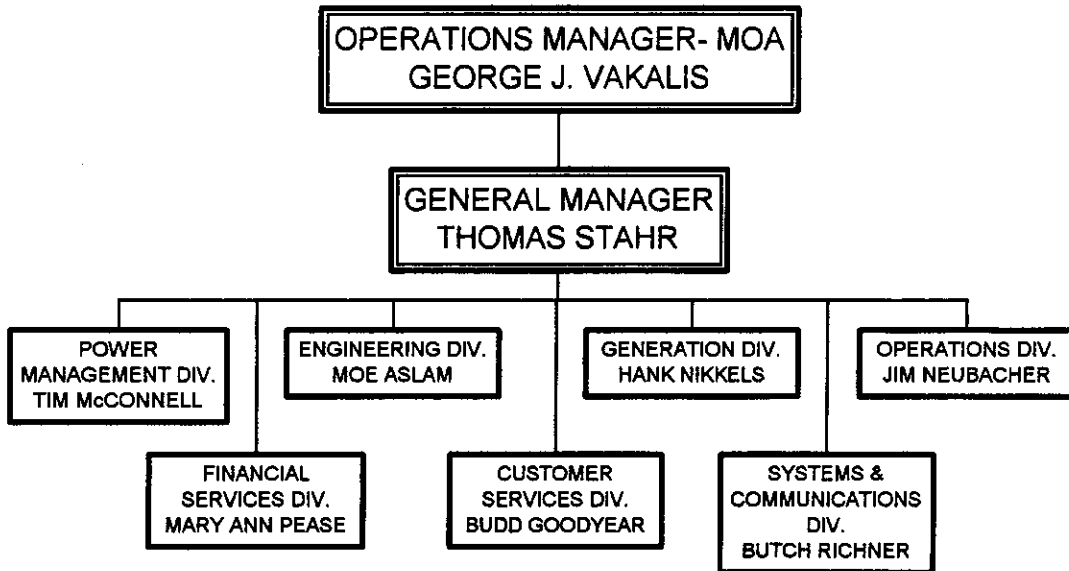


**MUNICIPAL LIGHT
AND POWER**



Municipal Light & Power
ORGANIZATION CHART



This page intentionally left blank

MUNICIPAL LIGHT & POWER UTILITY PROFILE

ORGANIZATION

Municipal Light & Power (ML&P) is divided into seven divisions under the direction of the General Manager. The divisions include Generation, Engineering, Operations, Power Management (Dispatch), Customer Service, Systems, and Finance.

ML&P had 221 employees as of December 31, 1995 and a 1995 operating payroll cost of approximately \$14 million. Of these employees, 153 were covered by a labor agreement with IBEW and 68 were non-represented (i.e., covered by the Municipal Personnel Rules).

HISTORY

The first electric system serving Anchorage was installed in 1916 by the Alaska Engineering Commission, the agency of the U.S. Department of the Interior which constructed the Alaska Railroad. A small steam plant and diesel power generators supplied Anchorage with electricity until 1929 when the private Anchorage Power & Light Company began supplying the community with electricity from a hydroelectric power plant on the Eklutna River, 25 miles northeast of downtown Anchorage.

The City purchased the Alaska Engineering Commission distribution system in 1932 and acquired the Eklutna Plant from the Anchorage Power & Light Company in 1943. In 1955, the City contracted for 16,000 kilowatts ("kW") of the generating capacity of a new Eklutna Hydroelectric power project of the U.S. Bureau of Reclamation and transferred its Eklutna Plant to that federal agency. Since then, beginning in 1962, ML&P has installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit.

SERVICES

ML&P's service area encompasses 19.9 contiguous square miles including a large portion of the commercial and high density residential areas of the Municipality. In 1995, the average number of residential and commercial customers was 23,711 and 5,713 respectively. One-sixth of ML&P's customer base consumes four-sixths of its output. 1995 sales totaled 880,847 MWh and earned revenues of \$69,013,820.

