

UTILITY PROFILE

INTRODUCTION

This section of the report presents fiscal information pertaining to municipally-owned utilities. The information is not a complete fiscal picture of the utilities; rather, the charts illustrate utility financial indicators which have not been included in budget documents in the past. For more information regarding the financial history and the budget summaries for each of the utilities, please refer to the 1987 Public Utilities Operating and Capital Budgets.

The municipal utilities are self-supported through user rates and require no local tax assistance. The utilities have, in fact, eased the tax burden for general government. In 1986, ATU distributed \$5.5 million in profits to its owners - the citizens of Anchorage - through a Utility Revenue Distribution (AO 85-200) to the general government budget. Additionally, most of the utilities pay Municipal Utility Service Assessments (MUSA) to general government equivalent to the mill levy paid by other businesses.

Debt Service Coverage

Debt service coverage is determined by dividing income available for debt service (current net revenue before debt service payments with depreciation and in some cases Municipal Utility Service Assessment (MUSA) added to it) by the accrued debt service for the year. Debt service coverage is an indication of a utility's ability to pay for existing debt as well as its ability to finance new debt. For a utility to issue new debt, it must satisfy a number of criteria in the bond covenants and be able to show that projected debt service coverage will be at least equal to the minimum requirement contained in its covenants. Projected debt service coverage is one of several indicators used by the utilities financed with revenue bonds to determine when to file for a rate increase and the size of the increase needed.

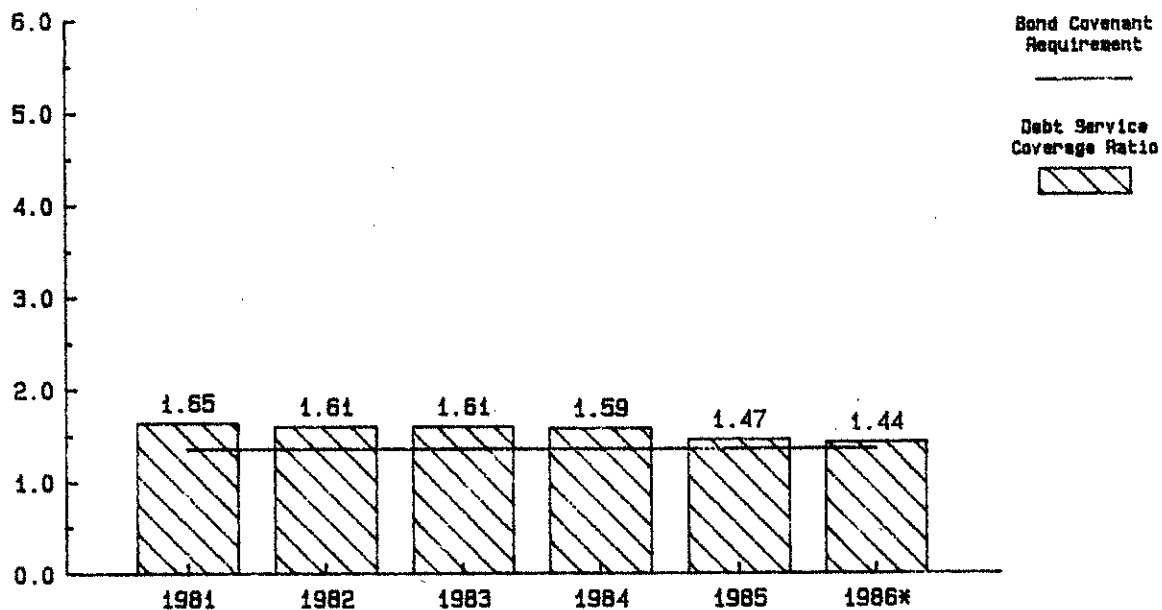
The minimum debt service coverage requirement contained in each utility's bond covenants is included as a benchmark on each of the following graphs. No debt service coverage graphs are included for the Anchorage Wastewater Utility, Merrill Field Airport or the Processing and Disposal section of the Solid Waste Utility because those entities have not issued revenue bonds.

All of the utilities have met their coverage requirements in recent years and have been able to issue new debt to finance their growth as needed. ML&P received a 16.13% interim rate increase in July, 1986, which had been budgeted for January 1986. The increase, received later than expected, contributed to a lower than anticipated coverage in 1986. A full year at the new rates and tight expenditure controls should improve coverage in 1987.

The Port of Anchorage debt service coverage has decreased in 1986, primarily due to revenue bonds sold in December 1985. The Port plans to maintain tight controls on expenses and monitor income projections closely to ensure that coverage does not fall below the requirement.

