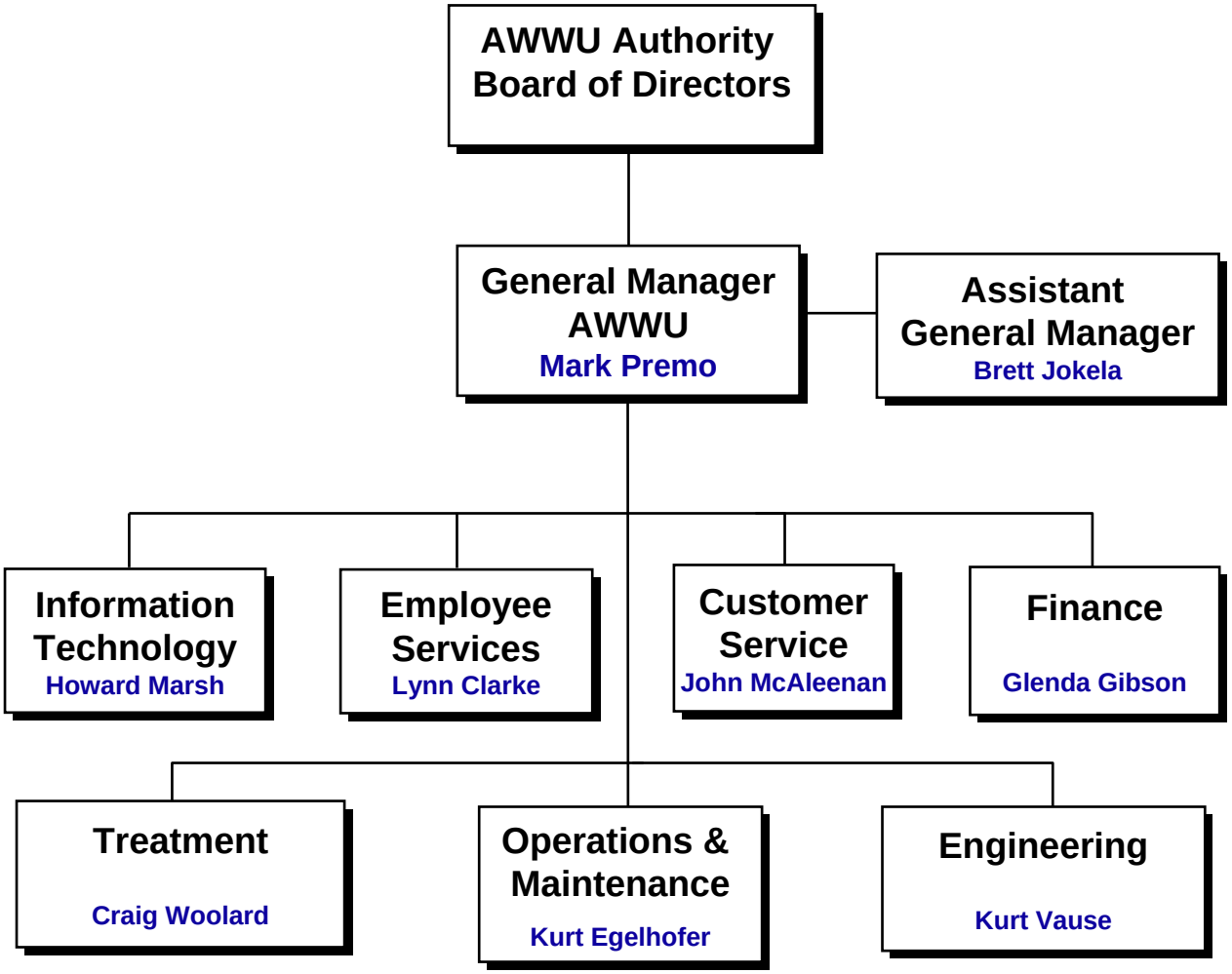
ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



ANCHORAGE WATER & WASTEWATER UTILITY PROFILE

ORGANIZATION: Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in the State of Alaska. The service area equals 125 square miles of metropolitan Anchorage, from Eklutna to Girdwood. The Utility collects water from two major surface watersheds and many deep underground wells. The Utility treats and distributes water to approximately 55,200 residential, commercial, military, and industrial accounts throughout the urban areas of Anchorage. The Utility's wastewater facilities serve approximately 56,000 residential, commercial and military accounts. This represents an estimated population base of 249,000 residents who receive water service and 265,000 residents who receive sewer service. AWWU's wastewater treatment plants operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The public investment in these systems, treatment plants, mains and sewers, laboratories, and reservoirs, totals just over $1 billion. AWWU employs 280.5 people and spends approximately $80 million annually to operate the water and wastewater systems. Through education, training, certification programs, field experience and longevity of service, AWWU's employees are a dedicated team. Treatment plant operators, engineers, laboratory technicians, maintenance craftsmen, accountants, customer service representatives and field personnel all work together to ensure Anchorage's water and wastewater systems perform efficiently.

GOVERNANCE: AWWU is a public corporate authority of the Municipality of Anchorage governed by a seven member Board of Directors, appointed by the Mayor and approved by the Anchorage Municipal Assembly. The Directors serve five year staggered terms. The current Board members are very experienced professionals in the fields of law, engineering, accounting, public health, environmental project management and government. The Board shall operate and manage AWWU and, in general, may exercise any power unless otherwise provided in the Municipal Charter, the Code or prohibited by State law. Regular meetings are held monthly and are open to the public. Board meetings focus on Utility operations and highlights.

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

ANCHORAGE WATER UTILITY

HISTORY: From the first intake of water at Lower Ship Creek, and a few miles of woodstave water lines downtown more than 75 years ago, Anchorage's public water utility has grown into an enterprise with a net plant in service of approximately $400 million that delivers nearly 27 million gallons of water to customers each day, for a little more than $1 per household. The original water system for Anchorage was installed by the Alaska Railroad in 1917. In 1921, the City purchased the water system and associated water rights from the Alaska Engineering Commission. As the City expanded by annexation, the water system was extended into new areas and independent water systems previously

serving the annexed areas were acquired by the City. The entire service area is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough (GAAB) on September 15, 1975.

SERVICE: Anchorage's water supply is dominated by two surface watersheds, Eklutna Lake and Ship Creek. Several deep wells provide the Utility with supplementary sources of water. Until 2000, Ship Creek Water Treatment Plant was the main water production facility. With the shift of 24-hour operations to the Eklutna Water Treatment Facility, AWWU has made better use of its higher-pressure water and more effective use of personnel. The Eklutna water supply originates at Eklutna Lake, a drought-resistant natural reservoir. Fed by runoff from Eklutna Glacier and snow-pack from the Chugach Mountains, the eight-mile long lake can supply up to 300 million gallons of water each day. The Eklutna Water Treatment Facility is capable of treating up to 35 million gallons per day.

Ship Creek remains an important water source for Anchorage with the Ship Creek Water Treatment Facility in standby mode. From spring through fall, the waters of Ship Creek and the treatment facility are able to provide as much as 24 million gallons of water per day.

AWWU also operates 16 wells that can provide up to 16 million gallons per day.