ML&P has agreements to supply the Fort Richardson Army Base and the Elmendorf Air Force Base with interruptible wholesale electric service.

REGULATION

ML&P is subject to economic regulation by the Alaska Public Utilities Commission (APUC). The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. The APUC regulation covers service areas, service quality, tariff rules and regulations, monthly rates and charges and certain other utility charges.

The Utility is also subject to advisement by the ML&P Commission which was created in 1963 and is composed of seven members appointed to staggered three-year terms by the Mayor with the approval of the Assembly. The General Manager of ML&P serves ex officio as Executive Secretary of the Commission.

The Commission reviews electric service policies and practices and reviews the budget and operations of ML&P and annually submits recommendations to the Mayor. It conducts public hearings on matters pertaining to electric rates, regulations and related matters and makes recommendations to the Mayor and Assembly. It normally holds one meeting per month and calls special meetings as the need arises.

ENVIRONMENTAL MANDATES

Mandates from the Federal and State Governments continue to have a large impact on ML&P. The Federal Clean Air Act and the Oil Pollution Act add to the financial burden by significantly increasing the cost of power plant operating permits and by adding requirements covering spill prevention and control of ML&P's emergency fuel oil supply. It is anticipated that over the next few years an estimated \$1.5 million in modifications to electric plant will be necessary to meet spill prevention requirements.

ELECTRIC PLANT

ML&P generates, purchases, transmits and distributes electric power.

- Power Generated/Purchased in 1995

• ML&P Generated -	734,762 MWh	80.2%
• Purchased:		
Eklutna Hydroelectric Project -	92,869 MWh	10.1%
Bradley Lake Project -	87,889 MWh	9.6%
Other	1,290 MWh	.1%

- Generation capacity is 328 Megawatts (MW)

- Seven gas-fired turbines
- One heat recovery turbine
- All equipped to use No. 2 fuel oil as an alternate fuel

- Power Plant No. One: four turbines, capacity 85 MW

- Power Plant No. Two: four turbines, capacity 243 MW

- Reserve Capacity Margin is 150 MW

- Transmission/Distribution System

- 203 miles underground cable
- 146 miles overhead lines and cable
- 19 substations

- Assets as of December 31, 1995

- Net Plant in Service: \$166,371,244

MUNICIPAL LIGHT & POWER

WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ADMINISTRATION	16	16	16	16	16	16	16
SYSTEMS & COMMUNICATIONS	19	19	19	19	19	19	19
PRODUCTION (GENERATION)	53	53	53	53	53	54	54
CUSTOMER SERVICE	35	35	35	35	35	35	35
FINANCIAL SERVICES	23	23	23	23	23	23	23
POWER MANAGEMENT	12	12	12	12	12	12	12
OPERATIONS	49	49	50	50	50	50	50
ENGINEERING	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
SUBTOTAL	<u>229</u>	<u>229</u>	<u>230</u>	<u>230</u>	<u>230</u>	<u>231</u>	<u>231</u>
PART-TIME/TEMPORARY POSITIONS	<u>28</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
TOTAL	<u>257</u>	<u>257</u>	<u>259</u>	<u>260</u>	<u>260</u>	<u>261</u>	<u>261</u>

This page intentionally left blank

Municipal Light
and Power

1997
Operating Budget

**MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1996 BUDGET TO 1996 PROFORMA**

	<u>1996 BUDGET</u>	<u>1996 PROFORMA</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	71,290,000	69,410,000	(1,880,000)	A
OPERATING EXPENSE				
Operations	43,019,000	40,988,000	2,031,000	
Depreciation(1)	10,573,000	10,655,000	(82,000)	
MUSA	<u>2,180,000</u>	<u>2,137,000</u>	<u>43,000</u>	
SUBTOTAL	<u>55,772,000</u>	<u>53,780,000</u>	<u>1,992,000</u>	B
NON-OPERATING REVENUE	2,697,000	3,120,000	423,000	
NON-OPERATING EXPENSE	<u>13,780,000</u>	<u>14,781,000</u>	<u>(1,001,000)</u>	C
NET INCOME (REGULATORY)	4,435,000	3,969,000	(466,000)	
ADJUSTMENTS FOR GAAP	<u>(550,000)</u>	<u>276,000</u>	<u>826,000</u>	
NET INCOME GAAP	<u><u>3,885,000</u></u>	<u><u>4,245,000</u></u>	<u><u>360,000</u></u>	

