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Wholesale Statements and
Report of Independent Accountants on
Applying Agreed-Upon Procedures for

**City of Seattle,
Seattle Public Utilities –
Water Fund**

December 31, 2014

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**REPORT OF INDEPENDENT ACCOUNTANTS ON
APPLYING AGREED-UPON PROCEDURES**

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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 below, 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 attached Wholesale Statements (2001 Contract Types) and notes to the Wholesale Statements as of and for the year ended December 31, 2014. Fund management is responsible for the Wholesale Statements and related notes. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our related findings are as follows:

Procedures Performed on the Summary of Regional System Revenues

1. We obtained the Summary of Regional System Revenues Statement and verified the arithmetical accuracy of the Statement.
2. We compared the balances on this statement to the appropriate source summary worksheets provided by Fund management as follows:
 - a. We compared the total water consumption balance to the total volume listed on the Regional Rate Based Revenues Statement and the Purveyor Monthly Report, finding them to be in agreement.
 - b. We compared the surcharge water consumption columns to the Purveyor Monthly Report and the East Subregion Revenue statement, finding them to be in agreement.

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- The Summary of Regional System Revenues included a NW Wheeling Surcharge for 2014. We have recalculated and traced the surcharge to the Purveyor Consumption Report without exception.
- c. We compared wholesale customer revenues as noted in the annual billings schedule within the Purveyor Monthly Report, as provided by Fund management, to the Regional Rate Based Revenues Statement, finding them to be in agreement.
- d. We compared the total number of new retail connections and the related revenues to the Facilities Charge Revenues Statement and found them to be in agreement.
- e. We compared the Cascade Water Alliance (“CWA”) Declining Block Revenues to the CWA Cost Estimate and Payment Schedule, as provided by management, noting the following:
 - We noted that the Declining Block Revenues do not match the amounts listed on the CWA Cost Estimate and Payment Schedule. This difference of \$940,380 is a charge for a 2012 underpayment and corresponding interest received in a prior year that was applied to the payment schedule during 2014.
- f. We compared the Northshore Utility District (“NUD”) Fixed Block Revenues to the NUD Cost Estimate and Payment Schedule, noting the following:
 - We noted that the Fixed Block Revenues do not match the amounts listed on the NUD Cost Estimate and Payment Schedule. This difference of \$226,266 is a charge for a 2012 underpayment and corresponding interest received in a prior year that was applied to the payment schedule during 2014.
- g. We compared the Renton New Supply revenue to the Renton cost estimate and payment schedule, noting the following:
 - We noted that the Declining Block Revenues do not match the amounts listed on the Renton Cost Estimate and Payment Schedule. This difference of \$49,845 is a credit for a 2012 overpayment and corresponding interest received in a prior year that was applied to the payment schedule during 2014.
- 3. We compared the population-served amounts to detailed spreadsheets prepared by the Fund that estimate population amounts, found them to be in agreement, and noted that the data is based on the information provided by the Puget Sound Regional Council. We verified the arithmetical accuracy of the spreadsheets, supporting the population served amounts.
- 4. We did not note any prior-year adjustments to the 2014 Summary of Regional System Revenues.

Procedures Performed on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs

- 5. We obtained the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs and verified the arithmetical accuracy of the Statement.

6. We compared the rate based revenues for the year ended December 31, 2014 to the sum of the base rate revenues found on the Regional Rate Based Revenues Statement, noting total balances to be in agreement.
7. We obtained the 2014 Operations and Maintenance (“O&M”) Expense Allocation Schedule, detailed by expense category, used to calculate operations costs on the Statement and performed the following procedures:
 - a. We verified the arithmetical accuracy of the O&M Expense Allocation Schedule.
 - b. We compared each category of expense from the O&M Expense Allocation Schedule to the 2014 audited Fund financial statements, finding them to be in agreement. We also identified amounts on the O&M Expense Allocation Schedule that are subtracted as subregional.
 - c. We verified that 2014 O&M costs are allocated to the proper cost pools according to the New Contract Exhibits by selecting allocated activities through non-statistical means and comparing them to a list of activity numbers set forth in the Wholesale Customer Contract to obtain 60% coverage of the total allocated costs, testing 11 selections. We noted that all selected costs were identified in Exhibit IX within the Wholesale Customer Contract.
 - d. We compared the 2013 and 2014 O&M Expense Allocation Schedules to each other, and found them to be consistently presented.
 - e. We recalculated the application of the 2013 to 2014 Cost Ratio to the 2014 base cost index, without exception. This calculation is illustrated in Note 2 to the Wholesale Statements.
8. We obtained the Fund Audit Schedule of Fixed Assets as of December 31, 2014, and performed the following procedures:
 - a. We verified the arithmetical accuracy of the Fund Audit Schedule of Fixed Assets.
 - b. We compared the fixed asset categories to the 2014 audited Fund financial statements, and found them to be in agreement.
 - c. We verified that individual assets were allocated to the proper cost pools by selecting allocated assets through non-statistical means, achieving 60% coverage of the allocated amount, testing 23 selections, and comparing them to Exhibits VII and VIII in the Wholesale Customer Contracts. The descriptions of the selected allocated assets matched those within each respective exhibit.
 - d. We recalculated the rate of return on investments (6.10%), by adding 150 basis points to the Seattle Public Utilities Water Fund’s average cost of debt (4.60%), noting it was calculated in accordance with Article II of the Wholesale Customer Contract.
 - e. We recalculated the application of the return on investments.

