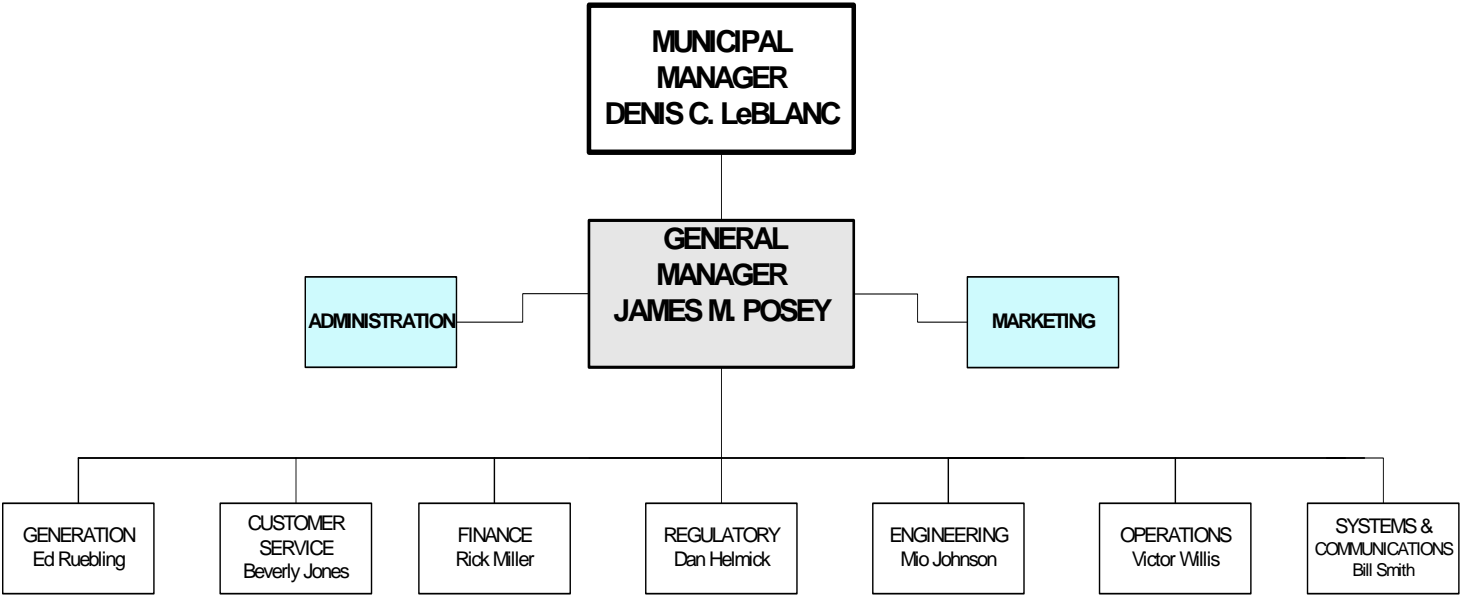


Municipal Light & Power

Corporate Headquarters
Anchorage, AK



MUNICIPAL LIGHT & POWER

2006 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. Each division manager reports directly to the General Manager. Furthermore, ML&P's administrative, personnel, and marketing efforts are performed as part of the General Manager's administrative group.

As of December 31, 2004, ML&P had 227 employees and total labor and benefit costs of approximately \$25.1 million, which includes operating and capital. Of these 227 employees, 161 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 gas and one heat recovery steam turbine generating unit. Unit 3, which was purchased in 1968 and remained in service for 36 years, was retired in 2004. Five of the six remaining units have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas transportation system. In addition to its two power plants, ML&P operates nineteen modern substations and is the south-end controller of the Intertie from Anchorage to Fairbanks.

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 2004, the average number of residential and commercial customers was 23,842 and 6,030 respectively. Approximately twenty percent of ML&P's customer base consumes seventy seven percent of its output.

