

**MUNICIPAL LIGHT  
AND POWER**

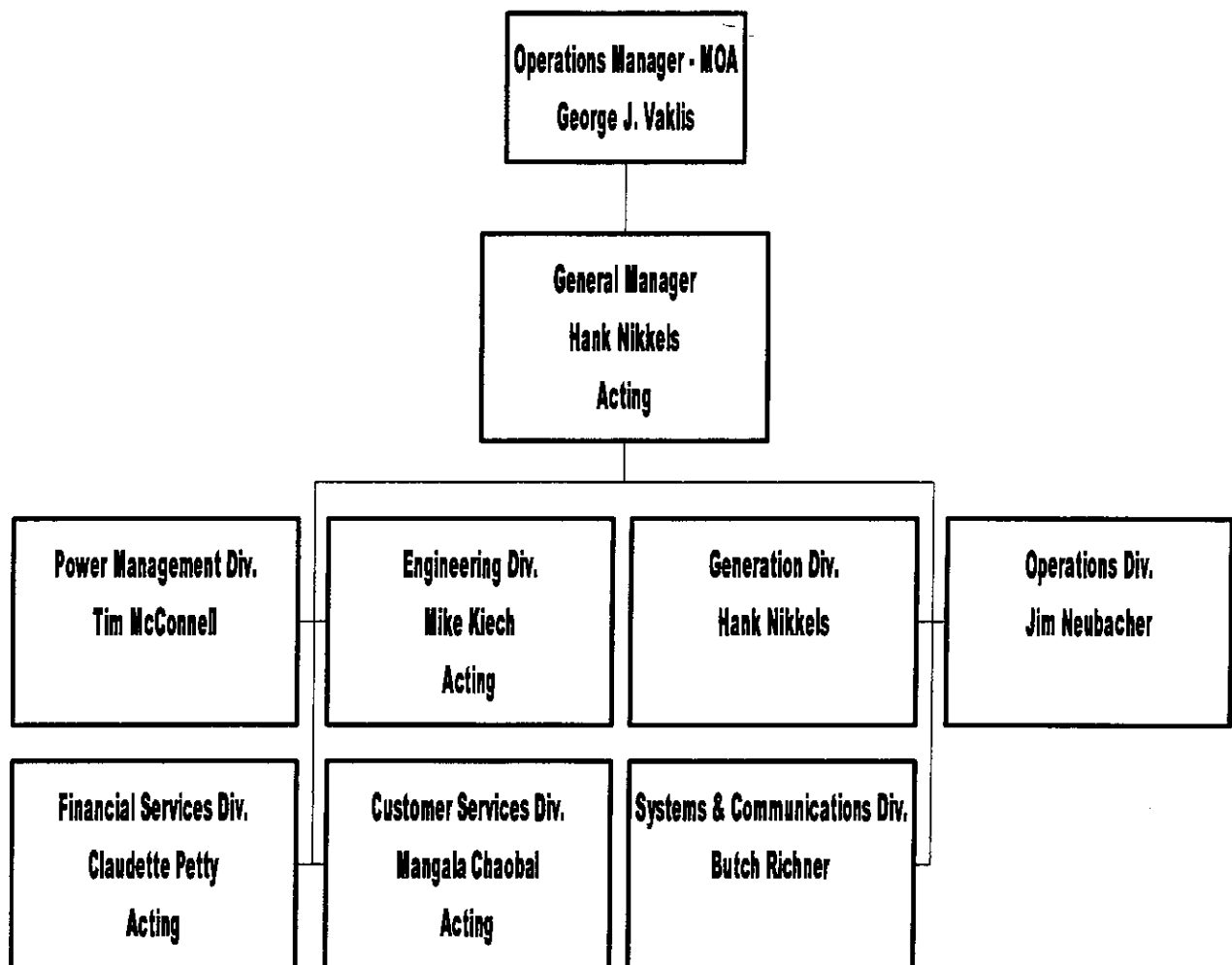
**Municipal Light  
and Power**

**1998  
Operating Budget**



# Municipal Light & Power

## Organizational 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 224 employees as of December 31, 1996 and a 1996 operating payroll cost of approximately \$12.7 million. Of these employees, 155 were covered by a labor agreement with IBEW and 69 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.