9. We compared the Allocation to Cascade Base Block and Cascade Supplemental Block amounts to the Statement of Surplus (Deficit) of Declining Block Contract Revenues Less Service Costs, and found them to be in agreement.
10. We compared the Allocation of Existing Supply and Existing Transmission to Fixed Block and Allocation of New Supply Operations to Fixed Block amounts to the Existing Supply and Existing Transmission and the Conservation Cost Pool Operations Costs Amounts on the Statement of Surplus (Deficit) of Fixed Block Contract Revenue Less Service Costs, and found them to be in agreement.
11. We compared the allocation of New Supply Operations to Renton on the Statement of Surplus (Deficit) of Rate Revenue Less Service Costs to the Statement of Surplus (Deficit) of Renton New Supply Revenue Less Service Costs, and found them to be in agreement.
12. We compared any other credits, such as Timber sales, to the December 31, 2014 Fund general ledger and found them to be in agreement. We recalculated the allocation percentage of these credits to the Summary of Regional System Revenues, without exception.
13. We noted a prior year adjustment to revenues on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs, which we recalculated and traced to the 2014 Purveyor Monthly Summary Report, as provided by Fund management, without exception.

Procedures Performed on the Statement of Surplus (Deficit) of Declining Block Revenues Less Service Costs

14. We obtained the Statement of Surplus (Deficit) of Declining Block Contract Revenues Less Service Costs and verified the arithmetical accuracy of the Statement.
15. We compared revenues for the year ended December 31, 2014 to the declining block revenue amount on the Summary of Regional System Revenues, and found them to be in agreement.
16. We compared the Existing Supply and Existing Transmission Costs to the corresponding amounts on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs, and found them to be in agreement.
17. We recalculated the Existing Supply and Existing Transmission Allocation to Declining Block to the corresponding amount on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs provided by Fund management and found them to be in agreement.
18. For each Subregional Segment we performed the following procedures:
 - a. We recalculated the application of the return on assets to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2014.
 - b. We identified individual O&M costs noted as subregional within the 2014 O&M Expense Allocation Schedule provided by Fund management, and compared each amount to the Operations Costs for the Cascade Subregion B Segments 1 & 2, noting they were in agreement.

- c. We obtained flow allocators for the Cascade Subregions noting that none of the flow allocators varied by more than two standard deviations from the rolling five-year average, except the following:
 - We note that the Mercer Island Island PL Segment 2 (also known as CWA Subregion B, Segment 2) is greater than two standard deviations of the five year rolling average. Fund management states this is due to the upstream user taking less water through their tap than in prior years.
 - d. We recalculated the application of the flow factors to each Subregional facility using the Annual Waterflow Schedule provided by Fund management without exception.
19. We recalculated the annual cost of the supplemental portion of the Declining Block.
 20. We did not note any Penalty Charge Costs to compare to the Statement of Declining Block Usage and Penalty Charge.

Procedures Performed on the Statement of Surplus (Deficit) of Fixed Block Contract Revenues Less Service Costs

21. We obtained the Statement of Surplus (Deficit) of Fixed Block Contract Revenues Less Service Costs, and verified the arithmetical accuracy of the Statement.
22. We compared revenues for the year ended December 31, 2014, to the corresponding amount on the Summary of Regional System Revenues, and found them to be in agreement.
23. We compared the Existing Supply and Existing Transmission Costs to the corresponding amount on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs, and found them to be in agreement.
24. We recalculated the Allocation to Fixed Block Customers by comparing the Existing Supply and Existing Transmission Costs to the 2014 O&M Allocation and 2014 Asset Allocation Schedules provided by Fund management and found them to be in agreement.
25. We compared the Conservation Cost Pool Operations Costs to the New Supply Operations Cost on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs and the Conservation Cost Pool Asset Recovery Costs to the Facilities Charge Based Costs on the New Wholesale Customer Facilities Charge Summary Statement, and found them to be in agreement.
26. We did not note any Penalty Charge Costs to compare to the Statement of Fixed Block Usage and Penalty Charge.

Procedures Performed on the Statement of Surplus (Deficit) of Renton New Supply Revenue Less Service Costs

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27. We obtained the Statement of Surplus (Deficit) of Renton New Supply Revenue Less Service Costs and verified the arithmetical accuracy of the Statement.
 28. We compared revenue for the year ended December 31, 2014 to the corresponding amount on the Statement of Regional System Revenues, and found them to be in agreement.
 29. We compared the Renton New Supply Cost Pool Operations Costs to the New Supply Operations Costs on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs and the Renton New Supply Cost Pool Asset Recovery Costs to the Facilities Charge Based Costs on the New Wholesale Customer Facilities Charge Summary Statement, and found them to be in agreement.

Procedures Performed on the Statement of Surplus (Deficit) of East Subregion Rate Revenues Less Service Costs

30. We obtained the Statement of Surplus (Deficit) of East Subregion Rate Revenues Less Service Costs and verified the arithmetical accuracy of the Statement.
31. For each subregional segment we performed the following procedures:
 - a. We recalculated the application of the return on assets rate to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2014.
 - b. We verified that individual Operations Costs noted as subregional in 2014 are identified within the O&M Expense Allocation Schedule provided by Fund management.
 - c. We obtained flow allocators for the East Subregions (Mercer Island Pipeline) noting that none of the flow allocators varied by more than two standard deviations from the five-year rolling average.
 - d. We recalculated the application of flow factors to each subregional facility, noting the application to be correct.
 - e. We verified the arithmetical accuracy of the calculation of the “as-if” subregional revenues.

