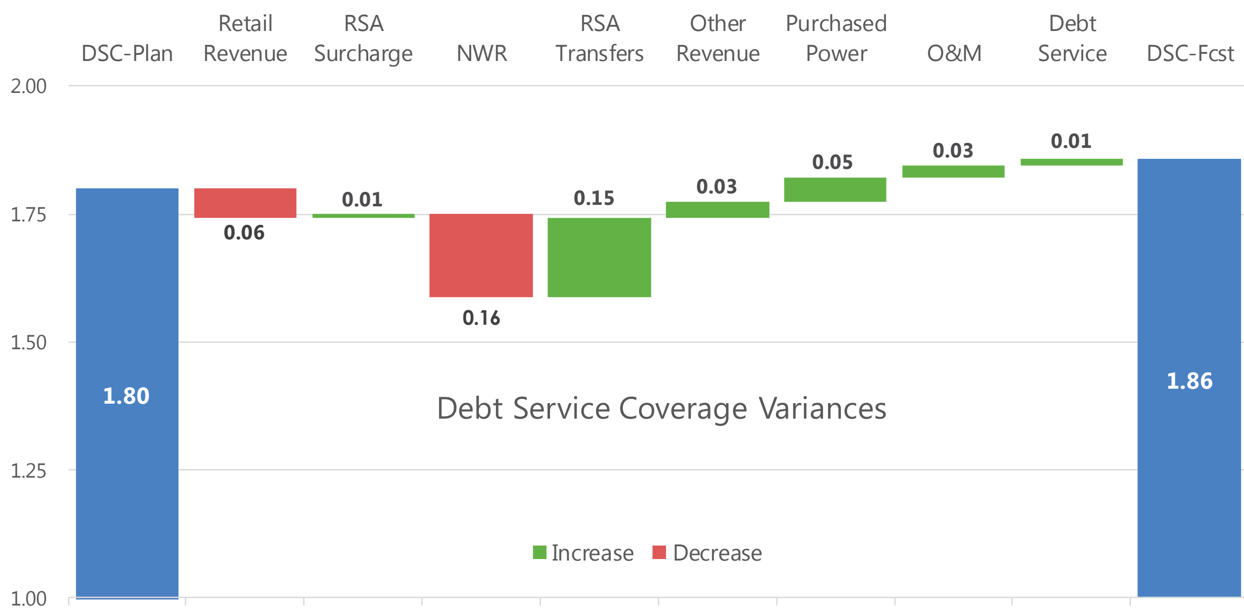
Seattle City Light

2019 FINANCIAL HIGHLIGHTS
JUNE 2019

Forecasted debt service coverage of 1.86 is 6 basis points favorable to planned coverage of 1.80x.



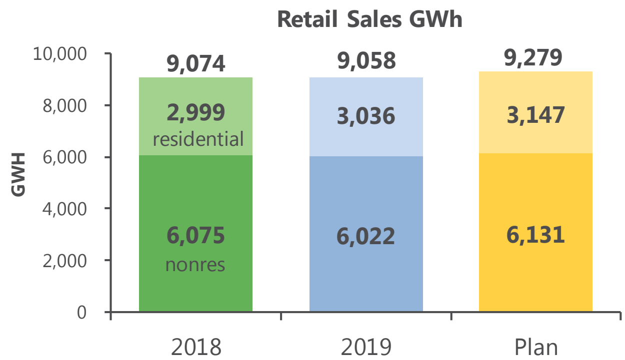
Retail revenue is forecasted to come in lower than planned by $13.0 million due to lower YTD actuals and a revised (lower) retail sales forecast.

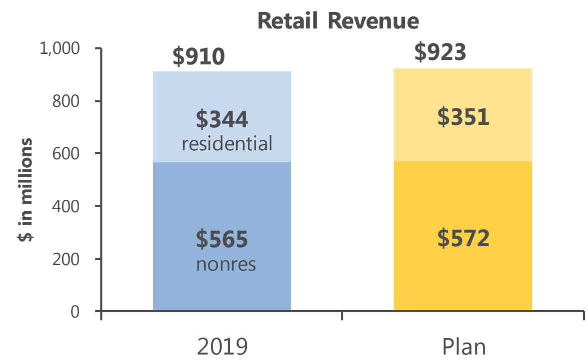
Forecasted **net wholesale revenue (NWR)** is $36.5 million lower than planned due to significantly below normal snowpack YTD and lower than normal hydro conditions forecast for the remainder of 2019. The unfavorable NWR variance is mostly offset by transfers from the RSA and has minimal impact on debt service coverage.

