

HIGHLIGHTS AND FUTURE EVENTS

MUNICIPAL LIGHT & POWER HIGHLIGHTS AND FUTURE EVENTS

Long term natural gas contracts, combined with a new transportation agreement continue to benefit ML&P customers. Gas contracts were signed with three direct major oil company suppliers reducing ML&P's gas cost by 23.7 percent. Savings realized in the first year were \$1.4 million with a total savings of \$19.0 million expected over the fifteen year life of the contracts.

ML&P plans to issue \$1.5 million in tax free mini-bonds to use towards key capital projects such as undergrounding and substation upgrades. Sale of the bonds known as Capital Appreciation or Zero Coupon Bonds will be targeted towards individuals wanting forward funding for college or other major commitments. They will mature in 5, 7 and 10 year increments and bear tax free interest at a predetermined rate as of the date of issuance. Pre-applications will be available September 1, 1994, with an issue date of October 12, 1994.

ML&P, in cooperation with Babcock & Wilcox (B & W), has been awarded a Federal Grant of approximately \$8.7 million. These funds, along with contributions from ML&P and B & W, will be used to construct a Superconducting Magnetic Energy Storage Device (SMES) to be added to ML&P's electrical system. This leading edge technology will add a new dimension of control to electric operations and provide benefits to ML&P rate payers in the area of fuel savings and reduced power outages. Identified savings are expected to be more than \$2.0 million per year with further savings from other areas identified but not yet quantified.

ML&P, along with Chugach Electric Association (CEA) and Matanuska Electric Association (MEA), has submitted a proposal to the Federal government to purchase the Eklutna Hydroelectric Project. The project produces the lowest cost energy in the Anchorage area. ML&P's share is 16/30 of all the power produced by this project. The Federal Administration has approved the sale. As part of the agreement to this sale, ML&P will acquire 16/30 of the employees currently employed at the project. The U.S. House of Representatives has recently passed the purchase legislation. The last hurdle is the U.S. Senate where the legislation now resides. Local ownership of the project is important to insure that ML&P rate payers will continue to receive the benefits of low cost energy this project produces.

Design of the Northern Intertie has begun and design will begin on the Southern Intertie later this year. This is the beginning of work which will ultimately result in the construction of both transmission lines. The new lines will augment the existing intertie for greater reliability of electric service throughout the Railbelt Region.

The Electric Power Research Institute (EPRI), the research arm of the electric power industry, has agreed to help ML&P clean up two fuel spill contaminated sites, the first at ML&P's Generation Plant 1 and the other at ML&P's Generation Plant 2. The spill at Plant 1 was caused by the 1964 earthquake when the plant's fuel tank ruptured releasing approximately 200,000 gallons of fuel. The fuel spill at Plant 2 was caused by a fuel truck which overturned and released 3,700 gallons of diesel fuel. This spill reached a depth of 55 feet in a matter of days. EPRI's interest in these projects are centered on the unusual characteristics of each spill which are factors in cleanup efforts. Both spills are under active study now to determine the most efficient cleanup method. The projects are projected to be complete in 1996.

Occupational Safety and Health Administration's (OSHA) Rule 29 CFR part 1910, establishing guidelines for final utility work practices and equipment safety rules, was issued on January 31, 1994. It became effective on May 31, 1994. The training rule becomes effective on January 31, 1995. The new rule encompasses all aspects of electrical utility work as well as design requirements for personal protective equipment. It also includes mandatory safety procedures, work practices, requirements for use and care of electrical protective equipment and certain equipment performance. Essentially, the new wide ranging mandates will require more workers to do the same work and dictates more requirements on ML&P Management. The rules are under intense analysis now to determine what additional requirements will be needed for compliance.

The mandates of the Federal Energy Act of 1992 (EPA92) are directed towards making utilities become more competitive and efficient in providing service to their customers. Although details of the required changes have yet to be defined, partnership in the ownership or control of an area's transmission lines is requisite to being prosperous. ML&P plans to meet the Act's objectives by concentrating on areas where cost reduction gains can be made. Innovations in forming new alliances and partnerships with other Railbelt Utilities and in power pooling or other joint cost reduction ventures which will be the key to restructuring the present monopoly held by the railbelt's larger utilities. This will create an area of intense competition and yield the needed efficiencies to meet the goals of EPA92.