In 2004, electric retail sales totaled 955,267 MWh and earned revenues of \$89,984,415. Total gas operating revenues totaled \$7,921,742. Total electric and gas operating revenues including Miscellaneous Operating Revenue, Sales for Resale, Other Utility Operating Income, and Water Diversion Compensation was \$107,513,001. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical 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 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 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

Environmental mandates imposed by the Federal and State Governments will continue to add to the significant cost of environmental compliance. Scoping of environmental alternatives and pre-permitting assessments associated with equipment replacements, new generation, and services expansion will result in cost increases. Recent changes to State air quality regulations will require updating permits and re-evaluation of applicability. New federal oil spill prevention regulations are imposing requirements for secondary containments on 55-gallon and larger containers, which will also increase the cost of environmental compliance.

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 Emergency Operations Center with more modern and robust communications and have continued computer network changes to allow for more security as well as easier recovery in the event of loss of the computer network.

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

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MUNICIPAL LIGHT & POWER

2006-2007 Budget Assumptions

Beginning January 1, 2006 ML&P will be meeting all of its gas requirements for generation (except for occasional purchases to meet peaking requirements) from its one-third interest in the Beluga River Unit Gas Field (BRU). Therefore, the transfer price of gas from the Gas Division to the Electric Division will be comprised of costs necessary to produce gas, and is budgeted to decrease from \$2.82 to \$1.82 in 2006. This decrease in the price of gas is also in part a result of the Alaska Supreme Court's ruling that ML&P does not have to pay production tax on the natural gas produced from the BRU gas field for use in its turbines to produce electricity. The transfer price is budgeted to increase in 2007 to \$1.93.

It is estimated that the 2006 and 2007 contract price for sales to Chugach Electric Association, Inc. (CEA) will increase to \$3.38 and \$3.07, respectively over the 2005 contract price of \$2.98 and the ENSTAR contract price will increase to \$4.74 and \$3.96, respectively over the 2005 contract price of \$3.53. The CEA and ENSTAR volume is budgeted to remain fairly stable for the two year period.

In 2005 ML&P took monetary settlement of \$19,852,555 from its Beluga River Unit field partners (Conoco Phillips and Chevron Texaco) to keep its cumulative underlift position at a level so that we would not "strand" gas in the future. Since the Regulatory Commission of Alaska (RCA) considers this a third party gas sale they would normally require that ML&P return this money to our rate payers in the form of reduced rates. However, given ML&P's need to make significant capital improvements to the gas field, purchase peaking gas, and invest in additional long term gas supplies, we intend to petition the Commission to allow us to direct those funds to these purposes.

ML&P included five new full-time positions in the budget. Three positions were added in operations for tree trimming services to be performed in-house and two positions in customer service to accommodate an identified need for more manpower to maintain an acceptable level of customer service.

ML&P has incorporated the payment of a return in the form of a dividend to our owners into the financial plan. The payment of this dividend is dependent on receiving approval for the RCA, who since 1982 has precluded ML&P from paying a dividend because its capital structure was considered impaired. ML&P expects it will be successful in acquiring that approval.

MUNICIPAL LIGHT & POWER

2006 Highlights and Future Events

Joint Action Agency

On Aug. 1, 2005, ML&P, Chugach Electric Association (CEA) and Golden Valley Electric Association (GVEA) of Fairbanks formally formed the Alaska Railbelt Energy Authority (AREA), a joint action agency (JAA) under Alaska statute AS 42.45.300. The JAA structure will enable the utilities to combine their expertise, resources and borrowing power to make major investments in generation and transmission facilities in the Railbelt. Such investments are necessary to meet growing demands for power and to replace aging generation. AREA will ensure the lowest cost power through coordinated planning, more favorable financing and possible joint dispatch of power. In 2006, AREA will explore and begin initiating major investments. These include but are not limited to possible acquisition of state-owned power projects such as the Bradley Lake Hydroelectric Power Plant, the Alaska Intertie (linking Southcentral Alaska and the Interior) and the Healy Clean Coal Project.

IRS Tax Appeal

In November 1997, the IRS challenged the propriety of the Municipality of Anchorage issuing tax exempt bonds to fund the acquisition of the Beluga River Unit gas field. In 2005, ML&P executed a favorable Closing Agreement with the IRS Office of Appeals, which found that 1) bond holders would not be required to include, for income tax reporting purposes, interest on the bonds in their gross income, 2) ML&P was not required to make any payment to the IRS, and 3) no bonds are required to be redeemed absent a change in circumstances.