The Girdwood community is served by a stand-alone system which includes two AWWU wells.

AWWU's construction program emphasizes repair and rehabilitation of its existing system and resources, and continues plans to deliver greater quantities of water to South and West Anchorage. The Utility's largest ongoing project is the construction of the Anchorage Loop Water Transmission Main. Completion of Phase IV will connect the Loop to the new Service High Reservoir and represent the final phase of the Loop project. Phase IV began in 2001 with the formation of a Mayor appointed Task Force to gather public input and select a final route. AWWU also completed an $8 million expansion of the water system in Eagle River. This new three million gallon reservoir, two new booster stations, and new transmission main provide improved water service and fire protection to the residents of lower Eagle River Valley.

AWWU also plans to expand its service area in Girdwood Valley and is in the process of filing an application to expand the Utility's service throughout Girdwood Valley, including the Old Girdwood Townsite.

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

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

PHYSICAL PLANT: AWU operates two treatment plants and operates 16 wells on an as-needed basis. Average daily water production in 2006 was 26 million gallons per day (gpd). AWU has the capacity to provide up to 75 million gpd. The distribution transmission system equals approximately 882 miles of waterline and 7,030 fire hydrants.

ANCHORAGE WASTEWATER UTILITY

HISTORY: The Alaska Engineering Commission first installed sewers in downtown Anchorage in 1916 along the lower bluff near the Alaska Railroad Depot. As Anchorage grew, construction of sewers continued and by the end of World War II, sewers were available to much of the area between Ship Creek and Chester Creek, west of Cordova Street. GAAB was created in 1964, and was granted area wide sewer authority. The last major private sewer utility was acquired by the GAAB in 1972. The Utility is now owned and governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the GAAB on September 15, 1975.

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

REGULATION: Since 1971, the Anchorage Wastewater Utility has been regulated by the APUC, which was renamed the RCA on July 1, 1999. The Utility holds a Certificate of Convenience and Necessity for serving the Anchorage Bowl, Eagle River, and Girdwood. This commission, prior to implementation, must approve all rates and tariffs. They also regulate service areas and service quality. The RCA is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

ENVIRONMENTAL MANDATES: All three of AWWU's wastewater treatment facilities are subject to discharge limits imposed by individual National Pollutant Discharge Elimination System permits issued by the Environmental Protection Agency (EPA). Each permit is good for a period of five years after which they may be renewed. All three permits expired in 2005. AWWU submitted timely renewal applications six months in advance of the expiration dates of each permit. The Eagle River permit was reissued early in 2006 but the Girdwood and Asplund facilities permits have not yet been received. Both expired permits, however, have been administratively extended by the EPA until renewal takes place. The renewed Asplund permit, which allows for a secondary treatment waiver, will likely impose

new monitoring requirements on AWWU and may also delete some of the existing requirements that have proven to be unnecessary.

Because the Asplund Wastewater Treatment Facility operates under a secondary treatment waiver, considerable effluent and receiving water monitoring is required to ensure the discharge is safe for Cook Inlet. This monitoring program, which has been conducted since 1986, has thoroughly documented that the Asplund facility's effluent has caused no adverse effects to the marine environment. Cook Inlet is home to the second highest tides in North America. Additionally the numerous glacial rivers that flow into Cook Inlet contribute to extremely high silt content in the receiving water.

PHYSICAL PLANT: The John M. Asplund Wastewater Treatment Facility is one of the few facilities in the nation operating under an EPA waiver from secondary treatment. The primary treatment provided by this facility removes up to 80% of the solids from the influent wastewater meeting the criteria necessary for discharge to the marine waters of Cook Inlet.

The smaller Eagle River and Girdwood Wastewater Treatment facilities provide advanced secondary treatment prior to discharge to Eagle River and Glacier Creek respectively. These facilities remove up to 99% of the pollutants from the incoming wastewater prior to discharge.

In 2006, the Asplund Wastewater Treatment Facility treated an average 28.1 million gallons per day (mgd). The Eagle River Wastewater Treatment Facility treated an average 1.52 mgd and the Girdwood Wastewater Treatment Facility treated .44 mgd. The three facilities have a design capacity of 61.1 mgd.

The collection system has approximately 760 miles of lines. With its expansion in 1991, the Eagle River Plant has the capacity to provide for growth beyond the year 2010. The Girdwood Plant upgrades completed in 1998, provided an additional 10 – 15 years of sufficient capacity for the resort community. In addition, an aggressive program of I/I reduction has been implemented in Girdwood since 2005 to upgrade the collection system and minimize infiltration and inflows of groundwater and stormwater.

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

In conjunction with the permit renewal process, a facilities plan update was prepared in 1999. The facilities plan evaluated the existing condition of the Asplund facility and identified improvements necessary to meet the future needs of the community. The facilities plan identified $15 million worth of improvements to the solids handling, headworks, administration, incineration, and thickening process areas of the facility. Construction of new solids handling improvements including sludge dewatering, storage and load out facilities was completed in 2001. Design of headworks improvements began in September 2002. Construction was completed in 2005. Other process and

building improvements have been undertaken since 2006 which extend the life of the sludge incinerator and other treatment process equipment, as well as the building and laboratory facilities. Future projects to complete facility upgrades are identified in AWWU's Capital Improvement Program.

ANCHORAGE WATER & WASTEWATER UTILTIY
2008 & 2009
OPERATING & CAPITAL BUDGET ASSUMPTIONS

Below are the specific AWWU budget assumptions, used in the preparation of the Anchorage Water Utility and Anchorage Wastewater Utility 2008 and 2009 Operating and Capital Budgets.

REGULATION
Assume continued economic regulation by Regulatory Commission of Alaska (RCA).

AUTHORITY
AWWU is now an Authority, governed by an appointed Board of Directors. Assume continued Authority status in 2008 and 2009.

UTILITY OWNERSHIP
Assume continued Municipal ownership in 2008 and 2009.

MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)
Assume mill rate calculation for MUSA/MESA (in lieu of taxes) will be the same as 2007. Assume AWWU will prevail before the Superior Court on the 2004/2005 MUSA Rate Case.

INTEREST
Assume debt service for new insured 20-30 year G.O. bonds as well as new insured revenue bonds to be 5.25%. Short-term interest income should be calculated assuming a rate of 5.0%. Short-term inter-fund borrowing rate should be assumed to be 5.50%.

INTRAGOVERNMENTAL CHARGES (IGCs)
Assume budgeted increase of 5% in 2008 and 5% in 2009.

RATE INCREASES
Assume no rate increases for 2008. Though no rate increases are planned in 2008, AWWU intends to file revenue requirement studies to maintain 2008 rates at their current levels. AWWU expects to request rate increases in 2009.

POPULATION

As of December 31, 2006, Anchorage's estimated population was 282,813. For budgeting purposes, AWWU's assumed population growth rates of slightly less than 1.0% for 2008 and 2009 for their customer base.

COMPENSATION COSTS (Salaries and Benefits)

Assume increases in accordance with current labor agreements to be 2.5% in 2008, and 2.5% in 2009 for Plumbers (PLU). We are currently in negotiations with AMEA and will discuss potential increases in executive session. Assume Non-Reps mirror the AMEA agreement.

