

**HIGHLIGHTS AND
FUTURE EVENTS**

MUNICIPAL LIGHT AND POWER

Highlights and Future Events

Management Reorganization

On July 1, 1998, ML&P reorganized its management team and functional structure in order to meet the challenges and opportunities of possible electric industry restructuring. ML&P's reorganization establishes three core business units under the direction of the General Manager. The first of these business units is an Energy Production Business Unit which includes the previous Generation and Power Management Divisions. The second Business Unit blends the previous Operation and Engineering Divisions to form the Engineering & Operations Business Unit. Lastly, the Business Enterprise Unit includes the previous Systems & Communication, Customer Service and Finance Divisions and the newly formed Marketing Division. The reorganization is expected to enhance internal efficiency, facilitate more rapid and effective decision making, and better integrate work flow between divisions - all with the goal of assuring that customer service remains a primary focus.

New Business Office

ML&P is intensifying its focus on customer service with a new full-service business office scheduled to open at the University Center Mall during the fall of 1998. The new satellite office will offer customers all the services they currently enjoy at ML&P's 1200 East First Ave. location, as well as offer Saturday service and have a drop box for bill payments.

PFISHR Project

This project entails implementation of new software in the areas of Financial Information Systems including Purchasing, Accounts Payable, Payroll, Human Resources, Inventory, Projects and General Ledger. Targeted "cutover" date is January 1, 1999.

New Company Logo

In June of 1998, ML&P introduced its new logo as a means of strengthening its name recognition and market position in the community. The logo will initially appear on ML&P's letterhead, envelopes, business cards and signage.

IBEW Contract Extension

On May 8, 1998, a four year extension of the contract between the Municipality of Anchorage and the International Brotherhood of Electrical Workers Local Union 1547 was approved. This extension was ratified by the Anchorage Assembly on July 14, 1998.

Eklutna Hydro-electric Project

ML&P, in conjunction with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project on October 2, 1997. This culminated a multi-year effort to acquire the formerly federally owned and operated project. ML&P pays operating and maintenance expense in proportion to its 53.3% ownership interest in the project and records these payments as a purchased power expense. ML&P has contractual responsibility to provide all maintenance for this project.

Customer Service

Customer Service has recently introduced a variety of new payment options including Electronic Fund Transfer, Debit card payment and payment by Visa or MasterCard. In late 1997, Customer Service also introduced "Gift of Power" Gift Certificates for sale to the general public. Later this year, ML&P will offer a consolidated bill for those customers with multiple meters at one location or meters at multiple locations.

New Services

During the 1997 construction season, three new residential subdivisions and a new University of Alaska-Anchorage student housing complex were constructed and energized. Also, new commercial installations included three hotels, four new service stations, two banking facilities, two dining establishments and a new FAA Control Tower and flight service facility.

Cable Replacement

In 1997, approximately 100,000 feet of primary underground distribution cable was installed to replace aging conductors. ML&P has successfully used state-of-the-art directional drilling technology over the past five years, which alleviates having to use open-trenching and avoids destruction of asphalt and landscaping.

Awards

In 1997, ML&P was the recipient of the Electric Power Research Institute/American Public Power Association Technology Achievement Award by demonstrating technical leadership, advanced environmental technology and benefit to the electric utility industry for work performed in conjunction with the Power Plant #1 and Plant #2 fuel spills.

ML&P also received the Air & Waste Management Association Environmental Achievement Award for its work in developing demonstration kits to assist local teachers in use with A&WMA's Environmental Resources Guides in the classroom.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

BEST TASTING WATER IN AMERICA

Anchorage's drinking water was selected as the "Best Tasting Water" in the United States at the United States Conference of Mayors USA City Water Taste Test in Reno, Nevada. Anchorage Water & Wastewater Utility's "Glacier Brew" was bottled just for this competition and also won first place for best water bottle design. AWWU thanks Alaska Glacier Refreshments, Inc. for their assistance and bottling material. Anchorage Municipal Manager, George J. Vakalis, represented Anchorage Mayor Rick Mystrom at the USA City Water Taste Test.

