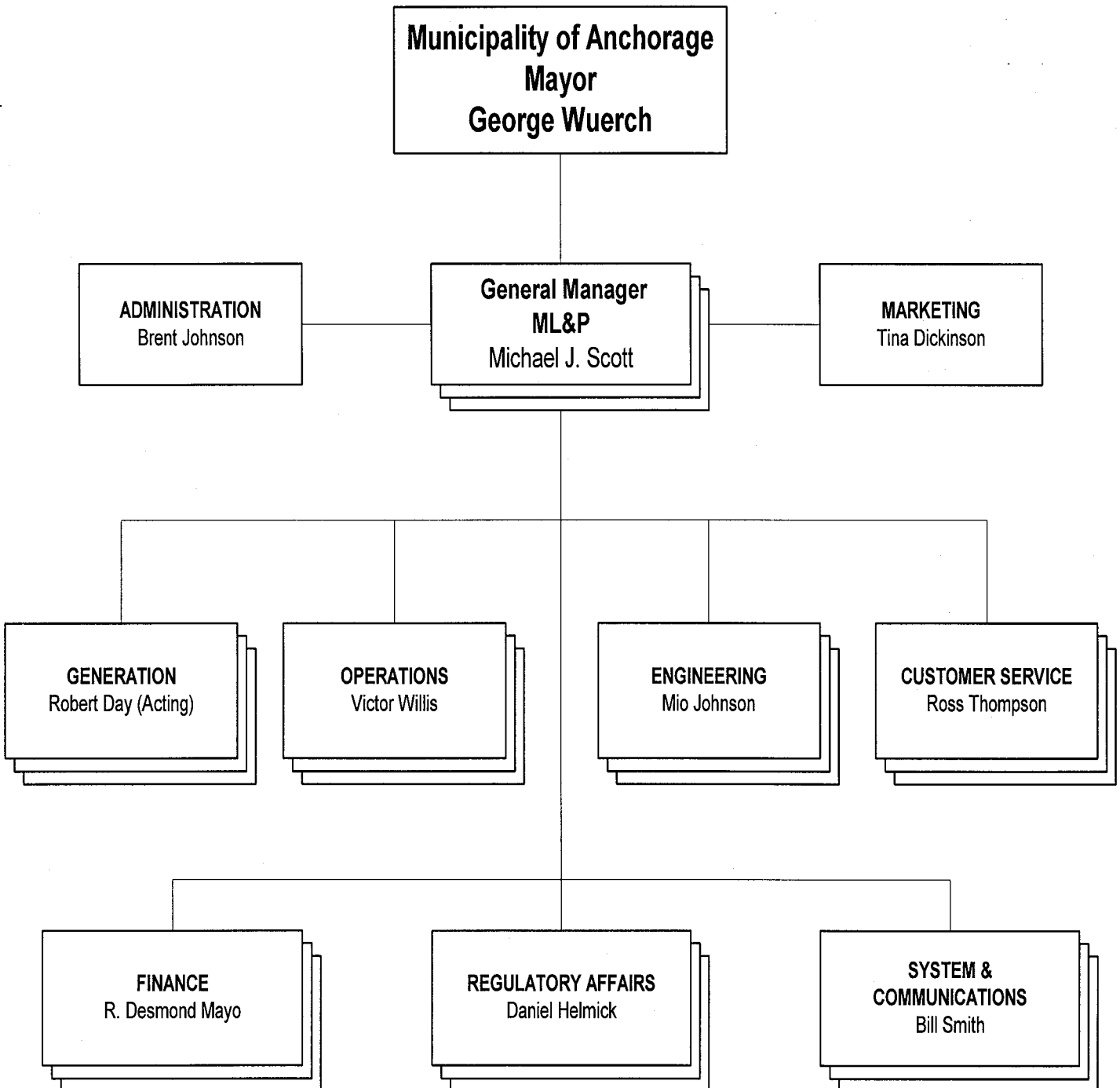


**MUNICIPAL LIGHT
AND POWER**

Municipal Light & Power

2003 Organization Chart



Municipal Light & Power 2003 Utility Profile

Organization

Municipal Light & Power (ML&P) is functionally structured into seven operating divisions – Generation & Power Management, Engineering, Operations, Finance, Regulatory Affairs, Customer Service, and Systems & Communication – all of which the Division Manager for each reports directly to the General Manager. Further, ML&P's administrative, personnel, and marketing efforts are performed as part of the General Manager's administration.