The shortfall in retail revenue was more than offset by favorable variances in both **purchased power** costs (higher than expected net revenues from power marketing and lower than planned Lucky Peak and Stateline Wind costs) and **other revenue** (reversal of uncollected revenue written off in 2018).

The **RSA surcharge** has been in effect since August 2016 and is expected to remain in effect throughout 2019. The current forecast has the RSA balance falling slightly below the $80M trigger at September quarter end triggering an additional 1.5% surcharge (3% total) in November.

RETAIL POWER SALES AND REVENUE

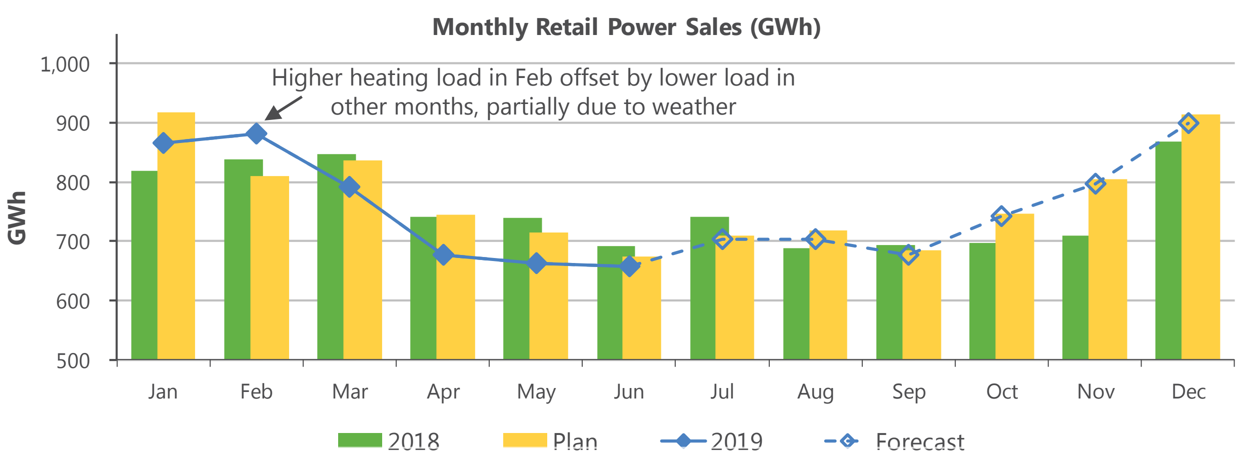




Retail Sales GWh			
	Nonresidential	**Residential**	**Total**
2019 Fcst vs. Plan	(1.8%)	(3.5%)	**(2.4%)**

Retail Revenue			
	Nonresidential	**Residential**	**Total**
2019 Fcst vs. Plan	(1.2%)	(1.8%)	**(1.4%)**

- The smaller variance for revenue compared to sales is driven by differences in consumption patterns compared to the Plan (e.g., more second block relative to first block, higher peak demand and the overall consumption mix across rate classes).

