THE CITY OF SEATTLE–CITY LIGHT DEPARTMENT

Seattle, Washington

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

As of and for the Year Ended December 31, 2016

CITY OF SEATTLE – CITY LIGHT DEPARTMENT

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REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE

To the Energy and Environment Committee
City of Seattle – City Light Department
Seattle, WA

In planning and performing our audit of the financial statements of The City of Seattle–City Light Department (the “Department”) for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

- Implementation of the CCB Billing System

The Department’s written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 28, 2017

IMPLEMENTATION OF CCB BILLING SYSTEM

During the audit, we concentrated a portion of our testing on the processes and controls surrounding the implementation of the Customer Care and Billing (CCB) software. The billing system went live beginning September 2016 for all customer classes and billing cycles. Customer billings and statements have been generated since the go-live date and the system was fully operable through year-end. A considerable amount of time and effort has been spent converting to the new software and is expected to continue into 2017. Although the department was successful with the initial implementation of the billing system, several key control and reporting elements were noted to be lacking with the implementation. These implementation issues are summarized below:

- Internal control processes and procedures specific to the new billing system are not formally documented as of the date of this letter. Adequate process documentation was not available during the audit for our review.
- In the absence of other risk review procedures, it was practically necessary for the department's internal audit manager to be heavily involved in both the design and implementation of key Information Technology (IT) security controls. These security controls included the design of end user role privileges and associated users groups and performance of end-user access reviews on an ongoing basis. This level of involvement limits the reliance that can be placed on future work of Internal Audit.
- We were unable to gain comfort with clearly defined roles of key IT personnel surrounding CCB.
- Reliable reports related to revenues, customer accounts receivable, billing adjustments and billed consumption were not maintained in the new system or available for the audit.
- The departments review and approval process surrounding the customer billing and accounts receivable adjustment processes was not consistently maintained or enforced during the year.

The department continued to aggressively pursue remediation efforts for several of these key issues post-implementation and during audit fieldwork; however, the identified matters above were not remediated as of year-end and therefore must be reported to you under Generally Accepted Auditing Standards. The culmination of the identified issues above warrants the classification of a significant deficiency with respect to the implementation and continued use of the CCB billing system. We recommend the department review each of the identified issues noted above and take the necessary steps to remediate them in the next fiscal year.

Department Response

We appreciate Baker Tilly's observations and recommendations in regards to the recently implemented CCB billing system and agree that improvements can be made to enhance the areas noted above. Overall, we agree the implementation of the CCB billing system was successful and Department staff are determined to improve daily operations during 2017. Following is some of the work in progress:

1. Internal control processes and procedures specific to the new billing system are not formally documented as of the date of this letter. Adequate process documentation was not available during the audit for our review.

   Response: Work on internal control documentation is in progress and is led by the Department's Business Technology Solutions team.

Department Response (cont.)

2. The department's internal audit personnel was heavily involved in both the design and implementation of key Information Technology (IT) security controls. These security controls included the design of end user role privileges and associated users groups, and performance of end-user access reviews on an ongoing basis.

   Response: Effective in late April 2017, the Department's Business Technology Solutions has been assigned this responsibility.

3. We were unable to gain comfort with clearly defined roles of key IT personnel surrounding CCB.

   Response: The Department's Business Technology Solutions team has been assigned the lead to administer CCB billing system related items and including definition of key IT roles.

4. Reliable reports related to revenues, customer accounts receivable, billing adjustments and billed consumption were not maintained in the new system or available for the audit.

   Response: Work has been in progress since the start of 2017 to improve reporting from the CCB billing system and including for specific items identified. Work is being led by the Department's Business Technology Solutions team and includes end-users from the Department and Seattle Public Utilities.

5. The departments review and approval process surrounding the customer billing and accounts receivable adjustment processes was not consistently maintained or enforced during the year.

   Response: The Customer Care Division is working on revised procedures and related documentation for customer billing and accounts receivable adjustments.

REQUIRED COMMUNICATIONS BY THE AUDITOR WITH THOSE CHARGED WITH GOVERNANCE

To the Energy and Environment Committee
City of Seattle – City Light Department
Seattle, Washington

We have completed our audit of the financial statements of The City of Seattle–City Light Department (the “Department”) for the year ended December 31, 2016 and have issued our report thereon dated April 28, 2017. This letter presents communications required by our professional standards.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department’s compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Other Information in Documents Containing Audited Financial Statements

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you during our onsite audit presentation on May 24, 2016.

