

Seattle City Light Resource Acquisition Strategy

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Forecasted Need

- City Light's Integrated Resource Plan forecasts load growth and identifies future resource needs
- Firm energy not required until after 2020
- Load forecast adjusted to recognize that City Light will acquire all cost effective conservation
- Near-term resource acquisition strategy (2011-2016) is driven by regulatory compliance, RCW 19.285 (I-937)

I-937 - Renewable Portfolio Standard

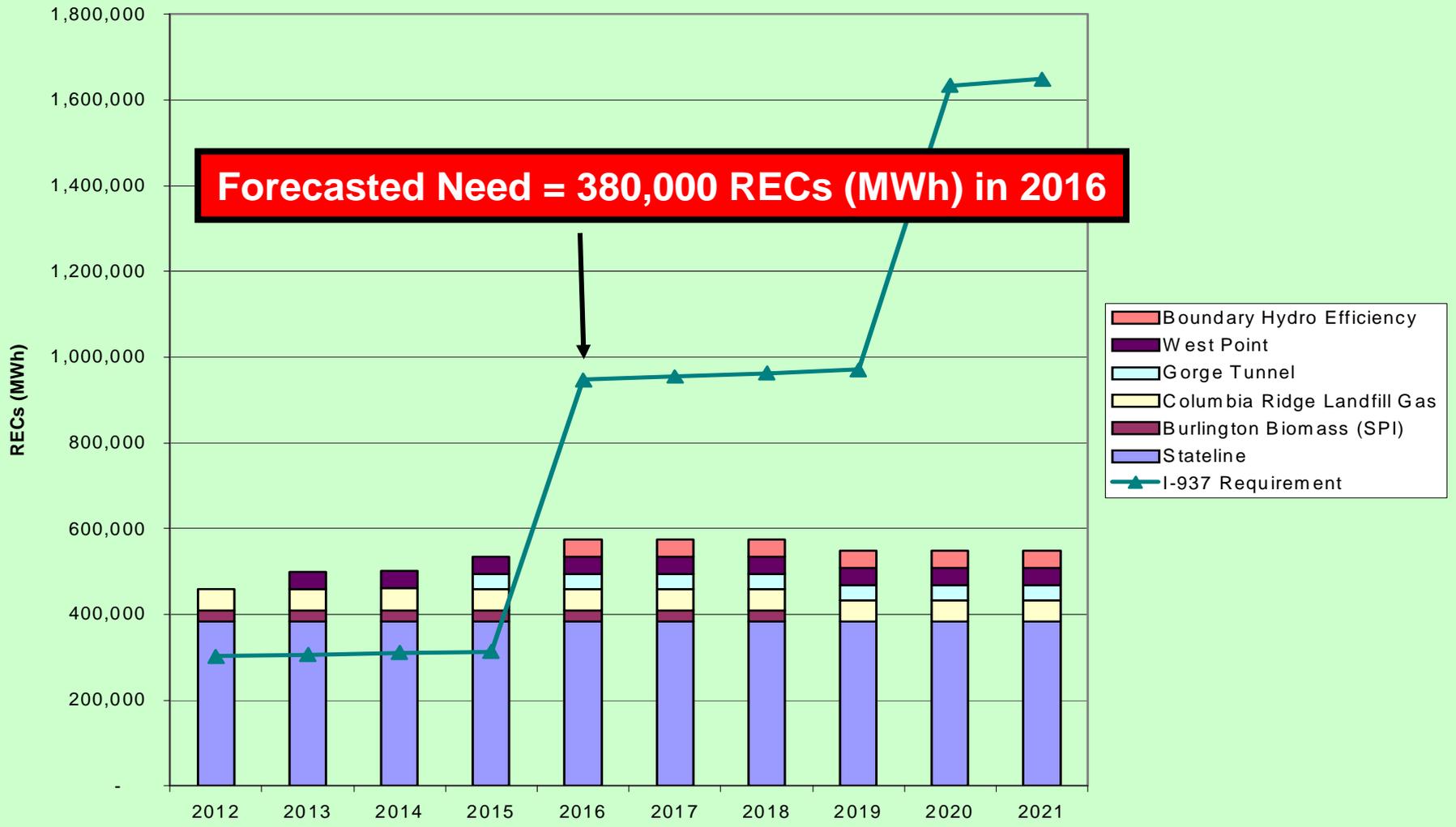
- Initiative passed by the voters in 2006
- Requires acquisition of all cost-effective conservation
- Requires acquisition of new, renewable (non-hydro) resources, as a percentage of portfolio:
 - 2012 – 3%
 - 2016 – 9%
 - 2020 – 15%
- "Renewable resource" means: (a) Water; (b) wind; (c) solar energy; (d) geothermal energy; (e) landfill gas; (f) wave, ocean, or tidal power; (g) gas from sewage treatment facilities; (h) biodiesel fuel; and (i) biomass energy.

