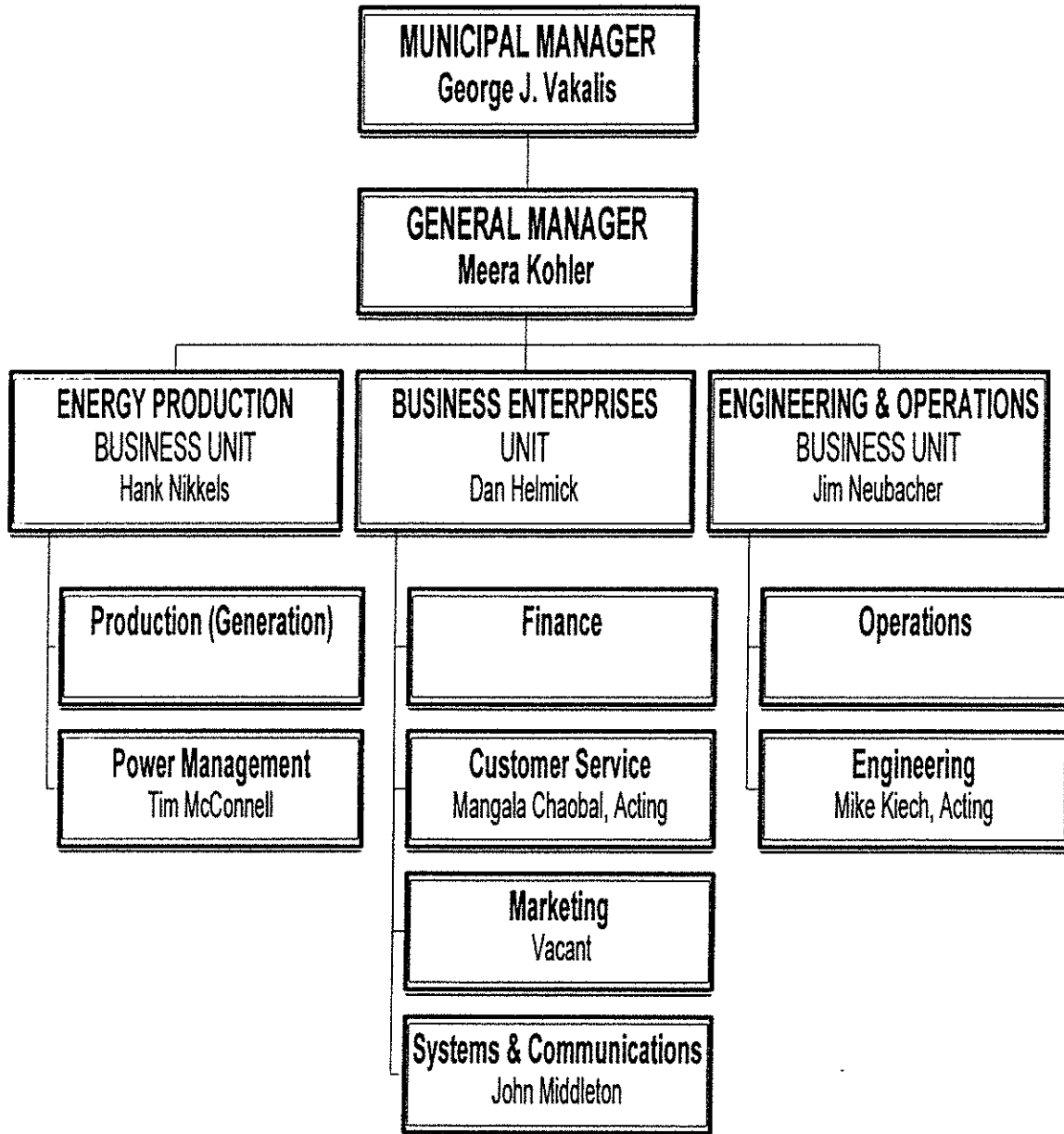


**MUNICIPAL LIGHT
AND POWER**

MUNICIPAL LIGHT & POWER ORGANIZATIONAL CHART



MUNICIPAL LIGHT & POWER

1999 Utility Profile

ORGANIZATION

On July 1, 1998, Municipal Light & Power (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 & Operation Business Unit. Lastly, the Business Enterprise Unit includes the previous Systems & Communication, Customer Service and Finance Divisions as well as 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.