Qualitative Aspects of the Entity's Significant Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Department are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Department has adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* effective January 1, 2016. We noted no transactions entered into by the Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Other postemployment benefit (OPEB) cost, net OPEB obligation and employee benefits self-insurance fund
- Net pension liability and related deferrals
- Allowance for doubtful accounts
- Unbilled revenues
- The Department's portion of the City of Seattle's Industrial Insurance Fund and Self-Insured Liability losses
- Environmental remediation liabilities

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

A summary of uncorrected financial statement misstatements follows this required communication. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

Independence

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the Department that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the Department for the year ended December 31, 2016, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the Department in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the Department other than audit services provided in connection with the audit of the current year's financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

To the Energy and Environment Committee
The City of Seattle–City Light Department

RESTRICTION ON USE

This information is intended solely for the use of the Energy and Environment Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. We appreciate the courtesy and assistance extended to us by your personnel during the audit. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 28, 2017

SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

CITY OF SEATTLE - CITY LIGHT DEPARTMENT

SUMMARY OF PASSED ADJUSTING JOURNAL ENTRIES
December 31, 2016

	2016									
	Financial Statements Effect - Increase (Decrease) to Financial Statement Tota									
	Current Assets	Long-Term Assets	Total Assets	Current Liabilities	Long-Term Liabilities	Total Liabilities	Total Net Position	Total Revenues	Total Expenses	Net Income
Total Net Audit Differences	$ 2,461,561	$ (2,399,181)	$ 62,380	$ (4,077,314)	$ -	$ (4,077,314)	$ 4,139,694	$ 3,211,691	$ 305,222	$ 2,906,469

MANAGEMENT REPRESENTATIONS

Seattle City Light

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April 28, 2017

BAKER TILLY VIRCHOW KRAUSE, LLP
TEN TERRACE COURT
PO BOX 7398
MADISON, WI 53707-7398

Dear Auditors,

We are providing this letter in connection with your audit of the financial statements of The City of Seattle – City Light Department (Department) as of December 31, 2016 and 2015 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Department and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free

from material misstatement, whether due to fraud or error. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions we used in making accounting estimates are reasonable.

5. Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

8. All claims, assessments or pending lawsuits against the Department which may have a material effect on the Departments financial statements were brought to your attention at the time of the audit.

9. Guarantees, whether written or oral, under which the Department are contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Energy and Environment Committee and summaries of actions of recent meetings for which minutes have not yet been prepared.

11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Department and involves:

    a. Management
    b. Employees who have significant roles in internal control, or Item
    c. Others where the fraud could have a material effect on the financial statements

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Department received in communications from employees, former employees, regulators, or others.

15. There are no known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

17. We have made available to you all financial records and related data.

Other

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, the financial reporting process.

19. We have a process to track the status of audit findings and recommendations.

20. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

22. The Department has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23. We are responsible for compliance with federal, state, and local laws, regulations and provisions of contracts and grant agreements applicable to us, including debt contracts and debt covenants and we have identified, and disclosed to you, all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. There are no -

    a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting on noncompliance.

b. Violations of restrictions placed on revenues as a result of a bond ordinance covenant - such as revenue distribution, or debt service funding.
c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accredited in the United States of America.
d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

25. The following, if any, have been properly recorded or disclosed in the financial statements:

    a. Joint ventures
    b. Collateralization agreements with financial institutions.
    c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
    d. All off-balance sheet derivative financial instruments (i.e. futures, options, swaps), including outstanding commitments to purchase or sell securities under forward placement and standby commitments.
    e. Financial instruments with significant individual or group concentration of credit risk.
    f. Sales with recourse provisions, including all price adjustment provisions.
    g. All impaired loans receivable.
    h. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
    i. Agreements to repurchase assets previously sold.
    j. Contingent assets and liabilities.

26. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

27. The Department has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral other than liens created by our revenue debt.

28. Capital assets are properly capitalized and depreciated. Any known impairments have been disclosed and recorded.

29. We believe that we have properly identified all derivative instruments and that we have no embedded derivative instruments that require bifurcation. Our hedging activities, if any, are in accordance with our documented and approved hedging and risk management policies. We follow the valuation, accounting, reporting and disclosure requirements outlined in GASB No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items disclosed in the notes to the financial statements have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments

and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.

