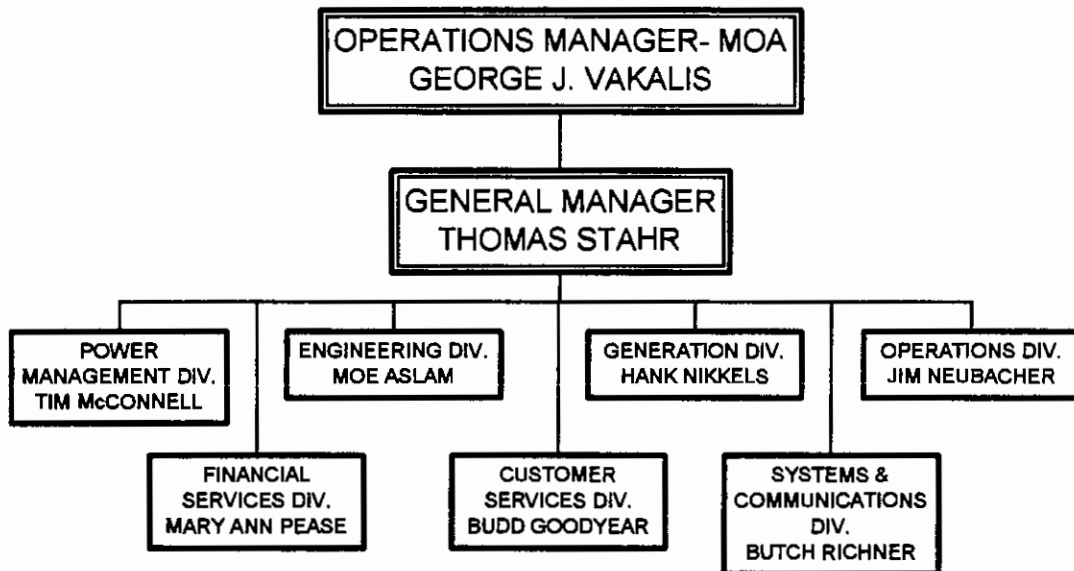


**MUNICIPAL LIGHT
AND POWER**



Municipal Light & Power

ORGANIZATION CHART



MUNICIPAL LIGHT & POWER UTILITY PROFILE

ORGANIZATION

Municipal Light & Power (ML&P) is divided into seven divisions under the direction of the General Manager. The divisions include Generation, Engineering, Operations, Power Management (Dispatch), Customer Service, Systems, and Finance.

ML&P had 214 employees as of December 31, 1994 and a 1994 operating payroll cost of approximately \$12.9 million. Of these employees, 144 were covered by a labor agreement with IBEW and 70 were non-represented (i.e., covered by the Municipal Personnel Rules).

HISTORY

The first electric system serving Anchorage was installed in 1916 by the Alaska Engineering Commission, the agency of the U.S. Department of the Interior which constructed the Alaska Railroad. 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, 25 miles northeast of downtown Anchorage.

The City purchased the Alaska Engineering Commission distribution system in 1932 and 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 its Eklutna Plant to that federal agency. Since then, beginning in 1962, ML&P has installed seven turbine generating units fired by natural gas and one heat recovery steam turbine generating unit.

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 1994, the average number of residential and commercial customers was 23,813 and 5,624 respectively. One-sixth of ML&P's customer base consumes four-sixths of its output. 1994 sales totaled 856,579 MWh and earned revenues of \$67,446,876.

ML&P has agreements to supply the Fort Richardson Army Base and the Elmendorf Air Force Base with interruptible wholesale electric service. In 1985, ML&P and the Golden Valley Electric Association, Inc. (GVEA), a cooperative utility headquartered in Fairbanks, entered into a "Memorandum of Understanding" under which ML&P sells economy energy to GVEA on an interruptible basis utilizing the Anchorage-Fairbanks Intertie. Subsequently, GVEA entered into a long term contract with Chugach Electric eliminating most sales for resale to this utility.