ML&P had 225 employees as of December 31, 1997 and a 1997 total labor and benefit cost of approximately \$22 million. Of these employees, 158 were covered by a labor agreement with IBEW and 67 were non-represented (i.e., covered by the Municipal Personnel Rules).

HISTORY

The history of ML&P is closely interwoven with the history and development of Anchorage itself. ML&P has emerged to serve a city with approximately half the population of the state at rates which are among the lowest in Alaska and compare favorably with those of many metropolitan areas in the lower 48 states. ML&P has evolved into an acknowledged energy leader by being customer oriented, innovative, and responsive to customers' needs for safe, economical, and reliable electrical service.

When electrical service was initiated in Anchorage in 1916 by the Alaska Engineering Commission (AEC), Anchorage was a small tent city in the wilderness. The electrical distribution system was operated by the City under a lease agreement, first with the AEC and later with the Alaska Railroad. This lease agreement continued until 1932 when the citizens of the young city bought the electrical distribution system for \$11,351.

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, 40 miles northeast of Anchorage. The City 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 "Little Eklutna" to that federal agency. Between 1962 and 1984, ML&P installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit. Each of the seven turbines have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas transportation system. In addition to its two power plants, ML&P operates nineteen modern substations, and is the south-end controller of the Anchorage-Fairbanks Intertie. In late 1996, the Municipality purchased a one third working interest in the Beluga River Gas Field which establishes a guaranteed fuel supply for the Utility and a means to

HISTORY CONTINUED

stabilize fuel prices for years to come. In 1997, ML&P in association with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project from the federal government.

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 1997, the average number of residential and commercial customers was 23,393 and 5,775 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output. 1997 electric retail sales totaled 838,533 MWh and earned revenues of \$68,459,536. Total electric operating revenues including Sales for Resale and Water Diversion Compensation is \$70,891,659. Total gas operating revenues totaled \$11,552,440. ML&P has agreements to supply Fort Richardson Army Base and 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 encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and 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 Anchorage Assembly. The General Manager of ML&P serves in an ex officio capacity 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 Amendments of 1990 continue to be implemented, with significant impact to the cost of power plant operating permits, as well as costs associated with compliance assurance. Recent changes to State contaminated site cleanup regulations provide greater flexibility in the way such areas receive closure, but will increase the number of sites for which closure will need to be obtained. Recent revisions to PCB regulations will add to the cost of training and compliance determination. Oil spill prevention regulations continue to add costs to ML&P's operations.

ELECTRIC AND GAS PLANT

ML&P generates, purchases, transmits and distributes electric power and has a one third working interest in the Beluga River Gas Field.

ELECTRIC AND GAS PLANT CONTINUED

Power Generated/Purchased in 1997	950,902 MWh	
• ML&P Generated	810,689 MWh	85.25%
• Purchased:		
Eklutna Hydroelectric Project	68,275 MWh	7.18%
Bradley Lake Project	71,783 MWh	7.55%
Other	155 MWh	0.02%

- Total Generation capacity is 328 Megawatts (MW)
 - Power Plant Number One: four turbines, capacity 85 MW
 - Power Plant Number Two: four turbines, capacity 243 MW
 - Seven gas-fired turbines
 - One heat recovery turbine
 - All equipped to use No. 2 fuel oil as an alternate fuel
- Reserve Capacity Margin is 150 MW
- Transmission/Distribution System
 - 207 miles underground cable
 - 144 miles overhead line
 - 19 substations
- Net Electric Plant as of December 31, 1997 totaled \$167,767,856
- Net Gas Plant as of December 31, 1997 totaled \$115,338,202