Figure 4-1

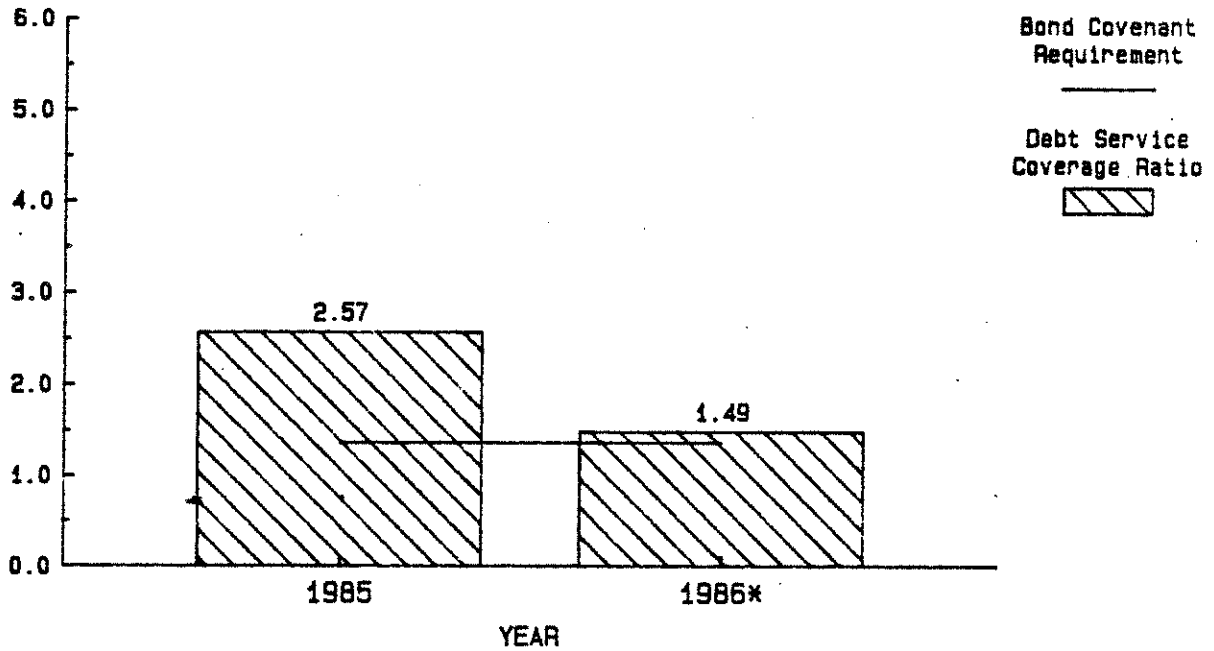
DEBT SERVICE COVERAGE MUNICIPAL LIGHT AND POWER



* Estimated

Figure 4-2

**DEBT SERVICE COVERAGE
PORT OF ANCHORAGE**

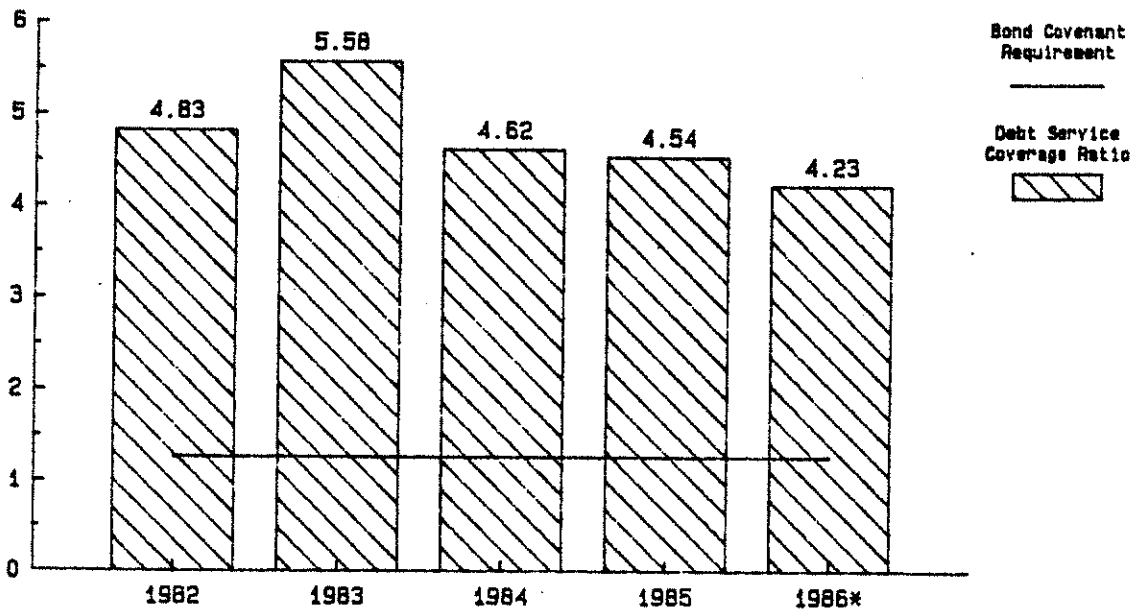


* Estimated

No Port Revenue Bonds outstanding prior to 1985.