BRU Production Tax Appeal

For the last six and one half years ML&P has been filing (and paying) ML&P's monthly gas production and conservation tax returns under protest under the premise that AS 29.45.030 and AS 29.71.030 preclude the State from taxing a municipally owned utility. During audit of ML&P's 1999 tax returns, we requested of the Department of Revenue (DOR) a refund of that year's payments. DOR denied our request and we appealed to the Office of Tax Appeals, where we were again denied. We then appealed to Superior Court, wherein Judge Tan ruled in our favor. The State appealed to the Alaska Supreme Court and oral arguments were heard on April 12, 2004. On December 21, 2004, the Alaska Supreme Court ruled in ML&P's favor, resulting in a return of approximately \$4,500,000 of prior year production taxes, including accrued interest. On a forward looking basis, this ruling will save ML&P's ratepayers approximately \$2,500,000 per year.

ML&P Dividend Restriction

In Order No. 8, Docket U-87-84 issued September 9, 1988, the then Alaska Public Utilities Commission (APUC) restricted all dividend and dividend-like payments by ML&P to the Municipality of Anchorage because it found that ML&P's capital structure was impaired. In that same Order, the APUC set a target capital structure for ML&P of 70 percent debt/30 percent equity. In later Orders, the target was changed by the APUC and its successor agency the Regulatory Commission of Alaska (RCA) to 60 percent debt/40 percent equity.

Now that ML&P's capital structure will reach 60/40 by the end of 2005, we will approach the RCA with a request to lift the dividend restriction; a ruling on their request is expected in early 2006.

Replacement of Unit 3

Unit 3 was purchased in 1968, remained in service for 36 years, and was retired in 2004. The replacement of Unit 3 will improve reliability and efficiency, increase ML&P's capacity by 15MW and will be available to help carry the additional load from Elmendorf AFB. The new unit will have a clean burning dry low nox combustion system and will have a thermal efficiency of 36 percent in the simple cycle mode. It will be used for carrying peak loads and will be started and stopped on a daily basis. This will allow us to use our base load machines more effectively and result in lower overall operating costs. The RFP deadline for proposer responses is August 19, 2005, with an anticipated machine online date of April, 2007.

Fort Richardson Army Base

On May 7, 2003 ML&P was notified by Fort Richardson Army Base (FRA) that it was the successful respondent to their RFP for full electric power requirements. The option selected by FRA was a one-year base period to begin October 1, 2003, with two additional one-year renewal options thereafter. On July 29, 2005, ML&P received notice from FRA that the contract will be extended for an additional year to October 1, 2007.

Elmendorf Air Force Base

By amendment P00030 to Contract F65501-80-D-0018 effective June 18, 2004, Elmendorf Air Force Base (EAFB) agreed to purchase, and ML&P agreed to sell, all of EAFB's bulk electric power requirements from ML&P beginning October 1, 2005. The requirements power will be provided under ML&P's Rate Schedule 770. Peak demand is expected to be up to 23 MW and annual energy is expected to be up to 128,000 MWH. Revenue is projected to be approximately \$7.5 million/year.

ML&P Legacy Application Replacement

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 replace or migrate all of its existing applications on the HP3000 to new platforms. We expect this to be accomplished over the next 2 years.

Migration to a windows based server was considered, but it was determined that a replacement with off the shelf products was more cost effective and that very little increased effort was required. This project will involve all divisions both in selection of a replacement system and in testing. It is expected that this replacement can take place without any affect 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.”

As a result of the stipulated agreement, ML&P executed a contract with Gannett Fleming, Inc., in August 2004, for professional services to perform a depreciation study of our electric plant accounts. This study will analyze ML&P’s electric plant account additions and retirements by vintage thru December 31, 2004. The depreciation study will establish asset service lives, net salvage value and will calculate annual depreciation accrual rates. Gannett Fleming is expected to complete the depreciation study in September 2005 and ML&P will file the study and the study’s recommended depreciation rates with the RCA in the forth quarter of 2005.