ML&P had 217 employees as of December 31, 2001 and a 2001 total labor and benefit cost of approximately \$22.6 million. Of these employees, 156 were covered by a labor agreement with IBEW and 61 were non-represented (covered by the Municipal Personnel Rules).

History

The history of ML&P is closely linked 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 that 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 the Alaska Engineering Commission (AEC) initiated electrical service in Anchorage in 1916, Anchorage was just a small tent city in the wilderness. The City operated the electrical distribution system 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 has 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 twenty 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 and serves as a means to 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 2001, the average number of residential and commercial customers was 23,732 and 5,954 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output.

In 2001, electric retail sales totaled 879,742 MWh and earned revenues of \$68,145,014. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Water Diversion Compensation was \$71,745,574. Total gas operating revenues totaled \$10,802,299. ML&P also 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 Regulatory Commission of Alaska (RCA) which is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. RCA 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 advised 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 also reviews the budget and operations of ML&P. From these reviews, the Commission 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.

- Power Generated/Purchased in 2001 **983,750 MWh**
 - ML&P Generated 836,709 MWh 85.05%
 - Purchased:
 - Eklutna Hydroelectric Project 62,695 MWh 6.37%
 - Bradley Lake Project 84,306 MWh 8.57%
 - Chugach Electric Association 40 MWh .01%

- Total Generation capacity in 2001 **328 Megawatts (MW)**
 - Power Plant Number One (4 Turbines) 85 MW 25.91%
 - Power Plant Number Two (4 Turbines) 243 MW 74.09%
 - Seven Gas-Fired Turbines
 - One Heat Recovery Turbine
 - All equipped to use No. 2 fuel oil as an alternate fuel

- Reserve Capacity Margin in 2001 **150 Megawatts (MW)**

- Transmission/Distribution System in 2001 **351 Miles**
 - Underground Cable 207 Miles 58.97%
 - Overhead Line 144 Miles 41.03%
 - 20 Total Substations

- Net Electric Plant as of December 31, 2001 **\$166,160,953**

- Net Gas Plant as of December 31, 2001 **\$101,294,346**

- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44 MW of installed capacity.

- Pursuant to the Power Sales Agreement with the Alaska Energy Authority, ML&P is required to purchase 25.9% of the output of the Bradley Lake Project, which has 126 MW of installed capacity.

Municipal Light & Power 2003 Budget Assumptions

In 2002, ML&P filed a request with the Regulatory Commission of Alaska (RCA) to increase the retail rates on an across-the-board basis by 8.07%. In an effort to assist its customers planning efforts, ML&P proposed to the RCA that the increase be implemented in two equal installments of 4.035% effective August 15, 2002 and October 1, 2003. Therefore, 2003's budget reflects the input of the first installment for nine months and the impact of the full increase for the last three months of the year.

In the fall of 2003, ML&P plans to sell \$60 million in Electric Revenue Bonds. The bond proceeds will be used to finance the six-year \$199 million Capital Improvement Program (CIP). An additional Associate Engineer is budgeted in 2003 to perform construction engineering due to the anticipated increase in the CIP over the next six years. As a cost savings measure, two temporary engineering positions will be replaced by one permanent position in 2003.

The 2003 contract price of gas is established by the average price of 2002 third quarter Light Sweet Crude Oil futures. It is estimated that the 2003 contract price of gas, per thousand cubic feet (MCF), will decrease approximately 2% over the 2002 contract price. ML&P will buy its fuel from Chevron U.S.A. and Phillips Petroleum at a minimal decrease in the contract price than last year, and will sell to Chugach Electric Association, Inc. (CEA) and ENSTAR at a 14% and 5% lower contract price, respectively. This will result in ML&P's Gas Revenue decreasing by \$1.4 million due to the lower contract price and a decrease in net volume sales.

The transfer price of gas from the Gas Division to the Electric Division is budgeted to increase second quarter 2003 from \$1.53 per MCF, plus any taxes and royalties to 93.3% of the contract price. This proposal is before the RCA and anticipated resolution is expected to occur before year end 2002.