COMPETITIVENESS ASSESSMENT, THE CHALLENGE

AWWU is initiating a process to become more competitive. The three to five year process we are following was recently developed for the U.S. water and wastewater industry and focuses on the best management practices of large private international water utilities. The end goal is to improve operations and customer service while simultaneously reducing costs.

ANCHORAGE LOOP WATER TRANSMISSION MAIN

The "Loop" will supply water from the Eklutna Water Treatment Facility through a system of large diameter, high pressure water transmission mains to be constructed in the Anchorage Bowl. When completed, the Loop will eliminate areas without water or with low water pressure during periods of high water demand. The "Loop" is an eight phase project, scheduled to be completed in 2002.

Phases I – III are complete, at a cost of \$21 million. Approximately 60% of the financing for these phases came from State of Alaska grants.

For Phases IV and V, design study and predesign was initiated to determine the final alignments of a transmission main from the Tudor/Patterson reservoirs southwest to Abbott Road and then to the future Service High site. Selection of the final route for Phase IV is delayed until 2000 or later due to environmental constraints and public concerns. Phase V and a Service High Reservoir are under design with construction to proceed in 1999. Estimated total project cost for Phase V and the reservoir is approximately \$14 million.

Phase VII is designed, and will connect the existing system in Dimond Blvd. at Jewel Lake to the Kincaid Reservoir. Construction is slated for 1999. Total project cost for Phase VII is estimated at \$7 million.

EAGLE RIVER RESERVOIR

This reservoir and associated piping will significantly improve fire flow capacities to areas east of Eagle River Loop Road and both sides of Eagle River Road. AWWU has involved the Eagle River community and general public in the site selection process and, as a result, has chosen a site for the first of potentially four new reservoirs over the next 20 years.

Design for the new reservoir located at the existing Meadow Creek Reservoir site is underway. Other facilities associated with this reservoir include a transmission main and two high pressure booster stations. Construction of the reservoir is scheduled to start in 1999 and be completed in fall 2000. Estimated total project cost for these facilities is approximately \$8 million.

SANITARY SEWER TRUNK REHABILITATION

AWWU has several large sanitary sewer trunks that were constructed in the early 1960s. Many of these were constructed of corrugated metal pipe and locally manufactured concrete pipe. These trunks generally follow the natural drainage topography. This means that the trunks are located within or along many of the major creeks drainage of the Anchorage Bowl, such as Fish Creek, Chester Creek, Campbell Creek, etc. These drainage areas present subsurface environments which are both chemically and physically corrosive to these trunks. The 1995 Wastewater Master Plan identified many of these trunks that are subject to deterioration and that have capacity problems, most being nearly 40 years in age. The location of these trunks presents many challenges due to environmental constraints, difficult construction requirements and public impacts. It is expected that these trunks will be upgraded over the next five years.

PT. WORONZOF NPDES PERMIT RENEWAL

During the last three years, the Pt. Woronzof WWTF has experienced increasing biochemical oxygen demand (BOD) discharge violations. In 1999, Alaska Seafoods International, a large fish processor, is scheduled to come on line. Their discharge of fish wastes to AWWU is projected to cause a large increase in the number of BOD violations. As a result, AWWU requested the U.S. Environmental Protection Agency (EPA) to revise the BOD discharge limit for the Pt. Woronzof WWTF.

EPA informed AWWU, in late 1997, that they decided to issue a new NPDES (National Pollution Discharge Elimination System) discharge permit in 1999 for the Pt. Woronzof WWTF. The existing permit expired in October, 1990. The firm of CH2M Hill prepared a revised application for a new NPDES discharge permit, which was sent to EPA in 1998.

INFORMATION TECHNOLOGY APPLICATIONS

AWWU will be working with the Municipality of Anchorage (MOA) to implement PeopleSoft Financial and HR (PFISHR) systems in 1998 and 1999. These new systems will replace MOA and AWWU legacy Cobol systems as part of the solution to Year 2000 problems.

The IT Division will work to integrate the implementation of the Utility's Relational Database Management System (RDBMS) with the MOA PeopleSoft modules in 1998/1999. Having completed the RDBMS conceptual design in 1998, an overall data model for the Utility exists that identifies interfaces between major systems including the PFISHR project. This model will be used to provide a basic data structure on which present and future applications may be built and integrated.