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
- Anchorage Economic Development Corporation
- Anchorage Fur Rendezvous
- Alaska Iditarod Race
- AWAIC
- Beans Café
- Big Brothers Big Sisters
- City of Lights
- City Wide Clean-Up Week
- Covenant House
- Anchorage Home Builders Assoc.
- Anchorage School District ‘Power In Pictures’ Contest
- Anchorage Museum of History & Art
- Food Bank
- Kid’s Kitchen Food Program
- Military Appreciation Events
- Standing Together Against Rape
- The Imaginarium
- Trick or Treat Town
- Winter Cities

| 11-Year Summary | Utility Format - 2006 Operating Budget (in 000's) | | | | | | | | | | |
|--|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Actuals | | | | ProForma | Budget | Budget | Forecast | | | |
| Financial Overview: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | \$87,430 | \$83,300 | \$90,868 | \$108,670 | \$113,122 | \$113,002 | \$112,417 | \$114,130 | \$117,858 | \$118,086 | \$119,355 |
| Expenses | 78,735 | 78,058 | 83,512 | 93,064 | 99,103 | 95,360 | 93,799 | 97,946 | 102,395 | 103,119 | 104,399 |
| Special Item | - | (5,968) | 6,695 | 11,952 | 19,853 | - | - | - | - | - | - |
| Net Income After Special Item | 8,695 | (726) | 14,051 | 27,558 | 33,872 | 17,642 | 18,618 | 16,185 | 15,462 | 14,968 | 14,956 |
| Work Force Authorized per Budget | 234 | 234 | 236 | 236 | 239 | 244 | 249 | 260 | 270 | 267 | 264 |
| Capital Improvements | 12,363 | 12,154 | 17,385 | 12,637 | 45,062 | 62,502 | 41,167 | 54,327 | 55,739 | 62,039 | 38,125 |
| Bond Sales | - | - | - | - | - | 39,080 | - | 47,873 | - | 46,896 | - |
| Net Non-Contributed Plant (12/31) (REG) | 255,022 | 252,221 | 260,797 | 262,599 | 276,014 | 293,779 | 304,972 | 304,783 | 301,399 | 386,253 | 392,404 |
| Net Contributed Plant (12/31) | 12,434 | 12,344 | 13,226 | 13,622 | 13,762 | 13,889 | 14,005 | 14,109 | 14,201 | 14,281 | 14,349 |
| Net Electric Plant (12/31) (GAAP) | 267,455 | 264,565 | 274,023 | 276,221 | 289,776 | 307,669 | 318,978 | 318,892 | 315,600 | 400,533 | 406,753 |
| Retained Earnings (12/31) | 99,611 | 98,885 | 112,935 | 140,493 | 174,365 | 186,384 | 199,384 | 209,979 | 219,766 | 228,871 | 237,953 |
| General and Restricted Cash | 29,180 | 21,346 | 14,572 | 40,823 | 37,915 | 52,814 | 42,898 | 60,025 | 27,178 | 36,198 | 23,291 |
| Bond Construction Cash | - | - | - | - | - | - | - | - | - | - | - |