1996 Proforma as of 5/31/96

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Revenues are less than projected due to lower fuel costs and no rate increase as budgeted for 1996.
- B. Operating costs are down due to sales being less than projected, lower fuel costs, and less wholesale sales.
- C. Due to the refinancing of the 1986 Series "B" Bonds and the 1996 Series "B" Bond sale.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

**MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1996 PROFORMA TO 1997 BUDGET**

	<u>1996 PROFORMA</u>	<u>1997 BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	69,410,000	73,409,000	3,999,000	A
OPERATING EXPENSE				
Operations	40,988,000	43,776,000	(2,788,000)	
Depreciation(1)	10,655,000	11,262,000	(607,000)	
MUSA	<u>2,137,000</u>	<u>2,302,000</u>	<u>(165,000)</u>	
SUBTOTAL	<u>53,780,000</u>	<u>57,340,000</u>	<u>(3,560,000)</u>	B
NON-OPERATING REVENUE	3,120,000	3,889,000	769,000	C
NON-OPERATING EXPENSE	<u>14,781,000</u>	<u>15,599,000</u>	<u>(818,000)</u>	C
NET INCOME (REGULATORY)	3,969,000	4,359,000	390,000	
ADJUSTMENTS FOR GAAP	<u>276,000</u>	<u>442,000</u>	<u>166,000</u>	
NET INCOME GAAP	<u><u>4,245,000</u></u>	<u><u>4,801,000</u></u>	<u><u>556,000</u></u>	

1996 Proforma as of 5/31/96

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Increase in revenues is due to an anticipated 17.8% increase in fuel cost and a 1.4% increase in sales.
- B. Increase in operating costs is due to inflation and increased fuel cost.
- C. Due to the refinancing of the 1986 Series "B" Bonds and the 1996 Series "B" Bond sale.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

**MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUE AND EXPENSES**

	<u>1995 ACTUAL</u>	<u>1996 PROFORMA</u>	<u>1997 BUDGET</u>
OPERATING REVENUE			
Residential Sales	14,577,126	14,515,000	15,058,000
Commercial & Industrial	52,559,545	51,438,000	55,171,000
Public Highway & Street Lighting	1,165,851	1,166,000	1,157,000
Public Authority	529,431	578,000	618,000
Sales for Resale	1,252,286	645,000	305,000
Misc. Service Revenue	399,903	475,000	490,000
Rent from Electric Property	125,163	149,000	153,000
Miscellaneous Revenue	<u>373,364</u>	<u>444,000</u>	<u>457,000</u>
TOTAL OPERATING REVENUE	70,982,669	69,410,000	73,409,000
OPERATING EXPENSE			
Production Expense	28,466,978	27,544,000	30,150,000
Transmission Expense	549,156	602,000	620,000
Distribution Expense	5,164,656	5,121,000	5,166,000
Customer Account Expense	2,780,998	2,736,000	2,693,000
Customer Service & Information	136,237	144,000	162,000
Administrative & General Expense	3,204,512	3,126,000	3,170,000
Regulatory Compliance	903,624	1,200,000	1,300,000
Depreciation(1)	10,159,516	10,655,000	11,262,000
Amort. Intangible Plant	403,802	404,000	404,000
Amort. Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	<u>1,998,682</u>	<u>2,137,000</u>	<u>2,302,000</u>
TOTAL OPERATING EXPENSE	<u>53,879,345</u>	<u>53,780,000</u>	<u>57,340,000</u>
OPERATING INCOME	17,103,324	15,630,000	16,069,000