ANCHORAGE WATER AND WASTEWATER UTILITY
HIGHLIGHTS AND FUTURE EVENTS

AWWU Continuous Improvement, Communication and Leaders of Change

AWWU has a mature continuous improvement program that was initiated in 1998 as the Excellence Adventure. A twelve member employee team guides the process and promotes internal and external communication under the vision of the AWWU Leadership Team. Working together successfully through a combination of Utility-wide re-engineering teams and Division teams, the employees and managers of AWWU continue to develop a more efficient and competitive business operation including a revitalized employee suggestion program. This success enabled rate increases to be deferred for a number of years by holding expenses down.

The Leaders of Change was formed in 2001 to leverage the energy and expertise of the strong AWWU supervisor group in moving continuous improvement into the day to day business of AWWU. This group has defined a process to help hire to the culture, developed a knowledge retention program for the entire Utility to help mitigate the impact of many impending retirements, and initiated supervisory training to fill supervisory skill gaps.

Anchorage Loop Water Transmission Main

The "Loop" will supply water from the Eklutna Water Treatment Facility through a system of large diameter, high-pressure water transmission mains constructed in the Anchorage Bowl. When complete, the Loop will provide the backbone for water transmission within the bowl. The Loop is an eight phase project, with all phases complete except one, Phase IV. The need to complete this phase is critical for AWWU to meet its customer's water supply needs in southeast and southwest Anchorage. With necessary permits now in hand, the final phase is moving forward.

The Loop Project began prior to 1996 when Phase VIII was completed. A transmission main was extended along the eastern boundary of International Airport Road from west Turnagain to Sand Lake, where the 5 million gallon Kincaid Reservoir was built. The project cost for Phase VIII was $9 million.

Phases I – III, from the Ship Creek Water Treatment Facility to the Tudor Reservoir Tanks, was completed in 1997 at a cost of $21 million. Approximately 60% of the financing for these phases came from State of Alaska grants.

Phase V, from Abbott Loop Road to 88th Avenue and the 10 million gallon Service Reservoir, was completed and placed on-line in October 2001. The total project cost for Phase V and the reservoir was approximately $10 million.

Phase VII connects new water lines in Sand Lake to the existing system. Surface restoration was finished in summer 2000. Total project cost for Phase VII was $7 million.

Phase VI of the Loop, connects Phase VII to a transmission main at Dimond Boulevard. Total cost of this phase was $5 million and it was completed in the fall of 2001.

Phase IV extends from the Tudor Reservoir Tanks, near Campbell Airstrip Road, west along the south side of Tudor Road to Bragaw Street, diverting along the new 48th Avenue corridor between Boniface Parkway and Bragaw. Construction is nearly complete for construction of a 42-inch diameter pipeline in combination with the State of Alaska Department of Transportation Abbott Loop Road extension. A second project involving pipeline installation between Tudor Reservoirs and Boniface Parkway is also nearly complete. A major underground mainline valve vault associated with Phase IV has been finished along Bragaw St., and construction started Fall 2007 on the pipe segment between Boniface Parkway and the underground vault on Bragaw. By late 2008, the Phase IV will have been completed at a cost of approximately $47 million.

System Expansions – Northern Communities, Girdwood and West and South Anchorage

Sewer improvements are planned for portions of North Eagle River, north of Fire Lake, and South Chugiak.

These improvements will be coordinated to provide sewer improvements to Chugiak High and Birchwood Elementary Schools, in coordination with the planned reconstruction of the Old Glenn Highway between North Eagle River and South Chugiak. Construction is anticipated to start in 2008, which will include multiple construction projects, and is anticipated to be complete by the end of 2009.

In Eagle River, AWWU has worked cooperatively with the Solid Waste Services Department to design an extension of public water to the area near the Hiland Road – Glenn Highway intersection. A project involving construction of 24-inch transmission main and 16-inch water service for the Anchorage Regional Landfill is being installed. The project will cross the Glenn Highway, allowing the eventual looping of another redundant source of supply to the lower Eagle River Valley and Eagle River. The project cost is in excess of $5 million.

In addition, water system improvements in Girdwood continue and include expansion of public water service to the New Girdwood Townsite area, through lands owned by Heritage Land Bank near the New Townsite. This phase of the water system expansion beyond the New Townsite Area and school are to be performed to complete a looped water system for the upper Girdwood Valley. When complete the project will total nearly $9 million.

AWWU has also begun work on expanding municipal services to West Anchorage in the vicinity of the old Sand Lake Gravel Pit area. Work includes design and bidding for installation of new backbone water supply and sewer trunk service to enable future connections in neighborhoods east of Sand Lake Road, north of Dimond Boulevard. The project will cost in excess of $4 million.

In South and Southeast Anchorage, AWWU will be embarking on a multi-year project to increase municipal water supply via construction of a new 24-inch transmission main paralleling the lower Hillside area east of Lake Otis Boulevard, south of Abbott Road. Associated with the transmission main are two new water reservoirs, providing emergency and fire protection storage, as well as equalization storage to ensure reliable service.

Maintenance of Existing Infrastructure

Several infrastructure renovation and rehabilitation projects are scheduled to occur throughout the Anchorage Bowl. These projects are designed to replace aging infrastructure to maintain service levels. Water and sewer main rehabilitations, involving "trenchless" techniques such as microtunneling, directional drilling and sliplining are planned. Renovations at AWWU's treatment facilities in Anchorage and Eagle River are planned. Improvements at AWWU's septage disposal facilities are also being planned to enhance existing facilities, and replace aging components of the plant.

SCADA

Replacement of AWWU's aged supervisory control and data acquisition system (SCADA) has been underway since 2001. This initial multi-year effort is coming to a close, and the Utility is now entering the next phase where planned upgrades and additional enhancements are being implemented. To date, the program resulted in a new Wide Area Network (WAN); improvements to each of AWWU's water and wastewater treatment plants; new SCADA equipment and controls in over 100 remote sites (reservoirs, booster stations, pressure reducing vaults, well houses and other vaults) throughout the water distribution network; and new SCADA and controls for the wastewater collection system lift stations. The Utility is bringing all sites into compliance with current electric building codes. AWWU has, and will continue to, improve supervision and control of all its facilities throughout its service areas.

Asplund Wastewater Treatment Facility Modifications

Working to implement the results of an earlier Wastewater Facilities Plan effort, AWWU has undertaken a phased upgrade to the J.M. Asplund Wastewater Treatment Facility. The Asplund facility is the wastewater plant serving the Anchorage Bowl and also processes concentrated wastewater solids trucked from AWWU's other treatment facilities in Eagle River and Girdwood. Renovation of the Headworks area was completed in 2005, including new screening and conveying systems. This is being followed by the current phases of work which include process improvements to its sludge and scum handling and disinfection systems; instrumentation and control improvements to its multiple-hearth incinerator; and other building improvements to the laboratory, administration areas, plant paging and heating and ventilations systems. These projects will be coordinated with a facility-wide SCADA system effort that will tie into a new Incinerator Control Room and other improvements in the Facility's Main Control Room. Expected completion date for all of these improvements is late 2007.

