

July 5, 2012

To the City of Seattle,
Seattle Public Utilities – Water Fund
Seattle, Washington

Seattle Water Supply System Operating Board
Seattle, Washington

We have performed the procedures enumerated in the accompanying Report of Independent Accountants on Applying Agreed-Upon Procedures (the Report), which were agreed upon by the management of the City of Seattle, Seattle Public Utilities – Water Fund (“Fund”) and the Seattle Water Supply System Operating Board (“Operating Board”) solely to assist the Fund and the Operating Board, on behalf of the wholesale customers (“Customers”) in evaluating the Wholesale Statements (2001 Contract Types) and notes to the Wholesale Statements as of and for the year ended December 31, 2011.

As of the date of this letter we have substantially completed our work and have provided a draft report to management. Below is a summary of our engagement and the results of our procedures:

Our Responsibility Under Attestation Standards Established By The American Institute Of Certified Public Accountants - This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and therefore did not conduct an audit, the objective of which would be the expression of an opinion on the accompanying Wholesale Statements.

Planned Scope and Timing - We performed the procedures according to the planned scope and timing previously communicated to you in our engagement letter dated May 3, 2012. We expect to issue our report no later than July 25, 2012. If unforeseen difficulties occur which make meeting the July 25, 2012 date improbable, we will inform you immediately.

Results of our Procedures - During the application of the agreed upon procedures we noted the following the exceptions or unusual items, as described in the report:

- A \$264,282 difference exists between Northshore Utility District (NUD) Fixed Block Revenues and the NUD Cost Estimate and Payment Schedule. Management represents that this difference is the result of a 2009 overpayment and corresponding interest amount. (Procedure 2 h.)

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- A \$685,360 difference exists between Cascade Water Alliance (CWA) Declining Block Revenues and the CWA Cost Estimate and Payment Schedule. Management represents that this difference is the result of a 2009 overpayment and corresponding interest amount. (Procedure 2 i.)
- Management represents that CWA Segment 1 varied by more than two standard deviations from the five year average, due to Bellevue services in segment 1 no longer being in regular use. (Procedure 16 c.)
- Management represents that Mercer Island Pipeline Segment 1 varied by more than two standard deviations from the five year average, due to Bellevue services in segment 1 no longer being in regular use. (Procedure 26 c.)
- Management represents that Mercer Island Pipeline Segment 4 varied by more than two standard deviations from the five year average as the percentage of Mercer Island consumption through service 171 as opposed to service 67 significantly increased in August 2011, a peak month. (Procedure 26 c.)
- Management represents that 585 Zone, West Seattle Pipeline, and West Seattle Reservoir, varied by more than two standard deviations from the five year average due to an updated, more accurate methodology that is available using SCADA data. (Procedure 30)

Management Representations

We have requested certain representations from management that are included in the management representation letter to be dated concurrently with the issuance of the Report.

This letter is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be used or relied upon by anyone other than these specified parties.

Yours very truly,



Laurie J. Tish for
Moss Adams LLP