ML&P produces an excess of heat at its Power Plant #2 during the generation process. In response, ML&P has been looking for options to put this energy to work to increase its efficiency and meet the goals of the Energy Act. ML&P has commissioned a study with the University of Alaska (UAA) School of Engineering to determine the feasibility of using district heating to heat UAA buildings and the institutional buildings surrounding the campus. If the study determines that district heating is feasible and there is wide acceptance of such a program, ML&P will move positively but cautiously toward this objective.

ANCHORAGE WATER AND WASTEWATER UTILITY HIGHLIGHTS AND FUTURE EVENTS

Anchorage Loop Water Transmission Main

The Anchorage Loop Water Transmission Main (the 'Loop') will extend treated water from the Eklutna Water Treatment Facility through a system of large diameter, high pressure water transmission mains through the Anchorage Bowl. When completed, the Loop will eliminate areas without water or with low water pressure during periods of high water demand.

The near future activity is restricted to design and construction of Phases I-III. The entire Loop project consists of eight phases. Portions of Phases V and VII (along Dimond Boulevard/Abbott Road corridors) and all of phase VIII (Kincaid Reservoir north to Northern Lights Boulevard) are complete.

Systems Integration Plan

A professional services contract to assist AWWU in refining and updating its Data Processing and Systems Integration Plan for the years 1995-2000 was entered into in mid-1994. The plan is expected to be completed the end of 1994. This plan will establish the medium and long term priorities and goals for data processing within all divisions of the Utility.

Cost of Service Studies

In an effort to ensure that the Utility's costs are equitably allocated between the various customer classes, separate water and wastewater 1992 test-year Cost of Service Studies have been completed and filed with the Alaska Public Utilities Commission (APUC). Implementation of the results of these studies will take place no sooner than the second quarter of 1995, as it is anticipated it will take the APUC nine to 12 months for review and approval. These studies will result in changes to the various service rates, but will not result in an overall increase in total revenue generated by the Utilities.

EPA Audit

In June 1994 the Utility received the report of final audit prepared by Conrad and Associates to the Environmental Protection Agency (EPA) on eleven EPA funded construction projects completed by the wastewater utility between the years 1979 and 1992. The auditors recommended to the Regional Administrator of the EPA that the EPA recover approximately \$4 million worth of Federal funds paid in excess of the amounts accepted by the report.

The Utility is contesting these findings, and expects to invest considerable time and effort in the process toward final agreement, which is expected to take several years.

Girdwood Wastewater Treatment Facility Upgrade

The Girdwood Wastewater Treatment Facility was constructed in 1978. It is a tertiary treatment plant and has a maximum capacity of 0.45 million gallons per day. At present, the plant routinely exceeds its maximum capacity, with record flows recorded for the spring of 1995 equal to 200% of its capacity. With the addition of the new Alyeska Prince Hotel, the expansion of service to the Old Girdwood Townsite public area, and other new developments, this plant's capacity will be exceeded within the year. A plan for phased upgrades has been initiated. Phase I, designed in 1994-95, will increase the plant's capacity to 0.6 million gallons per day, at an estimated construction cost of \$2,500,000 - \$3,000,000. Phase II, with an estimated cost of \$10,000,000 to \$15,000,000, will be necessary shortly after the year 2000 to bring the plant to a maximum daily capacity of 1.2 million gallons.

Eagle River Reservoir Site Acquisition

AWWU received \$4 million from the 1994 State Legislature to be used for the planning, design and construction of a reservoir in Eagle River. A contract was awarded in 1994 for professional services to assist in the process of choosing and acquiring a site for up to two reservoirs (one in the immediate future, and a second after 2005). The Utility has involved the Eagle River community, and the general public, in the site selection process. As a result of this process and AWWU's identification of costly engineering constraints, the search for a site has been expanded to include areas at a lower elevation and adjacent to the existing water system infrastructure. The site selection process should be complete by the end of 1995, at which time a design RFP will be issued to proceed with the engineering and construction phases.

