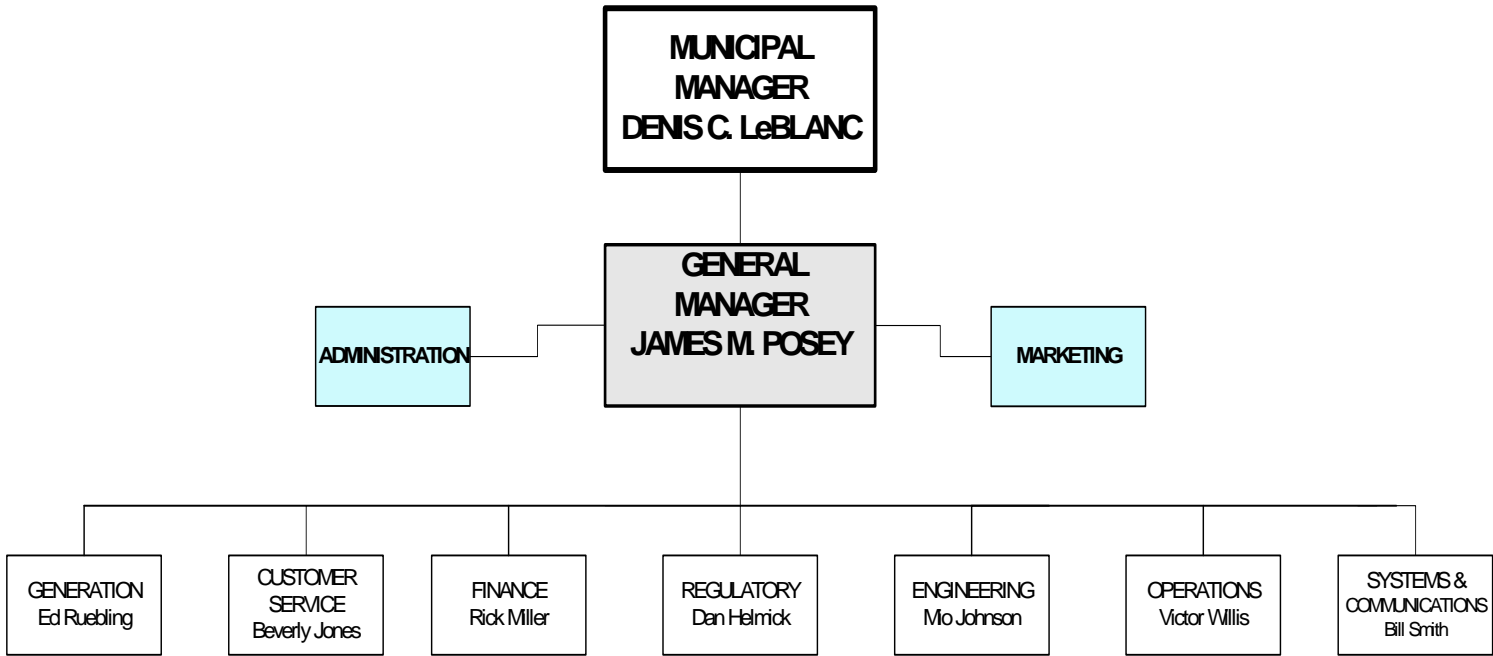


# Municipal Light & Power

Corporate Headquarters  
Anchorage, AK



# **Municipal Light & Power**

## **2005 Utility Profile**

### **Organization**

Municipal Light & Power (ML&P) is functionally structured into seven operating divisions: Generation & Power Management, Engineering, Operations, Finance, Regulatory Affairs, Customer Service, and Systems & Communication. Each division manager reports directly to the General Manager. Furthermore, ML&P's administrative, personnel, and marketing efforts are performed as part of the General Manager's administrative group.

As of December 31, 2003, ML&P had 227 employees and total labor and benefit costs of approximately \$25.3 million, which includes operating and capital. Of these 227 employees, 161 were covered by a labor agreement with the IBEW and 66 were non-represented (covered by the Municipal Personnel Rules).