Procedures Performed on the Statement of Surplus (Deficit) of Southwest Subregion Rate Revenues Less Service Costs

32. We obtained the Statement of Surplus (Deficit) of Southwest Subregion Rate Revenues Less Service Costs and verified the arithmetical accuracy of the Statement.
33. We recalculated the application of the return on assets rate to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2014.
34. We verified that individual Operations Costs noted as subregional in 2014 are identified within the O&M Expense Allocation Schedule provided by Fund management.
35. We obtained flow allocators for the 585 Zone Facilities, West Seattle Reservoir, West Seattle

Pipeline, Des Moines Way Pipeline, Military Road Feeder, and East Marginal Way Feeder. None of the allocators varied by more than two standard deviations from the five-year rolling average.

36. We recalculated the application of flow factors to each subregional facility and noted the application to be correct.
37. We did not note any prior year adjustments to the 2014 Statement of Surplus (Deficit) of Southwest Subregion Rate Revenues Less Service Costs.

Procedures Performed on the New Wholesale Customer Facilities Charge Summary Statement

38. We obtained the New Wholesale Customer Facilities Charge Summary Statement and verified the arithmetical accuracy of the Statement.
 - The Facilities Charge Summary Statement includes interest in the calculation. We have recalculated and traced the interest rate used to the Seattle Public Utilities Water Fund's average cost of debt schedule, provided by Fund management, without exception.
39. We compared the 2014 facilities charge based revenues to the Facilities Charge Revenue Statement and noted they were in agreement.
40. We compared the regional conservation costs to the Fund Audit Schedule of Fixed Assets as of December 31, 2014 provided by Fund management and noted they were in agreement.
41. We compared the Allocation to Fixed Block Amount to the Conservation Cost Pool Asset Recovery Costs amount on the Statement of Surplus (Deficit) of Fixed Block Contract Revenues Less Service Costs, and found them to be in agreement.
42. We compared the Allocation to Renton New Supply to the Statement of Surplus (Deficit) of Renton New Supply Revenue Less Services Costs, and found them to be in agreement.
43. We did not note any prior year adjustments to the 2014 New Wholesale Customer Facilities Charge Summary Statement.

Procedures Performed on the Regional Rate Based Revenues Statement

44. We obtained the Regional Rate Based Revenues Statement and verified the arithmetical accuracy of the statement.
45. We selected two months (April and July) through non-statistical means and recalculated Seattle wholesale volumes on the "MGD by Source" report and 2014 year-end detail source sheets provided by Fund management without exception.

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46. We selected two months (April and July) through non-statistical means and recalculated Seattle wholesale bills on the 2014 year-end detail source sheet without exception. We also compared the rates used for Seattle to full and partial rates in the Seattle Municipal Code 21.04.340 - Rates Outside the City of Seattle, which we noted to be in agreement.
47. We selected a sample of customer bills sent in 2014 through non-statistical means to achieve 60% coverage of customer months with a minimum of one from each customer, and we performed the following procedures:
 - a. We compared billed water consumption amounts (volume and dollar) to data provided by the Fund's Account Services department, and noted they were in agreement.
 - b. We recalculated the Southwest Subregional Surcharge without exception.
 - c. We recalculated the East Subregional Segments 3 & 4 Surcharge without exception.
 - d. We recalculated the Northwest Subregional Surcharge without exception.
48. We did not note any miscellaneous adjustments to the 2014 Regional Rate Based Revenues Statement.
49. We did not note any prior year adjustments to the 2014 Regional Rate Based Revenues Statement.

Procedures Performed on Facilities Charge Revenues Statement

50. We obtained the Facilities Charge Revenues Statement and verified the arithmetical accuracy of the Statement.
51. We compared the 2014 "Non-Seattle" facilities charge revenues amount into the December 31, 2014 Fund general ledger, noting they were in agreement.
52. We selected customer new meter counts through non-statistical means to achieve 60% coverage of the total new meter installations and agreed them from the Facilities Charge Data Sheet provided by Fund management to the Facilities Charge Revenues Statement, noting they were in agreement.
53. We selected Seattle new meter counts through non-statistical means to achieve 60% coverage of total new meter installations and compared them to the 2014 Maximo Work Order Query by Month provided by Fund management and noted they were in agreement.
54. We did not note any prior year adjustments to the 2014 Facilities Charge Revenues Statement.

Procedures Performed on the Statement of Declining Block Usage and Penalty Charge

55. We compared the monthly water consumption amounts (volume only) presented on the Purveyor Monthly Summary Report and Purveyor Consumption Report provided by Fund management, which supports data presented on the Statement of Declining Block Usage and Penalty Charge, noting amounts were in agreement.
56. We recalculated the Annual Average Use in accordance with the methodology defined in sections 3.4A and 3.4B of the Amended Contract without exception.
57. We recalculated the Peak Season Use in accordance with the methodology defined in section 3.3A of the Amended Contract without exception.
58. We recalculated the Peak Month Use in accordance with the defined in section 3.3A of the Amended Contract without exception.
59. We did not note any Penalty Charge Costs applied to this statement.

Procedures Performed on the Statement of Fixed Block Usage and Penalty Charge

60. We compared the monthly water consumption amounts (volume only) presented on the Purveyor Monthly Summary Report and Purveyor Consumption Report provided by the Fund's Account Services department, which supports data presented on the Statement of Fixed Block Usage and Penalty Charge, noting amounts were in agreement.
61. We recalculated the Annual Average Use in accordance with the methodology defined in Article II of the Fixed Block Water Supply Agreement without exception.
62. We recalculated the Peak Season Use in accordance with the methodology defined in Articles II & III of the Fixed Block Water Supply Agreement without exception.
63. We recalculated the Peak Month Use in accordance with the methodology defined in Articles II & III of the Fixed Block Water Supply Agreement without exception.
64. We did not note any Penalty Charge Costs applied to this statement.