In 2003, IBEW employees will receive a bonus check of \$2,000 (net of taxes) and an increase to their insurance package. Additionally, those employees with 15 years of service with the Municipality are budgeted to receive 3.5% increase in wages.

Municipal Light & Power 2003 Highlights and Future Events

Management Organization

For the past three years the “business unit” structure was in use, even though it had not been formally adopted by the previous mayor or municipal manager. During 2002, we resumed the division organizational structure that was in existence prior to the business unit structure. The operating divisions for ML&P are: Generation, Operations, Engineering, Customer Service, Systems, Finance and Regulatory Affairs. For 2003, our organizational charts reflect these changes along with refinements within ML&P that enhance efficiencies and allow us to provide better customer service.

Regulatory Activity

In 2002, ML&P filed a request with the Regulatory Commission of Alaska (RCA) to increase retail rates on an across-the-board basis by 8.07%. In an effort to assist its customers planning efforts, ML&P proposed to the RCA that the increase be implemented in two equal installments of 4.035% effective August 15, 2002 and October 1, 2003. Therefore, 2003’s budget reflects the input of the first installment for nine months and the impact of the full increase for the last three months of the year.

Integrated Resource Planning

ML&P is at a point from a life cycle perspective where it must give consideration to making significant generation and transmission capital additions over the next few years. Consequently, ML&P will, during 2003, devote a considerable amount of time finishing its Integrated Resource Planning. Matters for consideration will include: 1) how much and what types of generation improvements or additions to make, 2) how best to meet ML&P’s spinning reserve and black start obligation for the Railbelt, 3) how to most effectively utilize our hydro-electric resources, and 4) what improvements must be made to the transmission and distribution system to increase redundancy and system reliability.

HP 3000 Migration

ML&P currently uses the HP3000 Minicomputer for most business and customer service applications. In November of 2001 Hewlett-Packard (HP) announced they would discontinue support for the HP3000 system in 2006. This will require ML&P to migrate all of its existing applications on the HP3000 to new platforms. We expect this to be accomplished over the next 2-3 years. To meet this migration schedule, we will establish a plan and commence testing some of the migration techniques in 2003. The migration will be to several different platforms including the HP9000 and windows based servers. No migration budget has been established pending completion of the migration plan, wherein migration solutions will be identified and costs firmed up.

Commercial Key Accounts Program

ML&P administers a Key Accounts Program, which provides our commercial customers with an increased level of customer service and satisfaction by providing the customer with a single point of contact, account history analyses and assistance with specific energy needs.

Community Service

ML&P continues to support the Anchorage community through sponsorships, participation in special events and employee donations. Some of these activities include:

- Anchorage Chamber of Commerce
- Military appreciation events
- Anchorage Fur Rendezvous
- Adopt a Flowerbed Program
- Alaska Iditarod Race
- Municipal Employee Fundraising Campaign
- City Wide Clean-Up Week
- Cook Inlet Housing Revitalization Project
- NAACP
- Blood Bank of Alaska
- Catholic Social Services HUGS Program
- The Imaginarium
- Winter Cities
- Big Brothers Big Sisters
- Trick or Treat Town
- City of Lights
- Anchorage School District "Power In Pictures" Contest
- Anchorage Home Builders Assoc.
- Anchorage Economic Development Corporation
- KSKA/KAKM
- Food Bank
- Abused Women's Aid in Crisis

Municipal Light & Power

11-Year Summary

Utility Format - 2003 Operating Budget (in 000's)