### **History**

The history of ML&P is closely linked with the history and development of Anchorage itself. ML&P has emerged to serve a city with approximately half the population of the state at rates which are among the lowest in Alaska and that compare favorably with those of many metropolitan areas in the lower 48 states. ML&P has evolved into an acknowledged energy leader by being customer oriented, innovative, and responsive to customers' needs for safe, economical, and reliable electrical service.

When the Alaska Engineering Commission (AEC) initiated electrical service in Anchorage in 1916, Anchorage was just a small tent city in the wilderness. The City operated the electrical distribution system under a lease agreement, first with the AEC and later with the Alaska Railroad. This lease agreement continued until 1932 when the citizens of the young city bought the electrical distribution system for \$11,351.

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, 40 miles northeast of Anchorage. The City 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 "Little Eklutna" to that federal agency.

Between 1962 and 1984, ML&P installed seven turbine-generating units fired by natural gas and one heat recovery steam turbine generating unit. Six of the seven turbines have dual-fuel capability, which enhances ML&P's reliability in the event of a disruption of the natural gas transportation system. In addition to its two power plants, ML&P operates twenty modern substations and is the south-end controller of the Intertie from Anchorage to Fairbanks.

In late 1996, the Municipality purchased a one-third working interest in the Beluga River Gas Field, which establishes a guaranteed fuel supply and serves as a means to stabilize fuel prices for years to come. In 1997, ML&P in association with Chugach Electric Association and Matanuska Electric Association purchased the Eklutna Hydroelectric Project from the federal government.

## 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 2003, the average number of residential and commercial customers was 23,778 and 5,989 respectively. Approximately twenty percent of ML&P's customer base consumes eighty percent of its output.

In 2003, electric retail sales totaled 890,512 MWh and earned revenues of \$75,655,290. Total electric operating revenues including Miscellaneous Operating Revenue, Sales for Resale, Other Utility Operating Income, and Water Diversion Compensation was \$82,495,269. Total gas operating revenues totaled \$7,599,291. ML&P also has agreements to supply Fort Richardson Army Base and Elmendorf Air Force Base with firm electrical service and interruptible wholesale electric service, respectively.

## Regulation

ML&P is subject to economic regulation by the Regulatory Commission of Alaska (RCA), which is composed, of five members appointed to six-year staggered terms by the Governor and confirmed by the State Legislature. RCA regulation encompasses service area definition, tariff rules and regulations, service quality criteria and establishment of recurring rates and miscellaneous fees and charges.

The Utility is also advised by the ML&P Electric 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 Anchorage Assembly. The General Manager of ML&P serves in an ex officio capacity as Executive Secretary of the Commission.

The Commission reviews electric service policies and practices and reviews the budget and operations of ML&P. From these reviews, the Commission 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

Environmental Mandates imposed by the Federal and State Governments will continue to add to the significant cost of environmental compliance. Scoping of environmental alternatives and pre-permitting assessments associated with equipment replacements, new generation, and services expansion will result in cost increases. Recent changes to State air quality regulations will require updating permits and re-evaluation of applicability. New federal oil spill prevention

regulations are imposing requirements for secondary containments on 55-gallon and larger containers, which will increase cost of environmental compliance as well.

### Emergency Preparedness/Security

Because of world events and the threat of natural disasters, ML&P is continuing its efforts to prevent and minimize threats to our utility, as well as establish recovery procedures. These efforts are in conjunction with the MOA, other state and federal agencies and other local utilities. We have conducted security assessments and prepared a plan based on the likely threats. This effort continues to be updated as new threats are identified and new technologies become available to limit them. We are currently upgrading fencing, CCTV, building access control, and cyber security. We have just completed a Business Impact Analysis, and Disaster Recovery Plan. We have upgraded the ML&P EOC with more modern and robust communications and have continued computer network changes to allow for more security as well as easier recovery in the event of loss of the computer network.