The Incinerator Re-Control Project a phase of the facility wide SCADA system effort is completed resulting in increased incinerator overall operating efficiencies and reduced air emission permit limit exceedances.

The Incinerator Upgrade Project is approximately 95% complete with some administrative tasks still remaining. Expect completion by the end of 2007.

The Asplund Building Improvements Project is approximately 95% complete with some administrative tasks, punch list items and re-occupation by the Water Quality Section (WQS) still remaining. This project expanded the WQS Laboratory, improved the WQS administrative areas and the facility administrative areas, upgraded the HVAC, fire

protection and electrical distribution systems. The facility paging and security system was also upgraded with this project. Expect completion by the end of 2007

The Process Improvement Project is underway with specific activity with Sludge Handling, Scum Handling, Disinfection Alternatives, Polymer System. This project is projected to be active until the end of 2008.

The Facility Wide SCADA system effort continues with future improvements through out the Asplund Facility with specific activity to remodel the existing Main Operating Control Room. This project, when complete, will bring AWWU to the forefront of technological advances for our industry and customers.

Facility influent line and the effluent tunnel inspection projects were also completed in 2007. These areas are well situated for another 20 years.

NPDES Permit Renewal

The discharge permits for all three of AWWU's wastewater treatment facilities expired in 2005. Renewal applications were submitted to EPA prior to expiration. The Eagle River WWTF permit was reauthorized in May, 2006. Re-authorizations for Girdwood WWTF and Asplund WWTF are under consideration by EPA; meanwhile, the plants operate under administrative extensions of the old permits. The Asplund WWTF permit reissuance could be complicated by the proposed listing of Beluga whales as endangered under the Endangered Species Act by the National Marine Fisheries Service (NMFS). If the whales are listed, EPA will be obligated to consider whether the permit reissuance might affect the recovery of the whales, and will likely seek a "biological opinion" from NMFS regarding the effects of the discharge. There may be pressure to increase the level of treatment at the plant above the current level of primary treatment, which is allowed in the current permit by Section 301(h) of the Clean Water Act. We anticipate increased monitoring requirements in the permit renewal that may provide data for federal scientists to better understand the cause of the decline of the whales.

Information Technology

Enterprise Resource Planning and Customer Information & Billing Systems

AWWU will be continuing to look at its needs for an Enterprise Resource Planning tool that will provide the necessary Financial and Purchasing automation. This process will include a comprehensive assessment of current needs and result in an implementation plan to replace the aging existing system. In addition, the Utility will continue to enhance and upgrade its Customer Information and Billing System. Both of these systems will be upgraded to current technology to provide for continued services levels and opportunities for improvement of Utility processes.

Technology Presentation of Utility Information

The IT Division will continue to integrate systems and relational databases through the use of Internet technology. The Utility will continue development and implementation of Intranet/Internet applications along with Geospatial enabling technologies. These applications and data are used to enhance communication and electronic reporting by allowing real-time access to dynamic data through the use of browser technology, creating an Intranet/Internet portal to the Utility's electronic information. The ability to access data from different systems and present it in a straightforward manner through easy to use browser screens will improve Utility decision processes.

Utility Technology Hardware and Software Enhancements

AWWU will continue to upgrade its technology services to better serve the rate-payer. The Utility's telecommunications services, both voice and data, will be upgraded to provide efficient and effective access to personnel and electronic information. Rate-payers will benefit by having faster access to the enriched set of services that include bill presentment and payment, the ability to publicly participate in capital projects, and otherwise communicate with the Utility in an interactive electronic manner. In addition, AWWU intends to continue to deploy and enhance its mobile technologies for field personnel. The purpose of enabling the field force with wireless technology is to better serve the public by providing electronically all the necessary documentation and information to serve the public need.

Open Architecture and Systems Integration Services

The Utility will initiate a professional services contract with one or more vendors to provide the necessary support to implement the Utility's various IT related projects. These contract vehicles will provide the necessary contract skills to implement the Utility's IT Master Plan initiatives in the next twelve months. Projects include major upgrades, enhancements and new interfaces to AWWU's automated tools such as; Geospatial Portal, Customer Information System, and Intranet/Internet Websites. These have been planned through the IT planning effort and are expenditures of capital funds to implement new systems or enhance and upgrade existing applications.

Electronic Content and Document Management

The Utility will be initiating an effort to re-engineer and automate its paper and manual processes. Unnecessary and inefficient practices will be eliminated or refined by implementing an automated system to create, track, approve, retain and present documents and other electronic artifacts. In addition, this initiative will allow the Utility to re-engineering these processes in the most effective and efficient manner given the ability to leverage these new technologies. This will be a new initiative in 2008 and will take place gradually over an approximate 5 year period.

Customer Information Systems (CIS)

The Customer Service Division implemented a new billing system from Ventyx, Inc. on September 1, 2005 providing customers with access to their accounts over the Internet and interactive voice response over the telephone. Electronic bill presentment/payment

will be available to our customers in early 2008. Customer's will then have the option of receiving, reviewing, and paying their bills via e-mail.

The new "Coins Can Count" program kicked off in July, 2007. This voluntary program allows customers to round their bill up to the next dollar with the remaining change to fund a program for those AWWU customers in need. This program is in partnership with the Department of Health and Human Services for determining eligibility for the assistance.

Human Resources Delegation of Authority

Since acquiring delegation of authority by Mayor Mark Begich in 2004, Employee Services Division provides a one-stop shop for its customers. The delegation of authority includes a variety of human resource (HR) functions, such as position classification, OEO/AA investigations, recruitment and certification, and PeopleSoft database maintenance. The customers have easy access to professional HR staff, and complaints and investigations are resolved in a timely manner. Our working relationship with the Municipality of Anchorage Employee Relations Department has strengthened into a business partnership.

AWWU has been active in pursuing employee communication, training and development, and promoting employee pride and motivation. Employees are involved throughout the Utility and teamwork can be found in the Leadership Team, Strategic Planning Committee, Leaders of Change, Energy Reduction Team, and the Communication Pipeline Team. The Supervisory Academy is providing growth and learning opportunities for the participants. The student internship program is gaining strength. The interns are gaining practical skills in the field of engineering.

Regulation

AWWU is subject to economic regulation by the Regulatory Commission of Alaska (RCA or Commission). The RCA regulates AWWU's tariff rules and rates.

AWWU currently has six open rate case dockets with the RCA.

2004/2005 Rate Cases:

AWWU filed for rate interim and permanent rate increases for both its water and sewer utilities in 2004. Although most issues in the cases were settled based on a stipulated agreement with the Regulatory Affairs and Public Advocacy (RAPA) section of the Attorney General's (AG) office in mid 2005, the issue of MUSA on contributed plant included in rates was rejected by the RCA. Reconsideration of this decision was denied by the RCA and their decision was upheld in a subsequent appeal to the State Superior Court. AWWU and the MOA continue to strongly believe that this order was in error and have filed a final appeal of the Commission decision to the Supreme Court of the State of Alaska. A ruling from the Supreme Court is expected no earlier than late 2008. An unfavorable Supreme Court ruling on this issue would require refunds on rates from 2004/2005, 2006 and 2007 rate cases.