| Bond Redemption Investment | 25,125 | 24,784 | 24,842 | 24,785 | 35,231 | 35,231 | 32,047 | 32,047 | 31,085 | 32,609 | 31,563 |
| Debt Service Account | 6,914 | 6,902 | 7,110 | 6,873 | 6,354 | 7,429 | 6,116 | 6,728 | 6,788 | 7,394 | 7,443 |
| Grant Cash | - | 3,861 | 3,675 | 2,935 | - | - | - | - | - | - | - |
| Operating Fund Investments/Customer Deposits | 6,423 | 6,467 | 7,410 | 9,024 | 9,618 | 7,718 | 7,518 | 7,918 | 8,618 | 8,118 | 8,718 |
| Total Cash & Investments (12/31) | 67,642 | 63,362 | 57,609 | 84,440 | 89,119 | 103,192 | 88,580 | 106,718 | 73,669 | 84,319 | 71,015 |
| IGC's - General Government | 2,637 | 3,143 | 3,004 | 2,830 | 3,548 | 3,601 | 3,781 | 3,815 | 3,954 | 4,023 | 4,033 |
| Dividend Gross Receipts | - | - | - | - | - | 5,623 | 5,618 | 5,590 | 5,676 | 5,862 | 5,874 |
| MUSA | 2,526 | 2,080 | 2,000 | 2,065 | 2,157 | 3,669 | 3,959 | 4,226 | 4,358 | 4,454 | 5,639 |
| Total Outstanding Debt | 268,525 | 257,230 | 245,415 | 232,585 | 215,680 | 234,555 | 217,140 | 249,150 | 232,155 | 263,365 | 246,585 |
| Total Annual Debt Service | 26,343 | 25,218 | 25,239 | 25,811 | 25,799 | 35,232 | 30,580 | 32,047 | 31,085 | 32,609 | 31,563 |
| Debt Service Coverage | 1.61 | 1.49 | 1.52 | 1.74 | 1.71 | 1.67 | 1.97 | 1.84 | 1.82 | 1.86 | 1.82 |
| LT Debt/Equity Ratio | 72.9/27.1 | 72.2/27.8 | 68.5/31.5 | 62.3/37.7 | 55.3/44.7 | 55.7/44.3 | 52.1/47.9 | 54.3/45.7 | 51.4/48.6 | 53.5/46.5 | 50.9/49.1 |
| Rate Change Percent | 0.00% | 4.04% | 3.47% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 4.00% | 0.00% | 2.00% |
| Electric Statistical/Performance Trends: | | | | | | | | | | | |
| Residential Customer (500 kWh) (1) | \$47.50 | \$47.26 | \$50.16 | \$57.52 | \$55.03 | \$55.26 | \$55.08 | \$56.29 | \$56.61 | \$57.23 | \$60.45 |
| Total Residential Sales (kWh) | 148,399 | 148,174 | 149,024 | 150,534 | 147,529 | 150,680 | 151,191 | 151,704 | 152,219 | 152,736 | 153,185 |
| Commercial & Industrial Sales (kWh) | 721,040 | 726,684 | 723,906 | 738,579 | 739,184 | 748,347 | 752,736 | 756,104 | 756,346 | 756,507 | 760,487 |
| Total Kilowatt Hour Sales (kWh) | 869,439 | 874,857 | 872,930 | 889,113 | 886,713 | 899,027 | 903,927 | 907,808 | 908,565 | 909,243 | 913,672 |
| Total Sales Revenue (in Dollars) | \$68,831 | \$70,719 | \$76,665 | \$88,279 | \$93,280 | \$96,229 | \$96,279 | \$99,325 | \$100,128 | \$99,694 | \$107,389 |

