $6.6 million, represented approximately 24% and 25%, respectively, of total contributions required of all participating entities. The Department's employees contributed $6.1 million and $5.9 million in 1995 and 1994, respectively.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1995, annual financial report.

NOTE (7) DEFERRED COMPENSATION

The Department's employees may contribute to the City of Seattle's Voluntary Deferred Compensation Plan (the Plan), created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is paid to employees upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the Plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The amounts deferred are the property of the City of Seattle, the Department's oversight entity. As such, the Plan assets and the corresponding liability to employees for deferred compensation and accumulated net earnings thereon are not separately reported in the Department's balance sheets, but are instead reported in an agency fund in the City of Seattle's comprehensive annual financial report.

It is the opinion of the City's legal counsel that the City has no liability for investment losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, enrollees accept and assume all risks that adhere in the Plan and its administration.

NOTE (8) PURCHASED AND INTERCHANGED POWER

Bonneville Power Administration

The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA) under a long-term contract expiring in 2001. During 1995, the power purchased under this contract was approximately 70 average megawatts. The BPA rate structure is based on the total amount of energy delivered and the monthly peak power demand.

The Department has entered into separate net billing agreements with BPA and the Washington Public Power Supply System, a municipal corporation and joint operating agency of the State of Washington, with respect to sharing costs for the construction and operation of three nuclear generating plants. Under these agreements, the Department is unconditionally obligated to pay the Supply System a pro rata share of the total annual costs, including debt service to finance the cost of construction, whether or not construction is completed, delayed or terminated, or operation is suspended or curtailed. The net billing agreements provide that these costs be recovered through BPA rates. One plant is in commercial operation. Construction of the other two plants has been terminated.

Lucky Peak

In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net output of a hydroelectric facility constructed in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable. During 1995, the power purchased under this agreement was approximately 44 average megawatts. To properly reflect its rights and obligations under this agreement, the Department includes as an asset and liability the outstanding principal of the project's debt, net of the balance in the Project's reserve account.

British Columbia-Ross Dam

In 1984, an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Department with power equivalent to the planned increased capacity of Ross Dam in lieu of the Department's construction of the addition. The agreement was ratified by a treaty between Canada and the United States in the same year. The power is to be received for eighty years and began in 1986. The Department makes annual payments to British Columbia of $21,848,000, which represent the estimated cost the Department would have incurred for financing had the addition been constructed. The payments are being made for thirty-five years and began in 1986. The Department is also paying equivalent operation and maintenance costs, estimated at $134,000 in current dollars, to British Columbia which began in 1986 and will continue for eighty years. The power available for purchase under this agreement is approximately 36 average megawatts per year.

In addition to the direct costs of power under the agreement, the Department had incurred costs of approximately $8 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual $1 million payments. These costs have been deferred and are being amortized to purchased power expense over thirty-five years.

Other Long-Term Purchase Power Agreements

The Department also purchases energy from two public utility districts (PUD's), three irrigation districts and a power exchange corporation under separate contracts expiring in 2005, 2026 and 2003, respectively. During 1995, the power purchased under these contracts was approximately 110 average megawatts. The rates under the PUD and irrigation district contracts represent a share of the operating and debt service costs in proportion to the share of total energy to which the Department is entitled whether or not these plants are operating or operable. The rates under the power exchange contract represent a share of the generating entities' operating and debt service costs in relation to the portion of energy received by the Department.

Minimum Payments Under Purchase Power Contracts

The Department's share of minimum payments under the public utility districts, irrigation districts, Lucky Peak and British Columbia–Ross Dam contracts, excluding operating costs, for the period 1996 through 2022 are:

Year ending December 31,	Minimum Payments
1996	$ 44,453,431
1997	44,387,610
1998	45,982,247
1999	46,100,860
2000	45,443,389
Thereafter	596,410,506
	$822,778,043

Costs under these long-term contracts totaled $49,982,669 in 1995 and $48,189,725 in 1994. Energy received represented approximately 72% of the Department's total purchases under firm power contracts during 1995 and 40% during 1994.

Other Power Transactions

Other power transactions include purchases under short-term agreements and interchanges of secondary power between utilities in response to seasonal resource and demand variations. Fluctuations in annual precipitation levels affect the energy output from the Department's hydroelectric facilities. Accordingly, the net interchange of secondary power in and out may vary significantly from year to year. The Department's net power purchases and interchange activities are reflected in the statements of income and retained earnings.

NOTE (9) DEFERRED COSTS

The City Council passed resolutions in 1984 and 1985 authorizing the debt financing and deferral of all programmatic conservation costs incurred by the Department. These resolutions were fully implemented by 1986. Approximately $9,439,000 and $2,769,000 in programmatic conservation costs were deferred in 1995 and 1994, respectively. These costs are to be recovered through rates over twenty years. In 1995 and 1994, $2,642,000 and $2,733,000, respectively, were amortized to expense. The total remaining balances of unamortized conservation costs at December 31, 1995 and 1994 were $42,242,000 and $35,445,000, respectively.