Figure 4-3

**DEBT SERVICE COVERAGE
SOLID WASTE UTILITY
REFUSE COLLECTION**

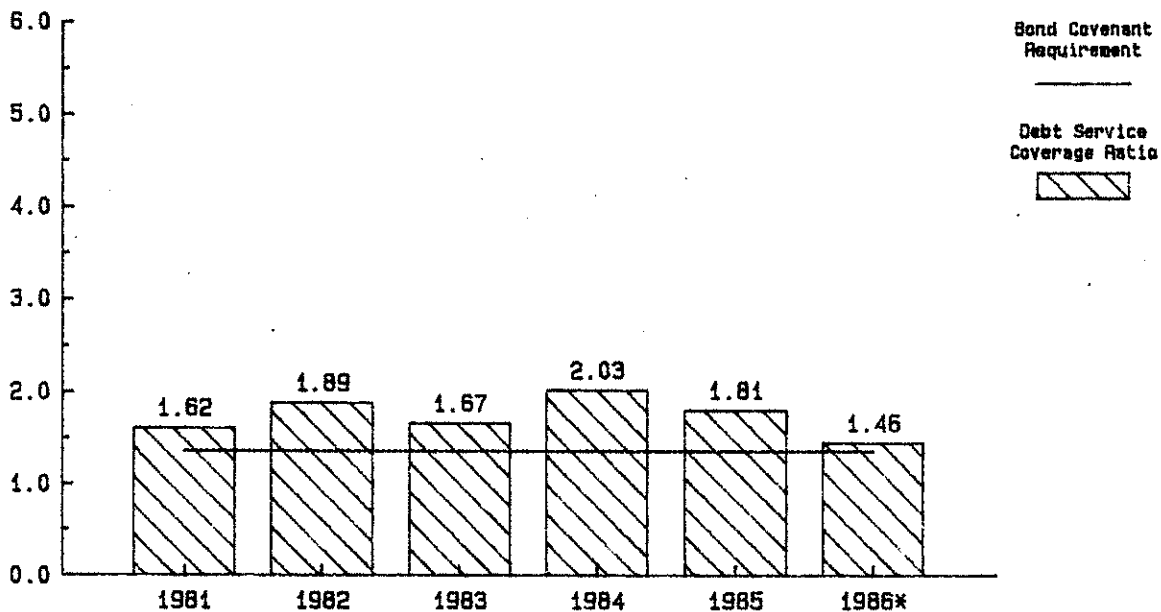


* Estimated

No Refuse Revenue Bonds issued prior to 1982.
No Disposal Revenue Bonds Issued.