	Actuals					Proforma		Budget		Forecast			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Financial Overview:													
Revenues	\$84,582	\$82,155	\$84,569	\$87,430	\$85,211	\$93,095	\$93,560	\$92,578	\$90,221	\$96,856	\$97,500		
Expenses (1)	78,499	73,783	75,337	78,735	78,797	85,689	85,437	85,432	82,635	84,042	87,346		
Net Income (Regulatory)	6,083	8,372	9,232	8,695	6,414	7,406	8,123	7,145	7,585	12,815	10,154		
Work Force Authorized per Budget	229	230	230	234	234	236	236	236	236	236	236		
Capital Improvements	12,429	11,076	13,927	12,363	13,465	15,754	26,905	22,902	26,410	34,679	35,505		
Bond Sales	0	-	-	(39)	-	58,620	0	-	-	-	58,620		
Net Non-Contributed Plant (12/31) (REG)	261,373	263,651	260,416	255,022	252,026	250,892	260,416	264,093	269,709	281,319	294,239		
Net Contributed Plant (12/31)	11,300	11,235	12,280	12,434	12,232	12,012	11,776	12,969	12,645	13,751	13,340		
Net Plant (12/31) (GAAP)	272,673	274,886	272,696	267,455	264,258	262,905	272,192	277,062	282,354	295,070	307,579		
Retained Earnings (12/31)	73,308	81,683	90,916	99,611	106,025	113,431	121,554	128,699	136,284	149,099	159,253		
General Cash	25,265	24,703	25,185	29,180	20,956	25,403	31,062	36,381	27,331	18,690	34,648		
Bond Construction Cash	0	0	-	-	-	43,285	18,849	0	-	-	26,084		
Bond Redemption Investment	25,472	24,721	24,337	25,125	24,779	28,246	28,246	28,246	28,227	26,679	27,575		
Debt Service Account	7,281	6,571	6,899	6,914	6,406	6,632	7,501	7,500	7,497	6,402	6,634		
Operating Fund Investment & Customer Deposits	6,505	6,493	6,373	6,423	8,113	9,261	10,011	9,724	8,465	8,591	8,813		
Total Cash & Investments (12/31)	64,523	62,488	62,794	67,642	60,253	112,827	95,670	81,852	71,520	60,361	103,754		
IGCs - General Government	1,732	2,074	2,542	2,578	3,077	3,500	3,500	3,660	3,760	3,860	3,960		
MUSA - Regular	2,296	2,186	2,153	2,526	2,199	2,236	2,398	2,487	2,624	2,846	3,101		
Total Outstanding Debt	300,028	290,145	279,815	268,525	257,230	305,415	292,585	279,275	265,260	251,000	295,875		
Total Annual Debt Service	26,966	26,554	26,159	26,471	26,205	27,012	29,910	30,163	30,156	29,735	30,519		
Debt Service Coverage	1.60	1.66	1.68	1.61	1.53	1.54	1.48	1.44	1.53	1.72	1.62		
LT Debt/Equity Ratio	80.4/19.6	78.0/22.0	75.5/24.5	72.9/27.1	70.8/29.2	72.9/27.1	70.6/29.4	68.5/31.5	66.1/33.9	62.7/37.3	65.0/35.0		
Rate Change Percent	0.00%	0.00%	0.00%	0.00%	4.04%	4.04%	0.00%	0.00%	0.00%	8.00%	0.00%		
Electric Statistical/Performance Trends:													
Residential Customer (500 kWh) (2)	\$47.91	\$47.96	\$47.99	\$47.50	\$48.21	\$53.47	\$52.80	\$52.45	\$52.86	\$57.30	\$57.67		
Total Residential Sales (kWh)	144,719	150,492	148,289	148,399	151,969	152,273	152,578	153,188	153,801	154,416	155,034		
Commercial & Industrial Sales (kWh)	692,411	710,778	709,163	721,040	734,959	739,368	742,326	745,295	748,276	751,270	753,523		
Total Kilowatt Hour Sales (kWh)	837,131	861,270	857,452	869,439	886,928	891,642	894,904	898,484	902,077	905,686	908,557		
Total Sales Revenue (in Dollars)	\$68,647	\$69,329	\$66,987	\$68,831	\$71,316	\$80,257	\$79,267	\$78,932	\$79,997	\$87,134	\$88,088		

NOTE: Rate increases are shown in the out years for purposes of projections only and have not been approved for implementation. It is intended that they be reviewed closely each year in conjunction with establishing operating budgets. Utilities will continue to strive to find ways to avoid projected rate increases.

- (1) The transfer price of gas to ML&P's Electric Division is \$1.50/MCF for the years 1997 through 2001 and \$1.53/MCF for 2002 and 1st qtr 2003. The transfer price of gas per MCF increases in 2nd qtr 2003 to 93.3% of contract price until full recovery of the deferred asset.
- (2) Rates for Electric Residential customers as of March 31 each year using 500 kWh and including Cost of Power Adjustment.

