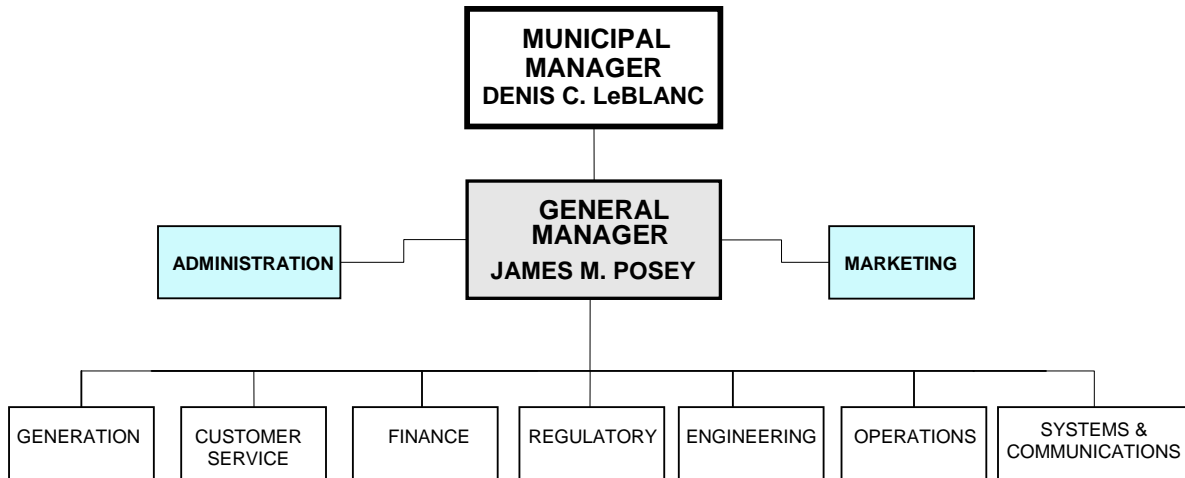


# Municipal Light & Power

Corporate Headquarters

Anchorage, Alaska



# **Municipal Light & Power**

## **2004 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 administrative group.

ML&P had 221 employees as of December 31, 2002, and a 2002 total labor and benefit cost of approximately \$23.3 million (includes operating and capital). Of these employees, 155 were covered by a labor agreement with the IBEW and 66 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. Six 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 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 2002, the average number of residential and commercial customers was 23,714 and 5,978 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output.

In 2002, electric retail sales totaled 892,176 MWh and earned revenues of \$70,433,696. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale and Water Diversion Compensation was \$73,409,055. Total gas operating revenues totaled \$8,355,809. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical service and interruptible wholesale electric service respectively.

## 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 Electric 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.

### Emergency Preparedness/Security

Because of world events and the threat of natural disasters, ML&P is continuing its efforts to prevent and minimize threats to our utility, as well as establish recovery procedures. These efforts are in conjunction with the MOA, other state and federal agencies and other local utilities. We have conducted security assessments and prepared a plan based on the likely threats. This effort continues to be updated as new threats are identified and new technologies become available to limit them. We are currently upgrading fencing, CCTV, building access control, and cyber security. We have just completed a Business Impact Analysis, and Disaster Recovery Plan. We have upgraded the ML&P EOC with more modern and robust communications and are continuing computer network changes to allow for more security as well as easier recovery in the event of loss of the computer network.

### 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 2002
 

• ML&P Generated	968,376 MWh	
• Purchased:	759,379 MWh	78.42%
- Eklutna Hydroelectric Project	82,112 MWh	8.48%
- Bradley Lake Project	126,885 MWh	13.10%
- Total Generation capacity in 2002
 

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		
- Six of the seven turbines equipped to use No. 2 fuel oil as an alternate fuel		
- Reserve Capacity Margin in 2002
 

	150 Megawatts (MW)
--	--------------------
- Transmission/Distribution System in 2002
 

351 Miles		
• Underground Cable	207 Miles	58.97%
• Overhead Line	144 Miles	41.03%
• 20 Total Substations		
- Net Electric Plant as of December 31, 2002
 

	\$166,726,906
--	---------------
- Net Gas Plant as of December 31, 2002
 

	\$ 97,838,363
--	---------------
- 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** **2004 Budget Assumptions**

ML&P's operating budget for 2004 reflects the impact of a 7.75% rate increase granted by the RCA in January, 2003. The increase was implemented in two installments, effective August 15, 2002 and October 1, 2003.