Procedures Performed on Additional Historical Schedules

65. We compared balances presented in Historical Schedules to the 2002 through 2013 Wholesale Statements or schedules provided by Fund management from which they are derived, and noted they were in agreement.

Procedures Performed on the Notes to the Wholesale Customer Statements

66. We compared the rate of return percentage in Note 1 to the rate of return recalculated during the procedures performed on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs, noting agreement.

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- 67. We obtained Notes 2 and 4 and verified the arithmetical accuracy of the amounts shown in the Notes.
- 68. We compared balances of all Operations Costs within Note 2 to the 2014 O&M Allocation Schedule and found them to be in agreement.
- 69. We compared the Total Existing Supply Asset Cost, Total Existing Transmission Asset Cost, and Total New Supply Asset Cost within Note 4 to the corresponding totals within the Statement of Surplus (Deficit) of Fixed Block Contract Revenues Less Service Costs and noted they were in agreement. We noted all other balances to be in agreement with the 2014 Asset Schedule.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Wholesale Statements and related notes. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report 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.

Seattle, Washington
_____, 2015

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**CITY OF SEATTLE,
 SEATTLE PUBLIC UTILITIES – WATER FUND
 SUMMARY OF REGIONAL SYSTEM REVENUES
 YEAR ENDED DECEMBER 31, 2014**

	<u>Population Served</u>	<u>Total Water Consumption (in CCF)</u>	<u>Surcharge Water Consumption (in CCF)</u>	<u>New Retail Connections (qty)</u>	<u>Revenues</u>
2001 Contract Wholesale Customers (including Seattle)	1,349,050				
Full & Partial Contract Base Rate Revenue		42,591,131		N/A	\$ 78,608,560
SW Sub-Region Surcharge		N/A	4,601,953	N/A	297,377
E Sub-Region Surcharge		N/A			
Segment 3			279,677	N/A	44,748
Segment 4			810,268	N/A	153,951
Renton New Supply		N/A			171,156
NW Wheeling Surcharge		N/A	504,943	N/A	10,099
Declining Block Revenue (1)		13,143,553			19,890,470
Fixed Block Revenue		2,541,588			5,159,530
Facilities Charges		<u>N/A</u>	N/A	1572	<u>3,665,706</u>
Total System		<u><u>58,276,272</u></u>			<u><u>\$ 108,001,596</u></u>

(1) Declining Block Revenue includes CWA's Regional and CWA's Subregional revenue

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF SURPLUS (DEFICIT) OF RATE REVENUES LESS SERVICE COSTS
YEAR ENDED DECEMBER 31, 2014**

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Beginning Balance - 12/31/2013	\$ 5,219,210	
Interest	240,084	
Total Prior Balance:		<u>\$ 5,459,294</u>
2014 Rate Based Revenues		78,608,560
2014 Timber Sales	56,675	
Allocation to Declining Block	10,243	
Allocation to Fixed Block	2,890	
Full and Partial Contract portion		43,542
Transfer of Facilities Charge Revenue		-
Adjustment to Prior-year revenues		10,420
Total Revenues		<u>78,662,521</u>
2014 Rate Based Costs		
Existing Supply		
Operations Costs	29,767,636	
Asset Recovery Costs	34,714,671	
New Supply		
Operations Costs	878,022	
Asset Recovery Costs	-	
Existing Transmission		
Operations Costs	13,010,450	
Asset Recovery Costs	19,684,036	
New Transmission		
Operations Costs	-	
Asset Recovery Costs	-	
Total	<u>\$ 98,054,815</u>	\$ 98,054,815
Allocation to Cascade Base Block		17,563,427
Allocation to Cascade Supplemental Block		2,777,049
Allocation of Existing Supply and Existing Transmission to Fixed Block		4,956,016
Allocation of New Supply Operations to Fixed Block		54,422
Allocation of New Supply Operations to Renton		50,047
Total Full and Partial Contract Customer Costs		<u>72,653,853</u>
Net excess of revenues over cost of service 12/31/2014		<u>\$ 11,467,962</u>

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**CITY OF SEATTLE,
 SEATTLE PUBLIC UTILITIES – WATER FUND
 STATEMENT OF SURPLUS (DEFICIT) OF
 DECLINING BLOCK CONTRACT REVENUES LESS SERVICE COSTS
 YEAR ENDED DECEMBER 31, 2014**

Beginning Balance - 12/31/2013	\$	-
No carryover from previous year under block contracts		
Declining Block Revenues		19,890,470
2014 Timber Sales (allocated as block)		<u>10,243</u>
Total Revenues		<u>\$ 19,900,713</u>
BASE BLOCK		
Existing Supply and Existing Transmission		
Existing Supply		
Operations Costs	29,767,636	
Asset Recovery Costs	34,714,671	
Existing Transmission		
Operations Costs	13,010,450	
Asset Recovery Costs	<u>19,684,036</u>	
Total	<u>97,176,793</u>	
Allocation to Declining Block		17,563,427
Cascade Sub-regions		
Cascade Subregion A		
Operations Costs	-	
Asset Recovery Costs	<u>13,101</u>	
Total	<u>13,101</u>	
Allocation to Declining Block		13,101
Cascade Subregion B - Segment 1		
Operations Costs	2,931	
Asset Recovery Costs	<u>14,109</u>	
Total	<u>17,040</u>	
Allocation to Declining Block		1,528
Allocation to Downstream Customers	<u>15,512</u>	
Cascade Subregion B - Segment 2		
Amount from Segment 1	15,512	
Operations Costs	4,134	
Asset Recovery Costs	<u>19,686</u>	
Total	<u>39,332</u>	
Allocation to Declining Block		5,187
Cascade Subregion B - Segment 3		
Operations Costs	-	
Asset Recovery Costs	-	
Total	<u>-</u>	
Allocation to Declining Block		-
SUPPLEMENTAL BLOCK		
Charge for 3MGD at Full and Partial Rates		2,777,049
Total Costs for Base and Supplemental Block		20,360,291
Adjustment for Prior-year allocation, including interest		<u>-</u>
Net excess of revenues over cost of service - 12/31/2014		<u>\$ (459,578)</u>