In 1994, the Council also passed legislation to enable the Department to defer recognition of $6.4 million in purchased power expenses until 1995 to coincide with the collection of surcharge revenues imposed from June 1, 1994, to February 28, 1995, to cover unusually high power costs resulting from the continuation of unfavorable water conditions in the region. Such revenues and expenses are reflected in the 1995 financial statements.

NOTE (10) PROVISION FOR INJURIES AND DAMAGES

In 1995, the Department adopted GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

The Department is self-insured for casualty losses to its property, for environmental cleanup, and for certain losses arising from third-party damage claims. At December 31, 1995, the City initiated a program to convert its insurance plan for on-the-job injuries to a cost reimbursement program. The Department was included in the first phase of the program and, as a result, accrued a $2.3 million expense and liability for its industrial insurance claims outstanding at December 31, 1995. The liability had formerly been recorded in the City's Industrial Insurance Fund.

Beginning in 1995, liabilities for claims are discounted over an eight-year period at 5.191%, the City's rate of return on investments. Liabilities for environmental cleanup and for casualty losses to the Department's property are not discounted.

The schedule below presents the changes in the provision for injuries and damages during 1995 and 1994:

	1995	1994
Unpaid claims at January 1	**$ 3,955,000**	$ 4,359,000
Payments	**(2,997,645)**	(1,542,289)
Incurred claims	**3,463,173**	1,138,289
Unpaid claims at December 31	**$ 4,420,528**	$ 3,955,000

The provision for injuries and damages is included in current and noncurrent liabilities as follows:

	1995	1994
Noncurrent liabilities	**$2,877,181**	$1,468,000
Accounts payable, accrued payroll, taxes and other	**1,543,347**	2,487,000
	$4,420,528	$3,955,000

NOTE (11) COMMITMENTS AND CONTINGENCIES

Operating Lease

In December 1994, the City entered into an agreement on behalf of the Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996, the City purchased the building in which these facilities are located, thus becoming the Department's lessor. Minimum payments under the lease are:

Year ending December 31,	Minimum Payments
1996	$ 2,316,624
1997	2,527,226
1998	3,195,483
1999	3,256,234
2000	3,389,885
Thereafter	18,848,893
	$33,534,345

In addition, provisions of the lease require payment of a prorated share of operating costs to the extent that such expenses exceed those of 1995, the base year.

Other

In May of 1995, FERC renewed the Department's operating license for the Skagit Hydroproject, to the year 2025. Associated with the license are Settlement Agreements which commit the Department to undertake certain mitigation activities.

The financial requirement for the Department's 1996 Capital Improvement Program is approximately $95,534,000 and the Department has substantial contractual commitments relating thereto.

Financial Summary

For the years ended December 31,	1995	1994	1993	1992	1991
BALANCE SHEET					
ASSETS					
Utility plant, net	**$ 941,202,979**	$ 884,740,413	$ 781,818,157	$ 709,189,445	$ 664,896,345
Capitalized purchased power commitment	**99,116,465**	103,507,934	107,603,630	110,848,618	113,733,115
Restricted assets	**48,217,399**	65,926,735	80,300,227	80,698,537	51,437,839
Current assets	**133,072,001**	128,485,409	130,150,705	115,854,767	117,072,525
Other assets*	**63,551,241**	59,852,977	52,776,071	57,389,007	55,356,844
Total assets	**$1,285,160,085**	$1,242,513,468	$1,152,648,790	$1,073,980,374	$1,002,496,668
EQUITY & LIABILITIES					
Equity	**$ 343,171,034***	$ 342,630,649	$ 338,994,372	$ 345,596,162	$ 355,967,422
Long-term debt, net*	**747,441,062**	707,048,755	616,689,577	540,379,599	457,630,176
Noncurrent liabilities	**97,363,646**	100,725,934	106,515,341	111,096,299	114,246,277
Current liabilities	**96,376,668**	91,383,550	89,557,509	76,546,589	73,701,265
Deferred credits	**807,675**	724,580	891,991	361,725	951,528
Total equity & liabilities	**$1,285,160,085**	$1,242,513,468	$1,152,648,790	$1,073,980,374	$1,002,496,668
STATEMENT OF INCOME					
OPERATING REVENUES					
Residential	**$ 122,053,704**	$ 119,280,590	$ 121,445,608	$ 105,763,215	$ 112,243,254
Commercial	**127,427,454**	125,981,677	120,246,908	110,214,746	104,130,225
Industrial	**46,127,576**	45,674,234	44,736,490	42,408,964	38,022,921
Governmental	**36,545,279**	35,821,463	33,174,146	30,455,932	28,893,194
Unbilled revenue-net change	**(2,345,737)**	6,043,405	756,227	3,721,022	(2,344,378)
Total sales of electric energy	**329,808,276**	332,801,369	320,359,379	292,563,879	280,945,216
Other revenues	**2,376,704**	2,311,637	2,519,787	2,519,799	2,470,194
Total operating revenues	**332,184,980**	335,113,006	322,879,166	295,083,678	283,415,410
OPERATING EXPENSES					
Generation	**25,711,612**	28,021,010	28,324,933	28,696,588	27,319,190
Purchases of firm power	**71,725,131**	93,441,862	88,046,741	82,322,122	81,082,441
Net interchanged & other power costs	**10,347,473**	1,803,374	14,007,171	3,006,807	(25,926,867)
Transmission	**17,586,168**	15,184,127	14,595,114	12,687,015	14,454,298
Distribution	**33,103,851**	33,367,796	34,339,713	32,414,451	33,006,789
Customer service & accounting	**22,758,599**	22,552,438	23,805,301	23,467,156	23,526,446
Administration & general	**33,204,761**	37,175,788	35,889,388	40,031,975	38,468,844
Taxes	**37,785,829**	40,811,020	36,155,115	31,817,995	31,325,509
Depreciation & amortization	**39,607,336**	35,341,408	32,027,721	28,215,639	26,558,930
Total operating expenses	**291,830,760**	307,698,823	307,191,197	282,659,748	249,815,580
Net operating income	**40,354,220**	27,414,183	15,687,969	12,423,930	33,599,830
Other income (expense), net	**(10,347,329)**	311,195	1,003,712	(391,821)	(2,334,532)
Interest earned on investments	**6,559,820**	7,078,653	9,107,478	7,836,387	8,218,258
Total operating and other income	**36,566,711**	34,804,031	25,799,159	19,868,496	39,483,556
INTEREST EXPENSE					
Interest, premium & discount	**46,381,316**	38,352,541	37,994,537	35,417,663	33,725,064
Interest charged to construction	**(5,712,989)**	(3,819,447)	(2,025,306)	(1,485,826)	(341,342)
Net interest expense	**40,668,327**	34,533,094	35,969,231	33,931,837	33,383,722
Net income (loss)	**$ (4,101,616)**	$ 270,937	$ (10,170,072)	$ (14,063,341)	$ 6,099,834

