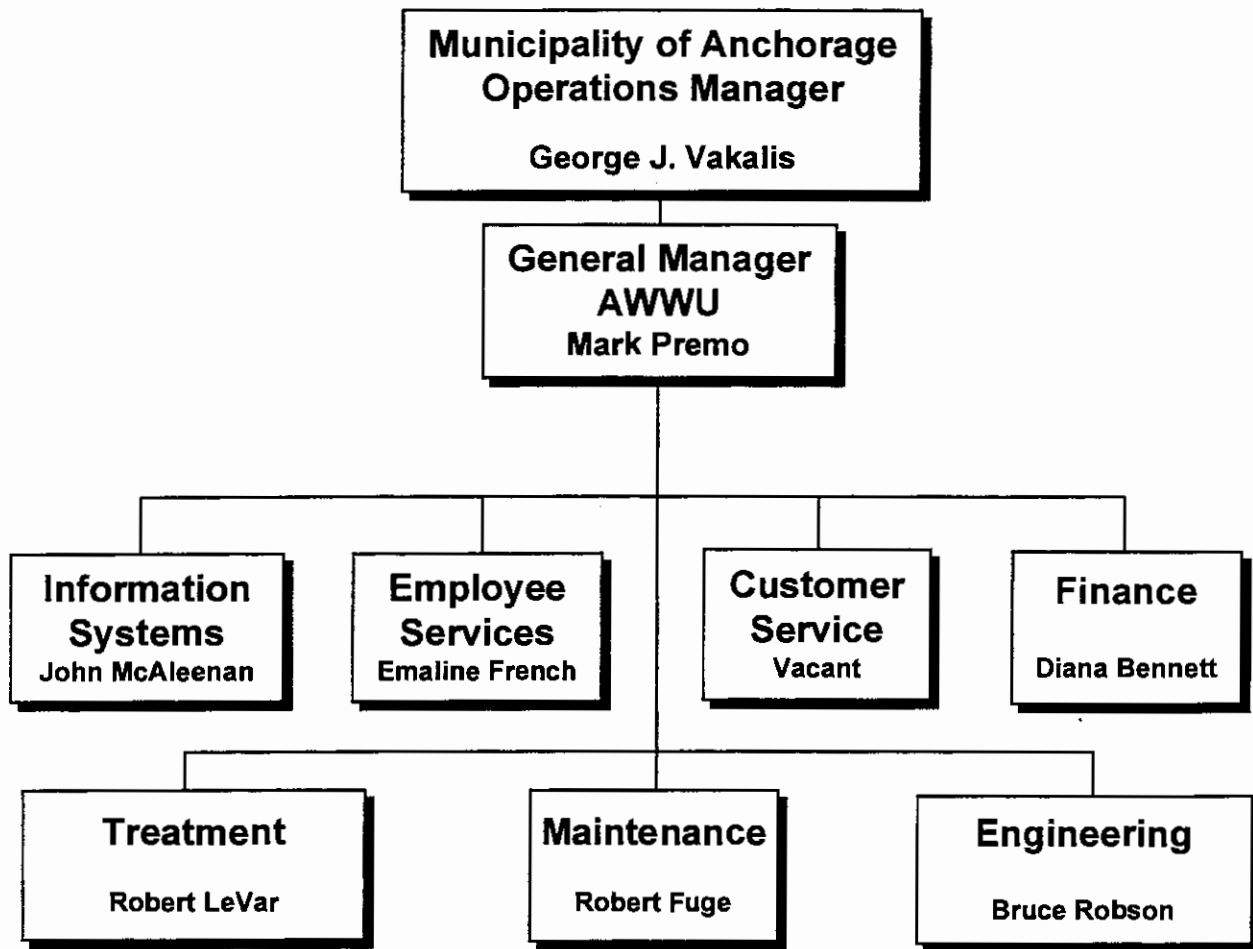


**ANCHORAGE WATER AND
WASTEWATER UTILITY**

ANCHORAGE WATER & WASTEWATER UTILITY

ORGANIZATION CHART



ANCHORAGE WATER & WASTEWATER UTILITY PROFILE

ORGANIZATION: The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska and serves 125 square miles of metropolitan Anchorage from Eklutna to Girdwood. The Utility collects water from two major surface watersheds and many deep underground wells and distributes it to approximately 46,000 residential, commercial, military, and industrial customers throughout the urban areas of Anchorage. The Utility's wastewater facilities serve 48,300 residential, commercial and military customers. As water is consumed and used, treatment plants operate 24 hours per day, discharging treated wastewater into Cook Inlet, Eagle River and Glacier Creek. The public investment in these systems -- for treatment plants, mains and sewers, laboratories, and reservoirs -- totals over \$750 million. More than 265 employees operate the system, and the Utility spends approximately \$50 million annually to ensure that the water and wastewater systems perform efficiently. Through education, training, certification programs, field experience and longevity of service, the people who run the system are a dedicated team: Treatment plant operators, engineers, laboratory technicians, maintenance craftsmen, accountants, customer service representatives and field personnel working together, ensure that the water and wastewater systems perform efficiently.

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

ANCHORAGE WATER UTILITY

HISTORY: From the first water intake in Lower Ship Creek (and a few miles of woodstave water mains downtown) more than 75 years ago, Anchorage's public water utility has grown to a third-of-a-billion-dollar enterprise that delivers nearly 26 million gallons of water to its customers each day, for less 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 on September 15, 1975.

SERVICE: In the Tent City days of Anchorage, Ship Creek supplied water for Anchorage's first settlers, conveyed with buckets. Today, Ship Creek remains an important water source, captured up-stream in the Chugach foothills for treatment and distribution. From spring through fall, the headwaters of Ship Creek provide up to 24 million gallons of water each day. When stream flow is low during the winter, the Eklutna