### Electric and Gas Plant

ML&P generates, purchases, transmits, and distributes electric power and has an one-third working interest in the Beluga River Gas Field.

- Power Generated/Purchased in 2003 1,050,955 MWh
  - ML&P Generated 861,754 MWh 81.99%
  - Purchased:
    - Eklutna Hydroelectric Project 60,821 MWh 5.79%
    - Bradley Lake Project 128,380 MWh 12.22%
- Total Generation capacity in 2003 328 Megawatts (MW)
  - Power Plant Number One (4 Turbines) 85 MW 25.91%
  - Power Plant Number Two (4 Turbines) 243 MW 74.09%
    - Seven Gas-Fired Turbines
    - One Heat Recovery Turbine
    - Six of the seven turbines equipped to use No. 2 fuel oil as an alternate fuel
- Reserve Capacity Margin in 2003 150 Megawatts (MW)
- Transmission/Distribution System in 2003 360 Miles
  - Underground Cable 224 Miles 62.22%
  - Overhead Line 136 Miles 37.78%
  - 19 Total Substations
- Net Electric Plant as of December 31, 2003 \$158,903,428
- Net Gas Plant as of December 31, 2003 \$111,040,429
- ML&P has a 53.33% ownership interest in the Eklutna Hydroelectric Project, which has 44 MW of installed capacity.
- Pursuant to the Power Sales Agreement with the Alaska Energy Authority, ML&P is required to purchase 25.9% of the output of the Bradley Lake Project, which has 126 MW of installed capacity.

## **Municipal Light & Power**

### **2005 Budget Assumptions**

Below are the general budget assumptions provided by the Office of Management and Budget, plus specific ML&P assumptions, used in the preparation of the Municipal Light and Power 2005 Operating and Capital Budgets.

#### **REGULATION**

Assume continued economic regulation by the Regulatory Commission of Alaska (RCA).

#### **UTILITY OWNERSHIP**

Assume continued Municipal ownership in 2005.

#### **MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)**

Assume mill rates for MUSA (in lieu of taxes) to be same as 2004 mill rates. MUSA is due from utilities based on net depreciated plant, without exemption.

#### **REVENUE DISTRIBUTIONS**

Assume five percent of gross receipts will be paid unless prohibited by the RCA. Currently, ML&P is prohibited by the RCA from paying a revenue distribution.

#### **INTEREST**

Assume debt service for new insured 20-year G.O. bonds as well as new insured revenue bonds to be 5.25% - 5.75%. Short-term interest income should be calculated assuming a rate of 1.00% - 1.50%. Short-term interfund borrowing rate should be assumed to be 1.50% - 2.00%. No new revenue bonds are planned to be issued in 2005.

#### **RATE INCREASES**

No new rate increases are proposed for 2005.

#### **INTRAGOVERNMENTAL CHARGES (IGCs)**

Use a preliminary estimate of 10% over 2004 budgeted IGCs.

#### **POPULATION**

Assume that Anchorage's population will be approximately 278,000 in 2004 and 282,000 in 2005.

#### **INFLATION**

Utilities should consider appropriate inflationary increases in developing their 2005 budget.

#### **COMPENSATION COSTS (Salaries and Benefits)**

Assume a 3.3% wage increase and an increase in health insurance benefits in accordance with the current IBEW contract. Assume non-represented employees also receive a 3.3% wage increase and an increase in health insurance benefits. Additionally, employees with 10, 15, and 20 years of continuous service are budgeted to receive 3.5%, 7.5%, and 10.5% increase in wages, respectively.