30. As disclosed in the notes to the financial statements, we have appropriately described the impacts that proposed accounting pronouncements may have on our financial position or operations, or the status of our evaluation or accounting pronouncements to be adopted in future years.

31. No events have occurred and no facts have been discovered which indicate that the fair value of any security is significantly affected by the credit standing of the issuer or by other specific factors.

32. Funds held for respective trust accounts are sufficient to service and redeem defeased bonds.

33. Tax-exempt bonds issued have retained their tax-exempt status.

34. Components of net position (net investment in capital assets, restricted and unrestricted) are properly classified.

35. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements

    a. The concentration exists at the date of the financial statements.
    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
    c. It is at least possible that the events that could cause the severe impact will occur in the near term

36. The accounts receivable recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.

37. We are responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, accounts receivable, energy contract assets and liabilities, unbilled revenue and incurred but not reported claims, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balance.

38. We believe that all expenditures that have been deferred to future periods are recoverable.

39. Provision has been made for any loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.

40. We have no intention of terminating our participation in the Seattle City Employee's Retirement System ("SCERS") or withdrawing from any multi-employer plans, or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our participation in the "SCERS" defined benefit plan or multi-employer plans to which we contribute. We believe that

the actuarial assumptions and methods used to measure the pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

41. We agree with the work of specialists in evaluating the pension liabilities, other post employment benefit liabilities, pollution remediation liabilities, and provision for injuries and damages and have adequately considered the qualifications of specialists in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have affected the independence or objectivity of the specialists.

42. We have complied with GASB No. 49, and believe that the estimates made for our pollution remediation liability is in accordance with this standard and reflect all known available facts at the time it was recorded.

43. Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

44. All charges to the property accounts consist of replacements or additions for the purpose of increasing capacity, extending facilities, reducing operating costs, or meeting changed operating conditions.

45. There were no items of physical property contained in the property accounts that were either (a) abandoned or (b) out of service and not regarded as either (i) standby property or equipment or (ii) property held for use only temporarily out of service, as that term is commonly understood in the public utility business.

46. The accumulated provision for depreciation has been determined in accordance with the orders of and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. Based on the present operating conditions and the probable lives of the properties, we believe that the provisions being made using the depreciation rates in effect will be adequate to depreciate the properties over their respective useful lives.

47. All regulatory assets and liabilities have been recorded in accordance with the orders or other guidance of the regulatory commission, and they are probable of recovery or refund in accordance with the provisions with GASB 62 related to regulated operations. Regulatory assets represent incurred costs that are probable of recovery from future revenues. Regulatory liabilities represent amounts imposed by rate actions of the regulators that may require refunds to customers, represent amounts provided in current rates that are intended to recover costs that are expected to be incurred in the future for which we remain accountable, or represent a gain or other reduction of allowable costs to be given to customers over future periods.

48. Under the deferred compensation plan offered to City employees and officers, we do not accept nor assume any of the risks associated with the Plan and its administration.

49. All purpose and eligibility requirements have been met to assure proper recognition of capital fees and grant revenue in connection with the standards outlined by GASB Statement No. 33, *Accounting and Financial Report for Non Exchange Transactions*.

50. We properly disclosed the economic gain, cash savings, and accounting loss as a result of advanced refunding of revenue bonds in accordance with GASB Statement No. 7, *Advance Refunding from Defeasance of Debt*. The accounting losses for bonds refunded have been properly deferred in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by the Proprietary Activities*.

51. Interfund activity and balances have been appropriately classified and reported.

52. Deposits and investment securities are properly classified in category of custodial credit risk.

53. The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

54. We have appropriately disclosed the Department's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding how restricted and unrestricted fund balance is used when an expenditure is incurred for which both restricted and unrestricted fund balance is available, including the spending hierarchy for committed, assigned, and unassigned amounts.

55. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

56. We have complied with GASB Statement No. 68 and believe that the net pension liability and any deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications have been computed in compliance with the Standard.

57. We are not aware of any material weaknesses in internal controls surrounding the CC&B billing software implemented during 2016 and have made all implementation documentation available for your review.

Sincerely,

Paula J. Laschober 4/28/17

Paula Laschober Date
Chief Financial Officer
Seattle City Light

4/28/17

Mike Simmonds Date
Controller
Seattle City Light

4/28/2017

Fernando Estudillo Date
General Accounting Manager
Seattle City Light