2006 Rate Cases:

AWWU filed rate cases for both its water and wastewater utilities in 2005 for rates effective in 2006. These cases included both revenue requirement study (RRS) justified rate increases as well as cost of service study (COSS) and rate design (RD) components.

The hearing on the 2006 water rate case was held at the RCA in January 2007 and the Commission issued a final order in July 2007, including the requirement that AWWU file a refund plan for interim rates that were in effect from June through December 2006. AWWU estimated its refund obligation as approximately $0.2 million. AWWU filed its refund plan and also requested reconsideration on a portion of the order that denied full recovery of PERS costs in rates. As of mid September 2007, no decision has been made regarding AWWU's refund plan or petition.

The RRS components of the 2006 wastewater rate case were settled based on a stipulated agreement with RAPA and approved by the RCA in October 2006. An October 25, 2007 hearing is scheduled for the COSS and RD components. RAPA has filed direct testimony taking issue with several components of the COS methodology. A final decision on the outstanding components of this case is not expected until early 2008.

2007 Rate Cases

In November 2006, AWWU filed RRS for both its water and wastewater utilities to increase rates on an interim and permanent basis. RAPA has filed testimony opposing a number of items in both RRS, including AWWU's proposed rate of return, payroll expense (including PERS), and adjustments to true up the timing of project closures to plant. A hearing is scheduled at the RCA on October 29, 2007. A final decision on the outcome of these cases is expected in early 2008.

2008 Rate Cases

AWWU has begun preparation of revenue requirement studies based on a 2006 test year for both its water and wastewater utilities. AWWU expects to file its 2008 rate cases concurrently by November 15, 2007. AWWU will not be requesting increases in its current interim rates, but will be filing to ensure current rates remain unchanged in 2008.

Bond Sales

In 2007, AWWU issued $91.3 million water and $59.6 million sewer revenue and refunding bonds. The bonds were issued for twenty years and the proceeds will be used to reimburse the Water and Wastewater Utilities for capital improvement expenditures and to refund certain outstanding revenue bonds for both Utilities.

Depreciation Study

As part of the stipulation approved by the RCA, AWWU has agreed to complete and file with the RCA a depreciation study by December 31, 2007 at the latest. AWWU's last depreciation study was completed in 1984.

A depreciation study is a significant undertaking designed to determine if AWWU's depreciation methodology and asset lives are reasonable and reflects the true lives of

plant assets placed in service. AWWU has engaged an external consultant to conduct the depreciation study. Once completed, the study will be filed with the RCA.

ANCHORAGE WATER & WASTEWATER UTILITY
WORK FORCE PROJECTIONS

DIVISIONS	2005	2006	2007	2008	2009	2010	2011	2012	2013
GM	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
IT	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
O & M	81.5	85.5	85.5	85.5	85.5	85.5	85.5	85.5	85.5
TRMT	59.0	61.5	62.0	62.0	62.0	62.0	62.0	62.0	62.0
FIN	18.0	21.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
ES	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
CS	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
ENG	32.0	33.0	33.0	34.0	34.0	34.0	34.0	34.0	34.0
TOTAL FULL TIME	262.0	271.5	277.0	278.0	278.0	278.0	278.0	278.0	278.0
TEMPORARY FTE'S	6.5	6.0	3.5	4.5	4.5	4.5	4.5	4.5	4.5
TOTAL FTE'S	268.5	277.5	280.5	282.5	282.5	282.5	282.5	282.5	282.5
INTERNS	-	-	3.5	6.5	6.5	6.5	6.5	6.5	6.5

ANCHORAGE WATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2008/2009 OPERATING BUDGET ($ in Thousands)

				Proforma	Budget		Forecast				
Financial Overview	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues	33,689	39,214	39,480	45,838	47,918	49,908	50,808	56,778	59,398	63,518	67,758
Expenses and Transfers	31,745	35,862	36,200	40,470	46,710	49,250	49,980	53,050	54,830	58,160	61,510
Net Income (Loss)	1,943	3,353	3,281	5,368	1,208	658	828	3,728	4,568	5,358	6,248
Dividend to General Government	0	0	0	0	0	0	0	0	0	0	0
Increase in Net Assets	1,943	3,353	3,281	5,368	1,208	658	828	3,728	4,568	5,358	6,248
Workforce Authorized per Budget	270.5	268.5	277.5	280.5	282.5	282.5	282.5	282.5	282.5	282.5	282.5
Capital Improvement Program*	13,150	22,255	33,500	35,000	36,000	40,000	44,000	46,000	48,000	50,000	50,000
New Debt	29,334	2,024	6,875	79,250	7,544	2,000	67,000	2,000	2,000	77,000	2,000
Net Plant (12/31)	372,877	380,505	382,624	415,000	460,300	475,600	493,000	512,400	532,300	552,800	573,500
Net Assets (12/31)	61,537	64,889	68,170	73,500	74,700	75,400	76,200	80,000	84,500	89,900	96,100
Operating Cash	11,098	14,804	14,232	14,020	14,360	14,370	14,220	14,270	15,380	15,270	15,040
Construction Cash Pool	2,583	0	0	45,500	12,000	0	37,500	14,000	0	40,500	18,000
Restricted Cash	11,735	5,684	5,180	5,500	5,500	5,500	5,500	5,500	5,500	5,500	2,900
Total Cash	25,416	20,488	19,412	65,020	31,860	19,870	57,220	33,770	20,880	61,270	35,940
IGC's - General Government	1,869	2,117	2,408	2,064	2,146	2,232	2,322	2,414	2,511	2,611	2,716
MUSA	3,262	5,731	5,478	5,600	6,200	6,900	7,100	7,400	7,700	8,000	8,300
CCP Borrowings from Gen'l Govt.	0	4,118	11,525	0	0	7,000	0	0	11,500	0	0
Total Outstanding LT Debt	126,453	122,451	122,935	197,290	199,030	194,730	254,470	246,650	237,630	303,210	292,750
Total Annual Debt Service	14,029	11,806	12,053	9,492	14,890	15,408	16,470	21,482	22,341	22,572	26,469
Debt Service Coverage (Revenue)	1.74	1.98	1.96	1.86	1.39	1.41	1.37	1.35	1.37	1.40	1.37
Debt/Equity Ratio	65 / 35	64 / 36	63 / 37	72 / 28	72 / 28	72 / 28	77 / 23	75 / 25	74 / 26	77 / 23	75 / 25
Rate Change Percent	13.61%	7.76%	8.90%	7.00%	0.00%	6.00%	5.00%	10.50%	6.50%	5.00%	5.00%
Single Family Rate	$29.35	$31.30	$34.10	$36.50	$36.50	$38.69	$40.62	$44.89	$47.81	$50.20	$52.71
Statistical/Performance Trends:											
Number of Accounts	53,204	53,906	54,316	54,751	55,189	55,630	56,075	56,524	56,976	57,432	57,891
Average Treatment (GPD) (000)	28,400	27,600	26,000	26,260	26,520	26,790	27,060	27,330	27,549	27,769	27,991
Miles of Water Lines	808	864	882	885	888	891	894	898	905	912	919
Number of Hydrants	6,745	6,839	7,030	7,099	7,124	7,149	7,174	7,199	7,257	7,315	7,373

*2004 - 2006 reflects actual capital expenditures. 2007 - 14 is Capital Improvement Program, excluding individually significant projects funded by external entities.