Municipal Light & Power
2003 Work Force Projections

<u>Division:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Administration	12	10	10	10	10	10	10
Marketing	3	3	3	3	3	3	3
Regulatory	0	8	8	8	8	8	8
Generation	52	52	52	52	52	52	52
Power Management	16	12	12	12	12	12	12
Engineering	23	25	25	25	25	25	25
Operations	52	57	57	57	57	57	57
Customer Service	28	23	23	23	23	23	23
Finance	27	23	23	23	23	23	23
Systems & Communications	21	23	23	23	23	23	23
Subtotal	<u>234</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>
Part-Time/Temporary Positions	<u>24</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
Total	<u>258</u>	<u>258</u>	<u>258</u>	<u>258</u>	<u>258</u>	<u>258</u>	<u>258</u>

Municipal Light & Power
2003 Proposed Operating Budget

Statement of Revenue and Expenses

	2001 Actual	2002 Proforma	2003 Budget
Operating Revenue			
Residential	\$14,098,550	\$14,652,000	\$16,283,000
Commercial & Industrial	64,203,451	63,793,000	69,546,000
Public Highway & Street Lighting	1,101,953	1,113,000	1,206,000
Public Authority	229,165	303,000	351,000
Sales for Resale	2,615,018	788,000	1,500,000
Miscellaneous Service Revenue	393,292	385,000	385,000
Rent from Electric Property	143,446	150,000	150,000
Miscellaneous Revenue	299,141	420,000	420,000
Total Operating Revenue	83,084,016	81,604,000	89,841,000
Operating Expense			
Production Expense	26,431,388	24,147,000	28,035,000
Transmission Expense	508,750	751,000	826,000
Distribution Expense	5,996,518	6,174,000	6,829,000
Customer Account Expense	2,557,905	2,592,000	2,988,000
Customer Service & Information	285,695	468,000	510,000
Administrative & General Expense	5,207,506	6,950,000	8,066,000
Regulatory Compliance	676,965	574,000	692,000
Depreciation Electric Plant (1)	15,360,036	15,613,000	16,065,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	112,000	112,000
Municipal Utility Service Assessment	2,183,306	2,199,000	2,236,000
Taxes Other than Income	1,211,943	1,301,000	1,267,000
Total Operating Expense	60,934,998	61,285,000	68,030,000
Operating Income	\$22,149,018	\$20,319,000	\$21,811,000

(1) Excludes Contributed Plant

2002 Proforma as of 6/30/02

Municipal Light & Power
2003 Proposed Operating Budget

Statement of Revenue and Expenses

	2001	2002	2003
	Actual	Proforma	Budget
Non-Operating Revenue			
Interest from Operating Reserve	\$463,659	\$384,000	\$388,000
Interest from Bond Redemption Cash	1,785,272	1,326,000	1,326,000
Interest from General Cash Pool	1,475,802	1,373,000	1,020,000
Interest from Debt Service Account	412,653	398,000	394,000
Miscellaneous Non-Operating Revenue	208,799	126,000	126,000
Total Non-Operating Revenue	4,346,185	3,607,000	3,254,000
Non-Operating Expense			
Community Promotion	257,250	374,000	350,000
Interest on Bonded Debt	15,052,657	14,889,000	15,256,000
Amortization of Bond Discount/Premium	(582,691)	(570,000)	(535,000)
Amortization of Bond Sale Cost & Insurance	334,599	301,000	298,000
Amortization of Loss on Refunded Debt	2,881,352	2,680,000	2,478,000
Other Interest Expense	14,731	6,000	6,000
Interest During Construction	(157,603)	(168,000)	(194,000)
Total Non-Operating Expense	17,800,295	17,512,000	17,659,000
Net Income (Regulatory)	\$8,694,908	\$6,414,000	\$7,406,000
Adjustments for GAAP			
Depreciation of Contributed Plant	(674,364)	(702,000)	(720,000)
Restricted Interest Income	170	0	0
Net Income (GAAP)	\$8,020,714	\$5,712,000	\$6,686,000