The Operations & Maintenance Division will begin implementation of a client/server Work Management System (WMS) starting in 1998 and finishing in early 2000. This system will support field maintenance activities and tie maintenance histories, field inspections, and audit information together. This system will also have extensive interfaces into other major systems including the PFISHR project.

The Continuing Property Records (CPR) system will be incorporated into the MOA's PeopleSoft Asset Module and AWWU's WMS Asset system. This new system of tools will allow the Utility to manage and track all units of AWWU fixed assets. Integration of the financial asset model and data into the PeopleSoft Asset module will occur in 1999. Interfaces for asset management in WMS will also be designed and implemented in 1999.

The Engineering Division's Assessments process - to create an assessment roll - levy costs against properties and manage a project, is a priority application that will look at workflow, re-engineering, and methods of automating the entire process.

The Treatment Division will continue a series of projects that will replace several aging Supervisory Control and Data Acquisition (SCADA) systems originally installed in the late 1980s. The SCADA and Telemetry needs assessment project is near completion, and a project to develop a design specification base is budgeted for 1999. Construction of replacement SCADA and telemetry systems will begin in 1999 and continue through 2001. SCADA systems for Pt. Woronzof WWTF and the Girdwood WWTF, which currently operate without SCADA systems, are programmed for 2001.

YEAR 2000

Working to bring all computer applications up to Year 2000 capability will continue to be a major IT effort in 1998/1999. Utility applications have been inventoried, analyzed for compliance and needed corrections identified. For those systems being upgraded to Year 2000 capability, work started in 1997 will continue through 1998 and into 1999.

For those non-Year 2000 capable systems being replaced, implementation of the replacement systems will continue through 1998 and 1999.

The Year 2000 project is a significant undertaking. With the exceptions of a few systems developed in recent years, the Utility's business systems needed major upgrades or replacement to make them Year 2000 capable. Much of the Utility's process monitoring and control equipment required mitigating action to enable it to operate into the next century. The Utility will also need to take mitigating action to buffer against problems with suppliers upon which the Utility is dependent for operation.

CUSTOMER SERVICE

The Customer Service Division is preparing for Year 2000. All Customer Information System (CIS) programs, such as automated billing, collection functions, service orders, etc, are being examined, rewritten, tested and certified as being Year 2000 compatible. This project is being accomplished through contract support and is due to be completed in the first quarter of 1999.

This Division is also responsible for reading approximately 9,500 water meters in the system. These accounts reflect approximately 45% of the Utility's monthly revenue. In order to maintain the current schedule of reading each meter monthly, a new automated meter reading system will be implemented in the last half of 1998.

Internet technology is everywhere and in order for the Utility to stay competitive, interactive voice response and interactive Internet communication capabilities will be added to CIS in 1999. These technologies will improve customer service as routine inquiries concerning customer accounts will be available 24 hours a day and additional payment methods, such as Internet billing and electronic funds transfers, will be available to customers.

SOLID WASTE SERVICES

Highlights and Future Events

Solid Waste Services completed the design of the Anchorage Regional Landfill Cell 6 Project which will be constructed by September 1999. This project will ensure adequate space is available for Anchorage's waste until the year 2006. Design of Cell 7 should be initiated in 2004 and be constructed in 2005.

During 1998 Solid Waste Services completed an assessment of the methane and nonmethane organic compound emissions from the landfill in accordance with federal and state regulations. The assessment found gas emissions are well below the standards and no further action is required until the Year 2003, at which time another assessment will be required. When the gas emissions exceed the regulatory standards, installation of an active gas extraction system at the landfill will be required.

A citizens task force appointed by the Assembly and Mayor is presently evaluating the potential for recycling opportunities in Anchorage. The task force will complete its work early in 1999 and present its findings and recommendations. In anticipation of some recommended changes, Solid Waste Services has budgeted \$278,650 for recycling programs in 1999.