#### **2005 BUDGET IMPACTS/ASSUMPTIONS SPECIFIC TO ML&P**

The 2005 contract price of gas is established by the average price of 2004 third quarter Light Sweet Crude Oil futures. It is estimated that the 2005 contract price of gas, per thousand cubic feet (Mcf), will increase approximately 30% to \$3.53 over the 2004 contract price of \$2.71. It is

estimated that the 2005 contract price for sales to Chugach Electric Association, Inc. (CEA) will increase approximately 9% to \$2.64 over the 2004 contract price of \$2.43 and the ENSTAR contract price will increase 33% to \$3.52 over the 2004 contract price of \$2.64. While ENSTAR'S 2005 volume projection remains the same as in 2004, CEA's volume is slightly lower in 2005. This will result in ML&P's Gas Revenue increasing by \$1,485,000 due to the higher contract price offset by the decrease in net volume sales.

The transfer price of gas from the Gas Division to the Electric Division is budgeted to increase substantially in 2005. The transfer price of gas is budgeted at \$3.14/Mcf compared to \$2.25/Mcf for 2004. The increase in the transfer price is the result of the increased cost of purchased gas from Conoco Phillips and Chevron USA. Effective January 1, 2004, ML&P began calculating its transfer price of gas as a blend of 1/3 of revenue requirement, 1/3 of contract price with ConocoPhillips, and 1/3 of contract price with Chevron USA, rather than the 93.3% of contract price used in the second half of 2003.

On February 18, 2004, the Regulatory Commission of Alaska (RCA) settled the last remaining substantive issues of Docket No. U-96-36 in Order No. 40. The RCA ordered ML&P to calculate depletion in its Beluga River Unit (BRU) gas reserve as 125 percent of the principal payment portion of its debt service on the BRU acquisition debt.

ML&P is preparing a response to RFP SPO600-04-R-0005 issued by the US Air Force to privatize Elmendorf AFB's distribution system. Privatization requires that ML&P own the system and provide operations and maintenance of the system for fifty years. If ML&P is the successful bidder we anticipate that we will take over the system sometime in late 2005. Since it is not guaranteed that ML&P will be the successful bidder, this operating budget does not reflect the economic impact of Elmendorf privatization.

In 2004 ML&P took monetary settlement of approximately \$17,136,139 from its Beluga River Unit field partners (Conoco Phillips and Chevron Texaco) to keep its underlift position at a level so that we would not "strand" the gas. Since the RCA considers this a third party gas sale they would normally require that ML&P return this money to our rate payers in the form of reduced rates. However, given ML&P's need to make significant capital improvements to the gas field and electrical system, we intend to petition the Commission to allow us to direct those funds to our CIP since it makes no sense to lower rates and then turn around and raise them to meet debt service on additional debt sold to fund our CIP requirements. A docket has been opened and is pending regulatory approval. The cash is in a deferred credit account until the issue is resolved. ML&P does not anticipate taking monetary settlement in 2005.

ML&P included three new full-time positions in the budget. Two positions were added in generation due to aging workforce and demands of adding new generation and one position in engineering due to planning and design for Substations 6, 12, 14 and 21.

ML&P has incorporated a goal of paying a return to our owners into the financial plan. ML&P is increasing the rate of equity growth in anticipation of paying a dividend to the MOA at the time 40% equity and Regulatory approval is achieved. The utility expects to meet this in late 2005, as shown in the attached 11 year summary.

## **Municipal Light & Power**

### **2005 Highlights and Future Events**

#### **Integrated Resource Planning**

In the first quarter of 2003, ML&P completed its Integrated Resource Plan (IRP), which was commissioned to address how we would approach the replacement of aging generation infrastructure. Since the completion of the IRP, the Governor of Alaska created an Energy Policy Task Force to address energy issues along the Rail belt, in Southeast Alaska, and in the bush communities. In order to be able to testify knowledgeably before the Energy Task Force, as well as be able to reflect a regional perspective in our IRP, ML&P along with four other Rail belt utilities completed a Rail belt Energy Study in mid-December 2003. ML&P will modify its IRP as appropriate and then begin to move forward to have replacement generation facilities on line by late 2010. During 2005, ML&P's goal is to issue an RFP for engineering, preliminary design, and begin permit studies and applications.