See accompanying notes to the Wholesale Statements.

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF SURPLUS (DEFICIT) OF
FIXED BLOCK CONTRACT REVENUES LESS SERVICE COSTS
YEAR ENDED DECEMBER 31, 2014**

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Beginning Balance - 12/31/2013

No carryover from previous year under block contracts

Fixed Block Revenues	\$ 5,159,530	
2014 Timber Sales (allocated as block)	<u>2,890</u>	
Total Revenues		<u>\$ 5,162,420</u>
Existing Supply and Existing Transmission		
Existing Supply		
Operations Costs	29,767,636	
Asset Recovery Costs	34,714,671	
Existing Transmission		
Operations Costs	13,010,450	
Asset Recovery Costs	<u>19,684,036</u>	
Total	<u>97,176,793</u>	
Allocation to Fixed Block		4,956,016
Conservation Cost Pool		
Operations Costs	878,022	
Allocation to Fixed Block		54,422
Asset Recovery Costs	3,808,109	
Allocation to Fixed Block		<u>236,038</u>
Total Costs		<u>5,246,477</u>
Net excess of revenues over cost of service - 12/31/2014		<u><u>\$ (84,056)</u></u>

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**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF SURPLUS (DEFICIT) OF
RENTON NEW SUPPLY REVENUE LESS SERVICE COSTS
YEAR ENDED DECEMBER 31, 2014**

Beginning Balance - 12/31/2013		\$	-
No carryover from previous year under block contracts			
Renton New Supply Revenues			<u>171,156</u>
Renton New Supply Costs			
Operations Costs	\$ 878,022		
Allocation to Renton New Supply			50,047
Asset Recovery Costs	1,127,526		
Allocation to Renton New Supply			<u>64,269</u>
Total Costs			<u>114,316</u>
Net excess of revenues over cost of service - 12/31/2014		\$	<u><u>56,840</u></u>

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF SURPLUS (DEFICIT) OF
EAST SUBREGION RATE REVENUES LESS SERVICE COSTS
YEAR ENDED DECEMBER 31, 2014**

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East Subregion Segment 1 Costs		
Operations Costs	\$ 2,931	
Asset Recovery Costs	14,109	
Total	<u>17,040</u>	
Amount Allocated to Segment 1		<u>\$ 1,528</u>
Amount Allocated to downstream users	15,512	
<hr/>		
East Subregion Segment 2 Costs		
Amount from Segment 1	\$ 15,512	
Operations Costs	4,134	
Asset Recovery Costs	<u>19,686</u>	
Total	<u>39,332</u>	
Amount Allocated to Segment 2		<u>5,187</u>
Amount Allocated to downstream users	34,145	
<hr/>		
East Subregion Segment 3 Beginning Balance 12/31/2013	\$ (20,807)	
Interest	<u>(957)</u>	
Total		\$ (21,764)
East Subregion Segment 3 As-If Revenues		44,748
East Subregion Segment 3 Costs		
Amount from Segment 2	34,145	
Operations Costs	20,965	
Asset Recovery Costs	<u>26,380</u>	
Total	<u>81,489</u>	
Amount Allocated to Segment 3		<u>7,154</u>
Amount Allocated to downstream users	74,335	
Net excess (deficit) of revenues over cost of service		<u>\$ 15,830</u>
<hr/>		
East Subregion Segment 4 Beginning Balance 12/31/2013	\$ (98,658)	
Interest	<u>(4,538)</u>	
Total		\$ (103,196)
East Subregion Segment 4 As-If Revenues		153,951
East Subregion Segment 4 Costs		
Amount from Segment 3	74,335	
Operations Costs	2,902	
Asset Recovery Costs	<u>13,971</u>	
Total	<u>91,208</u>	
Amount Allocated to Segment 4		<u>91,208</u>
Net excess (deficit) of revenues over cost of service		<u>\$ (40,454)</u>

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**CITY OF SEATTLE,
 SEATTLE PUBLIC UTILITIES – WATER FUND
 STATEMENT OF SURPLUS (DEFICIT) OF
 SOUTHWEST SUBREGION RATE REVENUES LESS SERVICE COSTS
 YEAR ENDED DECEMBER 31, 2014**