* In accordance with GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," deferred losses on refundings, which had previously been reported under 'Other Assets,' are now reported on the balance sheet and above as a component of long-term debt. Equity has been adjusted in 1995 to reflect the cumulative effect of implementing GASB Statement No. 23. (See Note 1 to the financial statements.)

Interest Requirements and Principal Redemption on Bonded Debt

As of December 31, 1995

	Parity Bonds			Subordinate Lien Bonds	
Years	Principal	Interest	Total	Principal	Interest**
1996	$ 29,200,000	$ 39,046,647	$ 68,246,647	$ 500,000	$ 3,472,095
1997	31,645,000	37,879,002	69,524,002*	600,000	3,617,446
1998	31,313,000	36,582,322	67,895,322	900,000	3,402,382
1999	33,385,000	35,173,003	68,558,003	1,900,000	3,280,667
2000	34,079,500	33,576,761	67,656,261	2,100,000	3,267,425
2001	36,705,000	31,921,487	68,626,487	2,400,000	3,138,054
2002	37,746,500	30,104,337	67,850,837	2,700,000	3,038,531
2003	37,700,000	28,196,037	65,896,037	2,900,000	2,963,471
2004	39,640,000	26,252,445	65,892,445	3,400,000	2,869,963
2005	40,036,000	24,172,697	64,208,697	3,700,000	2,740,924
2006	35,420,000	22,082,527	57,502,527	4,000,000	2,568,075
2007	37,370,000	20,137,183	57,507,183	4,500,000	2,413,657
2008	31,605,000	18,422,650	50,027,650	5,000,000	2,244,840
2009	33,410,000	16,631,305	50,041,305	5,400,000	2,053,128
2010	35,335,000	14,714,540	50,049,540	5,800,000	1,849,064
2011	20,390,000	12,949,656	33,339,656	6,400,000	1,642,700
2012	21,615,000	11,756,056	33,371,056	6,800,000	1,374,566
2013	22,910,000	10,480,443	33,390,443	7,400,000	1,115,463
2014	24,300,000	9,103,705	33,403,705	7,800,000	837,719
2015	25,475,000	7,648,786	33,123,786	8,300,000	543,178
2016	27,315,000	6,151,343	33,466,343	6,600,000	234,925
2017	28,955,000	4,542,886	33,497,886	1,400,000	101,487
2018	18,250,000	2,837,268	21,087,268	1,500,000	49,907
2019	13,405,000	1,744,005	15,149,005	–	–
2020	14,290,000	899,954	15,189,954	–	–
Totals	$741,495,000	$483,007,045	$1,224,502,045	$92,000,000	$48,819,667

* Maximum debt service — see Note 4 on page 20.