#### **Fort Richardson Army Base**

On May 7, 2003 ML&P was notified by Fort Richardson Army Base (FRA) that it was the successful respondent to their RFP for all requirements power. The option selected by FRA was for a one-year base period to begin October 1, 2003, with two one-year renewal options thereafter. Power requirements to FRA during 2005 could amount to 58,000 MWH and revenue is projected to be approximately \$3.5 million.

#### **Elmendorf Air Force Base**

By amendment P00030 to Contract F65501-80-D-0018 Effective June 18, 2004, Elmendorf Air Force Base ("EAFB") agreed to purchase, and ML&P agreed to sell, all of EAFB's bulk electric power requirements from ML&P beginning Oct 1, 2005. The Requirements Power will be provided under ML&P's Rate Schedule 770. Peak demand is expected to be up to 23 MW and annual energy is expected to be up to 140,000 MWH. Revenue is projected to be approximately \$6 million/year.

ML&P will invest approximately \$5 million in new substation equipment to be in a position to provide reliable All Requirements service.

#### **HP 3000 Migration**

ML&P currently uses the HP3000 Minicomputer for most business and customer service applications. In November of 2001, Hewlett-Packard (HP) announced that they would discontinue support for the HP3000 system in 2006. This will require ML&P to migrate all of its existing applications on the HP3000 to new platforms. ML&P expects to accomplish this over the next two years. Contacts have been established with the 4 HP platinum partners to evaluate migration tools and strategy. The migration will be to several different platforms including the HP9000 and windows based servers. New hardware has been purchased and an RFP generated to hire consultants to assist in the application translation and testing. It is expected that this migration will take place without affecting day-to-day operations.

## Depreciation Study

On January 22, 2003, the Regulatory Commission of Alaska (RCA) issued Order No. 17 in Docket U-99-139. In this Order, the RCA accepted a stipulation reached by ML&P and the Public Advocacy Section (PAS). Included in this stipulation was an agreement that “ML&P shall file an electric depreciation study within the next three years or before its next general electric rate case, whichever occurs first.”

ML&P will use a consultant to complete the depreciation study, as this is a unique and complex field requiring specialized knowledge of electrical systems and mortality analysis of infrastructure. By year-end 2003, the necessary reports that are required for the consultant to analyze ML&P’s plant additions and retirements by vintage and account were completed. An RFP was issued in April 2004, and should be awarded in August 2004, to obtain a consultant to review these reports, inform us of additional information requirements, and then to actually perform the depreciation study. It is our goal to have the study completed and filed with the RCA by the first quarter of 2005.

## Commercial Key Accounts Program

ML&P administers a Key Accounts Program, which provides our commercial customers with a single point of contact, account history analyses, and assistance with specific energy needs.

## Community Service

ML&P continues to support the Anchorage community through sponsorships, participation in special events and employee donations. Some of these activities include:

- Anchorage Chamber of Commerce
- Anchorage Economic Development Corporation
- Anchorage Fur Rendezvous
- Alaska Iditarod Race
- Beans Café
- Big Brothers Big Sisters
- City of Lights
- City Wide Clean-Up Week
- Covenant House
- Anchorage Home Builders Assoc.
- Anchorage School District ‘Power In Pictures’ Contest
- Food Bank
- Military Appreciation Events
- Standing Together Against Rape
- The Imaginarium
- Trick or Treat Town
- Winter Cities



# **Municipal Light & Power**

## **11-Year Summary**

Utility Format - 2005 Operating Budget (in 000's)