(1) Excludes Contributed Plant

1996 Proforma as of 5/31/96

**MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUE AND EXPENSES**

	1995 <u>ACTUAL</u>	1996 <u>PROFORMA</u>	1997 <u>BUDGET</u>
NON-OPERATING REVENUE			
Interest From Operating Reserve	249,154	279,000	348,000
Interest From Bond Redemption Cash	1,160,015	1,300,000	1,620,000
Interest From General Cash Pool	924,812	1,037,000	1,293,000
Interest From Debt Service Account	387,904	435,000	542,000
Misc. Non-Operating Revenue	<u>61,177</u>	<u>69,000</u>	<u>86,000</u>
TOTAL NON-OPERATING REVENUE	2,783,062	3,120,000	3,889,000
NON-OPERATING EXPENSE			
Community	71,972	54,000	54,000
Interest on Bonded Debt	11,658,482	12,520,000	13,409,000
Amortization of Bond Discount/Premium	28,618	(629,000)	(613,000)
Amort of Bond Sale Cost & Ins.	309,604	286,000	294,000
Amort Loss on Refunded Debt	2,698,431	3,239,000	3,137,000
Other Interest Expense	1,389	1,000	10,000
Interest During Construction	<u>(696,996)</u>	<u>(690,000)</u>	<u>(692,000)</u>
TOTAL NON-OPERATING EXPENSE	14,071,500	14,781,000	15,599,000
NET INCOME (REGULATORY)	5,814,886	3,969,000	4,359,000
ADJUSTMENTS FOR GAAP			
Depreciation of Contributed Plant	(546,003)	(550,000)	(550,000)
Restricted Interest Income	<u>49,701</u>	<u>826,000</u>	<u>992,000</u>
NET INCOME GAAP	<u>5,318,584</u>	<u>4,245,000</u>	<u>4,801,000</u>

1996 Proforma as of 5/31/96

**MUNICIPAL LIGHT & POWER
STATEMENT OF SOURCES AND USES OF CASH**

	1995 <u>ACTUAL</u>	1996 <u>PROFORMA</u>	1997 <u>BUDGET</u>
SOURCES OF CASH FUNDS			
Net Income GAAP	5,318,584	4,245,000	4,801,000
Depreciation	10,705,519	11,205,000	11,812,000
Amortized Bond Discount/Premium	28,618	(629,000)	(613,000)
Amort & Acquisition Adjustment	514,986	515,000	515,000
Amortization of Bond Sale Costs	309,604	286,000	294,000
Amortization on Refunded Debt	2,698,431	3,239,000	3,137,000
Bond Proceeds (A)	0	96,548,000	0
Other Long Term Debt	0	0	0
Contributions	<u>378,632</u>	<u>500,000</u>	<u>500,000</u>
TOTAL SOURCES OF CASH FUNDS	19,954,374	115,909,000	20,446,000
USES OF CASH FUNDS			
Additions to Plant	16,179,504	16,745,000	22,317,000
Debt Retirement Long Term	5,494,029	6,105,000	7,015,000
Bond Refunding (A)	0	54,786,000	0
Other	<u>1,474,262</u>	<u>0</u>	<u>0</u>
TOTAL USES OF CASH FUNDS	23,147,795	77,636,000	29,332,000
NET INCREASE (DECREASE) IN CASH FUNDS	(3,193,421)	38,273,000	(8,886,000)
CASH BALANCE JANUARY 1,	<u>43,070,139</u>	<u>39,877,000</u>	<u>78,150,000</u>
CASH BALANCE DECEMBER 31,	<u>39,876,718</u>	<u>78,150,000</u>	<u>69,264,000</u>
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	18,461,191	26,871,000	38,534,000
Bond Restricted Cash	<u>21,415,527</u>	<u>51,279,000</u>	<u>30,730,000</u>
CASH BALANCE DECEMBER 31,	<u>39,876,718</u>	<u>78,150,000</u>	<u>69,264,000</u>

1996 Proforma as of 5/31/96

(A) Reflects the refinancing of the 1986 Series "B" Bonds and the 1996 Series "B" Bond sale.