** Based on actual and estimated interest rates ranging from 3.05–5.00%.

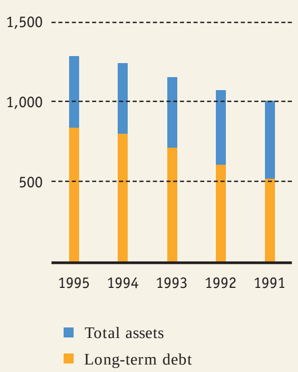
Debt Service Coverage

For the years ended December 31,

	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
1995	$109,851,627	$59,663,957	1.84
1994	95,888,859	57,873,998	1.66
1993	81,203,608	48,214,226	1.68
1992	69,088,191	47,068,934	1.47
1991	86,208,520	48,778,689	1.77

Long-Term Debt to Total Assets

(in millions)



Statement of Bonded Debt

As of December 31, 1995

Name of Bond	When Due	Interest Rate (%)	Amount Issued	Amount Redeemed	Amount Outstanding 12/31/95	Amount Due Within One Year	Accrued Interest
Bonds redeemed at 12-31-95							
General Lien Bonds							
1903-14	1923–1924			$ 4,044,000			
Revenue Bonds*							
1917-93	1923–2010			$1,069,506,000			
Series 1992	1996	4.300	$ 3,405,000		$ 3,405,000	$ 3,405,000	$ 61,006
Series 1992	1997	4.600	4,655,000		4,655,000		89,221
Series 1992	1998	4.800	4,280,000		4,280,000		85,600
Series 1992	1999	5.000	4,270,000		4,270,000		88,958
Series 1992	2000	5.100	4,250,000		4,250,000		90,313
Series 1992	2001	5.200	4,740,000		4,740,000		102,700
Series 1992	2002	5.300	4,710,000		4,710,000		104,013
Series 1992	2003	5.400	5,680,000		5,680,000		127,800
Series 1992	2004	5.500	5,630,000		5,630,000		129,021
Series 1992	2005	5.625	5,575,000		5,575,000		130,664
Series 1992	2006–2012	5.750	72,250,000		72,250,000		1,730,990
Series 1992	2013–2014	6.000	19,310,000		19,310,000		482,750
Series 1992	2015–2017	5.750	33,450,000		33,450,000		801,406
Series 1993	1996	3.850	25,795,000		25,795,000	25,795,000	165,518
Series 1993	1997	4.100	26,990,000		26,990,000		184,432
Series 1993	1998	4.300	22,870,000		22,870,000		163,902
Series 1993	1999	4.500	25,205,000		25,205,000		189,038
Series 1993	2000	4.600	26,370,000		26,370,000		202,170
Series 1993	2001	4.700	27,620,000		27,620,000		216,357
Series 1993	2002	4.800	28,840,000		28,840,000		230,720
Series 1993	2003	4.900	27,250,000		27,250,000		222,542
Series 1993	2004	5.000	28,525,000		28,525,000		237,708
Series 1993	2005	5.100	29,795,000		29,795,000		253,258
Series 1993	2006	5.200	23,020,000		23,020,000		199,507
Series 1993	2007	5.300	24,200,000		24,200,000		213,767
Series 1993	2008	5.400	12,020,000		12,020,000		108,180
Series 1993	2009–2010	5.450	25,415,000		25,415,000		230,853
Series 1993	2011–2013	5.500	12,425,000		12,425,000		113,896
Series 1993	2014–2018	5.375	25,645,000		25,645,000		229,733

Continued on next page.

Name of Bond	When Due	Interest Rate (%)	Amount Issued	Amount Redeemed	Amount Outstanding 12/31/95	Amount Due Within One Year	Accrued Interest
Series 1994	1998–2004	6.000	20,320,000		20,320,000		609,600
Series 1994	2005	6.100	4,210,000		4,210,000		128,405
Series 1994	2006	6.200	3,615,000		3,615,000		112,065
Series 1994	2007	6.250	4,335,000		4,335,000		135,469
Series 1994	2008	6.400	3,895,000		3,895,000		124,640
Series 1994	2009–2011	6.500	14,130,000		14,130,000		459,225
Series 1994	2012–2020	6.625	64,495,000		64,495,000		2,136,397
Series 1995	1998	4.050	853,000		853,000		7,199
Series 1995	1999	5.000	1,565,000		1,565,000		26,083
Series 1995	2000	4.300	754,500		754,500		6,759
Series 1995	2001	5.000	1,770,000		1,770,000		29,500
Series 1995	2002	4.500	241,500		241,500		2,264
Series 1995	2002–2004	5.000	4,825,000		4,825,000		80,417
Series 1995	2005	4.800	456,000		456,000		4,560
Series 1995	2006–2007	5.000	4,650,000		4,650,000		77,500
Series 1995	2008	5.125	2,515,000		2,515,000		42,965
Series 1995	2009	5.300	2,655,000		2,655,000		46,905
Series 1995	2010	5.400	2,805,000		2,805,000		50,490
Series 1995	2011	5.500	2,970,000		2,970,000		54,450
Series 1995	2012	5.600	3,145,000		3,145,000		58,707
Series 1995	2013–2018	5.625	23,285,000		23,285,000		436,594
Series 1995	2019–2020	5.700	9,815,000		9,815,000		186,485
Total Parity Bonds			$741,495,000		$741,495,000	$29,200,000	$12,002,700
Subordinate Lien Bonds							
Series 1990	1996–2015	2.800–4.400**	$ 25,000,000		$ 25,000,000	$ 500,000	$ 106,074
Series 1991	1998–2016	2.600–5.500**	45,000,000		45,000,000		161,114
Series 1993	1999–2018	2.600–5.500**	22,000,000		22,000,000		68,863
Total Subordinate Bonds			$ 92,000,000		$ 92,000,000	$ 500,000	$ 336,051
Total Bonded Debt			$833,495,000		$833,495,000	$29,700,000	$12,338,751