Beginning Balance - 12/31/2013		\$ (743,465)
Interest		(34,199)
Total Prior Balance:		<u>(777,664)</u>
2014 Rate Based Revenues		<u>297,377</u>
2014 Rate Based Costs		
585 Zone Facilities		
Operations Costs	\$ 11,919	
Asset Recovery Costs	314,658	
Total	<u>326,577</u>	
Allocation to Southwest Subregion Customers (at 37.5%)		150,112
West Seattle Reservoir		
Operations Costs	15,677	
Asset Recovery Costs	2,961,026	
Total	<u>2,976,703</u>	
Allocation to Southwest Subregion Customers (at 11.4%)		79,855
West Seattle Pipeline		
Operations Costs	1,058	
Asset Recovery Costs	145,510	
Total	<u>146,568</u>	
Allocation to Southwest Subregion Customers (at 45.8%)		32,697
Des Moines Way Pipeline		
Operations Costs	3,121	
Asset Recovery Costs	8,896	
Total	<u>12,016</u>	
Allocation to Southwest Subregion Customers (at 100%)		12,016
Military Road Feeder		
Operations Costs	-	
Asset Recovery Costs	-	
Total	<u>-</u>	
Allocation to Southwest Subregion Customers (at 100%)		-
East Marginal Way Feeder		
Operations Costs	-	
Asset Recovery Costs	-	
Total	<u>-</u>	
Allocation to Southwest Subregion Customers (at 100%)		-
Total Costs:		<u>274,680</u>
Net excess (deficit) of revenues over cost of service - 12/31/2014		<u><u>\$ (754,968)</u></u>

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
NEW WHOLESALE CUSTOMER FACILITIES CHARGE SUMMARY STATEMENT
YEAR ENDED DECEMBER 31, 2014**

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Beginning Balance - 12/31/2013		<u>\$ 7,289,046</u>
Interest		<u>335,296</u>
2014 Facilities Charge Based Revenues		<u>3,665,706</u>
2014 Facilities Charge Based Costs		
1% Conservation Costs	\$ 2,680,583	
2014 Regional Conservation Costs	<u>1,127,526</u>	
Total	<u>3,808,109</u>	
Allocation to 2001 Contract Wholesale Customers		3,808,109
Allocation to Fixed Block		(236,038)
Allocation of New Supply Assets to Renton		<u>(64,269)</u>
Total Full and Partial Contract Customer Costs		<u>3,507,802</u>
SubTotal		7,782,246
Transfer amount over Net Book Value to regional revenue		<u>-</u>
Ending Balance - 12/31/2014		<u><u>\$ 7,782,246</u></u>

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**CITY OF SEATTLE,
 SEATTLE PUBLIC UTILITIES – WATER FUND
 REGIONAL RATE BASED REVENUES STATEMENT
 YEAR ENDED DECEMBER 31, 2014**

<u>Customer</u>	<u>Volume (ccf)</u>	<u>Base Rate Revenue for current year (\$)</u>	<u>SW Sub-Regional Surcharge (\$)</u>	<u>E Sub-Regional Segment 3 Surcharge (\$)</u>	<u>E Sub-Regional Segment 4 Surcharge (\$)</u>	<u>NW Sub-Regional Surcharge</u>
Bothell	751,608	1,412,421				
Cedar River	827,277	1,537,088				
Coal Creek	555,475	1,069,066				
Duvall	243,416	450,122				
Edmonds	26	3,924				
Highline	2,159,022	4,021,598	151,132			
Lake Forest Park	197	4,376				
Mercer Island	1,041,934	2,162,396		37,067	153,951	
North Bend	19,910	62,455				
Olympic View	402,010	767,543				8,040
Renton	47,775	207,777				
North City	848,588	1,558,241				2,059
Soos Creek	1,949,246	3,582,952				
WD 20	1,264,750	2,319,614	88,533			
WD 45	112,930	207,378	7,905			
WD 49	606,746	1,133,209	17,712			
WD 90	594,651	1,143,925				
WD 119	150,749	268,757				
WD 125	458,505	865,075	32,095			
Woodinville	1,922,760	3,614,886				
Seattle	28,633,556	52,215,756		7,682		
Total	42,591,131	78,608,560	297,377	44,748	153,951	10,099

See accompanying notes to the Wholesale Statements.

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
FACILITIES CHARGE REVENUES STATEMENT
YEAR ENDED DECEMBER 31, 2014**

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Meter Size	1	1.5	2	3	4	6	8	10	12	Total	1	1.5	2	3	4	6	8	10	12	Adjustments	Total
Bothell	43	2	1	2	-	-	-	-	-	48	\$ 39,127	\$ 8,360	\$ 6,688	\$ 35,618	-	-	-	-	-	-	\$ 89,793
Cedar River	24	1	-	-	-	-	-	-	-	25	22,346	3,244	-	-	-	-	-	-	-	-	25,590
Coal Creek	73	-	-	-	-	-	-	-	-	73	67,858	-	-	-	-	-	-	-	-	-	67,858
Duvall	4	-	-	-	-	-	-	-	-	4	3,744	-	-	-	-	-	-	-	-	-	3,744
Mercer Island	8	54	-	-	-	-	-	-	-	62	7,370	186,779	-	-	-	-	-	-	-	-	194,149
North City	13	1	-	-	-	-	-	-	-	14	11,991	3,038	-	34,452	-	-	-	-	-	-	49,481
Soos Creek	88	2	-	-	-	-	-	-	-	90	81,778	8,360	-	-	-	-	-	-	-	-	90,138
Woodinville	118	-	-	-	-	-	-	-	-	118	106,803	-	-	-	-	-	-	-	-	3,365	110,168
WD 20	16	-	-	-	-	-	-	-	-	16	14,799	-	-	-	-	-	-	-	-	-	14,799
WD 45	1	-	-	-	-	-	-	-	-	1	936	-	-	-	-	-	-	-	-	-	936
WD 49	5	2	1	-	-	-	-	-	-	8	4,680	8,360	6,688	-	-	-	-	-	-	-	19,728
WD 90	172	-	1	-	-	-	-	-	-	173	159,340	-	6,688	-	-	-	-	-	-	-	166,028
WD 119	6	-	-	-	-	-	-	-	-	6	5,616	-	-	-	-	-	-	-	-	-	5,616
WD 125	2	-	-	-	-	-	-	-	-	2	1,872	-	-	-	-	-	-	-	-	(877)	995
Seattle	808	21	56	9	34	3	1	-	-	932	847,043	98,280	419,328	185,328	986,544	185,328	104,832	-	-	-	2,826,683
Total	1,381	83	59	11	34	3	1	-	-	1,572	1,375,303	316,421	439,392	255,398	986,544	185,328	104,832	-	-	2,488	3,665,706