Water Treatment Plant and deep wells are relied upon to supplement the Ship Creek water supply. The 35 million gallon Eklutna Plant north of Eagle River, completed in 1988, will supply Anchorage's water needs into the next century. The Eklutna water supply originates at Eklutna Lake, a body of water that is a drought-resistant natural reservoir. Fed by the runoff from Eklutna Glacier and the annual snow-pack, the eight mile long lake can supply up to 100 million gallons of water each day. The Girdwood community is served from a system of wells.

During 1998 the Anchorage Water Utility (AWU) proposes a construction program that will continue to emphasize repair and rehabilitation of the existing system and resources as well as the efforts to maximize water availability to South and West Anchorage. To meet our goals on the latter objective, AWU is continuing with the construction of the Anchorage Loop Water Transmission Main, phase VII and is initiating continued design of Phases IV and V and the Service High Reservoir. Phases I - III, which involved construction of the transmission main from the Ship Creek Water Treatment Plant to the reservoirs at Tudor Road and Patterson Street have been completed. Phases IV and V will connect those reservoirs to the planned Service High Reservoir and our existing Spruce Street system.

REGULATION: Since December 1970, the Anchorage Water Utility has been economically regulated by the Alaska Public Utilities Commission (APUC). All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the APUC, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Water Utility's 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 has seventeen wells that are operated on an as-needed basis. Only two wells are operated full-time. Average treatment plant production is 25,091,000 gallons per day (gpd). Treatment plant capacity is 59,000,000 gpd. Average well production is 6,000,000 gpd. The transmission system has approximately 690 miles of mains and 5,600 fire hydrants. Net Plant value as of December 1996: \$300,000,000.

ANCHORAGE WASTEWATER UTILITY

HISTORY: Sewers were first installed in Anchorage during 1916 along the lower bluff from the Alaska Railroad Depot, west to the inlet, by the Alaska Engineering Commission. As Anchorage grew, construction of sewers continued and, by the end of World War II, sewers were available to most of the area between Ship Creek and Chester Creek to the West of Cordova Street. The Greater Anchorage Area Borough (GAAB) was created in 1964, and soon after was granted areawide sewer powers. The last major private sewer utility was acquired by the GAAB in 1972. The Utility is now governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the Greater Anchorage Area Borough on September 15, 1975.