The 2004 contract price of gas is established by the average price of 2003 third quarter Light Sweet Crude Oil futures. It is estimated that the 2004 contract price of gas, per thousand cubic feet (MCF), will increase approximately 14% over the 2003 contract price. The contract price for sales to Chugach Electric Association, Inc. (CEA) and ENSTAR are 21% and 18% higher, respectively. While CEA's volume is slightly higher in 2004, ENSTAR's volume projection tapers to approximately half of their 2003 volume. This will result in ML&P's Gas Revenue increasing by \$700,000 due to the higher contract price offset by the decrease in net volume sales.

The transfer price of gas from the Gas Division to the Electric Division is budgeted to increase substantially in 2004. The transfer price of gas is budgeted at \$2.54/mcf compared to \$1.90/mcf for 2003. The increase in the transfer price is the result of the increased cost of purchased gas from Conoco Phillips and Chevron USA, as well as an RCA approved change in methodology by which ML&P calculates its transfer price of gas. Effective July 1, 2003 ML&P began calculating its transfer price of gas at 93.3% of contract price, rather than at \$1.50/mcf (plus taxes and royalties) escalated by 2% per year since 2002. This change in methodology results in a smaller deferral of gas costs to be collected after 2005 when ML&P's gas contracts with Conoco Phillips and Chevron USA expire.

On August 11, 2003, the RCA issued Order No. 36 in Docket U-96-36. This order proscribes a gas transfer price calculation methodology that would result in a transfer price for 2004 of \$2.33/mcf, as compared to the 2.54/mcf reflected in this proposed budget. Depending on the final outcome of this Docket, which might not occur until December 2003 or later, whichever rate that is finally deemed as appropriate by the RCA will be the rate reflected in 2004 customer billings through the COPA mechanism.

The MOA will be preparing an Ordinance to change the calculation for MUSA. The proposed MUSA calculation will include both contributed and non-contributed net plant. This increases MUSA by \$178,000 in 2004. The current methodology calculates MUSA on only non-contributed net plant.

The MOA will petition the RCA to relax the restrictions applied to Gross Receipts Tax. The approval process is not expected to be complete until June 30, 2004. Upon RCA approval, ML&P will pay a Gross Receipts Tax of 1.25%. This amounts to \$625,000 for six months of 2004.

# **Municipal Light & Power**

## **2004 Highlights and Future Events**

### **Management Organization**

ML&P is a vertically integrated electric utility that provides generation, transmission, and distribution services to its customers. Power is generated both thermally and hydroelectrically. To efficiently meet our customer's service requirements, ML&P is organized into the following functional divisions: Generation, Operations, Engineering, Finance, Regulatory Affairs, Customer Service, and Systems & Communications.

### **Regulatory Activity**

ML&P's operating budget for 2004 reflects the impact of a 7.75% rate increase granted by the RCA in January, 2003, as well as the impact of a calculated transfer price of gas (93.3% of contract price from Conoco Phillips and Chevron USA) of \$2.54/mcf. This compares to a transfer price of \$1.90/mcf reflected in the operating proforma budget for 2003.

### **Integrated Resource Planning**

In the first quarter of 2003, ML&P completed its Integrated Resource Plan (IRP), which was commissioned to address how we would approach the replacement of aging generation infrastructure. Since the completion of the IRP, the Governor of Alaska created an Energy Policy Task Force to address energy issues along the Railbelt, in Southeast Alaska, and in the bush communities. In order to be able to testify knowledgeably before the Energy Task Force, as well as be able to reflect a regional perspective in our IRP, ML&P along with four other Railbelt utilities is preparing a Railbelt Energy Study. When completed in mid-December, 2003 ML&P will in the first quarter of 2004 modify its IRP as appropriate and then begin to move forward to have new generation facilities on line by late 2008. During 2004, ML&P's goal is to obtain property rights for a new plant site, issue an RFP for engineering, preliminary design, and begin permit studies and applications.