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**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF DECLINING BLOCK USAGE AND PENALTY CHARGE
YEAR ENDED DECEMBER 31, 2014**

Declining Block Usage

Annual Average Use

January 1 – December 31

Block Limit (MG)

33.3

Actual Use (MG)

26.9

Excess Use (MG)

0.0

Peak Season Use

May 22 – September 22, inclusive

Block Limit (MG)

45.0

Actual Use (MG)

36.2

Excess Use (MG)

0.0

Peak Month Use

June 21 – July 22, inclusive

Block Limit (MG)

56.3

Actual Use (MG)

39.9

Excess Use (MG)

0.0

Penalty Charge

Cascade Volume Charge per MG

N/A

Penalty Factor (from 8.10 of the contract)

N/A

Amount of Excess Usage (MG)

N/A

Number of Penalty Days

N/A

Penalty Charge

N/A

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**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
STATEMENT OF FIXED BLOCK USAGE AND PENALTY CHARGE
YEAR ENDED DECEMBER 31, 2014**

Fixed Block Usage

Annual Average Use

January 1 – December 31

Block Limit (MG) 8.55

Actual Use (MG) 5.18

Excess Use (MG) 0.0

Peak Season Use

May 22 – September 22, inclusive

Block Limit (MG) 11.36

Actual Use (MG) 6.75

Excess Use (MG) 0.0

Peak Month Use

June 21 – July 22, inclusive

Block Limit (MG) 13.35

Actual Use (MG) 7.67

Excess Use (MG) 0.0

Penalty Charge

Northshore Volume Charge per MG N/A

Penalty Factor (from 8.11 of the contract) N/A

Amount of Excess Usage (MG) N/A

Number of Penalty Days N/A

Penalty Charge N/A

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**CITY OF SEATTLE,
 SEATTLE PUBLIC UTILITIES – WATER FUND
 HISTORIC TRUE UP INFORMATION
 DECEMBER 31, 2014**

	Wholesale Demand* (ccf)	Rate Revenues	Facilities Charge ERUs	Facilities Charge Revenues	Rate of Return	Cumulative Rates Balance	Cumulative Facilities Charge Balance
2002	39,210,652	\$ 40,971,767	3,259	\$ 4,322,196	6.3%	\$ 1,786,830	\$ 3,221,088
2003	44,177,845	49,884,686	3,353	2,728,582	6.1%	7,567,031	5,662,351
2004	61,067,898	59,191,218	4,255	3,086,269	6.0%	10,913,843	8,247,306
2005	60,839,713	59,751,298	4,066	2,879,807	6.2%	7,567,031	10,333,845
2006	60,201,693	60,597,142	4,903	3,504,395	6.2%	6,596,622	11,530,622
2007	57,666,133	58,618,177	5,111	3,472,946	6.2%	1,166,184	12,720,750
2008	57,350,678	57,487,415	4,258	3,101,550	6.1%	(5,649,241)	12,919,069
2009	59,557,614	65,582,044	2,682	1,881,607	6.3%	(1,486,951)	12,882,597
2010	53,831,337	59,854,486	1,661	1,210,674	6.2%	(7,118,540)	11,959,801
2011	57,107,516	64,731,227	1,555	1,209,105	6.2%	(10,192,058)	9,103,780
2012	57,589,281	76,222,570	2,644	1,977,858	6.1%	(6,213,465)	7,533,916
2013	57,826,084	77,821,830	4,615	3,625,430	6.1%	5,219,210	7,289,046
2014	58,276,272	78,608,560	4,015	3,665,706	6.1%	11,467,962	7,782,246

* Includes Full and Partial Requirements customers, Seattle as a Full Requirements customer, and Cascade and Northshore actual demand.

	Regional Existing Supply O&M Cost	Regional Existing Supply Asset Cost	Regional Existing Transmission O&M Cost	Regional Existing Transmission Asset Cost	Regional New Supply O&M Cost	Regional New Supply Asset Cost	Regional New Transmission O&M Cost	Regional New Transmission Asset Cost
2002	\$ 19,324,226	\$ 25,563,030	\$ 5,024,353	\$ 13,951,503	\$ 1,336,390	\$ 1,832,124	\$ -	\$ -
2003	21,478,110	28,515,193	6,063,001	17,328,129	1,465,960	658,592	-	-
2004	20,882,564	33,172,379	7,256,866	17,731,121	1,157,065	1,087,076	-	-
2005	25,657,232	33,702,364	6,804,217	17,873,927	1,077,273	1,592,723	-	-
2006	26,250,435	33,236,987	9,017,455	18,449,204	1,210,198	1,926,574	-	-
2007	28,699,251	33,318,097	8,539,842	18,027,362	1,148,552	2,254,043	-	-
2008	29,416,339	32,865,219	9,230,892	17,201,493	866,066	2,567,277	2,577	-
2009	30,052,243	33,385,466	5,904,059	18,110,185	705,844	2,850,236	2,059	-
2010	29,656,594	32,915,099	11,215,768	17,719,534	649,588	3,071,429	-	-
2011	27,195,212	34,751,259	10,314,304	17,411,994	839,203	4,933,373	-	-
2012	29,563,140	35,517,117	10,527,653	19,660,369	742,023	4,309,179	-	-
2013	29,667,357	35,132,788	9,725,985	19,998,965	878,110	4,603,141	-	-
2014	29,767,636	34,714,671	13,010,450	19,684,036	878,022	3,808,109	-	-

See accompanying notes to the Wholesale Statements.