SERVICE: Anchorage's enjoyment of drinking water is just one part of the AWWU system. After the day's 26 million gallons of water is used, it must be treated for its return to the environment. The creeks and inlets downstream from Anchorage's wastewater treatment plants are not adversely impacted by treated effluent, which is the principal measure of success. The Anchorage community benefits from the superior operation of the three wastewater treatment plants that serve its growing population.

For every contaminant that finds its way into the water from the activities of man or natural forces, there is a process to remove it, although some processes are so costly that the contaminants must be controlled at the source. Toxic chemical compounds -- Floating sediments and particles -- Human waste -- Grease and oils -- Debris -- Bacteria. None are acceptable in public waters.

Like thousands of utilities across the nation, the Anchorage Wastewater Utility is achieving higher levels of treatment more efficiently and more effectively than was possible even 10 years ago. While the technology of screening the waste, employing "specialized" bacteria to absorb dissolved solids, and disinfecting the "final product" remains the same, treatment standards have become more stringent.

At Eagle River, Girdwood and Point Woronzof, the utility has continued to invest in the highest and most reliable technology practicable. Anchorage in the 1990's is assured that the city's wastewater treatment plant output protects the receiving water to which it is returned.

REGULATION: Since 1971, the Anchorage Wastewater Utility has been economically regulated by the Alaska Public Utilities Commission (APUC) and holds a Certificate of Convenience and Necessity for serving the Anchorage Bowl, Eagle River, and Girdwood. All rates and tariffs must be approved by this body prior to implementation. They also regulate service areas and service quality. The APUC is composed of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature.

In addition to the APUC, the Anchorage Water and Wastewater Utility Advisory Commission acts as an oversight body to advise the Mayor and Assembly on Utility matters. The seven members of this Commission are appointed to staggered three-year terms by the Mayor and approved by the Assembly. The Commission annually elects one of its members as Chair and another as Vice-Chair. The General Manager of AWWU serves as Executive Secretary of the Commission.

The Commission normally meets once a month to review service policies and practices and reviews the budgets and operations of AWWU and annually submits recommendations to the Mayor.

ENVIRONMENTAL MANDATES: In recent years there have been several federally mandated programs that directly impact the Wastewater Utility's operating costs. The Clean Water Act, Americans with Disabilities Act, Community Right-to-Know, and the Clean Air Act are some of the current and on-going laws that impact the Utility.

The Point Woronzof Wastewater Treatment Plant uses primary treatment techniques. The extreme tides and natural water flow of Cook Inlet enable these wastewater discharges to be diluted with no adverse effect to the environment. The dynamics of Cook Inlet's currents and tides – coupled with primary treatment and chlorination – have enabled Anchorage to receive a waiver from secondary treatment standards from the U.S. Environmental Protection Agency (EPA). To continue operating under the waiver, AWWU maintains an extensive marine monitoring program that makes certain that there are no negative environmental impacts to the receiving waters of Cook Inlet.

PHYSICAL PLANT: The Wastewater Utility operates three treatment plants. Average flow was 32,000,000 gallons per day (gpd) in 1997. Treatment plant capacity is 61,500,000 gpd. The collection system has approximately 681 miles of lines. Net plant value as of December 1996: \$245,585,000. In Girdwood and Eagle River, the wastewater utility's plants are modern, tertiary (three-stage) plants that discharge effluent of virtual drinking water quality into Glacier Creek and Eagle River. With its expansion in 1991, the Eagle River Plant has the capacity to provide for growth to the year 2005. The Girdwood Plant is scheduled for upgrades to be completed in 1998.

The Point Woronzof Treatment Plant, built in 1972, is Alaska's largest. 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 Point Woronzof 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.