Improvement Districts

Over the past two years, AWWU has seen an increase in activity for the investigation and creation of special assessment improvement districts. AWWU expects to see this trend increase, particularly in light of increasing numbers of failing on-site well and/or septic systems. At present, AWWU has \$6,500,000 of improvement districts under design or construction. This will impact AWWU's cash flow, since the benefited property owners are not assessed until three to four years after the creation of the district, with AWWU carrying the cost of construction during this time.

On-Site Systems Study

In co-operation with the Municipality of Anchorage Department of Health & Human Services (DHHS) and the Community Development and Planning Department, AWWU will participate in a Municipal-wide study identifying areas of known and probable on-site water and wastewater health concerns. DHHS is the lead agency with strong support and participation from AWWU. It is AWWU's opinion that this issue is a growing problem, as evidenced by water shortages and health problems in areas such as Scimitar Subdivision in Peters Creek. Both state and local agencies agree that planning for resolving potential health impacts must begin soon. AWWU has programmed funds in its Construction Improvements Plan (CIP) for 1996 and 1997 to support this issue.

AWWU Community Involvement

Anchorage Water and Wastewater Utility strives to help improve the quality of life in Anchorage by actively participating with the community. Awareness of Anchorage's need for reduced carbon monoxide levels led AWWU to volunteer in a federally funded Compressed Natural Gas (CNG) program. The Utility purchased 13 new vehicles in 1995 which were converted to operate with CNG, a much cleaner burning fuel.

Employees of AWWU, through the Anchorage Parks and Recreation Adopt-A-Park Program, adopted the Arctic Benson Park, located across from their headquarters building at 3000 Arctic, much to the appreciation of the neighboring residents. A group of 30 employees volunteer their free time to beautify and maintain the park so it remains an asset to the Spenard community. In the Huffman Hills Subdivision, AWWU worked with the local neighborhood to improve and clean up a water well site. This included the placement of wooden posts around the perimeter of the newly established pocket park to restrict unauthorized access.

In the winter, the headquarters building is illuminated with white lights as part of the Chamber of Commerce's City of Lights. This program will be expanded. In addition, AWWU was the 51st Anchorage business, and second Municipal Department, to attain the Chamber's highly acclaimed Green Star rating in recognition of the commitment to earth friendly efforts to reuse, reduce, and recycle.

SOLID WASTE SERVICES

Highlights and Future Events

September 1994

A contract for the construction of the Anchorage Regional Landfill cells 4/5 and Leachate lagoon will be awarded. This 10.9 million dollar project will be completed by September 1995 and will ensure Anchorage has sufficient capacity for receipt of solid waste for the next four year period. It is anticipated that this project will be funded with money obtained through the State of Alaska Clean Water Fund program. It is estimated that use of this program's money versus conventional revenue bonds will save SWS a minimum of 2.7 million dollars.

March 1995

Plans and specifications for an improved leachate collection system at the former Merrill Field Landfill will be completed and bid. This project will ensure leachate will not migrate from the site and cause environmental damage to the Chester Creek wetlands located south of 15th Avenue. Project financing via the State of Alaska Clean Water Fund program is actively being pursued.

PORT OF ANCHORAGE HIGHLIGHTS AND FUTURE EVENTS

FEBRUARY 1993

Completed Port Area Transportation Analysis to identify Port access problems and potential solutions. Thereafter the project was entered into the Anchorage Metropolitan Area Transportation (AMATS) process.

July 1993

After a successful lobbying effort by the Port staff, the Port of Anchorage received two legislative grants from the State of Alaska:

\$4,000,000	Port Dock Fendering System
\$4,154,000	Port of Anchorage Land Development

AUGUST 1993

The Port of Anchorage Petroleum Users Group (PUG) completed a Risk Assessment Feasibility Study and began risk assessment to determine the level of contamination cleanup required in the Port area.

AUGUST 1993

Completion of the Dock Pile/Cathodic Protection Renovation Project. This was a multiple year project which cost \$6.2 million.