	Actuals				Proforma	Budget	Forecast				
Financial Overview:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues	\$84,569	\$87,430	\$83,289	\$106,065	\$110,270	\$113,867	\$98,376	\$107,474	\$112,197	\$112,928	\$110,414
Expenses	75,337	78,735	84,026	92,015	96,890	101,887	81,147	88,582	93,667	95,685	93,813
Net Income	9,232	8,695	(737)	14,051	13,380	11,980	17,229	18,893	18,530	17,243	16,601
Work Force Authorized per Budget	230	234	234	236	236	239	239	239	239	239	239
Capital Improvements/Budget	13,927	12,363	12,154	17,385	19,337	45,062	46,669	35,324	48,208	53,312	58,055
Bond Sales	-	-	-	-	-	-	18,563	-	68,390	-	-
Net Non-Contributed Plant (12/31) (REG)	260,416	255,022	252,221	260,797	263,468	275,930	298,872	307,465	327,542	348,248	371,660
Net Contributed Plant (12/31)	12,280	12,434	12,344	13,226	13,382	13,223	13,050	13,154	12,944	12,719	12,868
Net Plant (12/31) (GAAP)	272,696	267,455	264,565	274,023	276,850	289,153	311,923	320,619	340,486	360,967	384,528
Retained Earnings (12/31)	90,916	99,611	98,885	112,935	126,315	138,295	149,842	163,827	176,994	188,638	199,605
General Cash	25,185	29,180	21,346	14,572	30,943	18,755	15,120	10,114	53,316	28,738	3,417
Bond Construction Cash	-	-	-	-	-	-	-	-	-	-	-
Bond Redemption Investment	24,337	25,125	24,784	24,842	24,646	24,646	25,719	24,171	28,192	28,185	26,972
Debt Service Account	6,899	6,914	6,902	7,110	6,506	6,449	6,716	5,670	6,693	6,879	6,754
Grant Cash	-	-	3,861	3,675	3,175	-	-	-	-	-	-
Operating Fund Investment & Customer Deposits	6,373	6,423	6,467	7,410	9,221	9,721	7,021	7,221	7,221	7,421	7,321
Total Cash & Investments (12/31)	62,794	67,642	63,362	57,609	74,491	59,571	54,576	47,176	95,422	71,223	44,464
IGC's - General Government	2,542	2,578	3,077	3,067	3,262	3,910	3,917	4,009	4,202	4,219	4,288
Dividend Gross Receipts	-	-	-	-	-	-	5,682	4,908	5,363	5,599	5,635
MUSA - Regular	2,153	2,526	2,080	2,000	2,066	2,314	2,444	2,734	2,940	3,308	3,690
Total Outstanding Debt	279,815	268,525	257,230	245,415	232,585	219,275	224,260	210,000	264,875	248,835	233,460
Total Annual Debt Service	26,159	26,471	25,278	25,299	26,222	26,804	27,741	27,481	30,902	31,521	29,886
Debt Service Coverage	1.68	1.61	1.49	1.52	1.70	1.64	1.82	2.11	1.98	1.97	2.02
LT Debt/Equity Ratio	75.5/24.5	72.9/27.1	72.2/27.8	70.3/29.7	67.8/32.2	70.2/29.8	68.7/31.3	69.9/30.1	67.3/32.7	64.8/35.2	53.9/46.1
Rate Change Percent	0.00%	0.00%	4.04%	3.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%
Electric Statistical/Performance Trends:											
Residential Customer Bill (500 kWh) (1)	\$47.99	\$47.50	\$47.26	\$50.16	\$57.52	\$58.99	\$53.14	\$56.03	\$57.14	\$57.11	\$58.46
Total Residential Sales (kWh)	148,289	148,399	148,174	149,024	151,506	151,809	152,113	152,417	152,722	153,027	153,333
Commercial & Industrial Sales (kWh)	709,163	721,040	726,684	723,906	734,599	738,272	741,964	745,674	748,656	751,651	754,658
Residential and Commercial Sales (kWh)	857,452	869,439	874,857	872,930	886,106	890,082	894,077	898,091	901,378	904,678	907,991
Residential and Commercial Sales Revenue (\$)	\$66,987	\$68,831	\$70,719	\$76,665	\$90,213	\$96,471	\$85,678	\$98,780	\$104,001	\$104,200	\$103,044

(1) Rates for Electric Residential customers as of March 31 each year using 500 kWh and including Cost of Power Adjustment.