ANCHORAGE WATER AND WASTEWATER UTILITY WORK FORCE PROJECTIONS

DIVISIONS	1997	1998	1999	2000	2001	2002	2003
MANAGER	4	4	4	4	4	4	4
EMPLOYEE SERVICES	7	7	7	7	7	7	7
INFORMATION SYSTEMS	14	14	14	14	14	14	14
MAINTENANCE	84	82	82	82	82	82	82
TREATMENT	62	62	62	62	62	62	62
FINANCE	15	19	19	19	19	19	19
REGULATORY AFFAIRS	4	0	0	0	0	0	0
ENGINEERING	32	32	32	32	32	32	32
CUSTOMER SERVICE	46	45	45	45	45	45	45
TOTAL POSITIONS	268	265	265	265	265	265	265
PART-TIME/TEMPORARY	7	9	9	9	9	9	9
TOTAL ALL POSITIONS	275	274	274	274	274	274	274

Anchorage Water Utility

**1998
Operating Budget**

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA

	1997 BUDGET	1997 PROFORMA	VARIANCE	
OPERATING REVENUE	26,560,000	26,816,000	256,000	A
OPERATING EXPENSE				
OPERATIONS	14,624,000	14,594,000	(30,000)	B
DEPRECIATION	3,861,000	2,500,000	(1,361,000)	C
MUSA	1,477,000	1,433,000	(44,000)	D
TOTAL OPERATING EXPENSE	19,962,000	18,527,000	(1,435,000)	
OPERATING INCOME	6,598,000	8,289,000	1,691,000	
NON-OPERATING REVENUE	2,028,000	2,172,000	144,000	E
NON-OPERATING EXPENSE	8,125,000	7,800,000	(325,000)	F
NET INCOME REGULATORY	501,000	2,661,000	2,160,000	
ADJUSTMENT FOR GAAP METHOD	(4,767,000)	(4,650,000)	117,000	
NET INCOME GAAP	(4,266,000)	(1,989,000)	2,277,000	

Explanation of Significant Variances:

- A: Customer growth .2% over bgt, +237k; other +19k.
- B: Labor (14k); supplies +71k; other services (21k); IGC's (65k).
- C: Depreciation adjustment on General Plant.
- D: Reconciliation to actual mill rates.
- E: Increase in interest income +144k.
- F: Decrease in interest expense (325k).

ANCHORAGE WATER UTILITY

RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET

	1997 PROFORMA	1998 BUDGET	VARIANCE	
OPERATING REVENUE	26,816,000	27,056,000	240,000	A
OPERATING EXPENSE				
OPERATIONS	14,594,000	14,931,000	337,000	B
DEPRECIATION	2,500,000	2,563,000	63,000	C
MUSA	1,433,000	1,476,000	43,000	D
TOTAL OPERATING EXPENSE	18,527,000	18,970,000	443,000	
OPERATING INCOME	8,289,000	8,086,000	(203,000)	
NON-OPERATING REVENUE	2,172,000	2,216,000	44,000	E
NON-OPERATING EXPENSE	7,800,000	7,892,000	92,000	F
NET INCOME REGULATORY	2,661,000	2,410,000	(251,000)	
ADJUSTMENT FOR GAAP METHOD	(4,650,000)	(4,766,000)	(116,000)	D
NET INCOME GAAP	(1,989,000)	(2,356,000)	(367,000)	

Explanation of Significant Variances:

A: Customer growth 1.0%.

B: Labor (54k); supplies +81k; other services +161k; IGC's +147k.

C: Function of the capital construction program.

D: Function of the capital construction program.

E: Increase in rental income +4k; increase in interest income +40k.

F: Increase in interest expense +142k; increase in capitalized interest (50k).

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
OPERATING REVENUE			
RESIDENTIAL SALES	17,964,712	18,193,000	18,375,000
COMMERCIAL SALES	5,696,333	5,768,000	5,826,000
PUBLIC FIRE PROTECTION	2,475,000	2,475,000	2,475,000
HYDRANT USE CHARGE	134,505	150,000	150,000
MISCELLANEOUS	245,026	230,000	230,000
TOTAL OPERATING REVENUE	26,515,576	26,816,000	27,056,000
OPERATING EXPENSES			
SOURCE OF SUPPLY	2,323,918	2,354,000	2,460,000
TREATMENT	2,368,928	2,503,000	2,452,000
TRANSMISSION	3,544,702	3,380,000	3,403,000
CUSTOMER ACCOUNTS	1,662,392	1,703,000	1,755,000
GENERAL & ADMINISTRATIVE	3,938,324	4,654,000	4,861,000
DEPRECIATION *	2,276,788	2,500,000	2,563,000
MUSA	1,434,022	1,433,000	1,476,000
TOTAL OPERATING EXPENSE	17,549,074	18,527,000	18,970,000
OPERATING INCOME	8,966,502	8,289,000	8,086,000

* DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	399,115	602,000	606,000
INTEREST - GENERAL CASH POOL	229,460	200,000	200,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	258,871	200,000	190,000
INTEREST - BOND REDEMPT RESERVE	192,932	230,000	230,000
INTEREST - BOND SINKING FUND	113,310	110,000	110,000
INTEREST - EKLUTNA RESERVE	556,823	650,000	700,000
INTEREST & PENALTY ON ASSESSMENTS	181,874	180,000	180,000
MISC INCOME	0	0	0
TOTAL NON-OPERATING REVENUE	1,932,385	2,172,000	2,216,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	818,872	850,000	850,000
INTEREST - LONG TERM DEBT	6,813,097	7,100,000	6,786,000
INTEREST - OTHER	0	0	456,000
CAPITALIZED INTEREST	(141,090)	(150,000)	(200,000)
TOTAL NON-OPERATING EXPENSE	7,490,879	7,800,000	7,892,000
NON-OPERATING INCOME	(5,558,494)	(5,628,000)	(5,676,000)
NET INCOME (REGULATORY)	3,408,008	2,661,000	2,410,000
ADJUSTMENT FOR GAAP	4,625,543	4,650,000	4,766,000
NET INCOME (LOSS) GAAP	(1,217,535)	(1,989,000)	(2,356,000)

ANCHORAGE WATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(1,217,535)	(1,989,000)	(2,356,000)
DEPRECIATION	6,902,331	7,150,000	7,329,000
BOND PROCEEDS	0	0	2,000,000
STATE LOANS	0	7,500,000	7,500,000
ASSESSMENT BONDS	0	0	0
AMORT/DEFERRED DEBITS/DISCOUNTS	818,872	850,000	850,000
GRANTS	6,427,979	7,158,000	3,600,000
CONTRIBUTIONS FROM OTHERS	1,307,929	500,000	300,000
EKLUTNA RESERVE	0	0	0
OTHER	(767,167)	344,000	455,000
TOTAL SOURCES OF CASH FUNDS	13,472,409	21,513,000	19,678,000
USES OF CASH:			
ADDITIONS TO PLANT	13,608,036	16,281,000	16,496,000
BOND PRINCIPAL PAYMENT	2,060,942	1,921,000	2,062,000
TOTAL USES OF CASH FUNDS	15,668,978	18,202,000	18,558,000
NET INCREASE(DECREASE) IN CASH FUNDS	(2,196,569)	3,311,000	1,120,000
CASH BALANCE JANUARY 1	24,352,654	22,156,000	25,467,000
CASH BALANCE DECEMBER 31	22,156,085	25,467,000	26,587,000
DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	4,111,523	2,895,000	802,000
RESTRICTED CASH ACCOUNTS	15,887,116	17,922,000	19,967,000
EQUITY IN GENERAL CASH POOL	2,157,446	4,651,000	5,818,000
TOTAL CASH DECEMBER 31	22,156,085	25,467,000	26,587,000

ANCHORAGE WATER UTILITY

1998 OPERATING BUDGET DETAIL

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
LABOR			
Wages	5,402,490	5,405,000	5,404,000
Overtime	324,488	315,000	285,000
Benefits	2,726,500	2,703,000	2,680,000
Subtotal	8,453,478	8,423,000	8,369,000
SUPPLIES			
Chemicals	130,687	270,000	203,000
Plant, Shop, & Office Expense	849,071	983,000	1,132,000
Subtotal	979,758	1,253,000	1,335,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	268,596	281,000	283,000
Mgmt Information Systems Dept	335,639	408,000	541,000
Employee Relations Dept	143,332	167,000	151,000
Other	558,208	550,000	578,000
Subtotal	1,305,775	1,406,000	1,553,000
OTHER SERVICES			
Professional Services	204,350	475,000	512,000
Rent/Leases	703,270	725,000	738,000
Utilities	1,545,489	1,680,000	1,718,000
Vehicles	262,454	0	0
Contracted Mtnce/Repair	593,473	578,000	563,000
Operating Expense Transfer to CWIP	(431,728)	(246,000)	(500,000)
Other	221,945	301,000	643,000
Subtotal	3,099,253	3,513,000	3,674,000
OTHER EXPENSES			
Depreciation & Amortization	6,902,331	7,150,000	7,329,000
MUSA	1,434,022	1,433,000	1,476,000
Interest on Long-Term Debt	6,813,097	7,100,000	7,242,000
Capitalized Interest	(141,090)	(150,000)	(200,000)
Amort Deferred Debits/Discounts	818,872	850,000	850,000
Subtotal	15,827,232	16,383,000	16,697,000
TOTAL EXPENSES	29,665,496	30,978,000	31,628,000