REGULATION

ML&P is subject to economic regulation by the Alaska Public Utilities Commission (APUC). The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. The APUC regulation covers service areas, service quality, tariff rules and regulations, monthly rates and charges and certain other utility charges.

The Utility is also subject to advisement by the ML&P 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 Assembly. The General Manager of ML&P serves ex officio as Executive Secretary of the Commission.

The Commission reviews electric service policies and practices and reviews the budget and operations of ML&P and annually submits recommendations to the Mayor. It conducts public hearings on matters pertaining to electric rates, regulations and related matters and makes recommendations to the Mayor and Assembly. It normally holds one meeting per month and calls special meetings as the need arises.

ENVIRONMENTAL MANDATES

Mandates from the Federal and State Governments continue to have a large impact on ML&P. The Federal Clean Air Act and the Oil Pollution Act add to the financial burden by significantly increasing the cost of power plant operating permits and by adding requirements covering spill prevention and control of ML&P's emergency fuel oil supply. It is anticipated that over the next few years an estimated \$1.7 million in modifications to electric plant will be necessary to meet spill prevention requirements.

ELECTRIC PLANT

ML&P generates, purchases, transmits and distributes electric power.

- Power Generated/Purchased in 1994

• ML&P Generated -	717,382 MWh	80.8%
• Purchased:		
Eklutna Hydroelectric Project -	66,995 MWh	7.6%
Bradley Lake Project -	101,032 MWh	11.4%
Other	1,680 MWh	.2%

- Generation capacity is 328 Megawatts (MW)

- Seven gas-fired turbines
- One heat recovery turbine
- All equipped to use No. 2 fuel oil as an alternate fuel

- Power Plant No. One: four turbines, capacity 85 MW

- Power Plant No. Two: four turbines, capacity 243 MW

- Reserve Capacity Margin is 150 MW

- Transmission/Distribution System

- 202 miles underground cable
- 147 miles overhead lines and cable
- 20 substations

- Assets as of December 31, 1994

- Net Plant in Service: \$161,412,245

MUNICIPAL LIGHT & POWER

WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
ADMINISTRATION	15	16	16	16	16	16	16
SYSTEMS & COMMUNICATIONS	14	19	19	19	19	19	19
PRODUCTION (GENERATION)	53	53	53	53	53	53	54
CUSTOMER SERVICE	38	35	35	35	35	35	35
FINANCIAL SERVICES	23	23	23	23	23	23	23
POWER MANAGEMENT	12	12	12	12	12	12	12
OPERATIONS	52	49	49	50	50	50	50
ENGINEERING	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
SUBTOTAL	<u>229</u>	<u>229</u>	<u>229</u>	<u>230</u>	<u>230</u>	<u>230</u>	<u>231</u>
TEMPS	<u>28</u>	<u>28</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>30</u>	<u>30</u>
TOTAL	<u>257</u>	<u>257</u>	<u>257</u>	<u>259</u>	<u>260</u>	<u>260</u>	<u>261</u>

**Municipal Light
and Power**

**1996
Operating Budget**

MUNICIPAL LIGHT & POWER
RECONCILIATION OF 1995 BUDGET TO 1995 PROFORMA

	<u>1995 BUDGET</u>	<u>1995 PROFORMA</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	71,750,000	69,484,000	(2,266,000)	A
OPERATING EXPENSE				
Operations	43,763,000	42,631,000	1,132,000	
Depreciation(1)	10,771,000	10,116,000	655,000	
MUSA	2,161,000	1,998,000	163,000	
SUBTOTAL	<u>56,695,000</u>	<u>54,745,000</u>	<u>1,950,000</u>	B
NON-OPERATING REVENUE	2,238,000	2,956,000	718,000	
NON-OPERATING EXPENSE	<u>14,757,000</u>	<u>14,201,000</u>	<u>556,000</u>	
NET INCOME (REGULATORY)	2,536,000	3,494,000	958,000	
ADJUSTMENTS FOR GAAP	<u>(442,000)</u>	<u>(521,000)</u>	<u>(79,000)</u>	
NET INCOME GAAP	<u><u>2,094,000</u></u>	<u><u>2,973,000</u></u>	<u><u>879,000</u></u>	

