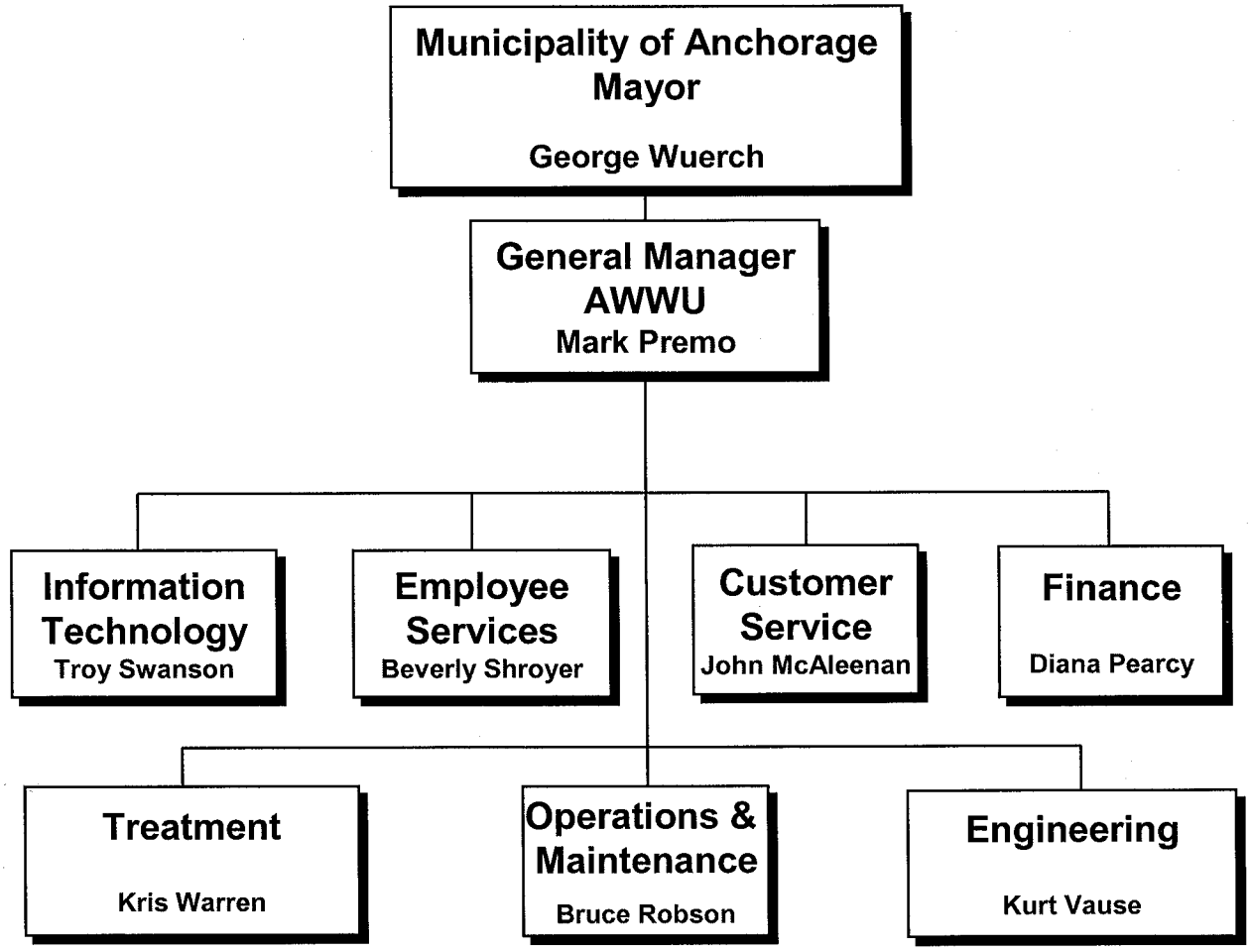
ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



ANCHORAGE WATER & WASTEWATER UTILITY PROFILE

ORGANIZATION: The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska and serves 125 square miles of metropolitan Anchorage from Eklutna to Girdwood. The Utility collects water from two major surface watersheds and many deep underground wells and distributes it to approximately 51,200 residential, commercial, military, and industrial accounts throughout the urban areas of Anchorage. The Utility's wastewater facilities serve 51,500 residential, commercial and military accounts. This represents an estimated population base of 215,000 residents who receive water service and 223,000 residents who receive sewer service. As water is consumed and used, treatment plants operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The public investment in these systems - for treatment plants, mains and sewers, laboratories, and reservoirs - totals approximately $850 million. More than 260 employees operate the system, and the Utility spends approximately $60 million annually to ensure that the water and wastewater systems perform efficiently. Through education, training, certification programs, field experience and longevity of service, the people who run the system are a dedicated team: Treatment plant operators, engineers, laboratory technicians, maintenance craftsmen, accountants, customer service representatives and field personnel working together, ensure that the water and wastewater systems perform efficiently.

Although they share one workforce, the utilities are separate economic and regulated entities. A profile of each utility is shown below:

ANCHORAGE WATER UTILITY

HISTORY: From the first water intake in Lower Ship Creek (and a few miles of woodstave water mains downtown) more than 75 years ago, Anchorage's public water utility has grown to a third-of-a-billion-dollar enterprise that delivers nearly 27 million gallons of water to its customers each day, for less than $1 per household. The original water system for Anchorage was installed by the Alaska Railroad in 1917. In 1921, the City purchased the water system and associated water rights from the Alaska Engineering Commission. As the City expanded by annexation, the water system was extended into new areas and independent water systems previously serving the annexed areas were acquired by the City. The entire service area is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough on September 15, 1975.