MUNICIPAL LIGHT & POWER
WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Administration	16	13	13	13	13	13	13
Energy Production							
Production (Generation)	54	55	55	55	55	56	56
Power Management	12	12	12	12	12	12	12
Engineering & Operations							
Engineering	22	22	22	22	22	22	22
Operations	49	48	48	48	49	49	49
Business Enterprises							
Customer Service	34	34	34	34	34	34	34
Marketing	0	1	1	1	1	1	1
Finance	23	25	25	25	25	25	25
Systems & Communications	19	20	20	20	20	20	20
SUBTOTAL	<u>229</u>	<u>230</u>	<u>230</u>	<u>230</u>	<u>231</u>	<u>232</u>	<u>232</u>
Part-Time/Temporary Positions	<u>32</u>	<u>31</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>
TOTAL	<u>261</u>	<u>261</u>	<u>262</u>	<u>262</u>	<u>263</u>	<u>264</u>	<u>264</u>

**Municipal Light
and Power**

**1999
Operating Budget**

MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1998 BUDGET TO 1998 PROFORMA

	<u>1998 BUDGET</u>	<u>1998 PROFORMA</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE	86,278,000	81,552,000	(4,726,000) A/B
OPERATING EXPENSE			
Operations	41,979,000	41,122,000	857,000
Depreciation(1)	18,446,000	17,138,000	1,308,000
MUSA	<u>2,298,000</u>	<u>2,286,000</u>	<u>12,000</u>
SUBTOTAL	<u>62,723,000</u>	<u>60,546,000</u>	<u>2,177,000</u>
NON-OPERATING REVENUE	3,536,000	3,539,000	3,000
NON-OPERATING EXPENSE	<u>20,686,000</u>	<u>20,631,000</u>	<u>55,000</u>
NET INCOME (REGULATORY)	6,405,000	3,914,000	(2,491,000)
ADJUSTMENTS FOR GAAP	<u>(435,000)</u>	<u>(470,000)</u>	<u>(35,000)</u>
NET INCOME GAAP	<u><u>5,970,000</u></u>	<u><u>3,444,000</u></u>	<u><u>(2,526,000)</u></u>

1998 Proforma as of 6/30/98

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Electric - Projected Sales for Resale to Golden Valley Electric Association (GVEA) did not materialize.
- B. Gas - As electrical sales decrease, corresponding gas sales decrease.

Explanation of parenthesis:

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

MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1998 PROFORMA TO 1999 BUDGET

	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>	
OPERATING REVENUE	81,552,000	80,217,000	(1,335,000)	A
OPERATING EXPENSE				
Operations	41,122,000	39,744,000	1,378,000	A
Depreciation(1)	17,138,000	17,503,000	(365,000)	
MUSA	2,286,000	2,320,000	(34,000)	
SUBTOTAL	<u>60,546,000</u>	<u>59,567,000</u>	<u>979,000</u>	
NON-OPERATING REVENUE	3,539,000	3,865,000	326,000	
NON-OPERATING EXPENSE	<u>20,631,000</u>	<u>20,094,000</u>	<u>537,000</u>	
NET INCOME (REGULATORY)	3,914,000	4,421,000	507,000	
ADJUSTMENTS FOR GAAP	<u>(470,000)</u>	<u>(550,000)</u>	<u>(80,000)</u>	
NET INCOME GAAP	<u><u>3,444,000</u></u>	<u><u>3,871,000</u></u>	<u><u>427,000</u></u>	

1998 Proforma as of 6/30/98

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Gas - 1999 contract prices for gas are projected to decrease per Third Quarter Light Sweet Crude Oil Futures.

Explanation of parenthesis:

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

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

	<u>1997</u> <u>ACTUAL</u>	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>
OPERATING REVENUE			
Residential Sales	13,915,197	14,250,000	14,350,000
Commercial & Industrial	64,390,049	63,639,000	62,382,000
Public Highway & Street Lighting	1,167,771	1,175,000	1,214,000
Public Authority	78,036	220,000	100,000
Sales for Resale	2,131,402	1,100,000	1,000,000
Misc. Service Revenue	416,179	545,000	546,000
Rent from Electric Property	128,392	168,000	168,000
Miscellaneous Revenue	<u>348,115</u>	<u>455,000</u>	<u>457,000</u>
TOTAL OPERATING REVENUE	82,575,141	81,552,000	80,217,000
OPERATING EXPENSE			
Production Expense	24,832,353	24,884,000	23,209,000
Transmission Expense	773,160	832,000	863,000
Distribution Expense	5,497,624	5,542,000	5,716,000
Customer Account Expense	2,684,576	2,729,000	2,846,000
Customer Service & Information	145,489	152,000	161,000
Administrative & General Expense	5,496,168	5,608,000	5,684,000
Regulatory Compliance	671,190	860,000	750,000
Depreciation(1)	16,698,643	17,138,000	17,503,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	<u>2,245,379</u>	<u>2,286,000</u>	<u>2,320,000</u>
TOTAL OPERATING EXPENSE	<u>59,559,568</u>	<u>60,546,000</u>	<u>59,567,000</u>
OPERATING INCOME	23,015,573	21,006,000	20,650,000