Figure 4-4

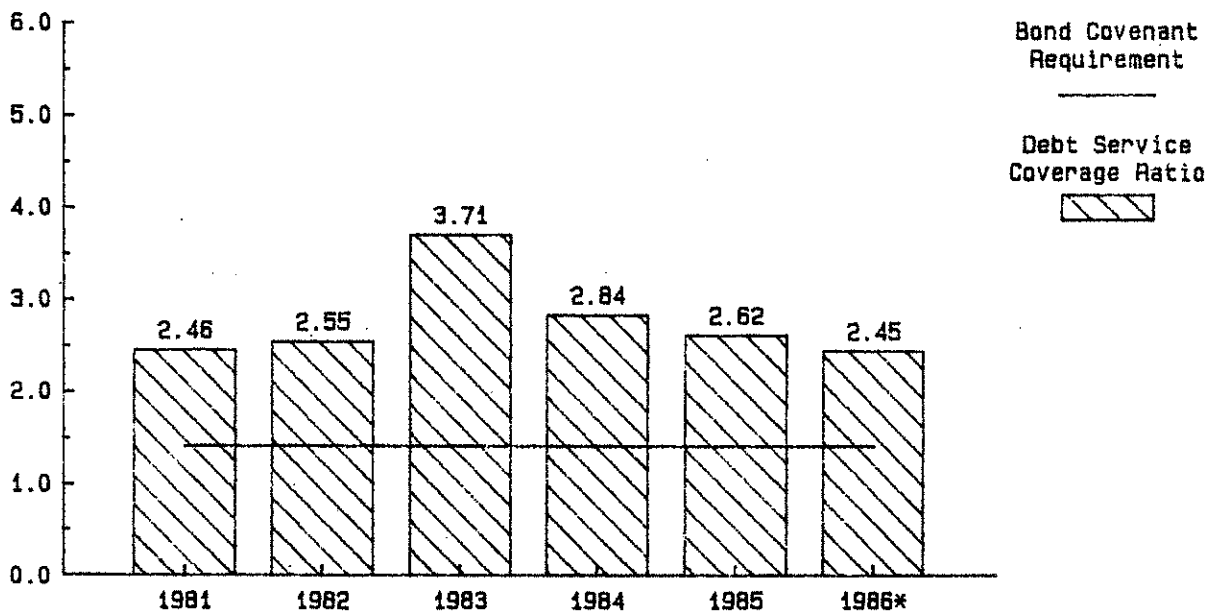
DEBT SERVICE COVERAGE WATER UTILITY



* Estimated

Figure 4-5

DEBT SERVICE COVERAGE ANCHORAGE TELEPHONE UTILITY



* Estimated

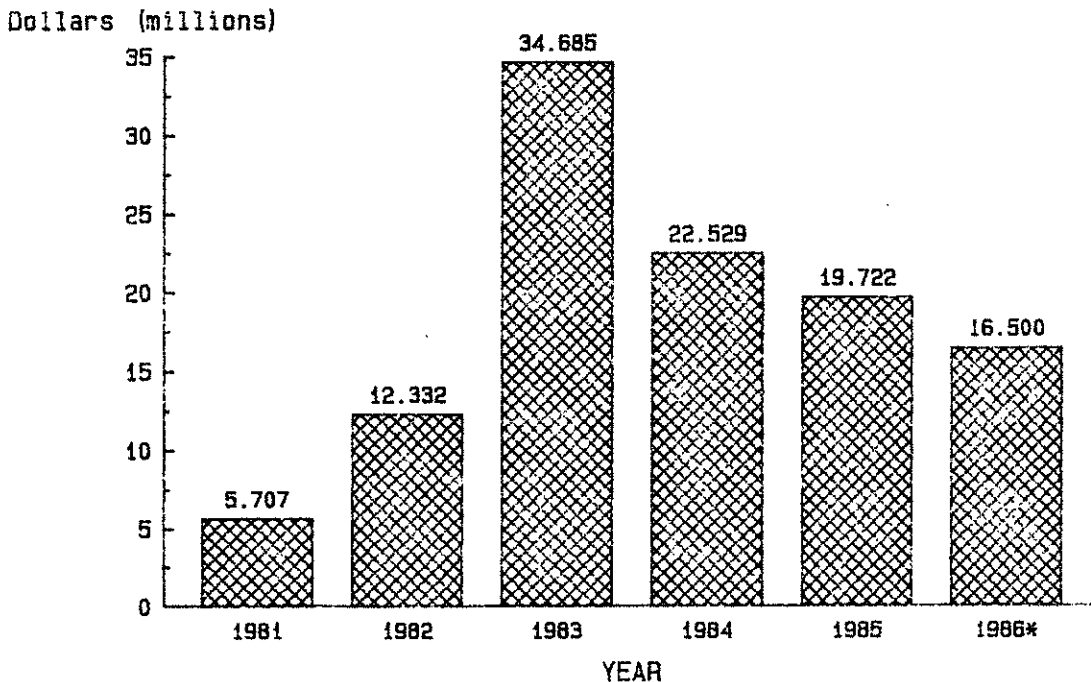
NET INCOME

Net income is calculated by subtracting total expenses from total revenues. It is closely tied to utility rates as most revenues are from charges for services provided. If net income is large, it may indicate that rates are sufficient and will not need to be raised in the near future. If it is low or negative, a utility's equity is being eroded and it may be an indicator that a rate increase needs to be requested. In either case, expenses are monitored closely to be sure they are being kept as low as possible while still providing services to all customers.

Net income for the regulated utilities, including Anchorage Water and Wastewater Utility, Anchorage Telephone Utility, and Municipal Light and Power, is computed using methodology prescribed by the Alaska Public Utilities Commission (APUC). Although other utilities, including Solid Waste utilities, the Port of Anchorage, and Merrill Field Airport, are not regulated by the APUC, net income is computed using the same methodology for rate-making purposes.