SERVICE: Anchorage's water supply originates from two sources – Eklutna Lake and Ship Creek, with several deep wells used as supplementary sources. Until mid 2000 the Ship Creek Water Treatment Plant was the main water production plant. 24 hour operations were moved from Ship Creek to the Eklutna Plant to make better use of the higher-pressure water provided by Eklutna and to make better use of personnel. The Eklutna water supply originates at Eklutna Lake, a body of water that is a drought-resistant natural reservoir. Fed by the runoff from Eklutna Glacier and the annual snow-pack, the eight-mile long lake can supply up to 100 million gallons of water each day.

Ship Creek has been an important water source from the Tent City days of Anchorage, and from spring thru fall, the headwaters of Ship Creek are available to provide up to 24 million gallons of water per day.

The Girdwood community is served from a system of wells.

During 2001 the Anchorage Water Utility (AWU) proposes a construction program that will continue to emphasize repair and rehabilitation of the existing system and resources as well as the efforts to maximize water availability to South and West Anchorage. To meet our goals on the latter objective, AWU continues with construction of the Anchorage Loop Water Transmission Main. Phase IV will connect Phases I - III of the Loop to the new Service High Reservoir and represent the final phase of the Loop project. This project began in 2001 with the formation of a Mayor appointed Task Force to gather public input and select a final route. AWU also completed an $8 million expansion of the water system in Eagle River. A new 3 million-gallon reservoir, two new booster stations, and new transmission main provide improved water service and fire protection to residents of the lower Eagle River Valley.

AWU is also planning to expand its service area in Girdwood Valley. An application is being made to expand AWU's service area to include all areas of the Valley, including Old Girdwood Townsite.

REGULATION: Since December 1970, AWU has been economically regulated by the Alaska Public Utilities Commission (APUC), and effective July 1, 1999 by the Regulatory Commission of Alaska (RCA). AWU holds a Certificate of Convenience and Necessity for serving portions of the Anchorage Bowl, Eagle River, and Girdwood. All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The RCA is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the RCA, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Water Utility's operating costs. The Safe Drinking Water Act, Americans with Disabilities Act, and Community Right-to-Know are some of the current and ongoing laws that impact the Utility.

PHYSICAL PLANT: AWU operates two treatment plants and has seventeen wells that are operated on an as-needed basis. Daily average water production is 26,000,000 gallons per day (gpd). AWU has capacity to provide up to 59,000,000 gpd. Average well production is 5,600,000 gpd. The transmission system has approximately 800 miles of

mains and 6,000 fire hydrants. Plant in Service, at cost as of December 2000: $470,685,000.

ANCHORAGE WASTEWATER UTILITY

HISTORY: Sewers were first installed in Anchorage during 1916 along the lower bluff from the Alaska Railroad Depot, west to the inlet, by the Alaska Engineering Commission. As Anchorage grew, construction of sewers continued and, by the end of World War II, sewers were available to most of the area between Ship Creek and Chester Creek to the West of Cordova Street. The Greater Anchorage Area Borough (GAAB) was created in 1964, and soon after was granted areawide sewer powers. The last major private sewer utility was acquired by the GAAB in 1972. The Utility is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough on September 15, 1975.

SERVICE: Anchorage's enjoyment of drinking water is just one part of the AWWU system. After the day's 27 million gallons of water is used, it must be treated for its return to the environment. The creeks and inlets downstream from Anchorage's wastewater treatment plants are not adversely impacted by treated effluent, which is the principal measure of success. The Anchorage community benefits from the superior operation of the three wastewater treatment plants that serve its growing population.

For every contaminant that finds its way into the water from the activities of man or natural forces, there is a process to remove it, although some processes are so costly that the contaminants must be controlled at the source. Toxic chemical compounds -- Floating sediments and particles -- Human waste -- Grease and oils -- Debris -- Bacteria. None are acceptable in public waters.

Like thousands of utilities across the nation, the Anchorage Wastewater Utility is achieving higher levels of treatment more efficiently and more effectively than was possible even 10 years ago. While the technology of screening the waste, employing "specialized" bacteria to absorb dissolved solids, and disinfecting the "final product" remains the same, treatment standards have become more stringent.

REGULATION: Since 1971, the Anchorage Wastewater Utility has been economically regulated by the Alaska Public Utilities Commission (APUC), and effective July 1, 1999 by the Regulatory Commission of Alaska (RCA), the APUC's successor. The Utility holds a Certificate of Convenience and Necessity for serving the Anchorage Bowl, Eagle River, and Girdwood. All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The RCA is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the RCA, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Wastewater Utility's operating costs. The Clean Water Act, Americans with Disabilities Act, Community Right-to-Know, and the Clean Air Act are some of the current and on going laws that impact the Utility.

The Asplund Wastewater Treatment Plant uses primary treatment techniques. The extreme tides and natural water flow of Cook Inlet enable these wastewater discharges to be diluted with no adverse effect to the environment. The dynamics of Cook Inlet's currents and tides -- coupled with primary treatment and chlorination -- have enabled Anchorage to receive a waiver from secondary treatment standards from the U.S. Environmental Protection Agency (EPA). To continue operating under the waiver, AWWU maintains an extensive marine monitoring program that makes certain that there are no negative environmental impacts to the receiving waters of Cook Inlet. The Utility has recently been granted renewed discharge permits for all three of its wastewater treatment facilities.

PHYSICAL PLANT: The Wastewater Utility operates three treatment plants. Average flow was 30,000,000 gallons per day (gpd) in 2000. Treatment plant capacity is 61,500,000 gpd. The collection system has approximately 700 miles of lines. Plant in Service, at cost as of December 2000: $378,523,000. In Girdwood and Eagle River, the wastewater utility's plants are modern, tertiary (three-stage) plants that discharge effluent of virtual drinking water quality into Glacier Creek and Eagle River. With its expansion in 1991, the Eagle River Plant has the capacity to provide for growth to the year 2010. The Girdwood Plant upgrades were completed in 1998, which provided an additional 20 years of sufficient capacity for the resort community.