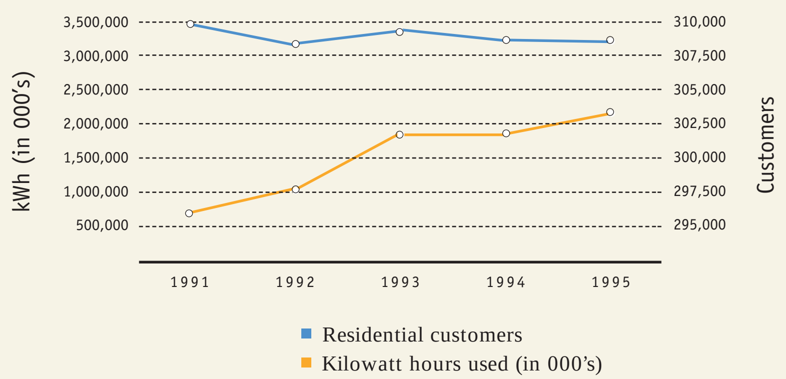
* Including bonds defeased through refundings.
** Adjustable rates in effect during 1995.

Consumer Statistics

For the years ended December 31,	1995	1994	1993	1992	1991
AVERAGE NUMBER OF CONSUMERS*					
Residential	**303,199**	301,679	301,647	297,496	295,816
Commercial	**29,823**	29,648	29,520	33,339	33,162
Industrial	**293**	286	286	301	301
Governmental	**2,004**	2,012	1,995	2,190	2,178
Total	**335,319**	333,625	333,448	333,326	331,457
KILOWATT HOURS (IN 000'S)					
Residential	**3,109,816**	3,157,205	3,260,890	3,068,067	3,349,065
Commercial	**3,406,116**	3,402,508	3,360,561	3,315,871	3,301,670
Industrial	**1,359,805**	1,376,258	1,420,708	1,478,817	1,396,395
Governmental	**946,555**	920,659	877,956	866,674	861,020
Unbilled kWh — net change	**(33,463)**	17,409	(5,227)	32,951	(75,512)
Total	**8,788,829**	8,874,039	8,914,888	8,762,380	8,832,638
AVERAGE ANNUAL REVENUE PER CUSTOMER					
Residential	**$ 403**	$ 395	$ 403	$ 356	$ 379
Commercial	**$ 4,273**	$ 4,249	$ 4,073	$ 3,306	$ 3,140
Industrial	**$157,432**	$159,700	$156,421	$140,894	$126,322
Governmental	**$ 18,236**	$ 17,804	$ 16,629	$ 13,907	$ 13,266

* The method for counting customers was changed in January 1994. Statistics for 1993 reflect the new method and approximate the average number of consumers for the year. The new method changed the way non-residential consumers are reported. The apparent reduction in non-residential customers from 1992 to 1993 is entirely a result of the new method. In fact, no major losses of customers occurred.

Residential Consumption

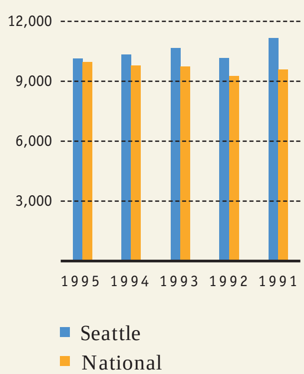


	1995	1994	1993	1992	1991
AVERAGE ANNUAL CONSUMPTION PER CUSTOMER (kWh)*					
RESIDENTIAL					
Seattle	**10,257**	10,465	10,810	10,313	11,321
National	**10,105**	9,944	9,874	9,383	9,738
COMMERCIAL					
Seattle	**114,211**	114,763	113,840	99,459	99,562
National	**65,286**	65,789	62,399	61,066	61,871
INDUSTRIAL					
Seattle	**4,640,973**	4,812,091	4,967,510	4,913,013	4,639,186
National	**1,731,449**	1,765,219	1,764,869	1,752,913	1,774,716
GOVERNMENTAL					
Seattle	**472,333**	457,584	440,078	395,742	395,326
National	**141,431**	198,346	190,718	224,993	225,784

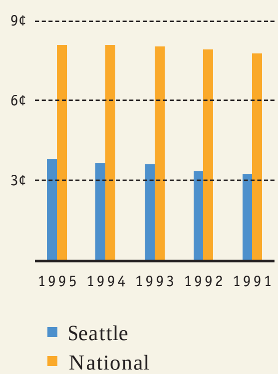
	1995	1994	1993	1992	1991
AVERAGE RATE PER KILOWATT HOUR (CENTS)*					
RESIDENTIAL					
Seattle	**3.92**	3.78	3.72	3.45	3.35
National	**8.38**	8.38	8.32	8.20	8.05
COMMERCIAL					
Seattle	**3.74**	3.70	3.58	3.32	3.15
National	**7.68**	7.73	7.72	7.67	7.54
INDUSTRIAL					
Seattle	**3.39**	3.32	3.15	2.87	2.72
National	**4.77**	4.73	4.89	4.92	4.89
GOVERNMENTAL					
Seattle	**3.86**	3.89	3.78	3.51	3.36
National	**6.80**	6.90	6.83	6.11	6.10
TOTAL					
Seattle	**3.75**	3.75	3.59	3.34	3.18
National	**6.91**	6.91	6.93	6.84	6.76

* Source of national data: Edison Electric Institute Quarterly Statistics. National averages are revised for 1994.