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

2006 Work Force Projections

| <u>Division:</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Administration | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Regulatory | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Generation | 67 | 67 | 71 | 81 | 91 | 88 | 85 |
| Engineering | 27 | 27 | 27 | 28 | 28 | 28 | 28 |
| Operations | 57 | 60 | 60 | 60 | 60 | 60 | 60 |
| Customer Service | 20 | 22 | 22 | 22 | 22 | 22 | 22 |
| Finance | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Systems & Communications | 24 | 24 | 25 | 25 | 25 | 25 | 25 |
| Subtotal | <u>239</u> | <u>244</u> | <u>249</u> | <u>260</u> | <u>270</u> | <u>267</u> | <u>264</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>261</u> | <u>266</u> | <u>271</u> | <u>282</u> | <u>292</u> | <u>289</u> | <u>286</u> |

MUNICIPAL LIGHT & POWER
2006 Operating Budget
Statement of Revenue and Expenses

| | <u>2004</u> <u>Actual</u> | <u>2005</u> <u>Proforma</u> | <u>2006</u> <u>Budget</u> | <u>2007</u> <u>Budget</u> |
|---|--|--|--|--|
| Operating Revenue | | | | |
| Residential | \$17,027,039 | \$16,684,000 | \$16,652,000 | \$16,657,000 |
| Commercial & Industrial | \$68,077,280 | 68,125,000 | 66,997,000 | 67,121,000 |
| Public Highway & Street Lighting | 1,229,890 | 1,222,000 | 1,175,000 | 1,164,000 |
| Military | 3,650,208 | 6,249,000 | 11,405,000 | 11,337,000 |
| Sales for Resale | 10,230,728 | 5,897,000 | 5,491,000 | 5,515,000 |
| Miscellaneous Service Revenue/COPA | (769,708) | 1,807,000 | 798,000 | 798,000 |
| Rent from Electric Property | 145,823 | 145,000 | 145,000 | 145,000 |
| Gas Revenue | 7,921,742 | 10,259,000 | 7,819,000 | 7,025,000 |
| | | | | |
| Total Operating Revenue | 107,513,001 | 110,388,000 | 110,482,000 | 109,762,000 |
| | | | | |
| Operating Expense | | | | |
| Production Expense | 41,167,013 | 45,495,000 | 26,478,999 | 23,040,000 |
| Transmission Expense | 952,520 | 1,028,000 | 934,000 | 980,000 |
| Distribution Expense | 6,786,168 | 7,153,000 | 7,850,000 | 8,187,000 |
| Customer Account Expense | 2,711,273 | 2,810,000 | 3,289,000 | 3,396,000 |
| Customer Service & Information | 302,435 | 390,000 | 362,000 | 372,000 |
| Administrative & General Expense | 7,848,435 | 8,649,000 | 9,771,000 | 10,240,000 |
| Depreciation Electric and Depletion Gas | 13,828,690 | 15,475,000 | 25,593,000 | 27,069,000 |
| Amortization of Intangible Plant | 403,802 | 404,000 | 404,000 | 404,000 |
| Amortization of Plant Acquisition | 111,184 | 111,000 | 111,000 | 111,000 |
| Taxes Other than Income | 1,685,506 | 993,000 | 1,494,000 | 1,607,000 |
| | | | | |
| Total Operating Expense | 75,797,025 | 82,508,000 | 76,287,000 | 75,406,000 |
| | | | | |
| Operating Income | 31,715,976 | 27,880,000 | 34,195,000 | 34,356,000 |

MUNICIPAL LIGHT & POWER
2006 Operating Budget
Statement of Revenue and Expenses

| | <u>2004</u> <u>Actual</u> | <u>2005</u> <u>Proforma</u> | <u>2006</u> <u>Budget</u> | <u>2007</u> <u>Budget</u> |
|--|--|--|--|--|
| Non-Operating Revenue | | | | |
| Interest from Operating Reserve | \$13,377 | \$0 | \$0 | \$0 |
| Interest from Bond Redemption Cash | 277,224 | 665,000 | 749,000 | 801,000 |
| Interest from General Cash Pool | 395,881 | 1,387,000 | 1,073,000 | 1,175,000 |
| Interest from Debt Service Account | 134,923 | 282,000 | 295,000 | 306,000 |
| Miscellaneous Non-Operating Revenue | 145,652 | 23,000 | 23,000 | 23,000 |
| Restricted Interest Income | 190,011 | 377,000 | 380,000 | 350,000 |
| | | | | |
| Total Non-Operating Revenue | 1,157,068 | 2,734,000 | 2,520,000 | 2,655,000 |
| Non-Operating Expense | | | | |
| Misc. Non-Operating Expense | 406,612 | 625,000 | 600,000 | 600,000 |
| Interest on Bonded Debt | 12,981,043 | 12,489,000 | 14,107,000 | 13,165,000 |
| Amortization of Bond Discount/(Premium) | (506,031) | (664,000) | (1,525,000) | (1,430,000) |
| Amortization of Bond Sale Cost & Insurar | 261,092 | 255,000 | 352,000 | 321,000 |
| Amortization of Loss on Refunded Debt | 2,272,161 | 2,129,000 | 2,361,000 | 2,138,000 |
| Other Interest Expense | 225 | - | - | - |
| Interest During Construction | (213,750) | (396,000) | (491,000) | (360,000) |
| | | | | |
| Total Non-Operating Expense | 15,201,352 | 14,438,000 | 15,404,000 | 14,434,000 |
| | | | | |
| Transfers (MUSA) | 2,065,369 | 2,157,000 | 3,669,000 | 3,959,000 |
| | | | | |
| Net Income -Before Special Item | 15,606,322 | 14,019,000 | 17,642,000 | 18,618,000 |
| | | | | |
| Special Item | 11,951,652 | 19,853,000 | - | - |
| | | | | |
| Net Income -After Special Item | 27,557,974 | 33,872,000 | 17,642,000 | 18,618,000 |