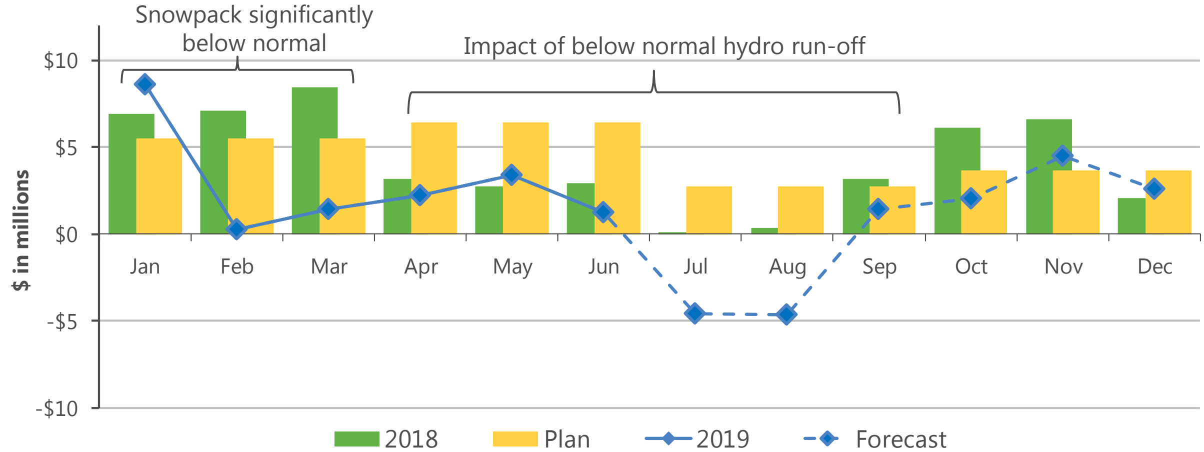


- 2019 retail sales (GWh) forecast to be under Plan by 2.4% resulting from lower YTD sales plus a downward revision to expected retail sales in the load forecast adopted in October 2018

- Nucor operating at lower production. YTD consumption is 20% or 43,000 MWh lower than expected, attributing roughly 0.5% to annual variance

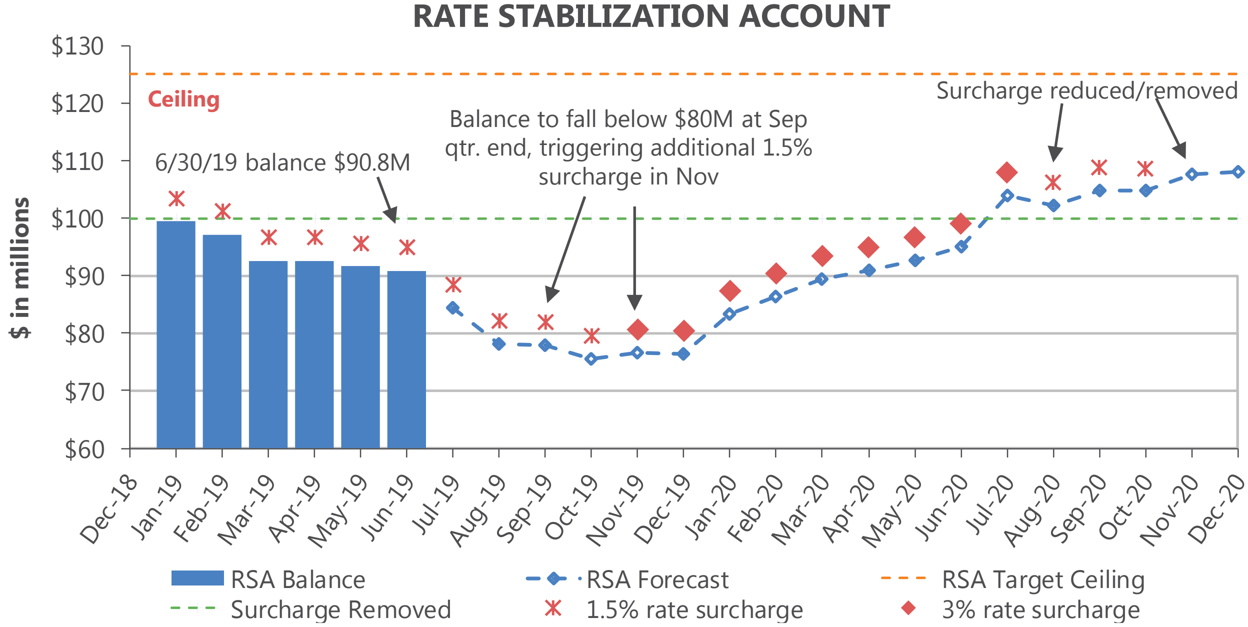
NET WHOLESALE REVENUE

$ in millions	2018	2019	Plan	Variance-Y/Y	Variance-Plan
Full Year	$49.9	$18.5	$55.0	($31.4)	**($36.5)**
YTD	$31.4	$17.2	$35.8	($14.2)	($18.5)