Average Annual
Residential Consumption
(kilowatt hours)



Average
Residential Rates
(cents per kilowatt hour)



Power

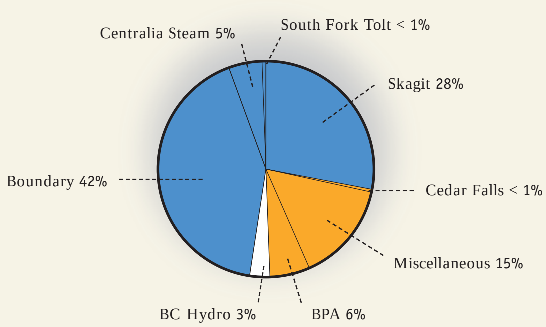
For the years ended December 31,	**1995**	1994	1993	1992	1991
POWER COSTS					
Hydraulic generation*	**$ 23,518,844**	$ 22,219,767	$ 22,889,840	$ 21,533,238	$ 22,211,808
Steam generation*	**10,840,635**	14,012,862	13,496,214	14,939,954	12,821,676
Purchased power	**71,725,131**	93,441,862	88,046,739	82,322,122	81,082,442
Interchange purchases**	**9,095,478**	13,166,694	18,243,906	8,362,891	2,234,200
Deferred power costs***	**6,383,055**	(6,383,055)	–	–	–
Interchange sales**	**(7,739,139)**	(7,292,972)	(6,313,261)	(7,299,916)	(30,225,142)
Owned transmission *	**5,209,857**	4,100,757	3,929,709	4,415,190	4,224,294
Wheeling expenses	**14,833,571**	12,903,626	12,364,452	9,944,544	11,846,526
Other power expenses	**2,608,079**	2,312,707	2,076,526	1,943,832	2,064,074
Total power costs	**$136,475,511**	$148,482,248	$154,734,125	$136,161,855	$106,259,878
POWER STATISTICS (1000'S kWh)					
Hydraulic generation	**7,009,856**	4,891,636	5,347,899	5,194,898	7,840,162
Steam generation	**441,939**	749,802	696,933	791,398	598,749
Purchased power	**2,226,029**	3,712,201	3,454,247	3,225,908	2,997,818
Interchange purchases**	**648,939**	799,440	793,651	670,471	273,598
Interchange sales**	**(730,270)**	(637,705)	(637,672)	(674,949)	(2,233,579)
Nonmonetary interchange	**(183,025)**	(95,807)	(168,974)	1,192	(94,573
Less — self-consumed, line losses and unbilled	**(624,639)**	(545,528)	(571,196)	(446,538)	(549,538)
Total power delivered	**8,788,829**	8,874,039	8,914,888	8,762,380	8,832,637
Average cost per kWh delivered (in mills)***	**15.528**	16.732	17.357	15.539	12.030

* Including depreciation.

** Nonfirm interchange power can fluctuate widely from year to year depending upon water conditions in the region. Water conditions were better than average in 1991; from 1992 to 1994, the region experienced drought conditions; in 1995, conditions returned to normal.

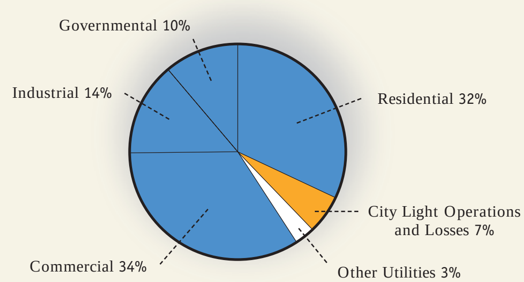
***Interchange purchase costs in the amount of $6,383,055 were deferred from 1994 to 1995. Had costs not been deferred, the average price per kWh delivered would have been 14.802 mills in 1995 and 17.452 mills in 1994.