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
NOTES TO SCHEDULES
DECEMBER 31, 2014**

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Note 1 - Summary of Significant Accounting Policies

The City of Seattle, Seattle Public Utilities – Water Fund (the “Fund”) is a public utility of the City of Seattle. The Fund provides water service to wholesale and retail customers and bills these customers at rates prescribed by City ordinances.

The Fund is subject to regulation by city and state agencies. These special-purpose wholesale customer statements are prepared based on accounting and financial reporting policies, which are in accordance with applicable rate-making principles and policies set forth in Section IV of the Full and Partial Requirements Contracts, Section VIII of the Declining Block Contract, and Section VIII of the Fixed Block Contract, as well as rates in the Seattle municipal code.

The Fund is required to:

1. Provide a statement of the actual costs allocated to each cost pool and other costs and revenue received.
2. For each class of customers in each cost pool, maintain a running balance of the excess or deficit of actual rate revenues collected less actual expenses incurred.
3. Pay or charge interest on the balance in the account.
4. Prepare an annual report of these balances.
5. Use the cumulative net excess or deficit to adjust future wholesale rates downward or upward.

Certain assets owned by Seattle are identified as providing wholesale water services of transmission and supply to wholesale customers and Seattle (Seattle is considered a wholesale customer of the transmission system). Costs of these assets are calculated on the utility basis. Under the utility basis, the infrastructures cost for a facility in any year shall be the sum of (i) the annual depreciation expense recorded for that facility and (ii) the product of the net book value of that facility and the Rate of Return on Investment. The Rate of Return is 6.10%.

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**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
NOTES TO SCHEDULES
DECEMBER 31, 2014**

Note 2 - Operations Costs

Pursuant to terms set forth in section IV.E.3 of the Contract, the Fund charges wholesale customers for operations costs. This cost for 2014 was calculated as follows:

Existing Supply	
2013 Base	\$ 28,987,370
2013 Costs in identified activities	\$ 20,154,839
2014 Costs in identified activities	\$ 20,416,193
Ratio of 2014/2013	1.0130
2014 Operations Cost Base	\$ 29,364,206
Add Expensed CIP:	
C408046 - Cedar Falls Water Sys Replcmnt	156,805
C408051 - Cedar Falls Facilities Dvlpmnt	246,624
	<hr/>
Total Existing Supply Costs	<u>\$ 29,767,636</u>
Existing Transmission	
2013 Base	\$ 9,725,985
2013 Costs in identified activities	\$ 2,553,314
2014 Costs in identified activities	\$ 3,415,562
Ratio of 2014/2013	1.3377
Total Existing Transmission Costs	<u>\$ 13,010,450</u>
New Supply	
2013 Base	\$ 878,110
2013 Costs in identified activities	\$ 393,145
2014 Costs in identified activities	\$ 393,098
Ratio of 2014/2013	0.9999
Total New Supply Costs	<u>\$ 878,022</u>
New Transmission	
2014 Costs in identified activities	-
Apply G&A as per CIP	-
	<hr/>
Total New Transmission Costs	<u>-</u>

**CITY OF SEATTLE,
SEATTLE PUBLIC UTILITIES – WATER FUND
NOTES TO SCHEDULES
DECEMBER 31, 2014**

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Note 3 - Net Excess (Deficiency) of Revenues Over Allocated Costs of Service for Wholesale Customers' Water Consumption

Wholesale water rates are established to recover wholesale water supply and transmission costs for both regional and subregional cost pools. Rates are set for multiyear periods and are intended to approximate the costs to the Fund. A running total of net excess or deficiency of revenues as compared to costs is kept and applied to decrease or increase wholesale rates in the next rate period. In this way, long-term rate revenue is expected to match long-term costs for each cost pool.

Note 4 - Asset Costs

Pursuant to terms set forth in section IV.E.2 of the Wholesale Customer Contract, the Fund charges wholesale customers for asset costs. This cost for 2014 was calculated as follows:

Existing Supply		
Depreciation		\$ 12,764,424
Asset Net Book Value	\$ 359,840,109	
Rate of Return on Investment	6.1%	
Return on Net Book Value		<u>21,950,247</u>
Total Existing Supply Asset Cost		<u>\$ 34,714,671</u>
Existing Transmission		
Depreciation		\$ 6,541,275
Asset Net Book Value	\$ 215,455,100	
Rate of Return on Investment	6.1%	
Return on Net Book Value		<u>13,142,761</u>
Total Existing Transmission Asset Cost		<u>\$ 19,684,036</u>
New Supply, 1% Conservation (utility cost basis)		
Depreciation		\$ 2,479,515
Asset Net Book Value	\$ 3,296,203	
Rate of Return on Investment	6.1%	
Return on Net Book Value		201,068
New Supply, 2014 Conservation (cash basis)		<u>1,127,526</u>
Total New Supply Asset Cost		<u>\$ 3,808,109</u>