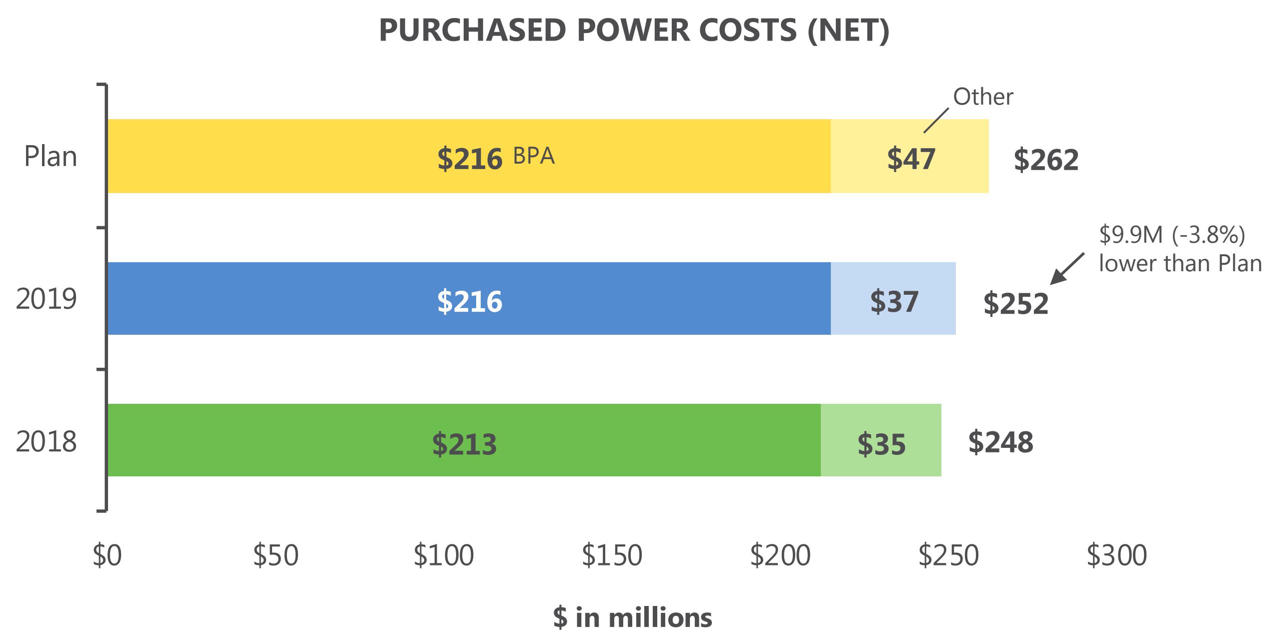


As of July 24, 2019	5 Year Avg	2019 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)	6,402	5,151	**81%**
Market Prices (On-Peak Hours)	$29.71	$34.75	**117%**