2002 Proforma as of 6/30/02

Municipal Light & Power
2003 Proposed Operating Budget

Statement of Cash Sources and Cash Uses

	2001	2002	2003
	Actual	Proforma	Budget
Sources of Cash Funds			
Net Income GAAP	\$8,020,714	\$5,712,000	\$6,686,000
Depreciation/Depletion	16,549,386	16,831,000	17,301,000
Amortized Bond Discount/Premium	(582,691)	(570,000)	(535,000)
Amortization of Bond Sale Costs	334,599	301,000	298,000
Amortization of Refunded Debt	2,881,352	2,680,000	2,478,000
Bond Proceeds	0	0	58,620,000
Deferred Charges and Other Assets	(1,486,545)	(7,360,273)	(5,101,530)
Contributions	2,539,086	500,000	500,000
Changes in Assets and Liabilities	4,146,996	(721,822)	(104,300)
Total Sources of Cash Funds	32,402,897	17,371,905	80,142,170
Uses of Cash Funds			
Additions to Plant	12,363,208	13,465,575	15,753,981
Debt Principal Payment	11,290,000	11,295,000	11,815,000
Total Uses of Cash Funds	23,653,208	24,760,575	27,568,981
Net Increase (Decrease) in Cash Funds	8,749,689	(7,388,670)	52,573,189
Cash Balance January 1	58,892,326	67,642,015	60,253,344
Cash Balance December 31	\$67,642,015	\$60,253,344	\$112,826,533
Detail of Cash & Investment Balance			
General Cash Less Customer Deposits	\$29,180,254	\$20,956,148	\$25,402,729
Bond Cash	-	-	43,285,020
Bond Investment	33,238,999	32,584,156	37,119,147
Special Investment	5,222,762	6,713,040	7,019,637
Cash Balance December 31	\$67,642,015	\$60,253,344	\$112,826,533

2002 Proforma as of 6/30/02

Municipal Light & Power
2003 Proposed Operating Budget

2003 Operating Budget Detail

	2001	2002	2003
	Actual	Proforma	Budget
Labor Expenses			
Personnel Costs	\$9,442,040	\$11,425,000	\$12,840,000
Benefit Costs	5,959,493	6,740,000	7,400,000
Subtotal	15,401,533	18,165,000	20,240,000
Intergovernmental Expenses			
Financial Information Systems	499,046	467,000	617,000
PeopleSoft Services	0	557,000	555,000
Self-Insurance-Worker's Compensation	397,863	440,000	442,000
Mayor	248,990	268,000	303,000
Purchasing	155,634	141,000	156,000
Accounts Payable	136,153	149,000	126,000
Other Intergovernmental Charges	1,198,827	1,055,000	1,301,000
Subtotal	2,636,513	3,077,000	3,500,000
Other Expenses			
Depreciation, Depletion & Amortization	19,182,646	19,242,000	19,542,000
Natural Gas Purchases & Transportation	15,056,576	17,098,000	17,659,000
Interest on Long-Term Debt	15,052,657	14,889,000	15,256,000
Purchased Power	3,565,315	3,923,000	3,973,000
MUSA	2,183,306	2,199,000	2,236,000
Gas Non-Fuel Production Expense	1,241,024	1,448,000	1,721,000
Taxes Other than Income	1,211,943	1,301,000	1,267,000
Regulatory Compliance	545,813	354,000	472,000
Professional Services	541,085	875,000	771,000
Deferred Regulatory Cost	(1,846,604)	(7,572,000)	(5,102,000)
Interest During Construction	(157,603)	(168,000)	(194,000)
Materials & Other Expenses	4,795,453	4,668,000	5,068,000
Subtotal	61,371,611	58,257,000	62,669,000
Total Expenses	<u>\$79,409,657</u>	<u>\$79,499,000</u>	<u>\$86,409,000</u>

2002 Proforma as of 6/30/02

Municipal Light & Power
2003 - 2008 Capital Improvement Budget (\$000)

<u>Project Category:</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Production	\$6,799	\$13,647	\$11,955	\$16,986	\$24,060	\$32,925	\$106,372
Transmission	1,175	2,565	1,965	615	1,015	770	8,105
Distribution	6,195	8,593	7,780	7,890	7,945	8,485	46,888
General Plant	4,611	5,486	3,976	3,797	4,207	3,851	25,927
Regulatory Compliance	50	50	50	50	50	50	300
Beluga River Gas Field	1,200	3,200	450	3,400	350	2,900	11,500
Total Capital Budget	<u>\$20,030</u>	<u>\$33,541</u>	<u>\$26,176</u>	<u>\$32,738</u>	<u>\$37,627</u>	<u>\$48,981</u>	<u>\$199,092</u>