MUNICIPAL LIGHT & POWER
2006 Operating Budget
Statement of Cash Sources and Cash Uses

| | <u>2004</u> <u>Actual</u> | <u>2005</u> <u>Proforma</u> | <u>2006</u> <u>Budget</u> | <u>2007</u> <u>Budget</u> |
|--|--|--|--|--|
| Sources of Cash Funds | | | | |
| Net Income GAAP | \$27,557,974 | \$33,872,000 | \$17,642,000 | \$18,618,000 |
| Depreciation/Depletion | 14,343,676 | 15,990,000 | 26,108,000 | 27,584,000 |
| Amortized Bond Discount/(Premium) | (506,031) | (664,000) | (1,525,000) | (1,430,000) |
| Amortization of Bond Sale Costs | 261,092 | 255,000 | 352,000 | 321,000 |
| Amortization of Refunded Debt | 2,272,161 | 2,129,000 | 2,361,000 | 2,138,000 |
| Grant Proceeds | - | 2,375,000 | 13,000,000 | - |
| Bond Proceeds | - | - | 39,080,000 | - |
| Deferred Charges and Other Assets | 4,524,076 | (639,000) | 167,000 | 97,000 |
| Contributions | 1,139,014 | 600,000 | 600,000 | 600,000 |
| Changes in Assets and Liabilities | 2,706,097 | (1,076,860) | (5,885,958) | (11,646,404) |
| Total Sources of Cash Funds | 52,298,059 | 52,841,140 | 91,899,042 | 36,281,597 |
| Uses of Cash Funds | | | | |
| Additions to Plant | 12,637,127 | 34,852,000 | 56,701,000 | 39,017,000 |
| Debt Principal Payment | 12,830,000 | 13,310,000 | 21,125,000 | 17,415,000 |
| Total Uses of Cash Funds | 25,467,127 | 48,162,000 | 77,826,000 | 56,432,000 |
| Net Increase (Decrease) in Cash Funds | 26,830,932 | 4,679,140 | 14,073,042 | (20,150,403) |
| Cash Balance, January 1 | 57,608,828 | 84,439,760 | 89,118,900 | 108,730,141 |
| Cash Balance, December 31 | 84,439,760 | 89,118,900 | \$103,191,943 | 88,579,737 |
| Detail of Cash & Investment Balance | | | | |
| General Cash Less Customer Deposits | 28,723,429 | 31,711,370 | 52,813,534 | 42,898,467 |
| Bond Cash | - | - | - | - |
| Grant Construction | 2,935,119 | - | - | - |
| Construction Cash | 12,099,592 | 6,204,005 | 0 | 0 |
| Bond Investment | 24,784,783 | 35,231,046 | 35,231,046 | 32,046,925 |
| Debt Service | 6,872,604 | 6,354,214 | 7,429,097 | 6,116,080 |
| Operating Fund Investment & Customer Deposits | 9,024,233 | 9,618,265 | 7,718,265 | 7,518,265 |
| Cash Balance, December 31 | \$84,439,760 | \$89,118,900 | \$103,191,942 | \$88,579,738 |