It is anticipated that the issue of deregulation by the APUC of the Refuse Collections industry or perhaps statute changes by the Alaska Legislature will again surface during 1999. Deregulation could have a significant impact upon the Refuse Collection Utility customers specifically, and all municipal residents and businesses. Solid Waste Services is preparing to address the issues relating to the possible change.

PORT OF ANCHORAGE HIGHLIGHTS AND FUTURE EVENTS

JUNE 1997

Began the Port of Anchorage North Corridor Access Feasibility Study. Estimated study completion is February, 1999.

November 1997

Construction completed on a major upgrade to the Port's Petroleum Valve Yard Facility which provides a central pipe and manifold network system to petroleum companies for their use in receiving and distributing fuel throughout Alaska.

1997

The Port of Anchorage achieved its highest tonnage year in 36 years of operation with 3.3 million tons of cargo crossing the Port's dock in 1997.

February, 1998

Signed Project Cooperation Agreement with the U.S. Army Corps of Engineers for the Knik Arm Shoal Navigation Improvement Project. Due to initial high dredging operation bids on the project, it is now estimated by the Corps that the local sponsor share could potentially reach \$4.4 million. Construction on the project should begin in 1999 with completion now scheduled for 2000.

March 1998

Began preliminary planning for the South Terminal Expansion Project. This project will effectively transform a "petroleum only" dock into a multipurpose dock. The design is scheduled for 1999 and the construction phase of this estimated \$12 million project should occur in 2000 and 2001.

May 1998

Begin the multiple year construction phase on the \$2.1 million Lot 4A Port Land Development Project. Estimated project completion is Fall, 1999.

Summer 1998

Cruise vessels are scheduled to make 11 calls at the Port of Anchorage during the 1998 cruise season. This is the highest annual number of cruise vessel calls in the 36 year history of the Port.

July 1998

Begin the update of the Port's Master Plan to address anticipated growth of the Port and connections to the area wide transportation system. The Master Plan, which is anticipated to be completed in the spring of 2000, will be suitable for inclusion in the Anchorage Comprehensive Plan and it will include a Strategic Marketing Plan, a Facilities Plan, and an Access Plan.

MERRILL FIELD AIRPORT

1999

HIGHLIGHTS AND FUTURE EVENTS

The University of Alaska Anchorage (UAA) multi-million dollar addition to the Merrill Field Aviation Technology Center has completed its first year since opening the new facility. This facility is promoted as the most sophisticated aviation training center in the nation and now offers educational courses in Aviation Management, Air Traffic Control, Airport Operations, Aircraft Maintenance and Aviation Safety at one location. As this major addition on the airport further develops its student base, additional aviation activities on the airport should follow.

The new Merrill Field Air Traffic Control Tower is nearing building completion with commissioning of the new tower scheduled for early 1999. FAA and the Municipality have agreed to incorporate the "City of Lights" theme in the tower design. The new tower reflects a positive addition to this theme.

Reconstruction of Quebec 2 and 3 tiedown aprons, including Quebec Taxiway and Merrill Field Drive has been completed and is receiving positive feedback from our customers. Approximately 26 of these tie-down locations were electrified for preheating customer aircraft. An additional 21 tie-downs will be electrified this summer.

Work on the new Merrill Field Airport Master Plan began in January, 1998 and is due to be completed in late 1999. The Master Plan, funded by the FAA, will provide updated long-term planning for the airport.

Of significant importance to Merrill Field and the Municipality of Anchorage is the FAA-funded Anchorage Area Airspace Study which is evaluating the Anchorage bowl airports, their flight paths and effects, and will develop recommendations. This study will directly involve Merrill Field, Anchorage International, Lake Hood and Elmendorf Air Force Base. Other local small airports will be considered as well. Merrill Field has a representative on this study team.

The new Merrill Field Airport Global Positioning System (GPS) Instrument Approach has been flight checked with publication to follow this fall. This will be the airport's first GPS approach.

One of the most significant highlights for Merrill Field is the completion of the "T" Hangar Relocation Project. By a cooperative effort of all 20 hangar owners, numerous MOA Departments and the Assembly, this project will result in a positive addition for the airport and owners.

The Airport has completed the design work for the development of snow shelters to protect parked aircraft during the winter months. Construction is planned for the 1999 construction season.