ANCHORAGE WATER UTILITY
STATEMENT OF REVENUES AND EXPENSES

	2006 ACTUAL	2007 PROJECTIONS	2008 BUDGET	2009 BUDGET
OPERATING REVENUES				
RESIDENTIAL SALES	26,715,769	29,600,000	29,800,000	31,800,000
COMMERCIAL SALES	7,705,635	8,400,000	8,600,000	9,200,000
PUBLIC FIRE PROTECTION	3,159,859	3,500,000	3,500,000	3,800,000
HYDRANT USE CHARGE	228,126	300,000	300,000	300,000
MISCELLANEOUS	1,004,559	1,100,000	1,200,000	1,200,000
TOTAL OPERATING REVENUES	38,813,948	42,900,000	43,400,000	46,300,000
OPERATING EXPENSES				
SOURCE OF SUPPLY	2,490,969	2,500,000	2,430,000	2,604,000
TREATMENT	3,508,359	4,100,000	4,353,000	4,509,000
TRANSMISSION	5,182,635	6,500,000	6,235,000	6,373,000
CUSTOMER ACCOUNTS	2,089,651	2,300,000	2,115,000	2,308,000
GENERAL & ADMINISTRATIVE	6,116,053	7,500,000	8,567,000	8,916,000
DEPRECIATION	6,032,236	6,300,000	7,800,000	8,700,000
MUSA	5,477,567	5,400,000	6,200,000	6,900,000
TOTAL OPERATING EXPENSES	30,897,470	34,600,000	37,700,000	40,310,000
OPERATING INCOME	7,916,478	8,300,000	5,700,000	5,990,000
NON-OPERATING REVENUE				
RENTAL INCOME	27,500	30,000	30,000	30,000
INTERGOVERNMENTAL REVENUE	422,673	868,000	1,768,000	2,288,000
INTEREST INCOME, NET	639,014	2,040,000	2,720,000	1,290,000
TOTAL NON-OPERATING REVENUE	1,089,000	2,938,000	4,518,000	3,608,000
NON-OPERATING EXPENSE				
AMORTIZATION	717,052	670,000	720,000	710,000
INTEREST - BOND	5,106,829	5,550,000	7,840,000	7,630,000
INTEREST - SRF LOANS	605,534	640,000	1,240,000	1,390,000
CAPITALIZED INTEREST	(704,299)	(990,000)	(790,000)	(790,000)
TOTAL NON-OPERATING EXPENSE	5,725,116	5,870,000	9,010,000	8,940,000
NET NON-OPERATING EXPENSE	(4,635,929)	(2,932,000)	(4,492,000)	(5,332,000)
NET INCOME	3,280,549	5,368,000	1,208,000	658,000

ANCHORAGE WATER UTIILITY
2008 - 2009 OPERATING BUDGET DETAIL
CORRECTED 10-9-07

	2006 ACTUAL	2007 PROFORMA	2008 BUDGET	2009 BUDGET
LABOR				
Wages	7,532,594	9,069,000	9,070,000	9,292,000
Benefits	4,589,172	6,013,000	6,080,000	6,165,000
Subtotal	12,121,766	15,082,000	15,150,000	15,457,000
SUPPLIES				
Chemicals	266,696	386,000	400,000	475,000
Plant, Shop, & Office Expense	1,527,706	1,652,000	1,602,000	1,665,000
Subtotal	1,794,402	2,038,000	2,002,000	2,140,000
INTRAGOVERNMENTAL CHARGES				
Finance Dept	849,762	980,000	1,000,000	1,100,000
Information Technology Dept	249,801	350,000	375,000	400,000
Employee Relations Dept	217,544	300,000	320,000	350,000
Other	354,748	434,000	451,000	382,000
Subtotal	1,671,855	2,064,000	2,146,000	2,232,000
OTHER SERVICES				
Contingency	0	0	350,000	350,000
Professional Services	546,602	895,000	925,000	1,000,000
Rent/Leases	761,427	775,000	820,000	825,000
Utilities	1,957,898	2,136,000	2,210,000	2,593,000
Contracted Mtnce/Repair	738,982	760,000	747,000	763,000
Operating Expense Transfer to CWIP	(627,359)	(850,000)	(650,000)	(650,000)
Subtotal	3,377,550	3,716,000	4,402,000	4,881,000
OTHER EXPENSES				
Depreciation	6,032,236	6,300,000	7,800,000	8,700,000
MUSA	5,477,567	5,400,000	6,200,000	6,900,000
Interest Expense	5,712,363	6,190,000	9,080,000	9,020,000
Capitalized Interest	(704,299)	(990,000)	(790,000)	(790,000)
Amort Deferred Debits/Discounts	717,052	670,000	720,000	710,000
Subtotal	17,234,919	17,570,000	23,010,000	24,540,000
TOTAL EXPENSES	36,200,492	40,470,000	46,710,000	49,250,000

ANCHORAGE WATER UTILITY
STATEMENTS OF CASH FLOW

	2006 ACTUAL	2007 PROFORMA	2008 BUDGET	2009 BUDGET
SOURCES OF CASH:				
NET INCOME	3,280,549	5,368,000	1,208,000	658,000
REVERSE: DEPRECIATION	6,032,236	6,300,000	7,800,000	8,700,000
REVERSE: AMORTIZATION	717,052	670,000	720,000	710,000
BOND PROCEEDS	-	66,650,000	-	-
STATE LOANS	6,874,977	12,600,000	7,540,000	2,000,000
GRANTS	7,243,376	2,000,000	-	-
CONTRIBUTIONS FROM OTHERS	195,562	400,000	400,000	400,000
OTHER	298,394	932,000	652,000	1,732,000
TOTAL SOURCES OF CASH FUNDS	24,642,146	94,920,000	18,320,000	14,200,000
USES OF CASH:				
ADDITIONS TO PLANT	26,383,853	32,900,000	46,010,000	26,910,000
DEBT PRINCIPAL PAYMENT	6,390,985	4,910,000	5,810,000	6,290,000
TOTAL USES OF CASH FUNDS	32,774,838	37,810,000	51,820,000	33,200,000
NET INCREASE (DECREASE) IN CASH	(8,132,692)	57,110,000	(33,500,000)	(19,000,000)
CASH BALANCE JANUARY 1	16,019,753	7,890,000	65,000,000	31,500,000
CASH BALANCE DECEMBER 31	7,887,061	65,000,000	31,500,000	12,500,000
DETAIL OF CASH BALANCE:				
EQUITY IN CAPITAL ACQUISITION ACCT	(11,524,671)	45,500,000	12,000,000	(7,000,000)
RESTRICTED CASH ACCOUNTS	5,180,173	5,500,000	5,500,000	5,500,000
EQUITY IN GENERAL CASH POOL	14,231,559	14,000,000	14,000,000	14,000,000
TOTAL CASH DECEMBER 31	7,887,061	65,000,000	31,500,000	12,500,000