### **Fort Richardson**

On May 7, 2003 ML&P was notified by Fort Richardson Army Base (FRA) that it was the successful respondent to their RFP for all requirements power. The option selected by FRA was for a one-year base period to begin October 1, 2003, with two one-year renewal options thereafter. Power requirements to FRA during 2004 could amount to 64,500,000 kwh, and the economic impacts of this contract are reflected in the budget for 2004.

### **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. Contacts have been established with the 4 HP

platinum partners to evaluate migration tools and strategy. The migration will be to several different platforms including the HP9000 and windows based servers. We have started the purchasing process for the new hardware necessary to support the migration. This new hardware should be in-house by late 2003 and the vendor chosen by early 2004. It is expected this migration will take place without any effect on day to day operations.

### Depreciation Study

On January 22, 2003, the Regulatory Commission of Alaska (RCA) issued Order No. 17 in Docket U-99-139. In this Order the RCA accepted a stipulation reached by ML&P and the Public Advocacy Section (PAS). Included in this stipulation was an agreement that "ML&P shall file an electric depreciation study within the next three years or before its next general electric rate case, whichever occurs first."

ML&P will use a consultant to complete the depreciation study as this is a very unique and complex field requiring specialized knowledge of electrical systems and mortality analysis of infrastructure. By year end 2003, the necessary reports that are required for the consultant to analyze ML&P's plant additions and retirements by vintage and account will be completed. A RFP to obtain a consultant to review these reports, inform us of additional information requirements and then to actually perform the depreciation study will be issued early 2004. It is our goal to have the study completed and filed with the RCA by the first quarter of 2005.

### 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
- Anchorage Neighborhood Housing Corporation
- Alaska Iditarod Race
- Municipal Employee Fundraising Campaign
- City Wide Clean-Up Week
- Anchorage Museum Association
- Standing Together Against Rape
- Trick or Treat Town
- The Imaginarium
- Winter Cities
- Big Brothers Big Sisters
- Catholic Social Services HUGSS Program
- City of Lights
- Anchorage School District "Power In Pictures" Contest
- Anchorage Home Builders Assoc.
- KSKA/KAKM
- Food Bank
- Anchorage Economic Development Corporation

# Municipal Light & Power

## 11-Year Summary

UTILITY FORMAT - 2004 OPERATING BUDGET (in 000's)