Anchorage Water Utility

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

ANCHORAGE WATER UTILITY 1998-2003 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
GENERAL PLANT	3,310	4,225	2,654	2,713	4,624	11,669	29,195
REPAIR & REHABILITATION	1,610	1,800	1,300	1,300	1,300	1,300	8,610
TRANSMISSION/DISTRIBUTION	10,350	10,000	6,400	20,100	4,400	3,700	54,950
WELL, TANK, PRV	800	4,800	800	600	650	300	7,950
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	16,070	21,075	11,404	24,963	11,224	17,219	101,955

SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
DEBT	14,767	19,549	10,334	23,318	9,504	15,729	93,201
EQUITY	1,303	1,526	1,070	1,645	1,720	1,490	8,754
STATE GRANT	0	0	0	0	0	0	0
TOTAL	16,070	21,075	11,404	24,963	11,224	17,219	101,955

*Approximately \$.7 million of in-house labor will be spent on capital projects in 1998

Anchorage Wastewater Utility

**1998
Operating Budget**

ANCHORAGE WASTEWATER UTILITY

RECONCILIATION OF 1997 BUDGET TO 1997 PROFORMA

	1997 BUDGET	1997 PROFORMA	VARIANCE	
OPERATING REVENUE	22,881,000	23,172,000	291,000	A
OPERATING EXPENSE				
OPERATIONS	14,040,000	13,770,000	(270,000)	B
DEPRECIATION	3,365,000	3,000,000	(365,000)	C
MUSA	1,146,000	1,156,000	10,000	D
TOTAL OPERATING EXPENSE	18,551,000	17,926,000	(625,000)	
OPERATING INCOME	4,330,000	5,246,000	916,000	
NON-OPERATING REVENUE	1,330,000	1,363,000	33,000	E
NON-OPERATING EXPENSE	4,290,000	4,296,000	6,000	F
NET INCOME REGULATORY	1,370,000	2,313,000	943,000	
ADJUSTMENT FOR GAAP METHOD	(5,125,000)	(5,125,000)	0	
NET INCOME GAAP	(3,755,000)	(2,812,000)	943,000	

Explanation of Significant Variances:

A: Customer growth 1.1% over bgt, +192k; Public Authorities +75k; Other +24k.

B: Labor (285k); supplies +52k; other svc +36k; IGC's (72k).

C: Depreciation adjustment on General Plant.

D: Reconciliation to actual mill rates.

E: Increase in interest income +33k.

F: Increase in interest expense +6k.

ANCHORAGE WASTEWATER UTILITY

RECONCILIATION OF 1997 PROFORMA TO 1998 BUDGET

	1997 PROFORMA	1998 BUDGET	VARIANCE	
OPERATING REVENUE	23,172,000	23,395,000	223,000	A
OPERATING EXPENSE				
OPERATIONS	13,770,000	14,563,000	793,000	B
DEPRECIATION	3,000,000	3,075,000	75,000	C
MUSA	1,156,000	1,191,000	35,000	D
TOTAL OPERATING EXPENSE	<u>17,926,000</u>	<u>18,829,000</u>	<u>903,000</u>	
OPERATING INCOME	5,246,000	4,566,000	(680,000)	
NON-OPERATING REVENUE	1,363,000	1,369,000	6,000	E
NON-OPERATING EXPENSE	<u>4,296,000</u>	<u>4,271,000</u>	<u>(25,000)</u>	F
NET INCOME REGULATORY	<u>2,313,000</u>	<u>1,664,000</u>	<u>(649,000)</u>	
ADJUSTMENT FOR GAAP METHOD	(5,125,000)	(5,253,000)	(128,000)	D
NET INCOME GAAP	(2,812,000)	(3,589,000)	(777,000)	

Explanation of Significant Variances:

A: Customer growth 1.0%.