Figure 4-6

NET INCOME ANCHORAGE TELEPHONE UTILITY



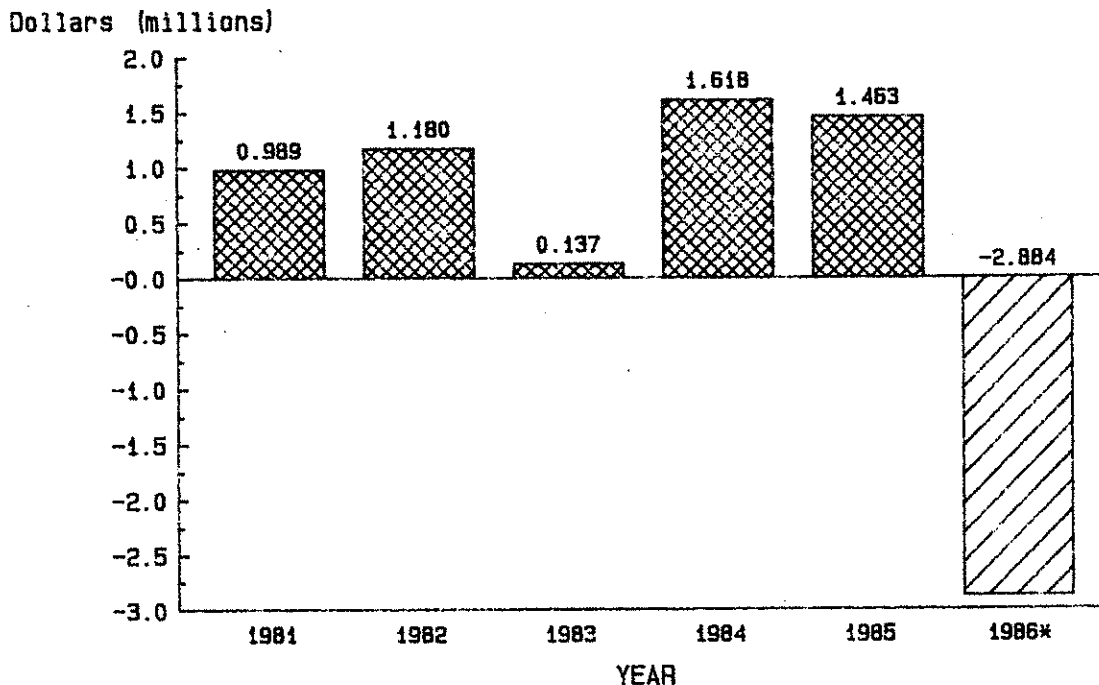
* Estimated

1982 included \$6.0 million in prior year toll settlement.

1983 included \$20.8 million in prior year toll settlement.