The Asplund Treatment Plant, built in 1972, is Alaska's largest wastewater treatment plant. As wastewater treatment technology and the demands of community growth have developed over the last two decades, utility operators and engineers have kept pace. The Asplund plant was upgraded in 1982, and expanded and upgraded again in 1989. Ingenuity and vigilant maintenance have consistently enabled the Utility to operate this facility at its optimum level.

In conjunction with the permit renewal process, a facilities plan update was prepared in 1999. The facilities plan evaluated the existing condition of facilities and improvements needed to meet capacity requirements of the WWTF. The facilities plan identified $15 million worth of improvements to the solids handling, headworks, administration, incineration, and thickening process areas of the facility. Beginning in 2000, AWWU is commencing construction of nearly $6 million of improvements identified in the facilities plan, consisting of construction of new gravity thickener, solids holding and transfer facilities. When complete in 2001, AWWU will have truck loading and storage facilities to expedite transfer of processed solids to haul vehicles to supplement existing incinerator operations.

ANCHORAGE WATER & WASTEWATER
2002
OPERATING & CAPITAL BUDGET ASSUMPTIONS

Below are the general budget assumptions provided by the Office of Management and Budget, plus specific AWWU assumptions, used in the preparation of the Anchorage Water Utility and Anchorage Wastewater Utility 2002 Operating and Capital Budgets.

REGULATION

Assume continued economic regulation by the Regulatory Commission of Alaska.

UTILITY OWNERSHIP

Assume continued Municipal ownership in 2002.

RATE INCREASES

No rate increases should be proposed in 2002 unless all possible budget reductions have been first fully considered and if one or more of the following conditions can be demonstrated:

- Debt service coverage not adequate.
- Projected cash reserves for working capital not adequate on a sustained basis to cover operating costs during 2001/02. (NOTE: a 45-day reserve of working capital should not be a deciding factor in judging the adequacy of the reserve cash since the Utility may temporarily borrow from the general fund cash pool for unforeseen events.)
- Debt/equity ratio projected to fall below criteria established by the regulatory body authorized to oversee the utility.
- Increased rate revenue is determined to be the most prudent funding source for maintaining the utility's plant in a cost-effective working condition.

MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)

Assume mill rates for MUSA/MESA to be the same as 2001 mill rates.

REVENUE DISTRIBUTIONS

None.

INTEREST

Assume debt service for new insured 20-year GO bonds as well as new insured revenue bonds to be 5.5% - 6.00%. Interest income should be calculated assuming a rate of 3.75% - 4.5%.

INTRAGOVERNMENTAL CHARGES (IGCs)

Assume no change in IGCs from General Government over that level contained in the Revised 2001 General Government Operating Budget. The only IGC *increases* which utilities may budget in 2002 are those that relate to special projects or other work engagements specifically requested (or known) by the utility to occur in 2002.

IGC methodology is currently under review. If any material changes are made, affected utilities will be notified.

POPULATION

Assume that Anchorage's population will be approximately 261,000 in 2001 and 262,000 in 2002.

INFLATION

AWWU used inflation rates of 1.5%-2.0%, based on particular commodities purchases, with the higher figure used for energy costs.

COMPENSATION COSTS (Salaries and Benefits)

For budgetary purposes assume increases in JCC per contract requirements. For AMEA, NON-REPS and EXECS, assume no increase at this time as negotiations are underway regarding AMEA's contract.

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2002 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO AWWU

- Operating efficiencies have also been investigated and incorporated into the 2002 Operating Budgets as defined by the goals and objectives of the AWWU Strategic Plan, and the AWWU Excellence Adventure.
- AWWU has concluded the IGCs provided to the Utility by OMB were substantially in error, due to either methodology and/or process issues, and has adjusted to 2002 budgeted AWWU IGCs to an amount that follows historical trends, as adjusted by known changes.
- The Utility's capital budgets continue to require significant amounts of long-term debt to finance the programs. A small portion is funded through current operating revenues, but the majority will come from the issuance of revenue bonds and/or State of Alaska Revolving Loan programs. The Water Utility anticipates issuing $20,000,000 in new debt in 2002, and the Wastewater Utility will incur $22,000,000 in new debt in 2002. Future rate increases will be necessary to pay the debt service on these long-term debt instruments.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

AWWU'S EXCELLENCE ADVENTURE

AWWU has initiated a process to reduce operating costs by increasing employee involvement and by improving AWWU's culture of continuous improvement. The Utility formed a Competitive Steering Team, which follows a process developed for the U.S. Water and Wastewater industry. Working together successfully, the employees and managers of AWWU are developing a more efficient and competitive business operation. A consultant, Brown and Caldwell, Inc. has recently been hired to assist in moving the efforts to the next higher level. The process has already proven successful in reducing operating costs. The combined water and sewer operating costs decreased in 2000, $663,000 or 2.33% from 1999, due primarily to our increased focus on efficiency.

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 within the bowl. The Loop is a multi-phase project, with all phases to be operational by the end of 2004.

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 scheduled for 2001. Phase V was completed this summer and a 10 million gallon reservoir adjacent to Service High School will be completed by October 2001. Estimated total project cost for Phase V and the reservoir is approximately $14 million.

Phase VII (also referred to as Airport Phase IB) connects new water lines in Sand Lake to the existing system. Surface restoration was finished in summer 2000. Total project cost for Phase VII was $5 million. Phase VI of the Loop, connects Phase VII with an existing transmission main at Dimond Boulevard. Total cost of this phase is nearly $6 million and is scheduled for completion by fall 2001.

SANITARY SEWER TRUNK REHABILITATION

AWWU has several large sanitary sewer trunks that were constructed in the 1960s and 1970s. 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

creek 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 have capacity problems, the upcoming 2002-wastewater master plan update will focus on these aging trunk lines with a bent toward cost effective rehabilitation using no-dig solutions where practical. 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.