MLP - 8

Financial Overview	Actual				Proforma 2003	Budget 2004	Forecast				
	1999	2000	2001	2002			2005	2006	2007	2008	2009
Revenues	\$82,155	\$84,569	\$87,430	\$83,289	\$90,834	\$101,643	\$95,905	\$94,433	\$98,430	\$99,799	\$116,514
Expenses (1)	73,783	75,337	78,735	84,026	86,030	94,841	90,141	92,042	89,890	90,258	109,414
Net Income (Regulatory)	8,372	9,232	8,695	(737)	4,804	6,802	5,764	2,391	8,540	9,541	7,100
Work Force Authorized per Budget	230	230	234	234	236	236	236	236	236	236	236
Capital Improvements	11,076	13,927	12,363	12,154	15,438	20,488	31,266	62,144	48,518	44,733	16,296
Bond Sales	-	-	(39)	-	-	-	53,735	-	48,850	-	-
Net Non-Contributed Plant (12/31) (REG)	263,651	260,416	255,022	252,221	250,543	249,897	256,689	288,956	314,578	336,183	328,523
Net Contributed Plant (12/31)	11,235	12,280	12,434	12,344	12,129	12,186	11,925	11,647	11,351	11,038	10,707
Net Plant (12/31) (GAAP)	274,886	272,696	267,455	264,565	262,672	262,082	268,614	300,602	325,929	347,221	339,230
Retained Earnings (12/31)	81,683	90,916	99,611	98,885	103,678	110,480	116,244	118,635	127,175	136,715	143,815
General Cash	24,703	25,185	29,180	21,346	13,995	11,601	24,833	16,927	33,847	12,609	12,261
Bond Construction Cash	-	-	-	-	-	-	24,134	-	3,982	-	-
Bond Redemption Investment	24,721	24,337	25,125	24,784	24,702	24,760	27,396	27,377	28,829	28,825	28,818
Debt Service Account	6,571	6,899	6,914	6,902	6,352	6,522	7,102	7,235	6,908	7,050	7,050
Grant Cash	-	-	-	3,861	3,461	-	-	-	-	-	-
Operating Fund Investment & Customer Deposits	6,493	6,373	6,423	6,467	7,943	8,543	8,043	6,543	6,643	6,943	30,804
Total Cash & Investments (12/31)	62,488	62,794	67,642	63,362	56,454	51,426	91,509	58,082	80,209	55,427	78,932
IGC's - General Government	2,074	2,542	2,578	3,084	3,407	3,500	3,660	3,760	3,860	3,960	3,960
Gross Receipts Tax	0	0	0	0	0	625	1,182	1,155	1,213	1,199	1,192
MUSA - Regular	2,186	2,153	2,526	2,080	2,116	2,396	2,527	3,051	3,474	3,851	3,801
Total Outstanding Debt	290,145	279,815	268,525	257,230	245,415	232,585	274,275	260,260	296,000	280,875	264,835
Total Annual Debt Service	26,554.19	26,159.04	26,470.64	25,278.08	25,667.36	26,422.99	28,685.08	29,201.41	31,414.72	31,906.03	31,904.22
Debt Service Coverage	2	2	2	1	1	1	1	1	2	2	2
LT Debt/Equity Ratio	78.0/22.0	75.5/24.5	72.9/27.1	72.2/27.8	70.3/29.7	67.8/32.2	70.2/29.8	68.7/31.3	69.9/30.1	67.3/32.7	64.8/35.2
Rate Change Percent	-	-	-	4.04%	3.47%	-	-	-	5.00%	-	-
<b>Electric Statistical/Performance Trends:</b>											
Residential Customer Bill (500 kWh) (2)	\$47.96	\$47.99	\$47.50	\$47.26	\$50.16	\$55.82	\$54.28	\$54.67	\$57.62	\$57.01	\$56.38
Total Residential Sales (kWh)	150,492	148,289	148,399	148,174	148,490	148,787	149,084	149,383	149,681	149,981	150,281
Commercial & Industrial Sales (kWh)	710,778	709,163	721,040	726,684	724,633	728,256	731,898	735,557	739,235	742,192	745,161
Residential and Commercial Sales (kWh)	861,270	857,452	869,439	874,857	873,123	877,043	880,982	884,940	888,916	892,173	895,441
Residential and Commercial Sales Revenue (\$)	\$69,329	\$66,987	\$68,831	\$70,719	\$75,918	\$86,917	\$84,130	\$85,231	\$90,129	\$89,238	\$88,319

(1) The transfer price of gas to ML&P's Electric Division is \$1.50/MCF for the years 1997 through 2001, \$1.53/MCF for 2002 and \$1.56/MCF for the first half of 2003. The transfer price of gas per MCF increases in 3rd 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.

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.



**Municipal Light & Power**  
2004 Work Force Projections

<b><u>Division:</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Administration	13	13	13	13	13	13	13
Regulatory	8	9	9	9	9	9	9
Generation	64	64	64	64	64	64	64
Engineering	25	26	26	26	26	26	26
Operations	57	57	57	57	57	57	57
Customer Service	23	22	22	22	22	22	22
Finance	23	22	22	22	22	22	22
Systems & Communications	23	23	23	23	23	23	23
Subtotal	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>	<u>236</u>
Part-Time/Temporary Positions	<u>22</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