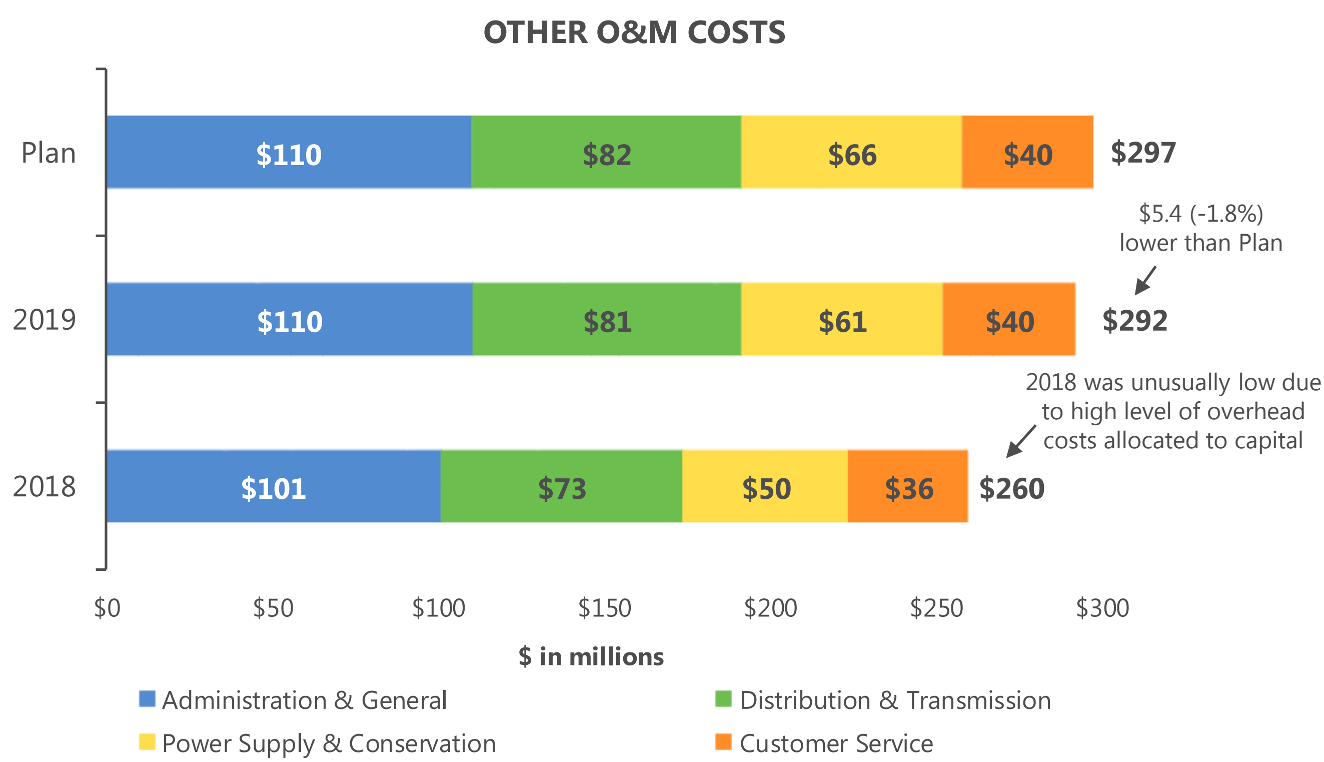
RATE STABILIZATION ACCOUNT



- RSA surcharge is expected to remain in effect throughout 2019
  - Recent projections have the current 1.5% surcharge increasing to 3.0% in November
  - Q3 NWR is very uncertain



- 2019 favorable variance to Plan due to higher net revenues from power marketing and lower than planned Lucky Peak and Stateline Wind costs



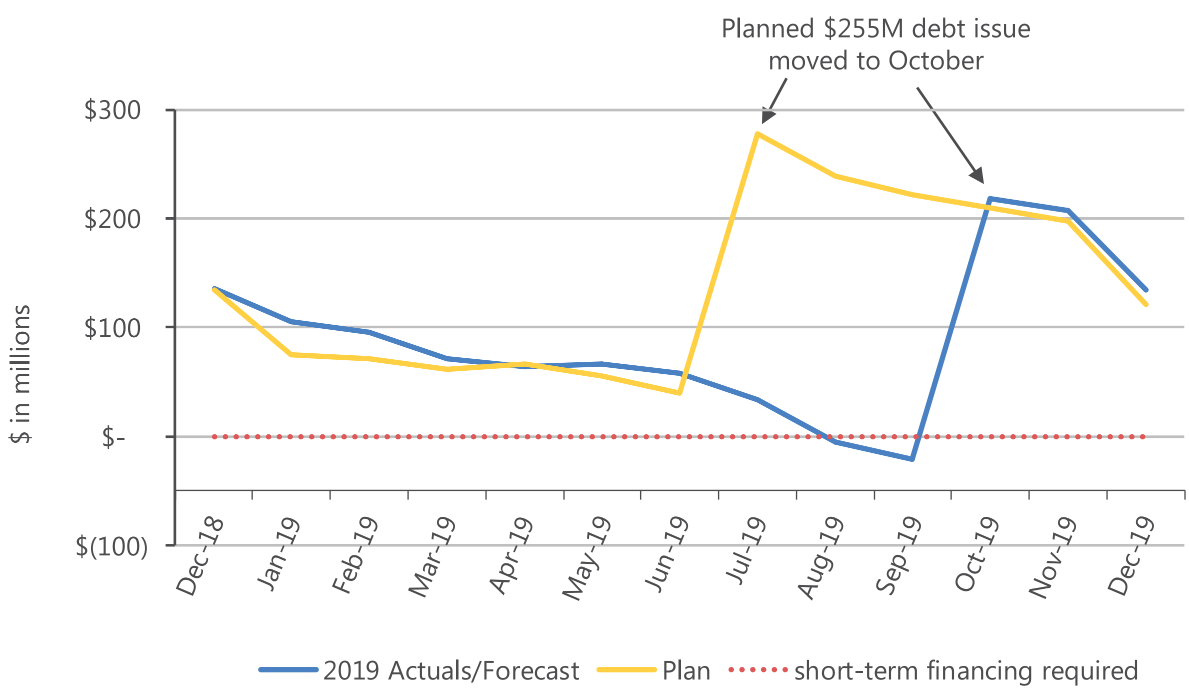
- Forecast vs. Plan variance partially due to higher than planned labor vacancies, mostly offset by higher Adopted O&M budget compared to the Plan (O&M forecast used when setting 2019 rates)