1995 Proforma as of 5/31/95

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

- A. Revenues are less than projected due to warmer weather conditions and less growth than anticipated.
- B. Operating costs are down due to sales being less than projected.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

MUNICIPAL LIGHT & POWER

RECONCILIATION OF 1995 PROFORMA TO 1996 BUDGET

	<u>1995 PROFORMA</u>	<u>1996 BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	69,484,000	71,290,000	1,806,000	A
OPERATING EXPENSE				
Operations	42,631,000	43,019,000	(388,000)	
Depreciation(1)	10,116,000	10,573,000	(457,000)	
MUSA	1,998,000	2,180,000	(182,000)	
SUBTOTAL	<u>54,745,000</u>	<u>55,772,000</u>	<u>(1,027,000)</u>	B
NON-OPERATING REVENUE	2,956,000	2,697,000	(259,000)	
NON-OPERATING EXPENSE	<u>14,201,000</u>	<u>13,780,000</u>	<u>421,000</u>	
NET INCOME (REGULATORY)	3,494,000	4,435,000	941,000	
ADJUSTMENTS FOR GAAP	<u>(521,000)</u>	<u>(550,000)</u>	<u>(29,000)</u>	
NET INCOME GAAP	<u><u>2,973,000</u></u>	<u><u>3,885,000</u></u>	<u><u>912,000</u></u>	

1995 Proforma as of 5/31/95

(1) Excludes Contributed Plant.

Explanation of Significant Variances:

A. Increase in revenues is due to 1.5% growth, and the 2.57% rate increase to be effective January 1, 1996.

B. Increase in operating costs is due to inflation, increased fuel cost, and negotiated labor contract wage increases.

Explanation of parenthesis:

Increases in revenues are positive, increases in expenses are negative, ().

MUNICIPAL LIGHT & POWER

STATEMENT OF REVENUE AND EXPENSES

	1994 <u>ACTUAL</u>	1995 <u>PROFORMA</u>	1996 <u>BUDGET</u>
OPERATING REVENUE			
Residential Sales	13,978,835	14,096,000	14,384,000
Commercial & Industrial	51,036,972	52,119,000	53,623,000
Public Highway & Street Lighting	1,073,366	1,050,000	1,051,000
Public Authority	590,050	526,000	525,000
Sales for Resale	600,727	621,000	639,000
Misc. Service Revenue	292,268	382,000	381,000
Rent from Electric Property	102,977	135,000	134,000
Miscellaneous Revenue	423,926	555,000	553,000
TOTAL OPERATING REVENUE	68,099,121	69,484,000	71,290,000
OPERATING EXPENSE			
Production Expense	27,060,921	28,309,000	28,284,000
Transmission Expense	468,491	522,000	591,000
Distribution Expense	5,519,033	5,608,000	5,760,000
Customer Account Expense	2,681,595	2,711,000	2,689,000
Customer Service & Information	252,117	274,000	306,000
Administrative & General Expense	3,211,976	3,231,000	3,310,000
Regulatory Compliance	1,057,741	1,200,000	1,300,000
Depreciation(1)	9,645,028	10,116,000	10,573,000
Amort. Intangible Plant	401,137	401,000	401,000
Amort. Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	1,880,921	1,998,000	2,180,000
APUC-Gross Revenue Fee	0	264,000	267,000
TOTAL OPERATING EXPENSE	52,290,144	54,745,000	55,772,000
OPERATING INCOME	15,808,977	14,739,000	15,518,000