MUNICIPAL LIGHT & POWER
2006 Operating Budget
2006 Operating Budget Detail

| | <u>2004</u> <u>Actual</u> | <u>2005</u> <u>Proforma</u> | <u>2006</u> <u>Budget</u> | <u>2007</u> <u>Budget</u> |
|--|--|--|--|--|
| Labor Expenses | | | | |
| Personnel Costs | \$10,787,596 | \$12,256,000 | \$13,620,000 | \$14,382,000 |
| Benefit Costs | 6,551,247 | 7,688,000 | 8,568,000 | 9,287,000 |
| | | | | |
| Subtotal | 17,338,843 | 19,944,000 | 22,188,000 | 23,669,000 |
| Intergovernmental Expenses | | | | |
| Financial Info Systems | 292,344 | 495,000 | 520,000 | 544,000 |
| PeopleSoft Services | 533,860 | 312,000 | 205,000 | 169,000 |
| Self Insurance-Workers Comp. | 419,985 | 610,000 | 641,000 | 671,000 |
| Mayor | 212,868 | 296,000 | 311,000 | 326,000 |
| Municipal Manager | 88,606 | 131,000 | 137,000 | 144,000 |
| Purchasing | 115,781 | 146,000 | 153,000 | 161,000 |
| Accounts Payable | 148,578 | 160,000 | 167,000 | 176,000 |
| Office of Emerg Mgmt | 205,600 | 259,000 | 272,000 | 285,000 |
| Other Intergovernmental Charges | 812,227 | 1,139,000 | 1,195,000 | 1,305,000 |
| | | | | |
| Subtotal | 2,829,851 | 3,548,000 | 3,601,000 | 3,781,000 |
| Other Expenses | | | | |
| Depreciation, Depletion & Amortization | 16,370,898 | 17,710,000 | 27,296,000 | 28,613,000 |
| Interest on Long-Term Debt | 12,981,043 | 12,489,000 | 14,107,000 | 13,165,000 |
| Natural Gas Purchases & Transportation | 24,792,077 | 27,817,000 | 6,747,000 | 3,649,000 |
| Purchased Power | 3,920,066 | 4,307,000 | 4,300,000 | 4,300,000 |
| MUSA | 2,065,369 | 2,157,000 | 3,669,000 | 3,959,000 |
| Gas Non-Fuel Production Expense | 2,181,678 | 2,322,000 | 3,383,000 | 2,625,000 |
| Taxes Other than Income | 1,685,506 | 993,000 | 1,494,000 | 1,607,000 |
| Regulatory Compliance | 696,451 | 742,000 | 833,000 | 861,000 |
| Professional Services | 849,761 | 542,000 | 842,000 | 885,000 |
| Interest During Construction | (213,750) | (396,000) | (491,000) | (360,000) |
| Materials & Other Expenses | 7,565,953 | 6,928,000 | 7,391,000 | 7,045,000 |
| | | | | |
| Subtotal | 72,895,053 | 75,611,000 | 69,571,000 | 66,349,000 |
| | | | | |
| Total Expenses | <u>\$93,063,746</u> | <u>\$99,103,000</u> | <u>\$95,360,000</u> | <u>\$93,799,000</u> |

MUNICIPAL LIGHT & POWER
2006 - 2011 Capital Improvement Budget
(\$000s)

| <u>Project Category:</u> | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Production | \$19,444 | \$20,490 | \$34,320 | \$35,945 | \$40,305 | \$18,535 | \$169,039 |
| Transmission | 2,975 | 2,635 | 3,125 | 3,135 | 2,085 | 2,920 | 16,875 |
| Distribution | 9,210 | 9,250 | 9,275 | 9,555 | 9,815 | 9,565 | 56,670 |
| General Plant | 9,217 | 5,347 | 4,060 | 3,452 | 3,369 | 3,234 | 28,679 |
| Regulatory Compliance | 250 | 50 | 50 | 50 | 50 | 50 | 500 |
| Eklutna Transmission Project | 13,000 | - | - | - | - | - | 13,000 |
| Beluga River Gas Field | 8,406 | 3,395 | 3,497 | 3,602 | 6,415 | 3,821 | 29,136 |
| Total Capital Budget | <u>\$62,502</u> | <u>\$41,167</u> | <u>\$54,327</u> | <u>\$55,739</u> | <u>\$62,039</u> | <u>\$38,125</u> | <u>\$313,899</u> |

| <u>Source of Funding</u> | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| G.O. Bonds | - | - | - | - | - | - | - |
| Revenue Bonds | 39,080 | - | 47,873 | - | 46,896 | - | 133,849 |
| Loans | - | - | - | - | - | - | - |
| Equity/Operations | 2,016 | 37,772 | 2,957 | 52,137 | 8,728 | 34,304 | 137,914 |
| Beluga Operations | 8,406 | 3,395 | 3,497 | 3,602 | 6,415 | 3,821 | 29,136 |
| State Grant | 13,000 | - | - | - | - | - | 13,000 |
| Federal Grant | - | - | - | - | - | - | - |
| Direct Appropriation | - | - | - | - | - | - | - |
| Total Capital Budget | <u>\$62,502</u> | <u>\$41,167</u> | <u>\$54,327</u> | <u>\$55,739</u> | <u>\$62,039</u> | <u>\$38,125</u> | <u>\$313,899</u> |

*Approximately \$3.6 million in personnel costs will be spent on capital projects during 2006

*Approximately \$3.8 million in personnel costs will be spent on capital projects during 2007