Figure 4-7

NET INCOME (REGULATORY) WASTEWATER UTILITY

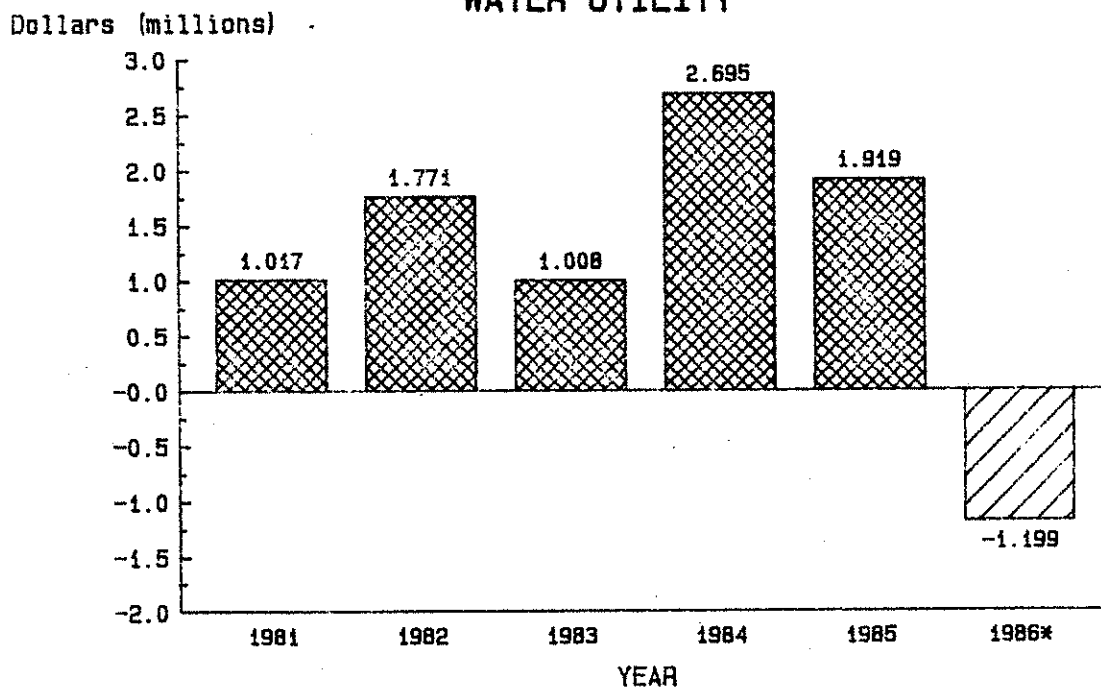


* Estimated

1986 projected loss primarily due to receiving a rate increase which was 6% less than anticipated.

Figure 4-8

NET INCOME (REGULATORY) WATER UTILITY



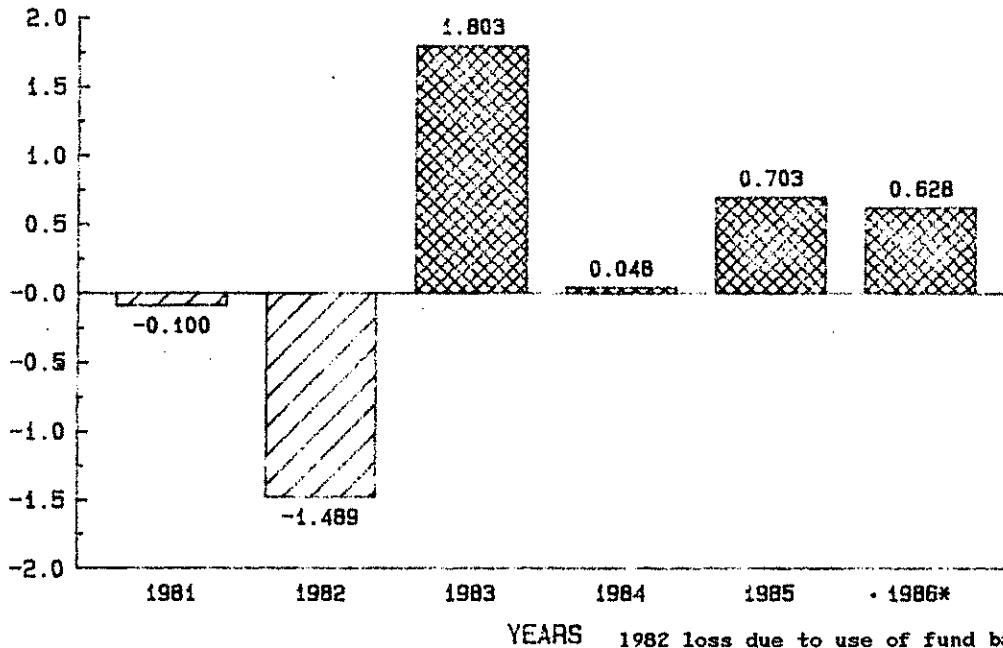
* Estimated

1986 projected loss primarily due to receiving a rate increase which was 9% less than anticipated.

Figure 4-9

NET INCOME **
SOLID WASTE UTILITY
PROCESSING AND DISPOSAL

DOLLARS (millions)



* Estimated

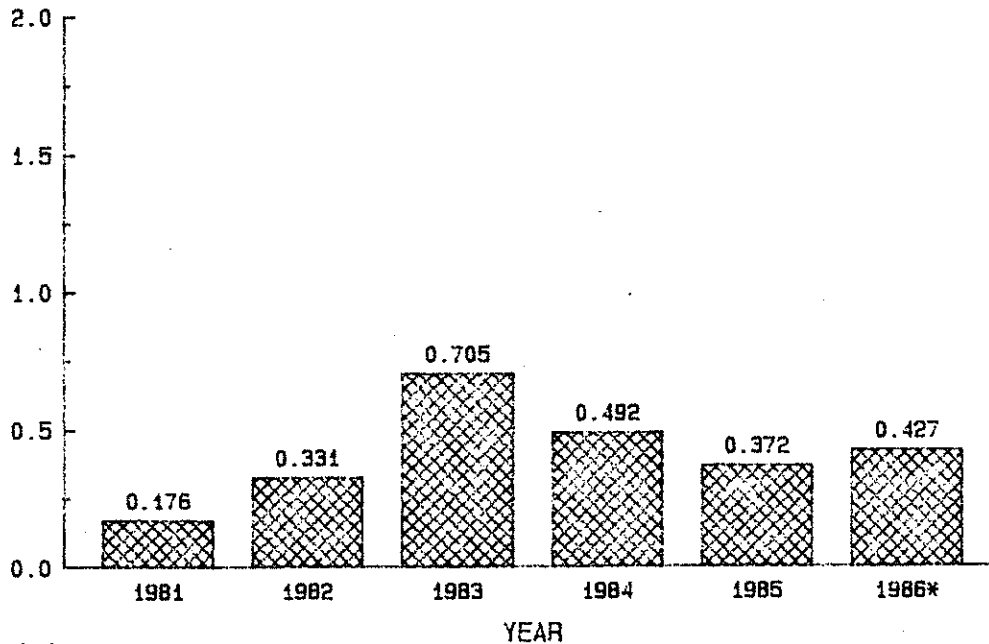
** Same methodology used to compute net income as used in regulated utilities.