Fish Creek Sewer Trunk has been designed, with construction slated to commence in 2001. Improvements in Chester Creek Sewer began in fall 2000 with predesign studies that will lead to construction beginning in 2002. Further, Campbell Creek Trunk sewer improvements began in 2001 with predesign studies of the C-5-7 sewer located along the south shore of Campbell Lake with construction to follow by 2004.

SYSTEM EXPANSIONS – NORTHERN COMMUNITIES AND GIRDWOOD

Expansion of the existing AWWU water system in the Northern Communities of Peters Creek and Chugiak is planned, with route selection and preliminary design to begin in 2001. Sewer improvements are planned for portions of North Eagle River (north of Fire Lake) and Chugiak also. These improvements will be coordinated with water system extensions and preliminary design and route selection will begin in 2001, followed by design and construction starting in 2002.

In addition, water system improvements in Girdwood are planned to include improvements to the existing Girdwood Water Well House, transmission main improvements to extend service to the New Girdwood Townsite area, and site selection of a new Reservoir for the west side of Girdwood Valley. This project will begin with design in 2001, followed by construction over the period 2002-2006.

Inclusive of local match, total funding for the projects is nearly $7 million for the Northern Communities, and over $3 million for Girdwood Valley. Federal grants provide 55 percent of the project's funds.

WATER TREATMENT FACILITY DISINFECTION IMPROVEMENTS

Starting in 1999, AWWU undertook a comprehensive evaluation of its disinfection methods for Anchorage's municipal water supply. This evaluation considered existing chlorination processes as well as alternative technologies. Based on life-cycle comparisons, AWWU decided to implement process improvements at its two Surface Water Treatment Facilities, the Eklutna and Ship Creek Water Treatment Facilities. The new disinfection process selected for each facility employs on-site generation of disinfectant using a salt as feedstock, which replaces gaseous chlorine. The new processes will provide long-term savings over the existing systems and reduce the handling of chlorine gas by the Utility.

Projects were designed in 2000, and will be completed in 2001, installing new on-site generation equipment, new salt storage facilities, and removal of existing gaseous chlorine feed equipment at both facilities. Future projects over the next six years at other AWWU well sites in Anchorage and Girdwood will also be converted from gaseous chlorine to on-site disinfectant generation systems.

NPDES WASTEWATER DISCHARGE PERMITS

All three of AWWU's wastewater discharge permits were renewed last year. The Asplund, Eagle River and Girdwood wastewater treatment facilities that operate under these permits have met all requirements since the permits were renewed. The permits are each good for five years so they will all expire in 2005. Renewal applications will be submitted six months prior to their expiration date.

ASPLUND WWTF

A solids handling upgrade project is currently nearing completion at the Asplund WWTF, which enhances the facility's capability of dealing with the increased solids loading from the community. The new equipment consists primarily of additional solids dewatering capacity and storage as well as a truck loading station. In the event that the facility's primary solids disposal method, incineration, is out of service or overloaded, the excess solids will be dewatered and hauled to the municipal landfill. This approach provides a long term, effective back up to the solids incinerator, which is approaching its design capacity as well as its useful life. This project is estimated to cost $6 million.

Future projects are planned over the next five years to renovate the WWTF's headworks; implement new sludge and scum handling systems; install additional plant automation and controls; and, construct building and laboratory improvements. These projects are estimated to cost approximately $12 million.

SEPTAGE RECEIVING STATION UPGRADES

AWWU has two septage receiving stations, one in South Anchorage, the other in Northeast Anchorage. Each serves an important function to Southcentral Alaska residents who utilize on-site septic systems. Septage from the Anchorage Bowl, Northern communities and Matanuska-Susitna Borough is disposed of at these sites, as well as other permitted wastes from the Anchorage Regional Landfill and AWWU's Eagle River and Girdwood WWTF's. The sites are currently without proper security, fencing, site access and control, and other required modifications.

AWWU implemented a project starting in late 1999 to construct additions and improvements. Construction will commence in summer 2001, with final improvements completed by spring 2002. When complete, AWWU will have added capability to monitor, control and regulate the disposal of septage wastes at each site. Site work will also include provisions for future improvements including odor control, improved sampling and measurement systems to be installed in later phases. The project is estimated to cost nearly $2 million to construct improvements in 2001/2002.

WATER PRODUCTION

AWWU has moved it's 24-hour per day water treatment operation from Ship Creek to the Eklutna Water Treatment Facility. This will allow the utility to make better use of the higher-pressure water provided by Eklutna and to make better use of personnel. Eklutna can produce nearly twice as much water as the Ship Creek facility with the same size staff. The Ship Creek facility is only utilized on occasions when hot weather creates demands of over 45 MGD.

INFORMATION TECHNOLOGY APPLICATIONS

The IT Division will continue to integrate the implementation of the Utility's Relational Database Management System (RDBMS) and other relational databases with the MOA People Soft modules in 2001/2002. The RDBMS conceptual design model will be used to provide a basic data structure and document the actual implementation of integrated systems.

The Operations & Maintenance Division is the primary sponsor for the Utility's Work Management System (WMS) from MRO with the product name of Maximo. Maximo is a full-featured maintenance management software product, and a major AWWU system that became fully operational in the year 2001. In 2002 the system will be upgraded to the Java version to retain the Utility's license agreement with MRO and receive continued administration and maintenance support.

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 project to develop a design specification base was awarded in 2001. Construction and implementation of replacement SCADA and telemetry systems will begin in 2002 and continue through 2005. Construction and implementation of a replacement SCADA system for the water distribution system will be a priority.

Each year AWWU updates its IT Master Plan, and that effort will be initiated again during the second half of 2001. The AWWU IT Master Plan is updated annually to reassess priorities and evaluate the applicability of technological advances to AWWU's business. The purpose of the Utility's information technology strategic plan is to provide a long-range strategy and a 6-year planning horizon to incorporate information technologies into the Utility's business processes in a cost-effective manner. The objective is to provide a strategy to transform AWWU into a Utility whose information technologies are seamlessly integrated, and to maintain the most appropriate level of information technology utilization within the Utility. The ultimate goal is to provide effective information management services and facilities that provide a long-term benefit to our customers at the most reasonable cost.