<u>Source of Funding</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
G.O. Bonds	-	-	-	-	-	-	-
Revenue Bonds	15,335	24,436	18,849	-	-	32,536	91,156
Loans	-	-	-	-	-	-	-
Equity/Operations	3,495	5,905	6,877	29,338	37,277	13,545	96,436
Beluga Operations	1,200	3,200	450	3,400	350	2,900	11,500
State Grant	-	-	-	-	-	-	-
Federal Grant	-	-	-	-	-	-	-
Direct Appropriation	-	-	-	-	-	-	-
Total Capital Budget	<u>\$20,030</u>	<u>\$33,541</u>	<u>\$26,176</u>	<u>\$32,738</u>	<u>\$37,627</u>	<u>\$48,981</u>	<u>\$199,092</u>

*Approximately \$5 million in personnel costs will be spent on capital projects during 2003.

Municipal Light & Power
2003 - 2008 Capital Improvement Budget (\$000)

<u>Production:</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Steam	\$100	\$100	\$100	\$100	\$100	\$100	\$600
Turbines & Generators	5,690	13,347	11,425	16,371	23,325	32,625	102,783
Eklutna Power Plant	494	100	330	415	535	100	1,974
Structures & Improvements	<u>515</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>1,015</u>
Subtotal	6,799	13,647	11,955	16,986	24,060	32,925	106,372
<u>Transmission:</u>							
Land & Land Rights	80	90	90	100	100	105	565
Transmission Lines	300	275	275	275	675	425	2,225
Transmission Stations	<u>795</u>	<u>2,200</u>	<u>1,600</u>	<u>240</u>	<u>240</u>	<u>240</u>	<u>5,315</u>
Subtotal	1,175	2,565	1,965	615	1,015	770	8,105
<u>Distribution:</u>							
Distribution Equipment	1,275	2,683	1,775	1,825	1,825	1,825	11,208
Land & Land Rights	90	100	110	110	110	115	635
Meters	150	470	470	470	495	495	2,550
Overhead Lines	680	655	705	705	705	930	4,380
Street Lighting	10	20	20	20	20	20	110
Transformer Services	1,600	1,600	1,600	1,600	1,600	1,600	9,600
Underground Lines	<u>2,390</u>	<u>3,065</u>	<u>3,100</u>	<u>3,160</u>	<u>3,190</u>	<u>3,500</u>	<u>18,405</u>
Subtotal	6,195	8,593	7,780	7,890	7,945	8,485	46,888
<u>General Plant:</u>							
Communications	2,495	3,027	1,966	2,012	2,407	2,018	13,925
Furniture & Misc Equipment	301	253	224	229	225	434	1,665
Stores/Tools/Lab	501	441	421	421	445	444	2,673
Structures & Improvements	940	1,390	1,115	885	880	805	6,015
Transportation	<u>375</u>	<u>375</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>150</u>	<u>1,650</u>
Subtotal	4,611	5,486	3,976	3,797	4,207	3,851	25,927
<u>Regulatory Compliance:</u>							
Environmental	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>300</u>
Subtotal	50	50	50	50	50	50	300
<u>Beluga River Gas Field:</u>							
Improvements	<u>1,200</u>	<u>3,200</u>	<u>450</u>	<u>3,400</u>	<u>350</u>	<u>2,900</u>	<u>11,500</u>
Subtotal	<u>1,200</u>	<u>3,200</u>	<u>450</u>	<u>3,400</u>	<u>350</u>	<u>2,900</u>	<u>11,500</u>
Total Budget	<u>\$20,030</u>	<u>\$33,541</u>	<u>\$26,176</u>	<u>\$32,738</u>	<u>\$37,627</u>	<u>\$48,981</u>	<u>\$199,092</u>

Municipal Light & Power

Our Mission: Provide service with competitive, safe, reliable energy

Core Services

- Energy distribution
- Energy generation
- Customer Service

Direct Services

Direct Services Provided by Divisions
 See: Business Enterprises Unit
 See: Energy Production Business Unit
 See: Engineering & Operations Business Unit

Focus Areas

- Affordable and competitive rates
- Safe work environment
- Safe service
- Reliable service

We will measure our success by:

- Residential service rates in cents per kilowatt-hour

	2001-4th Quarter	Q1-2002	Q2-2002	Q3-2002	Q4-2002
Municipal Light & Power	9.45	9.01	9.01		
Chugach Elec. Assoc.	11.14	10.89	10.89		
Matanuska Elec. Assoc.	11.72	11.72	11.72		
Homer Elec. Assoc.	11.84	11.84	11.84		
Golden Valley Electric Assoc.	NA	10.29	10.16		

Note: Customer charge=\$6.56/month, Energy Charge = \$8.803 cents / kWh (kilowatt-hour), Cost of Power Adjustment (COPA)+ a credit of .269 cents/kWh+ Regulatory charge

- Percent of customers surveyed that rate ML&P services as satisfactory or above (Reported for residential and commercial customers)

	2001	2002	2003	2004	2005
Residential	84%				
Commercial	95%				

- Employee incident rate (IR)

	2001	Q1-2002	Q2-2002	Q3-2002	Q4-2002
ML&P	8.21	6.1	11.7		
Industry Av.	10.1	10.1	10.1		

Note: Defined as the number of injuries and illnesses that have been reported and have occurred among a given number of full-time employees over a given period of time versus the Alaska industry average

- The number of Lost Work Days

2001	Q1-2002	Q2-2002	Q3-2002	Q4-2002
61	19	47		

Note: Reflects the total number of all days our employees experience "Lost Work Days" as defined by the Occupational Safety & Hazard Association (Employee missed work due to injury)

Business Enterprises Unit

Municipal Light & Power

Our Purpose: To insure ML&P's business process requirements are efficiently and effectively conducted, while also meeting ML&P's stewardship obligations to the citizens of Anchorage

Core Services Supported

- Energy distribution
- Energy generation
- Customer service

Direct Services

- Financial services that maintain and protect the financial integrity of the utility
- Service all residential and commercial customer account needs
- Support utility wide communications and technical/business application needs of the utility

Focus Areas

- Accurate and timely reporting of financial data
- Maintain sound key financial ratios
- Maintain optimal business systems uptime
- Accurate and timely meter reading and customer billing

We will measure our success by:

- Percent of bills that go out within 1 day of meter read date

Q1-2002	Q2-2002	Q3-2002	Q4-2002
98%			

- Net income

Q1-2002	Q2-2002	Q3-2002	Q4-2002
\$2,567,148	\$2,659,770		

Note: Budgeted net income for the entire year of 2002 is \$7,532,000

- ML&P bond rating

2001	2002	2003	2004	2005
A	A			

Note: Rates the level of risk involved in investing in ML&P bonds; "A" indicates the least amount of risk and is in the highest rating category

Energy Production Business Unit

Municipal Light & Power

Our Purpose: Provide a competitive, reliable energy source

Core Services Supported

- Energy generation
- Energy distribution

Direct Services

- Produce energy to meet consumer demand
- Manage energy production to efficiently dispatch electric power

Focus Areas

- Generation equipment availability
- Economical management of generation resources

We will measure our success by:

- Revenue per kWh(kilowatt-hour) sold comparisons reported annually by American Public Power Association (APPA): Year 2000 data reported in cents. CEA=Chugach Electric Association; MEA=Matanuska Electric Association; HEA= Homer Electric Association

Year 2000	ML&P	CEA	MEA	HEA
Residential	9.4	10.1	10.4	11.1
Commercial	7.3	7.9	8.3	9.6

Engineering & Operations Business Unit

Municipal Light & Power

Our Purpose: Design, construct, and maintain facilities to serve anticipated electric power needs within ML&P's service area at the lowest reasonable cost

Core Services Supported

- Energy generation
- Energy distribution
- Customer service

Direct Services

- Design reliable and cost effective electrical systems
- Construct reliable and cost effective electrical systems in accordance with design standards
- Provide electrical system maintenance that insures continuity of a vital utility
- Maintain the Continuing Property Records (CPR) system to record equipment type and location

Focus Areas

- Maintain voltages under normal conditions within plus or minus 5 percent (%) of nominal voltage
- Adhere to safety and construction standards
- Proactive preventative maintenance service
- Restore power out conditions in an expeditious and economical manner

We will measure our success by:

- Average time required to restore electricity service due to an outage

Q1-2002	Q2-2002	Q3-2002	Q4-2002
90 min.	40 min.		

- Percent of new customer facilities where service is established within 30 days of deposit receipt

Q1-2002	Q2-2002	Q3-2002	Q4-2002
99%	99%		