1982 loss due to use of fund balance to reduce taxes. (Solid waste was part of general government at that time.)
1983 profit due to replenish funded balance. (Solid waste was part of general government at that time.)

Figure 4-10

NET INCOME **
SOLID WASTE UTILITY
REFUSE COLLECTION

Dollars (millions)

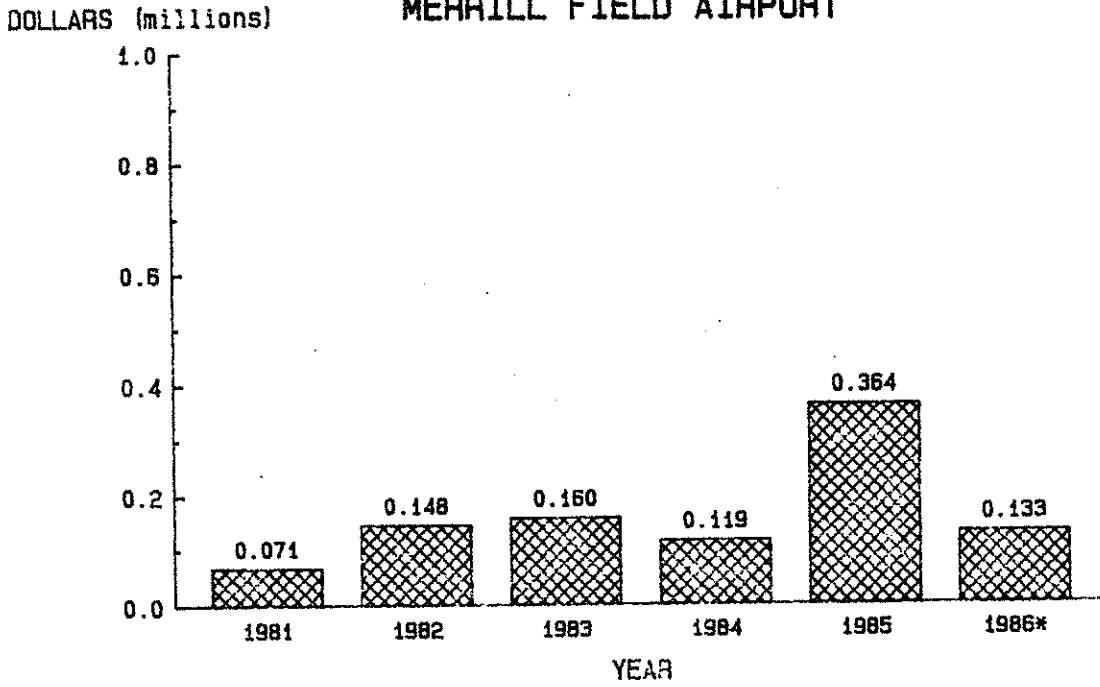


* Estimated

** Same methodology used to compute net income as used in regulated utilities.

Figure 4-11

**NET INCOME **
MERRILL FIELD AIRPORT**