1995 Sources of Power



■ Generated
■ Purchased
□ Treaty

1995 Uses of Power



■ Service area
■ City Light operations/losses
□ Other sales

Changes in Owned Generating Capability and Total Installed Capability

Year	Plant	kW Added	Peaking Capability Total kW
1905–09	Cedar Falls Hydro Units 1, 2, 3 & 4	10,400	10,400
1912	Lake Union Hydro Unit 10	1,500	11,900
1914–21	Lake Union Steam Units 11, 12 & 13	40,000	51,900
1921	Newhalem Hydro Unit 20	2,300	54,200
1921	Cedar Falls Hydro Unit 5	15,000	69,200
1924–29	Gorge Hydro Units 21, 22 & 23	60,000	129,200
1929	Cedar Falls Hydro Unit 6	15,000	144,200
1932	Cedar Falls Hydro Units 1, 2, 3 & 4	(10,400)*	133,800
1932	Lake Union Hydro Unit 10	(1,500)*	132,300
1936–37	Diablo Hydro Units 31, 32, 35 & 36	132,000	264,300
1951	Georgetown Steam Units 1, 2 & 3	21,000	285,300
1951	Gorge Hydro Unit 24	48,000	333,300
1952–56	Ross Hydro Units 41, 42, 43 & 44	450,000	783,300
1958	Diablo Plant Modernization	27,000	810,300
1961	Gorge Hydro, High Dam	67,000	877,300
1967	Georgetown Plant, performance test gain	2,000	879,300
1967	Boundary Hydro Units 51, 52, 53 & 54	652,000	1,531,300
1972	Centralia Units 1 & 2	102,400	1,633,700
1980	Georgetown Steam Units 1, 2, & 3	(23,000)*	1,610,700
1986	Boundary Hydro Units 55 & 56	399,000	2,009,700
1987	Lake Union Steam Units 11, 12 & 13	(40,000)*	1,969,700
1989–92	Gorge Units 21, 22, & 23, new runners	4,600	1,974,300
1993	Centralia Transmission Upgrade	5,000	1,979,300
1995	South Fork Tolt	16,800	1,996,100

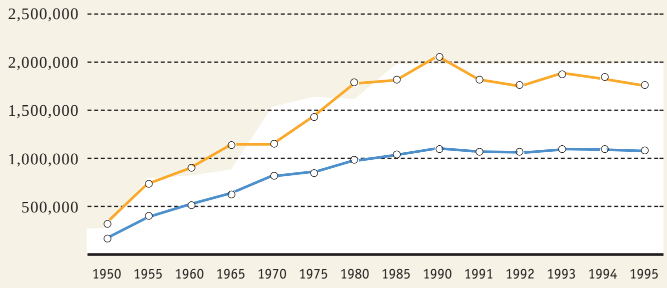
* Retirement of units (decrease in total capability).

System Requirements

Year	Kilowatts Average Load	Kilowatts Peak Load*
1950	154,030	312,000
1955	381,517	733,000
1960	512,787	889,000
1965	635,275	1,138,000
1970	806,813	1,383,000
1975	848,805	1,429,387
1980	963,686	1,771,550
1985	1,025,898	1,806,341
1986	996,648	1,699,434
1987	987,070	1,724,726
1988	1,022,442	1,731,518
1989	1,059,272	1,979,528
1990	1,088,077	2,059,566
1991	1,065,987	1,815,164
1992	1,048,055	1,743,975
1993	1,082,616	1,875,287
1994	1,074,852	1,819,323
1995	1,072,692	1,748,657

* One-hour peak.

Capability* and Requirements
(kilowatts)



* Does not include peaking capability from firm purchase power contracts. In 1995, 375,400 kW in capacity was available from contracts.

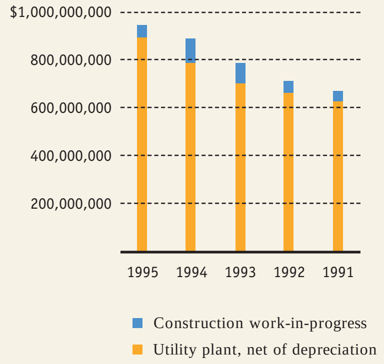
■ Average load
■ Peak load
□ Generating capability

Utility Plant

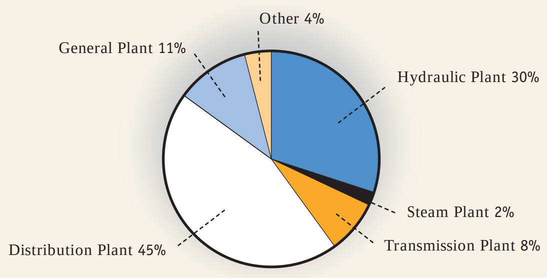
For the years ended December 31,	1995	1994	1993	1992	1991
Steam plant*	**$ 28,125,280**	$ 28,208,499	$ 27,860,042	$ 27,480,234	$ 26,066,713
Hydroelectric plant*	**454,337,642**	389,471,695	378,704,091	364,385,933	349,274,817
Transmission plant*	**125,864,223**	115,657,431	81,089,319	80,116,067	79,314,000
Distribution plant*	**688,041,605**	644,624,627	603,731,447	563,652,203	534,406,432
General plant*	**162,969,631**	137,631,879	110,137,533	98,881,492	87,886,241
Total electric plant in service	**1,459,338,381**	1,315,594,131	1,201,522,432	1,134,515,929	1,076,948,203
Accumulated depreciation	**(579,252,987)**	(540,562,575)	(511,162,622)	(485,935,784)	(462,917,118)
Total plant in service, net of depreciation	**880,085,394**	775,031,556	690,359,810	648,580,145	614,031,085
Nonoperating properties, net of depreciation	**6,185,158**	6,026,464	5,782,109	5,743,308	8,096,113
Utility plant, net of depreciation	**886,270,552**	781,058,020	696,141,919	654,323,453	622,127,198
Construction work-in-progress	**54,932,427**	103,682,393	85,676,238	54,865,992	42,769,147
Net utility plant	**$ 941,202,979**	$ 884,740,413	$ 781,818,157	$ 709,189,445	$ 664,896,345

* Including land.