ANCHORAGE WATER UTILITY
2008 - 2014 CAPITAL IMPROVEMENT PROGRAM
FINANCIAL SUMMARY
(In thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	Seven-Year Total
Total, Awwu-Funded & Other	45,292	40,000	44,000	46,000	48,000	50,000	50,000	373,292
Less: Funded By Grants & Other	9,292	0	0	0	0	0	0	9,292
Balance: Awwu-Funded	36,000	40,000	44,000	46,000	48,000	50,000	50,000	314,000
Project Category								
General Plant	10,784	7,788	14,406	8,895	14,285	10,744	13,599	80,501
Repair & Rehabilitation	11,727	5,771	19,761	22,550	18,180	33,636	30,931	142,556
Transmission/Distribution	13,274	26,221	9,613	14,335	15,315	5,400	5,250	89,408
Improvement Districts	215	220	220	220	220	220	220	1,535
Total Awwu-Funded	36,000	40,000	44,000	46,000	48,000	50,000	50,000	314,000
Impr. Distr. & Grants	9,292	0	0	0	0	0	0	9,292
Total	45,292	40,000	44,000	46,000	48,000	50,000	50,000	323,292

	2008	2009	2010	2011	2012	2013	2014	Seven-Year Total
Source Of Funding								
Debt	31,000	35,000	39,000	41,000	43,000	45,000	45,000	279,000
Equity	5,000	5,000	5,000	5,000	5,000	5,000	5,000	35,000
Subtotal	36,000	40,000	44,000	46,000	48,000	50,000	50,000	314,000
Impr. Distr. & Grants	9,292	0	0	0	0	0	0	9,292
TOTAL	45,292	40,000	44,000	46,000	48,000	50,000	50,000	323,292

ANCHORAGE WASTEWATER UTILITY

11-YEAR SUMMARY

UTILITY FORMAT - 2008/2009 OPERATING BUDGET ($ in Thousands)

				Proforma	Budget		Forecast				
Financial Overview	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues	26,802	29,168	31,538	36,331	37,950	40,380	42,969	46,399	48,310	51,834	55,611
Expenses and Transfers	24,451	26,729	27,988	31,725	36,818	38,963	41,163	44,502	46,287	49,347	52,597
Net Income (Loss)	2,351	2,439	3,550	4,606	1,132	1,417	1,806	1,897	2,023	2,487	3,014
Dividend to General Government	0	0	0	0	0	0	0	0	0	0	0
Increase (Decrease) in Net Assets	2,351	2,439	3,550	4,606	1,132	1,417	1,806	1,897	2,023	2,487	3,014
Workforce Authorized per Budget	270.5	268.5	277.5	280.5	282.5	282.5	282.5	282.5	282.5	282.5	282.5
Capital Improvement Program*	21,110	19,988	26,221	27,344	24,000	32,000	36,000	39,000	41,000	43,000	43,000
New Debt (Bonds, Loan Fund)	30,848	3,239	2,653	45,120	18,390	3,000	53,000	3,000	3,000	58,000	3,000
Net Plant (12/31)	257,583	273,169	272,975	294,770	323,850	337,950	350,250	364,550	380,050	396,150	410,250
Net Assets (12/31)	42,897	45,337	48,887	53,507	54,874	56,381	58,187	60,084	62,108	64,594	67,609
Operating Cash	8,615	7,853	8,596	8,000	8,000	8,000	8,000	8,000	10,000	10,000	10,000
Construction Cash Pool	1,996	0	0	10,000	0	0	23,520	7,000	0	25,500	8,000
Restricted Cash	2,563	1,069	969	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Total Cash	13,174	8,923	9,565	19,300	9,300	9,300	32,820	16,300	11,300	36,800	19,300
IGC's - General Government	1,796	1,906	1,982	1,737	1,807	1,879	1,954	2,033	2,114	2,198	2,286
MUSA	2,290	4,080	4,068	4,100	4,500	5,000	5,200	5,400	5,600	5,800	6,100
CCP Borrowings from Gen'l Govt.	0	3,541	10,185	0	5,000	13,000	0	0	13,000	0	0
Total Outstanding LT Debt	69,747	65,949	62,734	105,173	120,317	119,805	168,329	165,105	161,739	213,528	207,982
Total Annual Debt Service	8,949	9,292	7,786	4,626	7,161	7,707	9,084	12,663	12,594	12,891	12,891
Debt Service Coverage (Revenue)	14.88	9.40	9.77	7.24	3.84	4.07	4.60	5.06	5.28	5.92	6.61
Debt/Equity Ratio	58 / 42	56 / 44	53 / 47	64 / 36	67 / 33	67 / 33	73 / 27	73 / 27	72 / 28	77 / 23	75 / 25
Rate Change Percent	8.06%	6.83%	4.01%	9.50%	0.00%	6.50%	5.00%	5.00%	6.00%	6.00%	6.00%
Single Family Rate	$22.90	$23.75	$26.30	$28.75	$28.75	$30.62	$32.15	$33.76	$35.78	$37.93	$40.21
Statistical/Performance Trends:											
Number of Accounts	54,189	54,892	55,272	55,659	56,049	56,441	56,836	57,234	57,634	58,038	58,444
Average Treatment (GPD) (000)	31,280	30,170	30,060	30,360	30,660	30,970	31,280	31,590	31,910	32,230	32,550
Miles of Wastewater Lines	723	739	754	757	761	764	768	771	775	778	782

*2004 - 2006 reflects actual capital expenditures. 2007 - 14 is Capital Improvement Program, excluding individually significant projects funded by external entities.

ANCHORAGE WASTEWATER UTILITY
STATEMENT OF REVENUES AND EXPENSES

	2006 ACTUAL	2007 PROJECTIONS	2008 BUDGET	2009 BUDGET
OPERATING REVENUES				
RESIDENTIAL SALES	23,120,932	26,150,000	26,340,000	28,250,000
COMMERCIAL SALES	5,450,412	6,160,000	6,200,000	6,650,000
PUBLIC AUTHORITIES	1,284,405	1,460,000	1,470,000	1,570,000
MISCELLANEOUS	1,092,055	1,390,000	1,590,000	1,690,000
TOTAL OPERATING REVENUES	30,947,804	35,160,000	35,600,000	38,160,000
OPERATING EXPENSES				
COLLECTION	2,977,980	3,600,000	3,938,000	4,052,000
TREATMENT	7,154,758	8,000,000	8,224,000	8,485,000
CUSTOMER ACCOUNTS	1,777,556	1,900,000	2,126,000	2,316,000
GENERAL & ADMINISTRATIVE	6,041,484	7,200,000	8,778,000	9,159,000
DEPRECIATION	4,188,454	4,900,000	5,669,000	6,287,000
MUSA	4,067,999	4,000,000	4,400,000	4,900,000
TOTAL OPERATING EXPENSES	26,208,231	29,600,000	33,135,000	35,199,000
OPERATING INCOME	4,739,573	5,560,000	2,465,000	2,961,000
NON-OPERATING REVENUE				
INTEREST INCOME, NET	215,428	514,000	780,000	200,000
INTERGOVERNMENTAL REVENUE	374,823	657,000	1,570,000	2,020,000
TOTAL NON-OPERATING REVENUE	590,251	1,171,000	2,350,000	2,220,000
NON-OPERATING EXPENSE				
AMORT DEFERRED DEBITS/DISCOUNTS	81,288	85,000	93,000	84,000
INTEREST - LONG TERM DEBT	1,531,041	2,000,000	3,360,000	3,320,000
INTEREST - OTHER	489,052	500,000	750,000	880,000
CAPITALIZED INTEREST	(322,026)	(460,000)	(520,000)	(520,000)
TOTAL NON-OPERATING EXPENSE	1,779,355	2,125,000	3,683,000	3,764,000
NET NON-OPERATING EXPENSE	(1,189,104)	(954,000)	(1,333,000)	(1,544,000)
NET INCOME	3,550,469	4,606,000	1,132,000	1,417,000