(1) Excludes Contributed Plant

1995 Proforma as of 5/31/95

MUNICIPAL LIGHT & POWER

STATEMENT OF REVENUE AND EXPENSES

	1994 <u>ACTUAL</u>	1995 <u>PROFORMA</u>	1996 <u>BUDGET</u>
NON-OPERATING REVENUE			
Interest From Operating Reserve	248,015	292,000	266,000
Interest From Bond Redemption Cash	1,053,630	1,242,000	1,191,000
Interest From General Cash Pool	741,890	875,000	733,000
Interest From Debt Service Account	245,465	289,000	271,000
Misc. Non-Operating Revenue	<u>218,021</u>	<u>258,000</u>	<u>236,000</u>
TOTAL NON-OPERATING REVENUE	2,507,021	2,956,000	2,697,000
NON-OPERATING EXPENSE			
Community	43,476	54,000	54,000
Interest on Bonded Debt	11,982,274	11,658,000	11,332,000
Amortization of Bond Discount/Premium	(21,294)	31,000	41,000
Amort of Bond Sale Cost & Ins.	312,707	301,000	292,000
Amort Loss on Refunded Debt	2,781,943	2,699,000	2,608,000
Other Interest Expense	859	1,000	10,000
Interest During Construction	<u>(538,520)</u>	<u>(543,000)</u>	<u>(557,000)</u>
TOTAL NON-OPERATING EXPENSE	14,561,445	14,201,000	13,780,000
NET INCOME (REGULATORY)	3,754,553	3,494,000	4,435,000
ADJUSTMENTS FOR GAAP			
Depreciation of Contributed Plant	(535,974)	(550,000)	(550,000)
Restricted Interest Income	<u>12,382</u>	<u>29,000</u>	<u>0</u>
NET INCOME GAAP	<u>3,230,961</u>	<u>2,973,000</u>	<u>3,885,000</u>

1995 Proforma as of 5/31/95

MUNICIPAL LIGHT & POWER

STATEMENT OF SOURCES AND USES OF CASH

	1994 <u>ACTUAL</u>	1995 <u>PROFORMA</u>	1996 <u>BUDGET</u>
SOURCES OF CASH FUNDS			
Net Income GAAP	3,230,961	2,973,000	3,885,000
Depreciation	10,181,002	10,666,000	11,123,000
Amortized Bond Discount/Premium	(21,294)	31,000	41,000
Amort & Acquisition Adjustment	512,321	512,000	512,000
Amortization of Bond Sale Costs	312,707	301,000	292,000
Amortization on Refunded Debt	2,781,943	2,699,000	2,608,000
Bond Proceeds	977,345	0	0
Other Long Term Debt	444,603	0	0
Contributions	712,244	500,000	500,000
TOTAL SOURCES OF CASH FUNDS	19,131,832	17,682,000	18,961,000
USES OF CASH FUNDS			
Additions to Plant	12,050,678	13,116,000	19,717,000
Debt Retirement Long Term	5,200,000	5,490,000	5,825,000
Bond Refunding	0	0	0
Other	712,244	0	0
TOTAL USES OF CASH FUNDS	17,962,922	18,606,000	25,542,000
NET INCREASE (DECREASE) IN CASH FUND	1,168,910	(924,000)	(6,581,000)
CASH BALANCE JANUARY 1,	41,901,228	43,070,000	42,146,000
CASH BALANCE DECEMBER 31,	<u>43,070,138</u>	<u>42,146,000</u>	<u>35,565,000</u>
DETAIL OF CASH BALANCE			
Equity in General Cash Pool	21,531,923	21,290,000	14,594,000
Bond Restricted Cash	21,538,215	20,856,000	20,971,000
CASH BALANCE DECEMBER 31,	<u>43,070,138</u>	<u>42,146,000</u>	<u>35,565,000</u>