### 2004 Proposed Operating Budget

#### Statement of Revenue and Expenses

	<u>2002 Actual</u>	<u>2003 Proforma</u>	<u>2004 Budget</u>
<b>Operating Revenue</b>			
Residential	\$14,252,056	\$15,140,000	\$16,611,000
Commercial & Industrial	63,226,391	66,427,000	74,185,000
Public Highway & Street Lighting	1,112,190	1,161,000	1,227,000
Public Authority	484,049	1,049,000	3,427,000
Sales for Resale	1,844,236	4,654,000	3,618,000
Miscellaneous Service Revenue	379,173	379,000	379,000
Rent from Electric Property	136,760	133,000	133,000
Miscellaneous Revenue	394,709	400,000	400,000
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	81,829,563	89,343,000	99,980,000
<b>Operating Expense</b>			
Production Expense	25,858,670	30,715,000	38,227,000
Transmission Expense	811,375	831,000	896,000
Distribution Expense	5,820,939	6,320,000	6,661,000
Customer Account Expense	2,627,339	2,803,000	2,805,000
Customer Service & Information	438,399	540,000	411,000
Administrative & General Expense	6,354,953	7,930,000	8,330,000
Regulatory Compliance	328,470	765,000	808,000
Depreciation Electric (1) and Depletion Gas	15,605,497	16,162,000	16,260,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Gross Receipts Tax	-	-	625,000
Municipal Utility Service Assessment	2,080,018	2,116,000	2,396,000
Taxes Other than Income	1,295,327	1,377,000	1,386,000
	<hr/>	<hr/>	<hr/>
Total Operating Expense	61,735,973	70,074,000	79,320,000
	<hr/>	<hr/>	<hr/>
Operating Income	\$ 20,093,591	\$ 19,269,000	\$ 20,660,000

(1) Excludes Contributed Plant

## Municipal Light & Power

### 2004 Proposed Operating Budget

#### Statement of Revenue and Expenses

	<u>2002 Actual</u>	<u>2003 Proforma</u>	<u>2004 Budget</u>
<b>Non-Operating Revenue</b>			
Interest from Operating Reserve	\$324,827	\$305,000	\$366,000
Interest from Bond Redemption Cash	448,742	453,000	537,000
Interest from General Cash Pool	492,976	511,000	548,000
Interest from Debt Service Account	169,194	187,000	192,000
Miscellaneous Non-Operating Revenue	23,856	35,000	20,000
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenue	1,459,595	1,491,000	1,663,000
<b>Non-Operating Expense</b>			
Community Promotion	308,523	315,000	375,000
Interest on Bonded Debt	13,923,278	13,839,000	13,534,000
Amortization of Bond Discount/(Premium)	(571,962)	(534,000)	(499,000)
Amortization of Bond Sale Cost & Insurance	300,329	281,000	273,000
Amortization of Loss on Refunded Debt	2,679,068	2,478,000	2,273,000
Other Interest Expense	21,899	1,000	5,000
Interest During Construction	(339,480)	(424,000)	(440,000)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Expense	16,321,655	15,956,000	15,521,000
Special Item-Regulatory	(5,968,283)	-	-
Net Income (Regulatory)	<hr/> <u>(\$736,752)</u>	<hr/> <u>\$4,804,000</u>	<hr/> <u>\$6,802,000</u>
<b>Adjustments for GAAP</b>			
Depreciation of Contributed Plant	(686,862)	(715,000)	(743,000)
Restricted Interest Income	10,576	-	-
	<hr/>	<hr/>	<hr/>
Net Income (GAAP)	<hr/> <u>(\$1,413,038)</u>	<hr/> <u>\$4,089,000</u>	<hr/> <u>\$6,059,000</u>