The IT Division will promote the use of Internet technology within the Utility in the continued development and implementation of Intranet/Internet applications along with Geospatial enabling technologies in 2001 and through 2002. These applications and data will be used to enhance communication and electronic reporting by allowing real-time access to dynamic data through the use of browser technology, creating an

Intranet/Internet portal to the Utility's electronic information. This will reduce training time due to the ability to access data from different systems and present it in a straightforward manner through easy to use browser screens.

CUSTOMER SERVICE

The Customer Service Division will be engaging in the replacement of the Customer Information and Billing System (CIS) in 2002. The current system and the technology used to administer and maintain it are aging. Not only is the existing system using older technology that is not compatible with the Utility's other systems, it has become expensive to operate with regard to service charges, contract support, and internal labor. The Utility will engage in a selection and implementation process beginning in early 2002, with the goal of completing the replacement effort by the end of 2003. The new system will provide a tremendous number of opportunities in areas such as bill presentment on the Internet, integration with other Utility applications, and current technology user interfaces.

The Customer Service Division will also be engaging in an Automated Meter Reading project beginning in 2002 and finishing up in 2003. The implementation of this project will encompass the selection of technology, the acquisition of new remotes using radio technology, and the mobile receiving equipment necessary to "read" the meters under a "drive by" environment. The Utility will be able to read meters more efficiently, thus providing the metered ratepayer with more timely and accurate billing information.

WASTEWATER RATE DECREASE

The Wastewater Utility was able to implement a first ever across the board rate decrease of 2.75% in 2000. The Utility is able to provide this decrease in rates through a combination of controlling expenses, investing in technology and managing long term debt.

ANCHORAGE WATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2002 OPERATING BUDGET ($ in Thousand's)

	Actual				Proforma	Budget	Forecast				
Financial Overview	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues	29,072	29,604	30,382	31,068	30,403	30,540	30,883	31,964	34,403	35,857	36,345
Expenses	25,232	25,648	26,101	25,097	25,888	28,083	28,575	29,219	31,754	32,453	33,127
Net Income (Regulatory)	3,840	3,956	4,281	5,971	4,515	2,457	2,308	2,745	2,649	3,404	3,218
Workforce Authorized per Budget	271.5	269.5	269.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5
Capital Improvement Program *	16,234	6,255	13,717	17,661	15,353	21,350	23,248	15,811	15,417	15,041	15,199
New Debt	0	9,337	15,000	8,402	10,875	20,000	25,000	20,000	7,000	10,000	14,000
Net Plant (12/31)	318,827	317,602	327,999	332,615	338,918	353,800	374,269	383,894	383,641	387,018	392,090
Retained Earnings (12/31)	33,008	36,964	41,245	47,216	51,731	54,188	56,495	59,240	61,890	65,294	68,512
Operating Cash	6,525	9,961	12,624	9,778	12,964	12,556	11,204	10,418	9,152	6,782	6,345
Construction Cash Pool	(5,541)	4,221	5,500	534	133	991	(1,527)	475	(483)	(1,101)	(1,015)
Restricted Cash	18,387	17,005	8,751	10,000	10,000	10,600	20,977	23,193	21,669	19,381	19,580
Total Cash	19,371	31,187	26,875	20,312	23,097	24,147	20,977	23,193	21,669	19,381	19,580
IGC's - General Government	1,226	1,036	1,400	1,447	1,626	1,899	1,937	1,996	2,016	2,076	2,118
MUSA - Regular	1,433	1,564	1,561	1,568	1,662	1,712	1,729	1,746	1,790	1,826	1,871
Total Outstanding Debt	101,428	109,383	113,865	112,098	118,606	133,679	152,572	165,565	164,772	166,186	172,570
Total Annual Debt Service	8,345	9,055	11,644	19,464	9,984	11,541	13,843	15,405	16,632	17,825	17,125
Debt Service Coverage (overall)	1.76	1.73	1.33	1.00	1.55	1.25	1.13	1.10	1.04	1.03	1.08
Debt/Equity Ratio	75 / 25	75 / 25	73 / 27	70 / 30	70 / 30	71 / 29	73 / 27	74 / 26	73 / 27	72 / 28	71 / 29
Rate Change Percent								9.00%		3.00%	
Single Family Rate	$25.80	$25.80	$25.80	$25.80	$25.80	$25.80	$25.80	$28.12	$28.12	$28.97	$28.97
Statistical/Performance Trends:											
Number of Customers	47,150	47,152	50,257	50,952	51,716	52,492	53,279	54,078	54,889	55,712	56,535
Average Treatment (GPD) (000)	25,900	25,900	26,100	25,900	26,500	27,000	27,500	28,000	28,500	29,000	29,500
Miles of Water Lines	761	770	791	802	810	817	828	834	842	848	854
Number of Hydrants	5,700	5,757	5,907	5,963	6,039	6,087	6,143	6,190	6,252	6,300	6,351

*1997-2000 reflect actual expenditures.

NOTE: Rate increases shown in the out years are projections, and have not been approved for implementation. The need for rate increases will be reviewed each year in conjunction with annual operating budgets. Present customer trends indicate that the Single Family rate will also be impacted (increase) by future Cost of Service Studies (COSS). COSS are revenue neutral overall, but each revenue class may see significant increases or decreases.