1995 Proforma as of 5/31/95

MUNICIPAL LIGHT & POWER

1996 OPERATING BUDGET DETAIL

	<u>1994 ACTUAL</u>	<u>1995 PROFORMA</u>	<u>1996 BUDGET</u>
<u>Labor</u>			
Personnel Costs	9,130,173	9,235,000	9,486,000
Benefit Costs	<u>3,738,164</u>	<u>3,781,000</u>	<u>3,884,000</u>
Subtotal	12,868,337	13,016,000	13,370,000
<u>Intergovernmental Charges</u>			
Finance Department	242,563	260,000	260,000
MIS/FIS	206,512	310,000	310,000
Human Resources Department	288,170	240,000	260,000
Purchasing	109,471	120,000	120,000
Self Insurance	122,761	270,000	280,000
Mayor	70,329	230,000	220,000
Enterprise/Operations Manager	139,346	140,000	140,000
Other IGC Charges	<u>182,568</u>	<u>280,000</u>	<u>260,000</u>
Subtotal	<u>1,361,720</u>	<u>1,850,000</u>	<u>1,850,000</u>
<u>Other Expenses</u>			
Professional Services	361,279	400,000	400,000
Depreciation & Amortization	13,766,679	14,209,000	14,576,000
MUSA	1,880,921	1,998,000	2,180,000
Interest on Long-term Debt	11,982,274	11,658,000	11,332,000
Interest During Construction	(538,520)	(543,000)	(557,000)
Purchased Power	4,986,176	5,103,000	5,145,000
Fuel	16,049,870	17,049,000	16,753,000
APUC Regulatory Fee	0	264,000	267,000
Regulatory Compliance	1,057,741	1,200,000	1,300,000
Other Expenses	<u>3,611,086</u>	<u>3,292,000</u>	<u>3,486,000</u>
Subtotal	<u>53,157,506</u>	<u>54,630,000</u>	<u>54,882,000</u>
TOTAL EXPENSES	<u><u>67,387,563</u></u>	<u><u>69,496,000</u></u>	<u><u>70,102,000</u></u>

1995 Proforma as of 5/31/95

**Municipal Light
and Power**

**1996-2001
Capital Improvement
Budget/Program**

MUNICIPAL LIGHT & POWER

1996 - 2001 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)

<u>PROJECT CATEGORY:</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>TOTAL</u>
PRODUCTION (GENERATION)	6,575	6,925	4,740	4,760	4,810	5,340	33,150
TRANSMISSION	875	680	765	855	815	910	4,900
DISTRIBUTION	6,795	9,155	9,585	9,575	9,235	9,505	53,850
GENERAL PLANT	4,552	4,033	3,662	2,153	2,231	2,595	19,226
REGULATORY COMPLIANCE	1,025	1,005	1,830	1,405	2,105	405	7,775
ENERGY STORAGE	1,000	0	0	0	0	0	1,000
INTERTIES	0	0	0	8,000	0	0	8,000
TOTAL BUDGET	<u>20,822</u>	<u>21,798</u>	<u>20,582</u>	<u>26,748</u>	<u>19,196</u>	<u>18,755</u>	<u>127,901</u>
 <u>SOURCE OF FUNDING:</u>	 <u>1996</u>	 <u>1997</u>	 <u>1998</u>	 <u>1999</u>	 <u>2000</u>	 <u>2001</u>	 <u>TOTAL</u>
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	0	10,000	5,000	2,500	5,000	6,000	28,500
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	19,322	10,298	15,082	23,748	13,696	12,255	94,401
STATE GRANT	1,500	1,500	500	500	500	500	5,000
FEDERAL GRANT	0	0	0	0	0	0	0
DIRECT APPROPRIATION	0	0	0	0	0	0	0
TOTAL BUDGET	<u>20,822</u>	<u>21,798</u>	<u>20,582</u>	<u>26,748</u>	<u>19,196</u>	<u>18,755</u>	<u>127,901</u>

Approximately \$5.5 Million in personnel costs will be spent on Capital Projects during 1996.