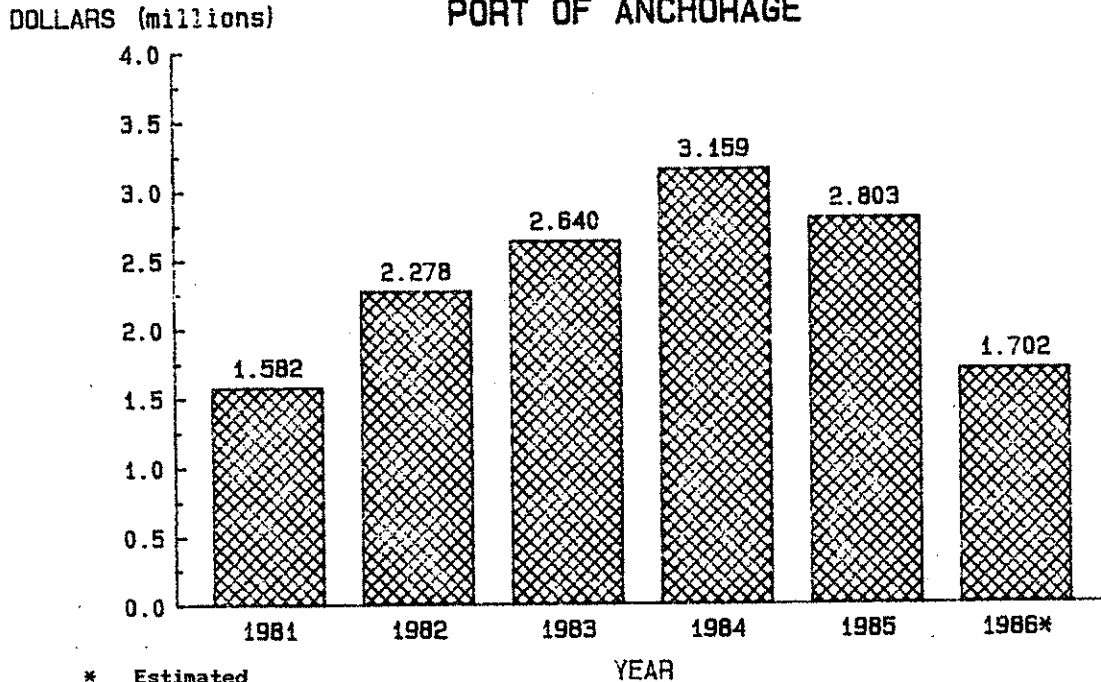


* Estimated

** Same methodology used to compute net income as used in regulatory utilities. Disproportional income increase in 1985 due to sale of hotel property.

Figure 4-12

**NET INCOME **
PORT OF ANCHORAGE**

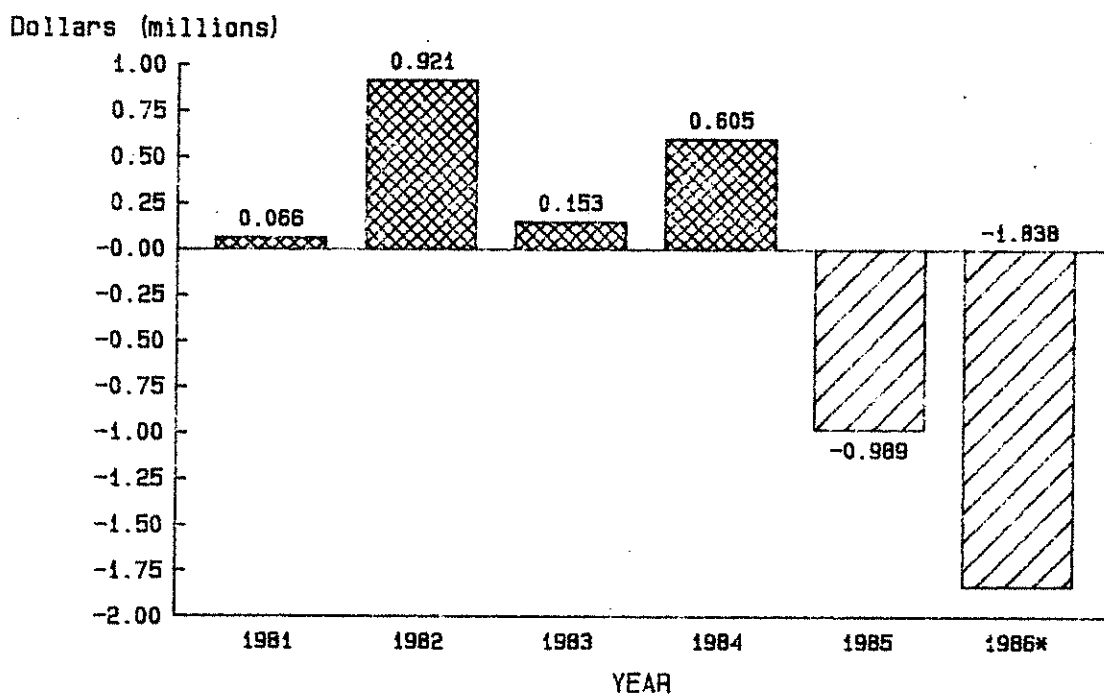


* Estimated

** Same methodology used to compute net income as used in regulated utilities.

Figure 4-13

NET INCOME (REGULATORY) MUNICIPAL LIGHT AND POWER



* Estimated