(1) Excludes Contributed Plant

1998 Proforma as of 6/30/98

MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUE AND EXPENSES

	<u>1997</u> <u>ACTUAL</u>	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>
NON-OPERATING REVENUE			
Interest From Operating Reserve	384,020	406,000	443,000
Interest From Bond Redemption Cash	1,719,037	1,722,000	1,775,000
Interest From General Cash Pool	565,467	973,000	1,083,000
Interest From Debt Service Account	421,964	373,000	425,000
Misc. Non-Operating Revenue	<u>207,285</u>	<u>65,000</u>	<u>139,000</u>
TOTAL NON-OPERATING REVENUE	3,297,773	3,539,000	3,865,000
NON-OPERATING EXPENSE			
Community	75,343	75,000	75,000
Interest on Bonded Debt	18,295,752	18,019,000	17,502,000
Amortization of Bond Discount/Premium	(470,035)	(455,000)	(451,000)
Amortization of Bond Sale Cost & Ins.	369,138	370,000	344,000
Amortization of Loss on Refunded Debt	3,136,636	3,137,000	2,904,000
Other Interest Expense	13,799	20,000	20,000
Interest During Construction	<u>(747,720)</u>	<u>(535,000)</u>	<u>(300,000)</u>
TOTAL NON-OPERATING EXPENSE	<u>20,672,913</u>	<u>20,631,000</u>	<u>20,094,000</u>
NET INCOME (REGULATORY)	5,640,433	3,914,000	4,421,000
ADJUSTMENTS FOR GAAP			
Depreciation of Contributed Plant	(556,832)	(550,000)	(550,000)
Restricted Interest Income	<u>920,174</u>	<u>80,000</u>	<u>0</u>
NET INCOME GAAP	<u><u>6,003,775</u></u>	<u><u>3,444,000</u></u>	<u><u>3,871,000</u></u>

1998 Proforma as of 6/30/98

MUNICIPAL LIGHT & POWER
STATEMENT OF SOURCES AND USES OF CASH

	1997 ACTUAL	1998 PROFORMA	1999 BUDGET
SOURCES OF CASH FUNDS			
Net Income GAAP	6,003,775	3,444,000	3,871,000
Depreciation	17,255,475	17,688,000	18,053,000
Amortized Bond Discount/Premium	(470,035)	(455,000)	(451,000)
Amortization & Acquisition Adjustment	514,986	515,000	515,000
Amortization of Bond Sale Costs	369,138	370,000	344,000
Amortization on Refunded Debt	3,136,636	3,137,000	2,904,000
Contributions	557,233	500,000	500,000
Other	<u>(4,974,090)</u>	<u>(2,094,000)</u>	<u>(1,997,000)</u>
TOTAL SOURCES OF CASH FUNDS	22,393,118	23,105,000	23,739,000
USES OF CASH FUNDS			
Additions to Plant	13,957,678	17,567,000	15,698,000
Debt Retirement Long Term	<u>7,645,000</u>	<u>9,300,000</u>	<u>9,835,000</u>
TOTAL USES OF CASH FUNDS	<u>21,602,678</u>	<u>26,867,000</u>	<u>25,533,000</u>
NET INCREASE (DECREASE) IN CASH FUNDS	790,440	(3,762,000)	(1,794,000)
CASH BALANCE JANUARY 1,	<u>63,029,701</u>	<u>63,820,000</u>	<u>60,058,000</u>
CASH BALANCE DECEMBER 31,	<u><u>63,820,141</u></u>	<u><u>60,058,000</u></u>	<u><u>58,264,000</u></u>
DETAIL OF CASH & INVESTMENT BALANCE			
General Cash	15,661,616	17,979,000	16,162,000
Bond Cash	4,998,293	0	0
Bond Investment	31,994,386	30,874,000	30,816,000
Special Investment	<u>11,165,846</u>	<u>11,205,000</u>	<u>11,286,000</u>
CASH BALANCE DECEMBER 31,	<u><u>63,820,141</u></u>	<u><u>60,058,000</u></u>	<u><u>58,264,000</u></u>