The City purchased a one third working interest in the Beluga River Gas Field in 1996 thereby establishing a guaranteed fuel supply for the Utility and a means to stabilize fuel prices for years to come.

### **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 1996, the average number of residential and commercial customers was 23,418 and 5,748 respectively. One-sixth of ML&P's customer base consumes four-sixths of its output. 1996 sales totaled 877,025 MWh and earned revenues of \$69,144,667.

ML&P has agreements to supply the Fort Richardson Army Base and the Elmendorf Air Force Base with interruptible wholesale electric service.

### **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 \$1.5 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 1996**

• ML&P Generated	749,161 MWh	81.6%
• Purchased:		
Eklutna Hydroelectric Project -	76,483 MWh	8.4%
Bradley Lake Project -	90,333 MWh	9.9%
Other	92 MWh	.1%

- 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
  - 203 miles underground cable
  - 146 miles overhead lines and cable
  - 19 substations
- Assets as of December 31, 1996
  - Net Plant in Service: \$293,794,268

# MUNICIPAL LIGHT & POWER

## WORK FORCE PROJECTIONS

<u>DIVISION</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ADMINISTRATION	16	16	16	16	16	16	16
SYSTEMS & COMMUNICATIONS	19	19	19	19	19	19	19
PRODUCTION (GENERATION)	54	54	54	54	54	55	55
CUSTOMER SERVICE	35	35	34	34	34	34	34
FINANCIAL SERVICES	23	23	23	23	23	23	23
POWER MANAGEMENT	12	12	12	12	12	12	12
OPERATIONS	48	48	49	49	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>229</u>	<u>230</u>	<u>231</u>	<u>231</u>
PART-TIME/TEMPORARY POSITIONS	<u>28</u>	<u>28</u>	<u>32</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>
TOTAL	<u>257</u>	<u>257</u>	<u>261</u>	<u>262</u>	<u>263</u>	<u>264</u>	<u>264</u>

**MUNICIPAL LIGHT & POWER - COMBINED  
RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA**

	<u>1997 BUDGET</u>	<u>1997 PROFORMA</u>	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUE	88,026,000	84,540,000	(3,486,000) A/B
OPERATING EXPENSE			
Operations	44,129,000	41,931,000	2,198,000
Depreciation(1)	16,667,000	17,418,000	(751,000) C
MUSA	2,302,000	2,237,000	65,000
SUBTOTAL	<u>63,098,000</u>	<u>61,586,000</u>	<u>1,512,000</u>
NON-OPERATING REVENUE	4,253,000	2,944,000	(1,309,000) D
NON-OPERATING EXPENSE	<u>21,084,000</u>	<u>21,103,000</u>	<u>(19,000)</u>
NET INCOME (REGULATORY)	8,097,000	4,795,000	(3,302,000)
ADJUSTMENTS FOR GAAP	<u>442,000</u>	<u>200,000</u>	<u>(242,000)</u>
NET INCOME GAAP	<u><u>8,539,000</u></u>	<u><u>4,995,000</u></u>	<u><u>(3,544,000)</u></u>

1997 Proforma as of 6/30/97

(1) Excludes Contributed Plant.

**Explanation of Significant Variances:**

- A. Gas - 1997 Budget was appropriated before accounting procedures for the gas were established.
- B. Electric - Retail Electric Sales are down approximately 750 MWh over 1996.
- C. Electric - Depreciation expense has increased at a higher rate than anticipated due to a larger amount of assets added to plant than anticipated plus a change in the mix of assets being placed into service.
- D. Electric - Invested \$23.7 Million in Beluga Gas Field which reduced interest income.