B: Labor (66k); supplies +296k; other services +431k; IGC's +131k.

C: Function of capital construction program.

D: Function of capital construction program.

E: Decrease in interest income (13k); increase in rental income +19k.

F: Decrease in interest expense (25k).

ANCHORAGE WASTEWATER UTILITY STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
OPERATING REVENUES			
RESIDENTIAL SALES	17,546,291	17,769,000	17,947,000
COMMERCIAL SALES	4,471,301	4,528,000	4,573,000
PUBLIC AUTHORITIES	771,055	590,000	590,000
MISCELLANEOUS	284,901	285,000	285,000
TOTAL OPERATING REVENUE	23,073,548	23,172,000	23,395,000
OPERATING EXPENSES			
COLLECTION	2,409,880	2,435,000	2,448,000
TREATMENT	5,216,320	5,224,000	5,208,000
CUSTOMER ACCOUNTS	1,399,263	1,455,000	1,497,000
GENL & ADMINISTRATIVE	4,183,325	4,656,000	5,410,000
DEPRECIATION *	2,780,461	3,000,000	3,075,000
MUSA	1,113,299	1,156,000	1,191,000
TOTAL OPERATING EXPENSES	17,102,548	17,926,000	18,829,000
OPERATING INCOME	5,971,000	5,246,000	4,566,000

*DEPRECIATION OF CONTRIBUTED
PLANT NOT INCLUDED

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF REVENUE AND EXPENSES

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
NON-OPERATING REVENUE			
RENTAL INCOME	860,686	815,000	834,000
INTEREST - GENERAL CASH POOL	233,416	250,000	250,000
INTEREST - CAPITAL ACQUISITION ACCOUNT	82,778	68,000	60,000
INTEREST & PENALTY ON ASSESSMENTS	229,098	230,000	225,000
MISC INCOME	19,029	0	0
TOTAL NON-OPERATING REVENUE	1,425,007	1,363,000	1,369,000
NON-OPERATING EXPENSE			
AMORT DEFERRED DEBITS/DISCOUNTS	921,685	1,000,000	1,000,000
INTEREST - LONG TERM DEBT	3,124,614	2,851,000	2,609,000
INTEREST - OTHER	459,059	510,000	727,000
CAPITALIZED INTEREST	(179,589)	(65,000)	(65,000)
TOTAL NON-OPERATING EXPENSE	4,325,769	4,296,000	4,271,000
NON-OPERATING INCOME	(2,900,762)	(2,933,000)	(2,902,000)
NET INCOME (REGULATORY)	3,070,238	2,313,000	1,664,000
ADJUSTMENT FOR GAAP	5,061,847	5,125,000	5,253,000
NET INCOME (LOSS) GAAP	(1,991,609)	(2,812,000)	(3,589,000)