1998 Proforma as of 6/30/98

**MUNICIPAL LIGHT & POWER
1999 OPERATING BUDGET DETAIL**

	<u>1997</u> <u>ACTUAL</u>	<u>1998</u> <u>PROFORMA</u>	<u>1999</u> <u>BUDGET</u>
<u>Labor</u>			
Personnel Costs	9,342,245	9,690,000	9,856,000
Benefit Costs	<u>5,490,764</u>	<u>5,681,000</u>	<u>5,778,000</u>
Subtotal	14,833,009	15,371,000	15,634,000
<u>Intergovernmental Charges</u>			
Finance Department	271,666	260,000	350,000
MIS/FIS	161,186	480,000	700,000
Human Resources Department	225,754	290,000	300,000
Other IGC Charges	<u>850,987</u>	<u>1,070,000</u>	<u>1,350,000</u>
Subtotal	<u>1,509,593</u>	<u>2,100,000</u>	<u>2,700,000</u>
<u>Other Expenses</u>			
Professional Services	675,520	800,000	850,000
Depreciation & Amortization	15,529,415	15,934,000	16,019,000
MUSA	2,245,379	2,286,000	2,320,000
Interest on Long-term Debt	18,295,752	18,019,000	17,502,000
Interest During Construction	(747,720)	(535,000)	(300,000)
Purchased Power	4,218,444	4,162,000	4,194,000
Fuel Transportation	3,643,095	3,573,000	3,588,000
Gas Division Operating Expenses	11,990,749	10,820,000	8,906,000
Gas Division Depletion & Depreciation	5,277,000	5,321,000	5,346,000
Regulatory Compliance	671,190	860,000	750,000
Other Expenses	<u>2,647,887</u>	<u>3,016,000</u>	<u>2,702,000</u>
Subtotal	<u>64,446,711</u>	<u>64,256,000</u>	<u>61,877,000</u>
TOTAL EXPENSES	<u><u>80,789,313</u></u>	<u><u>81,727,000</u></u>	<u><u>80,211,000</u></u>

1998 Proforma as of 6/30/98

**Municipal Light
and Power**

**1999-2004
Capital Improvement
Budget/Program**

MUNICIPAL LIGHT & POWER
 1999 - 2004 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)

<u>PROJECT CATEGORY:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
PRODUCTION (GENERATION)	4,816	5,179	5,574	5,156	6,376	7,316	34,417
TRANSMISSION	120	245	470	520	530	560	2,445
DISTRIBUTION	3,105	5,555	5,915	5,575	5,950	6,250	32,350
GENERAL PLANT	3,416	3,106	2,695	2,168	1,556	1,379	14,320
REGULATORY COMPLIANCE	655	231	241	486	936	351	2,900
INTERTIES	0	0	0	0	0	0	0
BELUGA RIVER GAS FIELD	900	1,000	800	3,300	2,000	1,700	9,700
TOTAL BUDGET	13,012	15,316	15,695	17,205	17,348	17,556	96,132

<u>SOURCE OF FUNDING:</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>TOTAL</u>
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	0	0	14,895	800	15,348	1,652	32,695
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	12,112	14,316	0	13,105	0	14,204	53,737
BELUGA OPERATIONS	900	1,000	800	3,300	2,000	1,700	9,700
STATE GRANT	0	0	0	0	0	0	0
FEDERAL GRANT	0	0	0	0	0	0	0
DIRECT APPROPRIATION	0	0	0	0	0	0	0
TOTAL BUDGET	13,012	15,316	15,695	17,205	17,348	17,556	96,132

Approximately \$6.7 Million in personnel costs will be spent on Capital Projects during 1999.