**Explanation of parenthesis:**

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

**MUNICIPAL LIGHT & POWER - COMBINED  
RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET**

	<u>1997 PROFORMA</u>	<u>1998 BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
OPERATING REVENUE	84,540,000	86,278,000	1,738,000	A/B
OPERATING EXPENSE				
Operations	41,931,000	41,979,000	(48,000)	
Depreciation(1)	17,418,000	18,446,000	(1,028,000)	C
MUSA	2,237,000	2,298,000	(61,000)	
SUBTOTAL	<u>61,586,000</u>	<u>62,723,000</u>	<u>(1,137,000)</u>	
NON-OPERATING REVENUE	2,944,000	3,536,000	592,000	
NON-OPERATING EXPENSE	<u>21,103,000</u>	<u>20,686,000</u>	<u>417,000</u>	
NET INCOME (REGULATORY)	4,795,000	6,405,000	1,610,000	
ADJUSTMENTS FOR GAAP	<u>200,000</u>	<u>(435,000)</u>	<u>(635,000)</u>	
NET INCOME GAAP	<u><u>4,995,000</u></u>	<u><u>5,970,000</u></u>	<u><u>975,000</u></u>	

1997 Proforma as of 6/30/97

(1) Excludes Contributed Plant.

**Explanation of Significant Variances:**

- A. Gas - Contract prices for gas are projected to decrease per SOA.
- B. Electric - Increase in sales as projected by R.W. Beck 1996 load forecast and anticipated increased Sales for Resale to GVEA.
- C. Electric - Depreciation and MUSA increase as additional plant is placed into service.

**Explanation of parenthesis:**

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



**MUNICIPAL LIGHT & POWER - COMBINED  
STATEMENT OF REVENUE AND EXPENSES**

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
<b>OPERATING REVENUE</b>			
Residential Sales	14,297,143	14,483,000	14,664,000
Commercial & Industrial	52,096,163	64,707,000	64,746,000
Public Highway & Street Lighting	1,172,982	1,173,000	1,162,000
Public Authority	290,831	109,000	109,000
Sales for Resale	977,187	3,000,000	4,500,000
Misc. Service Revenue	409,799	537,000	551,000
Rent from Electric Property	106,930	140,000	144,000
Miscellaneous Revenue	298,372	391,000	402,000
<b>TOTAL OPERATING REVENUE</b>	<b>69,649,407</b>	<b>84,540,000</b>	<b>86,278,000</b>
<b>OPERATING EXPENSE</b>			
Production Expense	26,646,764	28,353,000	27,731,000
Transmission Expense	574,399	623,000	647,000
Distribution Expense	5,278,065	5,350,000	5,628,000
Customer Account Expense	2,869,455	2,717,000	2,716,000
Customer Service & Information	163,950	167,000	190,000
Administrative & General Expense	3,438,327	3,381,000	3,652,000
Regulatory Compliance	750,075	825,000	900,000
Depreciation(1)	10,909,869	17,418,000	18,446,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Municipal Utility Service Assmt.	2,136,973	2,237,000	2,298,000
<b>TOTAL OPERATING EXPENSE</b>	<b>53,282,863</b>	<b>61,586,000</b>	<b>62,723,000</b>
<b>OPERATING INCOME</b>	<b>16,366,544</b>	<b>22,954,000</b>	<b>23,555,000</b>