ANCHORAGE WASTEWATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2002 OPERATING BUDGET ($ in Thousand's)

	Actual				Proforma	Budget	Forecast				
Financial Overview	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues	24,670	24,765	25,450	25,720	25,126	25,353	25,521	26,325	28,174	29,789	30,080
Expenses	21,338	21,570	21,390	21,012	22,308	23,418	24,183	24,330	24,882	25,378	26,303
Net Income (Regulatory)	3,332	3,195	4,060	4,707	2,818	1,935	1,338	1,995	3,292	4,411	3,777
Workforce Authorized per Budget	271.5	269.5	269.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5
Capital Improvement Program *	4,058	4,589	4,368	7,143	15,646	13,620	12,638	8,536	13,017	16,742	10,349
New Debt (Bonds, Loan Fund)	1,090	1,745	5,286	1,138	11,398	22,000	14,000	8,000	9,500	12,500	13,500
Net Plant (12/31)	242,373	239,667	242,701	238,306	245,364	259,388	264,209	262,832	264,433	269,481	274,990
Retained Earnings (12/31)	15,550	18,745	22,806	27,513	30,331	32,266	33,604	35,599	38,891	43,302	47,079
Operating Cash	7,133	6,904	5,978	7,164	7,244	5,606	3,648	2,846	1,953	2,904	5,416
Construction Cash Pool	377	1,065	3,851	152	(2,005)	(1,183)	(446)	(78)	(157)	(745)	(452)
Restricted Cash	288	298	445	386	386	986	1,586	1,786	1,986	2,186	2,486
Total Cash	7,798	8,268	10,174	7,702	5,625	5,409	4,789	4,554	3,782	4,345	7,450
IGC's - General Government	1,361	1,133	1,056	998	1,783	1,956	1,995	2,055	2,076	2,138	2,181
MUSA - Regular	1,156	1,140	1,120	1,085	1,158	1,181	1,193	1,205	1,235	1,260	1,291
Total Outstanding Debt	61,989	58,024	57,206	52,203	57,532	72,885	79,521	79,816	81,084	86,115	95,340
Total Annual Debt Service	9,014	8,779	9,249	9,293	8,709	9,792	10,822	11,009	11,573	10,962	8,032
Debt Service Coverage (overall)	1.26	1.25	1.26	1.37	1.24	1.05	1.00	1.00	1.02	1.18	1.58
Debt/Equity Ratio	73 / 27	69 / 31	66 / 34	60 / 40	61 / 39	65 / 35	66 / 34	65 / 35	64 / 36	63 / 37	64 / 36
Rate Change Percent				-2.75%				9.00%		5.00%	
Single Family Rate	$21.80	$21.80	$21.80	$21.20	$21.20	$21.20	$21.20	$23.11	$23.11	$24.26	$24.26
Statistical/Performance Trends:											
Number of Customers	48,748	49,643	50,560	51,343	52,113	52,947	53,740	54,546	55,364	56,194	57,024
Average Treatment (GPD) (000)	30,500	30,500	30,400	31,350	31,000	31,500	32,000	32,500	33,000	33,500	34,000
Miles of Wastewater Lines	687	692	700	702	708	713	719	724	731	737	742

*1997-2000 reflect actual expenditures.

NOTE: Rate increases shown in the out years are projections, and have not been approved for implementation. The need for rate increases will be reviewed each year in conjunction with annual operating budgets. Present customer trends indicate that the Single Family rate will also be impacted (increase) by future Cost of Service Studies (COSS). COSS are revenue neutral overall, but each revenue class may see significant increases or decreases.

ANCHORAGE WATER & WASTEWATER UTILITY
WORK FORCE PROJECTIONS

DIVISIONS	2000	2001	2002	2003	2004	2005	2006	2007
MANAGER	4	5	5	5	5	5	5	5
EMPLOYEE SERVICES	7	7	7	7	7	7	7	7
INFORMATION TECH	15	16	16	16	16	16	16	16
OP & MAINTENANCE	80	81	81	81	81	81	81	81
TREATMENT	62	59	59	59	59	59	59	59
FINANCE	17	18	18	18	18	18	18	18
ENGINEERING	32	31	31	31	31	31	31	31
CUSTOMER SERV	43	43	43	43	43	43	43	43
TOTAL FULL TIME	260	260	260	260	260	260	260	260
TEMPORARY FTE'S	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
TOTAL FTE'S	265.5	265.5	265.5	265.5	265.5	265.5	265.5	265.5

ANCHORAGE WATER UTILITY
STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
OPERATING REVENUE			
RESIDENTIAL SALES	19,585,502	19,793,000	20,090,000
COMMERCIAL SALES	6,038,318	5,989,000	6,079,000
PUBLIC FIRE PROTECTION	2,475,000	2,475,000	2,475,000
HYDRANT USE CHARGE	150,447	140,000	140,000
MISCELLANEOUS	441,770	250,000	250,000
TOTAL OPERATING REVENUE	28,691,037	28,647,000	29,034,000
OPERATING EXPENSES			
SOURCE OF SUPPLY	2,405,907	2,305,000	2,565,000
TREATMENT	2,651,287	2,856,000	2,687,000
TRANSMISSION	3,224,682	2,828,000	3,115,000
CUSTOMER ACCOUNTS	1,810,145	1,555,000	2,224,000
GENERAL & ADMINISTRATIVE	4,194,960	4,961,000	5,501,000
DEPRECIATION *	3,125,190	3,900,000	4,017,000
MUSA	1,567,803	1,662,000	1,712,000
TOTAL OPERATING EXPENSE	18,979,974	20,067,000	21,821,000
OPERATING INCOME	9,711,063	8,580,000	7,213,000

* Depreciation of contributed plant not included.