Resource Options

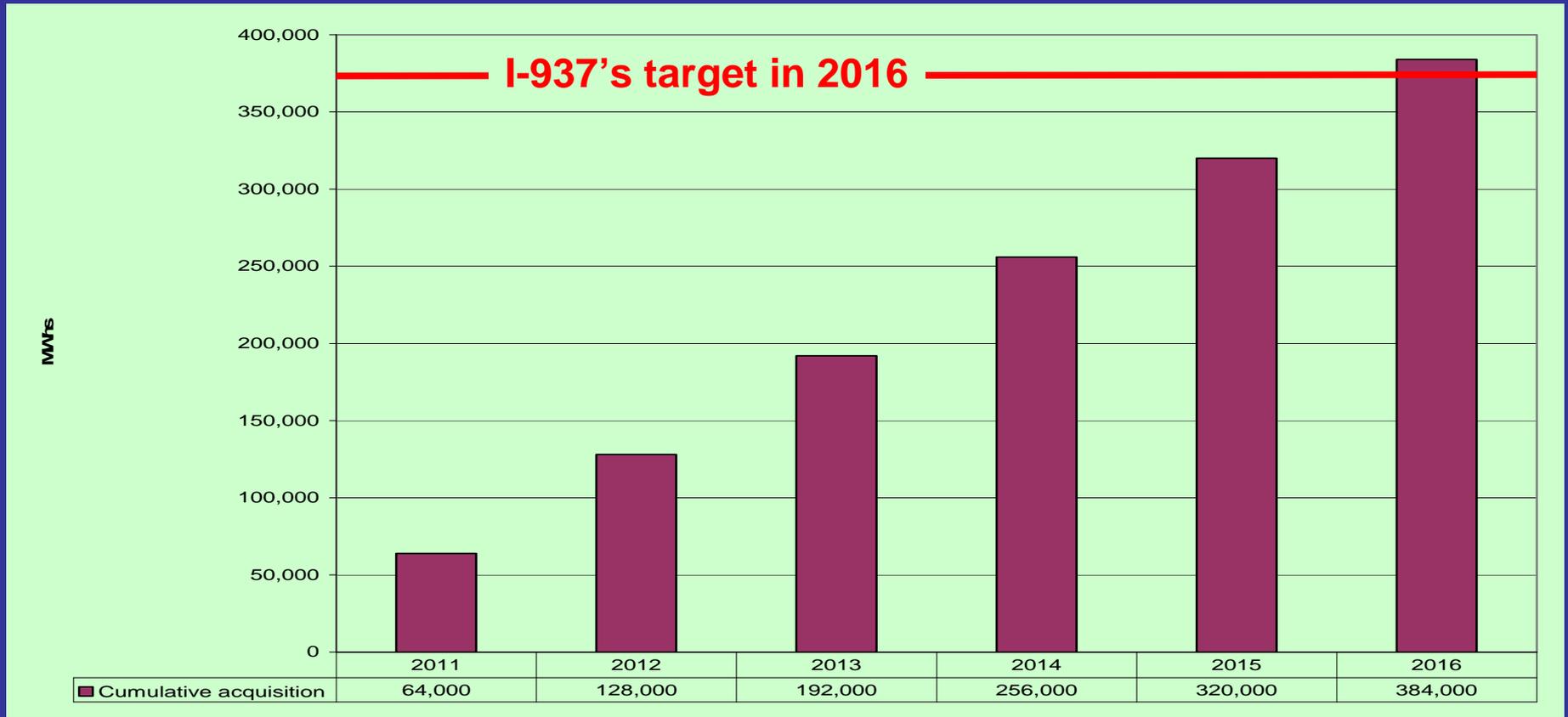
- Firm resources that meet I-937
- Renewable Energy Credits (RECs) “stripped” from the eligible renewable resource
- **Hybrid approach** that opportunistically acquires resources on a least-cost basis, recognizing a long-term (10 year+) need for firm energy

City Light assumes paying the \$50/MWh penalty (2007\$, increases with inflation) in I-937 is not an acceptable option

RECs: Required and Committed



Early “Stepped” Resource Acquisition Targets



Goal – A bit more than “One Columbia Ridge per year” or 7.3 aMW

Policy Question – What is the best strategy?

- Just in Time Acquisition
 - No cost until 2016 target year, but resources may be unavailable and very expensive
- Early “Stepped” Acquisition – RECs and resources
 - Opportunistic and incremental
 - Lowest cost balance of risk versus certainty
- Aggressive Acquisition
 - Comply with 2016 target in 2012 - Lowest risk but most expensive

3 Options: Spending and Rates

	2011	2012	2013	2014	2015	2016
Just In Time Resource Acquisition						
Cumulative Resources (MWh)	-	-	-	-	-	372,657
New Resource Price (\$/MWh)	\$110	\$115	\$113	\$115	\$117	\$120
Gross Spending New Resources (\$M)	\$0	\$0	\$0	\$0	\$0	\$45
Net Spending (\$M, assume average sale price)	\$0	\$0	\$0	\$0	\$0	\$23
Rate Implications	0.0%	0.0%	0.0%	0.0%	0.0%	* 2.9%
Early "Stepped" Acquisition						
Cumulative Resources (MWh)	64,000	128,000	192,000	256,000	320,000	384,000
New Resource Price (\$/MWh)	\$110	\$115	\$113	\$115	\$117	\$120
Gross Spending New Resources (\$M)	\$7	\$15	\$22	\$29	\$37	\$46
Net Spending (\$M, assume average sale price)	\$4	\$9	\$11	\$15	\$19	\$24
Rate Implications	0.7%	1.3%	1.5%	2.1%	2.5%	2.9%
Aggressive Acquisition						
Cumulative Resources (MWh)	180,000	384,000	559,000	734,000	909,000	1,084,000
New Resource Price (\$/MWh)	\$110	\$115	\$113	\$115	\$117	\$120
Gross Spending New Resources (\$M)	\$19.8	\$44.2	\$63.0	\$84.3	\$106.2	\$129.9
Net Spending (\$M, assume average sale price)	\$12.2	\$26.9	\$32.4	\$43.3	\$54.6	\$67.0
Rate Implications	1.9%	3.9%	4.5%	6.0%	7.0%	8.3%

* Market power and tax credit status unknown - may result in greater rate increase.

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Annual, “Stepped” acquisitions

- Balance risk and cost - limit rate increases to customers
- RECs are now more cost-effective, but may not always be available
- Recommended annual, minimal acquisition strategy will require annual budget support and timely ordinance authority

City Light will buy RECs when available, affordable and timed to meet our needs