## Municipal Light & Power

### 2004 Proposed Operating Budget

#### Statement of Cash Sources and Cash Uses

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Proforma</u>	<u>2004</u> <u>Budget</u>
<b>Sources of Cash Funds</b>			
Net Income GAAP	(\$1,413,038)	\$4,089,000	\$6,059,000
Depreciation/Depletion	16,807,345	17,392,000	17,518,000
Amortized Bond Discount/(Premium)	(571,962)	(534,000)	(499,000)
Amortization of Bond Sale Costs	300,329	281,000	273,000
Amortization of Refunded Debt	2,679,068	2,478,000	2,273,000
Bond Proceeds	-	-	-
Grant Proceeds	3,860,000	-	539,000
Deferred Charges and Other Assets	(5,723,139)	(2,926,722)	1,798,000
Contributions	597,280	500,000	800,000
Changes in Assets and Liabilities	2,694,738	(995,486)	(470,926)
	<u>19,230,621</u>	<u>20,283,792</u>	<u>28,290,075</u>
<b>Uses of Cash Funds</b>			
Additions to Plant	12,154,254	15,438,000	20,488,000
Debt Principal Payment	11,295,000	11,815,000	12,830,000
	<u>23,449,254</u>	<u>27,253,000</u>	<u>33,318,000</u>
Net Increase (Decrease) in Cash Funds	<u>(4,218,633)</u>	<u>(6,969,208)</u>	<u>(5,027,925)</u>
Cash Balance January 1	<u>67,642,015</u>	<u>63,423,382</u>	<u>56,454,174</u>
Cash Balance December 31	<u><u>\$63,423,382</u></u>	<u><u>\$56,454,174</u></u>	<u><u>\$51,426,249</u></u>
<b>Detail of Cash &amp; Investment Balance</b>			
General Cash Less Customer Deposits	21,346,351	13,995,273	11,601,664
Bond Cash	-	-	-
Grant Construction	3,861,255	3,461,255	-
Bond Investment	31,748,762	31,054,154	31,281,092
Special Investment	6,467,014	7,943,493	8,543,493
	<u>63,423,382</u>	<u>56,454,174</u>	<u>\$ 51,426,249</u>

## Municipal Light & Power

### 2004 Proposed Operating Budget

#### 2004 Operating Budget Detail

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Proforma</u>	<u>2004</u> <u>Budget</u>
<b>Labor Expenses</b>			
Personnel Costs	\$10,121,668	\$11,577,000	\$12,186,000
Benefit Costs	5,146,769	6,424,000	6,778,000
Subtotal	15,268,436	18,001,000	18,964,000
<b>Intergovernmental Expenses</b>			
Financial Info Systems	352,866	622,000	625,000
PeopleSoft Services	560,775	553,000	555,000
Self Insurance-Workers Comp.	567,649	420,000	425,000
Mayor	233,125	309,000	310,000
Municipal Manager	111,603	120,000	120,000
Purchasing	157,632	143,000	145,000
Accounts Payable	208,209	109,000	110,000
Other Intergovernmental Charges	950,991	1,131,000	1,210,000
Subtotal	3,142,850	3,407,000	3,500,000
<b>Other Expenses</b>			
Depreciation, Depletion & Amortization	19,214,780	19,617,000	19,565,000
Natural Gas Purchases & Transportation	16,878,850	18,877,000	21,418,000
Interest on Long-Term Debt	13,923,278	13,839,000	13,534,000
Purchased Power	3,901,722	3,900,000	3,900,000
MUSA	2,080,018	2,116,000	2,396,000
Gas Non-Fuel Production Expense	1,330,194	1,479,000	1,599,000
Taxes Other than Income	1,295,327	1,377,000	1,386,000
Gross Receipts Tax	0	0	625,000
Regulatory Compliance	135,183	545,000	588,000
Professional Services	633,814	841,000	793,000
Deferred Regulatory Cost	(5,177,039)	(2,720,000)	1,798,000
Interest During Construction	(339,480)	(424,000)	(440,000)
Materials & Other Expenses	6,456,556	5,890,000	5,958,000
Subtotal	60,333,203	65,337,000	73,120,000
Total Expenses	<u>\$78,744,489</u>	<u>\$86,745,000</u>	<u>\$95,584,000</u>

**Municipal Light & Power**  
**2004 - 2009 Capital Improvement Budget (\$000)**

<b><u>Project Category:</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>Total</u></b>
Production	\$7,715	\$18,563	\$40,980	\$35,590	\$33,350	\$4,940	\$141,138
Transmission	605	2,865	2,615	1,015	770	770	8,640
Distribution	5,878	8,390	8,560	8,190	8,375	8,535	47,928
General Plant	3,937	5,519	4,221	3,997	3,511	2,974	24,158
Regulatory Compliance	50	50	50	50	50	50	300
Beluga River Gas Field	2,500	1,650	3,150	3,700	2,900	3,000	16,900
Total Capital Budget	<u>\$20,685</u>	<u>\$37,037</u>	<u>\$59,576</u>	<u>\$52,542</u>	<u>\$48,956</u>	<u>\$20,269</u>	<u>\$239,064</u>