ANCHORAGE WASTEWATER UTILITY

STATEMENT OF SOURCES AND USES OF CASH

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
SOURCES OF CASH:			
NET INCOME (LOSS) GAAP	(1,991,609)	(2,812,000)	(3,589,000)
DEPRECIATION	7,842,308	8,125,000	8,328,000
BOND PROCEEDS	0	0	0
STATE LOANS	2,851,722	2,491,000	4,200,000
AMORT/DEFERRED DEBITS/DISCOUNTS	921,685	1,000,000	1,000,000
GRANTS	1,809,583	1,541,000	800,000
CONTRIBUTIONS FROM OTHERS	896,421	950,000	900,000
OTHER	190,227	60,000	145,000
TOTAL SOURCES OF CASH FUNDS	12,520,337	11,355,000	11,784,000
USES OF CASH:			
ADDITIONS TO PLANT	5,906,767	4,237,000	6,395,000
BOND PRINCIPAL PAYMENT	5,691,287	5,860,000	5,837,000
TOTAL USES OF CASH FUNDS	11,598,054	10,097,000	12,232,000
 NET INCREASE(DECREASE) IN CASH FUNDS	 922,283	 1,258,000	 (448,000)
 CASH BALANCE JANUARY 1	 6,026,065	 6,948,000	 8,206,000
CASH BALANCE DECEMBER 31	6,948,348	8,206,000	7,758,000
 DETAIL OF CASH BALANCE:			
EQUITY IN CAPITAL ACQUISITION ACCT	1,413,671	2,000,000	2,158,000
RESTRICTED CASH ACCOUNTS	360,618	361,000	361,000
EQUITY IN GENERAL CASH POOL	5,174,059	5,846,000	5,239,000
TOTAL CASH DECEMBER 31	6,948,348	8,206,000	7,758,000

ANCHORAGE WASTEWATER UTILITY

1998 OPERATING BUDGET DETAIL

	1996 ACTUAL	1997 PROFORMA	1998 BUDGET
LABOR			
Wages	5,137,028	5,179,000	5,072,000
Overtime	121,913	123,000	124,000
Benefits	2,484,099	2,524,000	2,564,000
Subtotal	7,743,040	7,826,000	7,760,000
SUPPLIES			
Chemicals	376,588	389,000	402,000
Plant, Shop, & Office Expense	907,024	936,000	1,219,000
Subtotal	1,283,612	1,325,000	1,621,000
INTRAGOVERNMENTAL CHARGES			
Finance Dept	244,187	262,000	258,000
Mgmt Information Systems Dept	335,589	409,000	540,000
Employee Relations Dept	139,473	146,000	147,000
Other	767,792	813,000	817,000
Subtotal	1,487,041	1,630,000	1,762,000
OTHER SERVICES			
Professional Services	648,577	969,000	1,059,000
Rent/Leases	412,748	616,000	620,000
Utilities	1,077,082	1,084,000	1,091,000
Vehicles	343,877	0	0
Contracted Mtnce/Repair	241,355	240,000	238,000
Operating Expense Transfer to CWIP	(217,072)	(292,000)	(250,000)
Other	188,528	372,000	662,000
Subtotal	2,695,095	2,989,000	3,420,000
OTHER EXPENSES			
Depreciation & Amortization	7,842,308	8,125,000	8,328,000
MUSA	1,113,299	1,156,000	1,191,000
Interest on Long-Term Debt	3,583,673	3,361,000	3,336,000
Capitalized Interest	(179,589)	(65,000)	(65,000)
Amort Deferred Debits/Discounts	921,685	1,000,000	1,000,000
Subtotal	13,281,376	13,577,000	13,790,000
TOTAL EXPENSES	26,490,164	27,347,000	28,353,000

Anchorage Wastewater Utility

1998-2003

**Capital Improvement
Budget/Program**

ANCHORAGE WASTEWATER UTILITY 1998-2003 CAPITAL IMPROVEMENT BUDGET FINANCIAL SUMMARY

(\$\$ x 1000)

PROJECT CATEGORY	1998	1999	2000	2001	2002	2003	TOTAL
GENERAL PLANT	4,895	3,905	3,814	2,598	2,259	6,709	24,180
REPAIR & REHABILITATION	1,345	3,410	4,180	4,500	8,300	1,700	23,435
TRUNK/INTERCEPTOR	1,100	100	325	100	100	4,460	6,185
IMPROVEMENT DISTRICTS	0	250	250	250	250	250	1,250
TOTAL	7,340	7,665	8,569	7,448	10,909	13,119	55,050

SOURCE OF FUNDING	1998	1999	2000	2001	2002	2003	TOTAL
DEBT	5,727	6,484	7,514	6,168	9,504	11,639	47,036
EQUITY	1,613	1,181	1,055	1,280	1,405	1,480	8,014
STATE GRANT	0	0	0	0	0	0	0
TOTAL	7,340	7,665	8,569	7,448	10,909	13,119	55,050

*Approximately \$.3 million of in-house labor will be spent on capital projects in 1998