**MUNICIPAL LIGHT & POWER
1997 OPERATING BUDGET DETAIL**

	<u>1995 ACTUAL</u>	<u>1996 PROFORMA</u>	<u>1997 BUDGET</u>
<u>Labor</u>			
Personnel Costs	9,720,853	9,975,000	10,026,000
Benefit Costs	<u>3,975,829</u>	<u>3,999,000</u>	<u>4,019,000</u>
Subtotal	13,696,682	13,974,000	14,045,000
<u>Intergovernmental Charges</u>			
Finance Department	239,046	260,000	260,000
MIS/FIS	214,535	310,000	310,000
Human Resources Department	213,351	240,000	260,000
Purchasing	110,651	120,000	120,000
Self Insurance	74,821	200,000	200,000
Mayor	207,668	230,000	230,000
Enterprise/Operations Manager	140,300	160,000	160,000
Other IGC Charges	<u>233,188</u>	<u>330,000</u>	<u>310,000</u>
Subtotal	<u>1,433,560</u>	<u>1,850,000</u>	<u>1,850,000</u>
<u>Other Expenses</u>			
Professional Services	410,828	400,000	400,000
Depreciation & Amortization	14,257,158	14,617,000	15,144,000
MUSA	1,998,682	2,137,000	2,302,000
Interest on Long-term Debt	11,658,483	12,520,000	13,409,000
Interest During Construction	(696,996)	(690,000)	(692,000)
Purchased Power	5,089,803	4,990,000	5,090,000
Fuel	17,262,778	16,028,000	18,406,000
Regulatory Compliance	903,624	1,200,000	1,300,000
Other Expenses	<u>2,482,246</u>	<u>2,085,000</u>	<u>2,235,000</u>
Subtotal	<u>53,366,606</u>	<u>53,287,000</u>	<u>57,594,000</u>
TOTAL EXPENSES	<u><u>68,496,848</u></u>	<u><u>69,111,000</u></u>	<u><u>73,489,000</u></u>

1996 Proforma as of 5/31/96

Municipal Light
and Power

1997-2002
Capital Improvement
Budget/Program

MUNICIPAL LIGHT & POWER
1997 - 2002 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)

<u>PROJECT CATEGORY:</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>TOTAL</u>
PRODUCTION (GENERATION)	6,022	7,145	5,740	4,970	6,030	4,780	34,687
TRANSMISSION	620	465	505	465	450	470	2,975
DISTRIBUTION	6,685	8,725	9,290	8,925	9,270	9,250	52,145
GENERAL PLANT	5,409	4,048	3,316	2,526	2,499	2,795	20,593
REGULATORY COMPLIANCE	800	1,130	505	1,430	1,330	1,605	6,800
INTERTIES	0	0	8,000	0	0	0	8,000
TOTAL BUDGET	<u>19,536</u>	<u>21,513</u>	<u>27,356</u>	<u>18,316</u>	<u>19,579</u>	<u>18,900</u>	<u>125,200</u>
<u>SOURCE OF FUNDING:</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>TOTAL</u>
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	19,036	4,464	0	0	5,000	7,000	35,500
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	0	15,549	26,856	17,816	14,079	11,400	85,700
STATE GRANT	500	1,500	500	500	500	500	4,000
FEDERAL GRANT	0	0	0	0	0	0	0
DIRECT APPROPRIATION	0	0	0	0	0	0	0
TOTAL BUDGET	<u>19,536</u>	<u>21,513</u>	<u>27,356</u>	<u>18,316</u>	<u>19,579</u>	<u>18,900</u>	<u>125,200</u>

Approximately \$5.7 Million in personnel costs will be spent on Capital Projects during 1997.