<b><u>Source of Funding</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>Total</u></b>
G.O. Bonds	-	-	-	-	-	-	-
Revenue Bonds	-	29,601	24,134	44,868	3,982	-	102,585
Loans	-	-	-	-	-	-	-
Equity/Operations	18,185	5,786	32,292	3,974	42,074	17,269	119,579
Beluga Operations	2,500	1,650	3,150	3,700	2,900	3,000	16,900
State Grant	-	-	-	-	-	-	-
Federal Grant	-	-	-	-	-	-	-
Direct Appropriation	-	-	-	-	-	-	-
Total Capital Budget	<u>\$20,685</u>	<u>\$37,037</u>	<u>\$59,576</u>	<u>\$52,542</u>	<u>\$48,956</u>	<u>\$20,269</u>	<u>\$239,064</u>

\*Approximately \$3.5 million in personnel costs will be spent on capital projects during 2004.

**Municipal Light & Power**  
**2004 - 2009 Capital Improvement Budget (\$000)**

<b><u>Production:</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>Total</u></b>
Steam	\$2,000	\$0	\$0	\$0	\$0	\$1,500	\$3,500
Turbines & Generators	5,575	17,793	40,775	35,275	32,950	3,100	135,468
Eklutna Power Plant	100	330	165	285	350	290	1,520
Structures & Improvements	<u>40</u>	<u>440</u>	<u>40</u>	<u>30</u>	<u>50</u>	<u>50</u>	<u>650</u>
Subtotal	7,715	18,563	40,980	35,590	33,350	4,940	141,138
<b><u>Transmission:</u></b>							
Land & Land Rights	50	90	100	100	105	105	550
Transmission Lines	105	175	275	675	425	425	2,080
Transmission Stations	<u>450</u>	<u>2,600</u>	<u>2,240</u>	<u>240</u>	<u>240</u>	<u>240</u>	<u>6,010</u>
Subtotal	605	2,865	2,615	1,015	770	770	8,640
<b><u>Distribution:</u></b>							
Distribution Equipment	1,858	2,275	1,825	1,825	1,825	1,825	11,433
Land & Land Rights	50	90	110	110	115	115	590
Meters	150	560	470	175	175	175	1,705
Overhead Lines	880	995	1,115	925	1,005	1,005	5,925
Street Lighting	10	10	10	15	15	15	75
Transformer Services	1,700	1,700	1,800	1,900	2,000	2,150	11,250
Underground Lines	<u>1,230</u>	<u>2,760</u>	<u>3,230</u>	<u>3,240</u>	<u>3,240</u>	<u>3,250</u>	<u>16,950</u>
Subtotal	5,878	8,390	8,560	8,190	8,375	8,535	47,928
<b><u>General Plant:</u></b>							
Communications	2,199	1,874	1,709	1,839	1,331	906	9,858
Furniture & Misc Equipment	102	149	136	132	136	138	792
Stores/Tools/Lab	246	586	311	336	334	375	2,188
Structures & Improvements	1,015	2,535	1,565	1,315	1,335	1,180	8,945
Transportation	<u>375</u>	<u>375</u>	<u>500</u>	<u>375</u>	<u>375</u>	<u>375</u>	<u>2,375</u>
Subtotal	3,937	5,519	4,221	3,997	3,511	2,974	24,158
<b><u>Regulatory Compliance:</u></b>							
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
<b><u>Beluga River Gas Field:</u></b>							
Improvements	<u>2,500</u>	<u>1,650</u>	<u>3,150</u>	<u>3,700</u>	<u>2,900</u>	<u>3,000</u>	<u>16,900</u>
Subtotal	<u>2,500</u>	<u>1,650</u>	<u>3,150</u>	<u>3,700</u>	<u>2,900</u>	<u>3,000</u>	<u>16,900</u>
Total Budget	<u>\$20,685</u>	<u>\$37,037</u>	<u>\$59,576</u>	<u>\$52,542</u>	<u>\$48,956</u>	<u>\$20,269</u>	<u>\$239,064</u>