(1) Excludes Contributed Plant

1997 Proforma as of 6/30/97

**MUNICIPAL LIGHT & POWER - COMBINED  
STATEMENT OF REVENUE AND EXPENSES**

	1996 <u>ACTUAL</u>	1997 <u>PROFORMA</u>	1998 <u>BUDGET</u>
<b>NON-OPERATING REVENUE</b>			
Interest Income	694,579	1,005,000	1,321,000
Interest From Operating Reserve	84,973	61,000	69,000
Interest From Bond Redemption Cash	1,693,419	1,238,000	1,418,000
Interest From General Cash Pool	456,746	328,000	373,000
Interest From Debt Service Account	364,958	262,000	298,000
Misc. Non-Operating Revenue	<u>70,266</u>	<u>50,000</u>	<u>57,000</u>
<b>TOTAL NON-OPERATING REVENUE</b>	<b>3,364,941</b>	<b>2,944,000</b>	<b>3,536,000</b>
<b>NON-OPERATING EXPENSE</b>			
Community	74,695	75,000	75,000
Interest on Bonded Debt	12,556,907	18,442,000	18,018,000
Amortization of Bond Discount/Premium	(659,125)	(469,000)	(457,000)
Amortization of Bond Sale Cost & Ins.	277,194	375,000	364,000
Amortization of Loss on Refunded Debt	3,292,189	3,137,000	3,025,000
Other Interest Expense	986	20,000	20,000
Interest During Construction	<u>(952,422)</u>	<u>(477,000)</u>	<u>(359,000)</u>
<b>TOTAL NON-OPERATING EXPENSE</b>	<b><u>14,590,424</u></b>	<b><u>21,103,000</u></b>	<b><u>20,686,000</u></b>
<b>NET INCOME (REGULATORY)</b>	<b>5,141,061</b>	<b>4,795,000</b>	<b>6,405,000</b>
<b>ADJUSTMENTS FOR GAAP</b>			
Depreciation of Contributed Plant	(544,259)	(550,000)	(550,000)
Restricted Interest Income	<u>687,150</u>	<u>750,000</u>	<u>115,000</u>
<b>NET INCOME GAAP</b>	<b><u>5,283,952</u></b>	<b><u>4,995,000</u></b>	<b><u>5,970,000</u></b>

1997 Proforma as of 6/30/97

**MUNICIPAL LIGHT & POWER - COMBINED  
STATEMENT OF SOURCES AND USES OF CASH**

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
<b>SOURCES OF CASH FUNDS</b>			
Net Income GAAP	5,283,952	4,995,000	5,970,000
Depreciation	11,454,128	17,968,000	18,996,000
Amortized Bond Discount/Premium	(659,125)	(469,000)	(457,000)
Amortization & Acquisition Adjustment	514,986	515,000	515,000
Amortization of Bond Sale Costs	277,194	375,000	364,000
Amortization on Refunded Debt	3,292,189	3,137,000	3,025,000
Bond Proceeds (A)	197,841,563	0	0
Contributions	378,632	500,000	500,000
<b>TOTAL SOURCES OF CASH FUNDS</b>	<b>218,383,519</b>	<b>27,021,000</b>	<b>28,913,000</b>
<b>USES OF CASH FUNDS</b>			
Additions to Plant	136,847,954	20,667,000	19,471,000
Debt Retirement Long Term	6,105,000	8,105,000	8,840,000
Bond Refunding (A)	54,037,064	0	0
Other	(1,759,486)	1,659,000	1,167,000
<b>TOTAL USES OF CASH FUNDS</b>	<b>195,230,532</b>	<b>30,431,000</b>	<b>29,478,000</b>
<b>NET INCREASE (DECREASE) IN CASH FUNDS</b>	<b>23,152,987</b>	<b>(3,410,000)</b>	<b>(565,000)</b>
<b>CASH BALANCE JANUARY 1,</b>	<b>39,876,714</b>	<b>63,030,000</b>	<b>59,620,000</b>
<b>CASH BALANCE DECEMBER 31,</b>	<b>63,029,701</b>	<b>59,620,000</b>	<b>59,055,000</b>
<b>DETAIL OF CASH BALANCE</b>			
Equity in General Cash Pool	8,430,898	24,964,000	28,219,000
Bond Restricted Cash	54,598,803	34,656,000	30,836,000
<b>CASH BALANCE DECEMBER 31,</b>	<b>63,029,701</b>	<b>59,620,000</b>	<b>59,055,000</b>

1997 Proforma as of 6/30/97

(A) 1996 reflects the refinancing of the 1986 Series "B" Electric Bonds, a new issue of \$42.530 Million for Electric Capital, and a new Senior issue of \$78.245 Million and a new Junior issue of \$30.000 Million for the purchase of Beluga River Gas Field.