Net Utility Plant



1995 Utility Plant



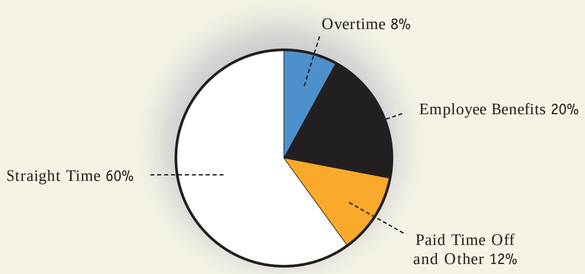
Payroll and Employee Benefits

For the years ended December 31,	1995	1994	1993	1992	1991
Full-time equivalent positions	**1834**	1845	1879	1934	1923
Straight time	**$ 67,176,208**	$ 65,010,169	$ 63,653,556	$ 63,789,946	$60,144,808
Overtime	**8,375,159**	7,483,853	6,850,279	4,910,594	5,513,990
Vacation and other paid time off	**12,861,272**	12,037,011	12,275,838	11,882,419	10,750,086
Miscellaneous	**168,153**	174,915	428,823	882,197	–
Total payroll	**88,580,792**	84,705,948	83,208,496	81,465,156	76,408,884
Employee benefits	**22,114,733**	23,286,553	24,191,553	21,831,770	18,860,541
Total payroll and employee benefits	**$110,695,525**	$107,992,501	$107,400,049	$103,296,926	$95,269,425
Percentage of employee benefits (including paid time off) to straight time	**52.1%**	54.3%	57.3%	52.9%	49.2%

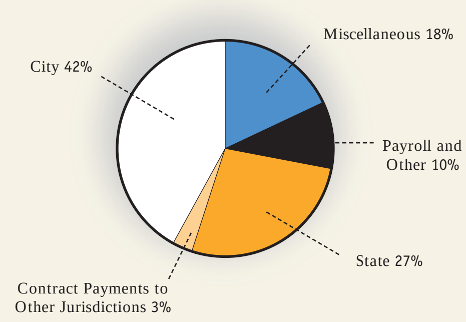
Taxes and Contributions to the Cost of Government

For the years ended December 31,	1995	1994	1993	1992	1991
TAXES					
City occupation and business taxes	**$19,609,185**	$21,367,022	$18,880,673	$17,038,108	$16,713,692
State public utility and business taxes	**12,420,698**	13,744,590	10,830,223	8,858,735	8,820,958
Payroll and other special taxes	**4,509,911**	4,447,457	5,286,146	4,590,633	4,526,325
Contract payments for government services	**1,246,035**	1,251,951	1,158,073	1,330,519	1,264,534
Total taxes as shown in statement of income	**37,785,829**	40,811,020	36,155,115	31,817,995	31,325,509
Taxes/licenses charged to accounts other than taxes	**3,818,962**	3,793,586	3,763,897	2,629,716	2,247,164
Other contributions to the cost of government	**4,728,208**	4,438,745	3,497,645	3,269,862	3,727,597
Total miscellaneous taxes	**8,547,170**	8,232,331	7,261,542	5,899,578	5,974,761
Total taxes and contributions	**$46,332,999**	$49,043,351	$43,416,657	$37,717,573	$37,300,270

1995 Payroll and Benefits



1995 Taxes



City Officials

Mayor of Seattle

Norman B. Rice

City Attorney

Mark H. Sidran

City Council Members

Tom Weeks, President

Martha Choe

Cheryl Chow

Susan Donaldson

Jan Drago

John Manning

Jane Noland

Margaret Pageler

Tina Podlodowski

Seattle City Light Management

Gary Zarker
Superintendent

Ted Coates
Deputy Superintendent, Wholesale Branch

Dana Backel
Director of Power Stations

Paula Green
Director of Power Management

Larry Gunn
Director of Power Generation

Jim Harding
Director of Power Planning

Barbara Harbey
Deputy Superintendent, Electrical Services Brand

Steve Church
Director of North Electrical Services

Dave Smith
Director of South Electrical Services

Betty Tobin
Director of Distribution Engineering

Andrew Lofton
Deputy Superintendent, Customer Services Branch

Carol Dickinson
Director of Customer Relations

Marc Sullivan
Director of Energy Management Services

Myrtis Thompson
Director of Account Services

Jim Ritch
Deputy Superintendent, Finance and Administration

John Anthony
Director of Information Technology

Melinda Nichols
Acting Director of Facilities Management

Fred Butler
Chief Engineer

Shelly Cohen
Director of Human Resources

Kirvil Skinnarland
Director of Environment and Safety