ANCHORAGE WATER UTILITY
STATEMENT OF REVENUE AND EXPENSES

NON-OPERATING REVENUE	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
RENTAL INCOME	609,385	606,000	606,000
INTEREST - INCOME	1,768,000	1,150,000	900,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	2,377,375	1,756,000	1,506,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	933,799	850,000	850,000
INTEREST - BOND	6,031,711	5,510,000	6,212,000
INTEREST - SRF LOANS	237,556	161,000	399,000
CAPITALIZED INTEREST	(1,085,862)	(700,000)	(1,200,000)
TOTAL NON-OPERATING EXPENSE	6,117,204	5,821,000	6,261,000
NON-OPERATING INCOME	(3,739,829)	(4,065,000)	(4,755,000)
NET INCOME (REGULATORY)	5,971,234	4,515,000	2,458,000
ADJUSTMENT FOR GAAP	5,105,037	5,150,000	5,202,000
NET INCOME (LOSS) GAAP	866,197	(635,000)	(2,744,000)

ANCHORAGE WATER UTILITY
STATEMENT OF SOURCES AND USES OF CASH

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	866,197	(635,000)	(2,745,000)
DEPRECIATION	8,230,227	9,050,000	9,219,000
BOND PROCEEDS	0	0	15,000,000
STATE LOANS	8,401,608	10,875,000	5,000,000
AMORT/DEFERRED DEBITS/DISCOUNTS	933,799	850,000	850,000
GRANTS	3,364,990	1,811,000	2,256,000
CONTRIBUTIONS FROM OTHERS	544,581	500,000	500,000
OTHER	631,171	54,000	(3,000)
TOTAL SOURCES OF CASH FUNDS	22,972,573	22,505,118	30,077,000
USES OF CASH:			
ADDITIONS TO PLANT	17,661,477	15,353,000	24,101,000
DEBT PRINCIPAL PAYMENT	11,873,896	4,367,000	4,926,000
TOTAL USES OF CASH FUNDS	29,535,373	19,720,000	29,027,000
NET INCREASE(DECREASE) IN CASH FUNDS	(6,562,800)	2,785,000	1,050,000
CASH BALANCE JANUARY 1	26,875,220	20,312,000	23,097,000
CASH BALANCE DECEMBER 31	20,312,420	23,097,000	24,147,000
DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	533,841	133,000	991,000
RESTRICTED CASH ACCOUNTS	10,000,119	10,000,119	10,600,119
EQUITY IN GENERAL CASH POOL	9,778,460	12,964,000	12,556,000
TOTAL CASH DECEMBER 31	20,312,000	23,097,000	24,147,000

ANCHORAGE WATER UTILITY
2002 OPERATING BUDGET DETAIL

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
LABOR			
Wages	5,333,000	5,573,000	6,187,000
Benefits	2,833,000	2,622,000	3,001,000
Subtotal	8,166,000	8,195,000	9,188,000
SUPPLIES			
Chemicals	265,000	250,000	268,000
Plant, Shop, & Office Expense	955,000	861,000	893,000
Subtotal	1,220,000	1,111,000	1,161,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	378,000	550,000	340,000
Mgmt Information Systems Dept	321,000	700,000	775,000
Employee Relations Dept	147,000	115,000	120,000
Other	601,000	261,000	664,000
Subtotal	1,447,000	1,626,000	1,899,000
OTHER SERVICES			
Contingency	0	350,000	350,000
Professional Services	313,000	550,000	337,000
Rent/Leases	703,000	705,000	700,000
Utilities	1,752,000	1,700,000	1,864,000
Contracted Mtnce/Repair	495,000	500,000	460,000
Operating Expense Transfer to CWIP	(393,000)	(400,000)	(400,000)
Other	584,000	168,000	533,000
Subtotal	3,454,000	3,573,000	3,844,000
OTHER EXPENSES			
Depreciation & Amortization	8,230,000	9,050,000	9,219,000
MUSA	1,568,000	1,662,000	1,712,000
Interest on Long-Term Debt	6,269,000	5,671,000	6,612,000
Capitalized Interest	(1,086,000)	(700,000)	(1,200,000)
Amort Deferred Debits/Discounts	934,000	850,000	850,000
Subtotal	15,915,000	16,533,000	17,193,000
TOTAL EXPENSES	30,202,000	31,038,000	33,285,000

ANCHORAGE WATER UTILITY
2002-2007 CAPITAL IMPROVEMENT PROGRAM
FINANCIAL SUMMARY

($$ x 1000)

PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	Six Year Total
GENERAL PLANT	8,500	5,848	3,011	6,742	6,391	6,549	37,041
REPAIR & REHABILITATION	1,750	1,750	2,000	3,500	4,000	4,000	17,000
TRANSMISSION/DISTRIBUTION	10,600	15,150	10,300	4,675	4,150	4,150	49,025
IMPROVEMENT DISTRICTS	500	500	500	500	500	500	3,000
TOTAL	21,350	23,248	15,811	15,417	15,041	15,199	106,066

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	Six Year Total
DEBT	16,460	21,948	14,649	13,701	13,256	13,914	93,928
EQUITY	1,355	1,300	1,135	1,235	1,235	1,285	7,545
FED/STATE GRANT	3,535	0	27	481	550	0	4,593
TOTAL	21,350	23,248	15,811	15,417	15,041	15,199	106,066

*Approximately $700,000 of in-house labor will be spent on capital projects in 2002

ANCHORAGE WASTEWATER UTILITY
STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
OPERATING REVENUES			
RESIDENTIAL SALES	18,582,216	18,026,000	18,206,000
COMMERCIAL SALES	4,509,054	4,720,000	4,767,000
PUBLIC AUTHORITIES	818,096	770,000	770,000
MISCELLANEOUS	280,837	275,000	275,000
TOTAL OPERATING REVENUE	24,190,203	23,791,000	24,018,000
OPERATING EXPENSES			
COLLECTION	2,479,628	2,471,000	2,417,000
TREATMENT	5,269,618	5,498,000	5,408,000
CUSTOMER ACCOUNTS	1,583,749	1,405,000	1,911,000
GENERAL & ADMINISTRATIVE	4,128,591	5,315,000	5,762,000
DEPRECIATION *	3,406,522	3,574,000	3,610,000
MUSA	1,085,477	1,158,000	1,181,000
TOTAL OPERATING EXPENSES	17,953,585	19,421,000	20,289,000
OPERATING INCOME	6,236,618	4,370,000	3,729,000

* Depreciation of contributed plant not included.