**MUNICIPAL LIGHT & POWER - COMBINED  
1997 OPERATING BUDGET DETAIL**

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
<u>Labor</u>			
Personnel Costs	9,112,672	9,166,000	9,587,000
Benefit Costs	<u>3,610,441</u>	<u>3,632,000</u>	<u>3,798,000</u>
Subtotal	12,723,113	12,798,000	13,385,000
<u>Intergovernmental Charges</u>			
Finance Department	263,535	261,000	260,000
MIS/FIS	263,727	272,000	480,000
Human Resources Department	215,268	244,000	290,000
Other IGC Charges	<u>869,830</u>	<u>1,073,000</u>	<u>1,070,000</u>
Subtotal	<u>1,612,360</u>	<u>1,850,000</u>	<u>2,100,000</u>
<u>Other Expenses</u>			
Professional Services	339,620	600,000	600,000
Depreciation & Amortization	14,879,372	15,906,000	16,676,000
MUSA	2,136,973	2,237,000	2,298,000
Interest on Long-term Debt	12,556,907	18,443,000	18,019,000
Interest During Construction	(952,422)	(477,000)	(359,000)
Purchased Power	4,799,303	4,400,000	3,888,000
Fuel	15,971,385	3,953,000	3,931,000
Gas Division Operating Expenses	0	13,351,000	12,961,000
Gas Division Depletion & Depreciation	0	5,619,000	5,766,000
Regulatory Compliance	750,075	825,000	900,000
Other Expenses	<u>3,600,860</u>	<u>3,734,000</u>	<u>3,794,000</u>
Subtotal	<u>54,082,073</u>	<u>68,591,000</u>	<u>68,474,000</u>
<b>TOTAL EXPENSES</b>	<u><u>68,417,546</u></u>	<u><u>83,239,000</u></u>	<u><u>83,959,000</u></u>

1997 Proforma as of 6/30/97

**Municipal Light  
and Power**

**1998-2003  
Capital Improvement  
Budget/Program**

**MUNICIPAL LIGHT & POWER**  
**1998 - 2003 CAPITAL IMPROVEMENT BUDGET/PLAN FINANCIAL SUMMARY (\$000)**

<u>PROJECT CATEGORY:</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>TOTAL</u>
PRODUCTION (GENERATION)	6,131	6,744	6,459	5,878	7,048	6,901	39,161
TRANSMISSION	430	515	510	425	480	370	2,730
DISTRIBUTION	6,155	8,945	9,430	9,100	9,145	9,225	52,000
GENERAL PLANT	7,219	4,182	3,349	3,193	3,235	2,787	23,965
REGULATORY COMPLIANCE	715	555	905	1,380	330	505	4,390
INTERTIES	0	8,000	0	0	0	0	8,000
BELUGA RIVER GAS FIELD	2,950	0	0	3,185	0	1,275	7,410
<b>TOTAL BUDGET</b>	<u><b>23,600</b></u>	<u><b>28,941</b></u>	<u><b>20,653</b></u>	<u><b>23,161</b></u>	<u><b>20,238</b></u>	<u><b>21,063</b></u>	<u><b>137,656</b></u>

<u>SOURCE OF FUNDING:</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>TOTAL</u>
G.O. BONDS	0	0	0	0	0	0	0
REVENUE BONDS	0	0	0	0	0	0	0
LOAN	0	0	0	0	0	0	0
EQUITY/OPERATIONS	23,600	28,941	20,653	23,161	20,238	21,063	137,656
STATE GRANT	0	0	0	0	0	0	0
FEDERAL GRANT	0	0	0	0	0	0	0
DIRECT APPROPRIATION	0	0	0	0	0	0	0
<b>TOTAL BUDGET</b>	<u><b>23,600</b></u>	<u><b>28,941</b></u>	<u><b>20,653</b></u>	<u><b>23,161</b></u>	<u><b>20,238</b></u>	<u><b>21,063</b></u>	<u><b>137,656</b></u>

Approximately \$6.4 Million in personnel costs will be spent on Capital Projects during 1998.