ANCHORAGE WASTEWATER UTILITY
STATEMENTS OF CASH FLOW

	2006 ACTUAL	2007 PROJECTIONS	2008 BUDGET	2009 BUDGET
SOURCES OF CASH:				
NET INCOME	3,550,469	4,606,000	1,132,000	1,417,000
REVERSE: DEPRECIATION	4,188,454	4,900,000	5,669,000	6,287,000
REVERSE: AMORTIZATION	81,288	85,000	93,000	84,000
BOND PROCEEDS	-	40,965,000	-	-
STATE LOANS	2,653,488	4,155,000	17,390,000	4,000,000
GRANTS	453,439	900,000	-	-
CONTRIBUTIONS FROM OTHERS	182,485	700,000	700,000	1,500,000
OTHER	494,595	(1,531,000)	1,406,000	3,182,000
TOTAL SOURCES OF CASH FUNDS	11,604,218	54,780,000	26,390,000	16,470,000
USES OF CASH:				
ADDITIONS TO PLANT	11,762,997	32,590,000	38,140,000	20,960,000
DEBT PRINCIPAL PAYMENT	5,868,610	2,680,000	3,250,000	3,510,000
TOTAL USES OF CASH FUNDS	17,631,607	35,270,000	41,390,000	24,470,000
NET INCREASE (DECREASE) IN CASH	(6,027,389)	19,510,000	(15,000,000)	(8,000,000)
CASH BALANCE JANUARY 1	4,912,523	(1,110,000)	18,400,000	3,400,000
CASH BALANCE DECEMBER 31	(1,114,866)	18,400,000	3,400,000	(4,600,000)
DETAIL OF CASH BALANCE:				
EQUITY IN CAPITAL ACQUISITION ACCT	(10,184,995)	10,000,000	(5,000,000)	(13,000,000)
RESTRICTED CASH ACCOUNTS	473,744	400,000	400,000	400,000
EQUITY IN GENERAL CASH POOL	8,596,385	8,000,000	8,000,000	8,000,000
TOTAL CASH DECEMBER 31	(1,114,866)	18,400,000	3,400,000	(4,600,000)

ANCHORAGE WASTEWATER UTIILITY
2008 - 2009 OPERATING BUDGET DETAIL
CORRECTED 10-9-07

	2006 ACTUAL	2007 PROFORMA	2008 BUDGET	2009 BUDGET
LABOR				
Wages	6,889,730	8,100,000	8,620,000	8,970,000
Benefits	4,436,818	5,100,000	5,681,000	5,923,000
Subtotal	11,326,548	13,200,000	14,301,000	14,893,000
SUPPLIES				
Chemicals	663,009	660,000	690,000	725,000
Plant, Shop, & Office Expense	1,236,079	1,350,000	1,550,000	1,581,000
Subtotal	1,899,088	2,010,000	2,240,000	2,306,000
INTRAGOVERNMENTAL CHARGES				
Finance Dept	762,882	862,000	950,000	1,000,000
Information Technology Dept	212,761	250,000	303,000	330,000
Employee Relations Dept	198,558	225,000	250,000	275,000
Other	224,479	400,000	304,000	274,000
Subtotal	1,398,680	1,737,000	1,807,000	1,879,000
OTHER SERVICES				
Contingency	0	0	350,000	350,000
Professional Services	965,443	1,249,000	1,325,000	1,429,000
Rent/Leases	654,138	679,000	700,000	720,000
Utilities	1,958,337	2,200,000	2,758,000	2,833,000
Contracted Mtnce/Repair	423,798	325,000	235,000	252,000
Operating Expense Transfer to CWIP	(674,254)	(800,000)	(650,000)	(650,000)
Subtotal	3,327,462	3,653,000	4,718,000	4,934,000
OTHER EXPENSES				
Depreciation	4,188,454	4,900,000	5,669,000	6,287,000
MUSA	4,067,999	4,100,000	4,400,000	4,900,000
Interest Expense	2,020,093	2,500,000	4,110,000	4,200,000
Capitalized Interest	(322,026)	(460,000)	(520,000)	(520,000)
Amort Deferred Debits/Discounts	81,288	85,000	93,000	84,000
Subtotal	10,035,808	11,125,000	13,752,000	14,951,000
TOTAL EXPENSES	27,987,586	31,725,000	36,818,000	38,963,000

ANCHORAGE WASTEWATER UTILITY
2008 - 2014 CAPITAL IMPROVEMENT PROGRAM
FINANCIAL SUMMARY
(In thousands of dollars)

	2008	2009	2010	2011	2012	2013	2014	Seven-Year Total
Total, Awwu-Funded & Other	31,214	38,560	36,000	39,000	41,000	43,000	43,000	271,774
Less: Funded By Grants & Other	7,214	6,560	0	0	0	0	0	13,774
Balance: Awwu-Funded	24,000	32,000	36,000	39,000	41,000	43,000	43,000	258,000
Project Category								
General Plant	14,773	15,733	18,363	19,110	19,145	26,680	19,494	133,298
Repair & Rehabilitation	8,306	13,207	17,277	19,521	19,875	15,930	23,116	117,232
Transmission/Distribution	709	2,840	140	149	1,760	170	170	5,938
Improvement Districts	212	220	220	220	220	220	220	1,532
Total AWWU-Funded	24,000	32,000	36,000	39,000	41,000	43,000	43,000	258,000
Impr. Distr. & Grants	7,214	6,560	0	0	0	0	0	13,774
TOTAL	31,214	38,560	36,000	39,000	41,000	43,000	43,000	271,774

	2008	2009	2010	2011	2012	2013	2014	Seven-Year Total
Source Of Funding								
Debt	21,000	29,000	33,000	36,000	38,000	40,000	40,000	237,000
Equity	3,000	3,000	3,000	3,000	3,000	3,000	3,000	21,000
Subtotal	24,000	32,000	36,000	39,000	41,000	43,000	43,000	258,000
Impr. Distr. & Grants	7,214	6,560	0	0	0	0	0	13,774
Total	31,214	38,560	36,000	39,000	41,000	43,000	43,000	271,774