ANCHORAGE WASTEWATER UTILITY
STATEMENT OF REVENUE AND EXPENSES

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	853,735	835,000	835,000
INTEREST - GENERAL CASH POOL	493,886	300,000	300,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	0	50,000	50,000
INTEREST & PENALTY ON ASSESSMENTS	181,925	150,000	150,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	1,529,546	1,335,000	1,335,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	594,395	750,000	750,000
INTEREST - LONG TERM DEBT	2,352,307	2,052,000	2,474,000
INTEREST - OTHER	572,847	585,000	655,000
CAPITALIZED INTEREST	(460,785)	(500,000)	(750,000)
TOTAL NON-OPERATING EXPENSE	3,058,764	2,887,000	3,129,000
NON-OPERATING INCOME	(1,529,218)	(1,552,000)	(1,794,000)
NET INCOME (REGULATORY)	4,707,400	2,818,000	1,935,000
ADJUSTMENT FOR GAAP	5,030,143	5,014,000	5,114,000
NET INCOME (LOSS) GAAP	(322,743)	(2,196,000)	(3,179,000)

ANCHORAGE WASTEWATER UTILITY
STATEMENT OF SOURCES AND USES OF CASH

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(322,743)	(2,196,000)	(3,179,000)
DEPRECIATION	8,436,665	8,588,000	8,724,000
BOND PROCEEDS	0	0	13,000,000
STATE LOANS	1,138,248	11,398,000	9,000,000
AMORT/DEFERRED DEBITS/DISCOUNTS	594,395	750,000	750,000
GRANTS	85,074	100,000	0
CONTRIBUTIONS FROM OTHERS	1,131,036	1,000,000	900,000
OTHER	(349,180)	(2,489)	(15,000)
TOTAL SOURCES OF CASH FUNDS	10,713,495	19,637,511	29,180,000
USES OF CASH:			
ADDITIONS TO PLANT	7,143,009	15,646,000	22,748,000
DEBT PRINCIPAL PAYMENT	6,141,418	6,069,172	6,647,000
TOTAL USES OF CASH FUNDS	13,284,427	21,715,172	29,395,000
NET INCREASE(DECREASE) IN CASH FUNDS	(2,570,932)	(2,077,661)	(215,000)
CASH BALANCE JANUARY 1	10,273,244	7,702,312	5,625,000
CASH BALANCE DECEMBER 31	7,702,312	5,624,651	5,409,000
DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	152,174	(2,004,826)	(1,183,000)
RESTRICTED CASH ACCOUNTS	385,855	385,855	986,000
EQUITY IN GENERAL CASH POOL	7,164,283	7,243,622	5,606,000
TOTAL CASH DECEMBER 31	7,702,312	5,624,651	5,409,000

ANCHORAGE WASTEWATER UTILITY
2002 OPERATING BUDGET DETAIL

	2000 ACTUAL	2001 PROFORMA	2002 BUDGET
LABOR			
Wages	5,139,000	5,273,000	5,884,000
Benefits	2,699,000	2,482,000	2,851,000
Subtotal	7,838,000	7,755,000	8,735,000
SUPPLIES			
Chemicals	397,000	420,000	254,000
Plant, Shop, & Office Expense	1,079,000	1,268,000	1,172,000
Subtotal	1,476,000	1,688,000	1,426,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	328,000	450,000	312,000
Mgmt Information Systems Dept	295,000	787,000	654,000
Employee Relations Dept	138,000	120,000	104,000
Other	237,000	426,000	886,000
Subtotal	998,000	1,783,000	1,956,000
OTHER SERVICES			
Contingency	0	350,000	350,000
Professional Services	621,000	700,000	555,000
Rent/Leases	617,000	627,000	620,000
Utilities	1,171,000	1,115,000	1,254,000
Contracted Mtnce/Repair	291,000	400,000	380,000
Operating Expense Transfer to CWIP	(499,000)	(260,000)	(400,000)
Other	948,000	531,000	622,000
Subtotal	3,149,000	3,463,000	3,381,000
OTHER EXPENSES			
Depreciation & Amortization	8,437,000	8,588,000	8,724,000
MUSA	1,085,000	1,158,000	1,181,000
Interest on Long-Term Debt	2,925,000	2,637,000	3,129,000
Capitalized Interest	(461,000)	(500,000)	(750,000)
Amort Deferred Debits/Discounts	594,000	750,000	750,000
Subtotal	12,581,000	12,633,000	13,034,000
TOTAL EXPENSES	26,042,000	27,322,000	28,532,000

ANCHORAGE WASTEWATER UTILITY
2002-2007 CAPITAL IMPROVEMENT PROGRAM
FINANCIAL SUMMARY

($$ x 1000)

PROJECT CATEGORY	2002	2003	2004	2005	2006	2007	Six Year Total
GENERAL PLANT	8,970	10,538	2,986	6,517	8,092	3,149	40,252
REPAIR & REHABILITATION	2,250	1,500	4,950	2,400	4,050	2,100	17,250
TRUNK/INTERCEPTOR	1,900	100	150	4,475	5,100	4,600	16,325
IMPROVEMENT DISTRICTS	500	500	500	500	500	500	3,000
TOTAL	13,620	12,638	8,586	13,892	17,742	10,349	76,827

SOURCE OF FUNDING	2002	2003	2004	2005	2006	2007	Six Year Total
DEBT	11,400	11,643	7,724	12,526	16,332	9,464	69,089
EQUITY	1,070	995	835	885	860	885	5,530
FED/STATE GRANT	1,150	0	27	481	550	0	2,208
TOTAL	13,620	12,638	8,586	13,892	17,742	10,349	76,827

*Approximately $430,000 of in-house labor will be spent on capital projects in 2002