OTHER REVENUE & EXPENSE (NET)

$ in millions	2018	2019	Plan	Variance-Plan
Other Revenue	$36.0	$31.2	$34.5	($3.3)
Other Expense	$58.3	$40.9	$50.1	**($9.2)**
Other Revenue (Expense) - net	($13.5)	($8.4)	($15.6)	$7.2

- $7.3M favorable variance due to reduction in uncollected revenue resulting from resumption of regular collection processes in December 2018 (reversal of revenue previously written off)
- Collection efforts had been temporarily suspended due to lingering impacts from the new billing system conversion

OPERATING & CONSTRUCTION CASH BALANCES
(EXCLUDES SHORT-TERM FINANCING FROM CITY CASH POOL)



- Pushing out the planned July bond issue to consolidate it with a fall 2019 refunding option available on existing bonds
- Fall issue has the potential to put City Light in a negative cash position that would necessitate a short-term draw on the City's cash pool

SUMMARY FINANCIAL RESULTS – FULL YEAR 2019

$ in millions	Forecast	Plan	Variance	Page[1]
Debt Service Coverage				
Retail Revenue	$909.7	$922.7	($13.0)	2
RSA Surcharge Revenue	$16.1	$13.8	$2.2	--
Net Wholesale Revenue	$18.5	$55.0	($36.5)	3
RSA Transfers (net)	$20.6	($13.9)	$34.5	--
Other Revenue (expense)	($8.4)	($15.6)	$7.2	5
Total Revenue	**$956.4**	**$962.0**	**($5.6)**	--
Purchased Power (net)[2]	$252.4	$262.3	($9.9)	4
Other O&M[3]	$291.8	$297.2	($5.4)	4
Total Expense	**$544.2**	**$559.5**	**($15.3)**	--
Amount Available for Debt Service	**$412.2**	**$402.4**	**$9.8**	--
Debt Service	$222.1	$223.6	($1.5)	--
Debt Service Coverage	1.86	1.80	0.06	--
Net Income	$149.8	$101.9	$48.0	--
Debt to Capitalization Ratio	61.5%	62.9%	-1.4%	--
Liquidity				
Operating & Construction Cash @ June 30, 2019	$58.2	$40.1	$18.1	5
Rate Stabilization Account @ June 30, 2019	$90.8	$95.8	($4.9)	3

[1]See referenced page for additional detail

[2]Purchased power costs include long-term purchased power & wheeling expenses net of power contract and power marketing revenue

[3]Operations and maintenance expense includes costs related to distribution, transmission, power supply, conservation, customer service and administrative activities

BUDGET

Budget Summary	YTD-June	Full Year -2019		
$ millions	Actuals	Projections	Budget	Diff
O&M				- Over / + Under
Purchased Power	$171.8	$336.4	$338.5	$2.1
Utility Operations & Administration	$192.8	$377.0	$397.7	$20.7
Taxes and Debt Service	$198.2	$329.5	$335.3	$5.8
O&M Total	**$562.8**	**$1042.8**	**$1071.4**	**$28.6**
% of Annual Budget	52.5%	97.3%	100.0%	2.7%
CIP Total	**$247.6**	**$487.8**	**$583.1**	**$95.2**
% of Annual Budget	42.5%	83.7%	100.0%	16.3%
Total Budget	**$810.4**	**$1530.7**	**$1654.5**	**$123.8**
% of Annual Budget	49.0%	92.5%	100.0%	7.5%

Purchased Power variance is due to budget being conservatively oversized to provide a high degree of certainty that external circumstances such as power prices and hydro conditions will not cause budget exceptions.

Utility Operations and Administration $20.7 million under expenditure is primarily attributable to labor savings from vacant positions, conservation incentives (deferred O&M) underspend and an increase in the CIP overhead application rate.

Taxes and Debt Service underspend of $5.8 million is due to lower than projected interest payments partially offset by an increase in state taxes.

CIP is forecast to underspend by $95.2 million (84% achievement) and is not expected to meet the 90% achievement target for 2019. The majority of underspending is due to project delays in discrete projects, with approximately $87 million expected to carry forward into 2020