OCTOBER 1993

Completion of a major dock deck renovation project involving repair of deck delamination and rail keyways.

1993

The Port of Anchorage is ranked as 16th among United States container ports in TEU (twenty foot equivalent units) throughput.

JANUARY 1994

The Port was requested by the State of Alaska, Department of Transportation and Public Facilities, to assist in the development of an overall transportation plan affecting highway, aviation and maritime associated industries. This provides the Port with the opportunity to influence the provisions of the next funding allocation under the federal Intermodal Surface Transportation Efficiency Act (ISTEA).

FEBRUARY 1994

In response to a requirement of the Federal Maritime Commission, the Port of Anchorage completed a major administrative project of filing its former written tariff electronically. As part of this project, the Port accomplished a major update to the tariff resulting in an entirely new version, Port of Anchorage Terminal Tariff No. 4.

AUGUST 1995

Commence feasibility study of a "Multi-Purpose Dock Project." This project, extending the Port into the North Tidelands area, would encompass three major phases: Phase I, Access; Phase II, Transit Area (land base); and Phase III, Dock Construction. This incremental multi-million dollar project would occur over the next 8-10 year period. Sources of funding are still being identified.

AUGUST 1995

Commence construction on a major lighting renovation project for the Port's Transit Areas "A", "B" and "C". This project is scheduled for completion in the Summer of 1996.

AUGUST 1995

Begin the construction phase of the \$2.2 million Petroleum Valve Yard Upgrade Project. It is estimated that \$830,000 of the project will be financed by private enterprise petroleum customers of the Port and the Federal Defense Fuels Organization. Estimated project completion is the Summer of 1996.

JANUARY 1996

Completion of the multiple year, \$5.9 million, Tracts "A"&"EE" 14 acre Port Industrial Park Development Project.

SUMMER 1996

Commence design of Transit Area "E" contingent upon the State of Alaska approval of a matching grant for this \$6.0 million project.

MERRILL FIELD AIRPORT HIGHLIGHTS AND FUTURE EVENTS

SUMMER 1993 - FALL 1994 - Through a joint Municipal effort between Solid Waste Services, Anchorage Water/Wastewater Utility and Merrill Field, approximately 30,000 cubic yards of material was placed in a problem drainage area over the closed landfill. The Airport coordinated the disposal of AWWU soils which were unusable for utility trench backfill, while SWS graded the site to drain properly. The result was quality work which saved the Airport \$150,000 for a surface drainage project to meet Federal storm water discharge regulations.

MAY 1994 - An East Transient Parking / Camping Area was completed for pilots who want to camp during their stay in Anchorage. This improvement provides visiting pilots convenient access to shopping and medical services which are within walking distance. A small Pilot Briefing Shelter is also provided for flight planning.

SUMMER 1994 - The removal of obstructions from the Runway 15-33 Object Free Area and Clear Zone continues with the demolition of numerous structures located on the west side of the runway, thereby improving the operational safety of the Airport.

FALL 1994 - The Federal Aviation Administration has designated Merrill Field as a RELIEVER Airport to Anchorage International Airport, based on its ability to effectively provide facilities to accommodate general aviation aircraft. The Reliever Airport status will provide better funding opportunities for Merrill Field's Capital Improvement Projects through the Federal Airport Improvement Program grant funds.

FALL 1994 - Approximately \$385,000 in site improvements are scheduled to begin this fall for a \$5,800,000 Air Traffic Control Tower. This will replace the existing tower.

PRODUCT LIABILITY ISSUE - Recent Federal product liability legislation enacted a 15-year statute of repose on manufacturers of piston aircraft which should help revive the nation's ailing general aviation aircraft industry. The number of single-engine piston aircraft manufactured in America dropped from 14,000 in 1978 to 500 in 1992, partially because of product liability lawsuits, which average \$500,000 each even when the manufacturer prevails.

UNIVERSITY OF ALASKA ANCHORAGE, PHASE II - UAA is planning a \$17,000,000 addition to its existing Merrill Field Aviation Complex to provide more comprehensive aviation education programs for full-time students.