NOTE: Rate increases are shown in the out years for purposes of projections only and have not been approved for implementation. It is intended that they be reviewed closely each year in conjunction with establishing operating budgets. Utilities will continue to strive to find ways to avoid projected rate increases.

**Municipal Light & Power**  
2005 Work Force Projections

<b><u>Division:</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Administration	13	13	13	13	13	13	13
Regulatory	9	9	9	9	9	9	9
Generation	65	67	67	67	67	67	67
Engineering	26	27	27	27	27	27	27
Operations	57	57	57	57	57	57	57
Customer Service	20	20	20	20	20	20	20
Finance	22	22	22	22	22	22	22
Systems & Communications	24	24	24	24	24	24	24
Subtotal	<u>236</u>	<u>239</u>	<u>239</u>	<u>239</u>	<u>239</u>	<u>239</u>	<u>239</u>
Part-Time/Temporary Positions	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
Total	<u>258</u>	<u>261</u>	<u>261</u>	<u>261</u>	<u>261</u>	<u>261</u>	<u>261</u>

**Municipal Light & Power**  
**2005 Operating Budget**  
**Statement of Revenue and Expenses**

	<b><u>2003</u></b> <b><u>Actual</u></b>	<b><u>2004</u></b> <b><u>Proforma</u></b>	<b><u>2005</u></b> <b><u>Budget</u></b>
<b>Operating Revenue</b>			
Residential	\$15,172,318	\$17,211,000	\$17,889,000
Commercial & Industrial	58,660,736	68,225,000	71,463,000
Public Highway & Street Lighting	1,159,010	1,306,000	1,317,000
Public Authority	663,227	3,471,000	5,656,000
Sales for Resale	4,885,298	9,315,000	5,490,000
Miscellaneous Service Revenue	1,384,857	379,000	379,000
Rent from Electric Property	138,387	138,000	138,000
Miscellaneous Revenue	431,437	370,000	370,000
Gas Revenue	<u>7,599,291</u>	<u>9,075,000</u>	<u>23,354,000</u>
 Total Operating Revenue	 90,094,560	 109,490,000	 126,056,000
 <b>Operating Expense</b>			
Production Expense	30,751,748	42,598,000	45,042,000
Transmission Expense	890,394	929,000	1,085,000
Distribution Expense	6,343,522	6,941,000	7,154,000
Customer Account Expense	2,999,383	2,870,000	2,767,000
Customer Service & Information	459,000	378,000	457,000
Administrative & General Expense	7,546,524	8,126,000	9,110,000
Depreciation Electric and Depletion Gas	14,607,752	15,179,000	16,222,000
Amortization of Intangible Plant	403,802	404,000	404,000
Amortization of Plant Acquisition	111,184	111,000	111,000
Taxes Other than Income	<u>1,575,382</u>	<u>1,777,000</u>	<u>2,048,000</u>
 Total Operating Expense	 <u>65,688,690</u>	 <u>79,313,000</u>	 <u>84,400,000</u>
 Operating Income	 <u><u>\$24,405,871</u></u>	 <u><u>\$30,177,000</u></u>	 <u><u>41,656,000</u></u>

**Municipal Light & Power**  
**2005 Operating Budget**  
**Statement of Revenue and Expenses**

	<b><u>2003</u></b> <b><u>Actual</u></b>	<b><u>2004</u></b> <b><u>Proforma</u></b>	<b><u>2005</u></b> <b><u>Budget</u></b>
<b>Non-Operating Revenue</b>			
Interest from Operating Reserve	\$72,416	\$42,000	\$79,000
Interest from Bond Redemption Cash	323,932	336,000	348,000
Interest from General Cash Pool	203,317	276,000	256,000
Interest from Debt Service Account	117,713	106,000	112,000
Miscellaneous Non-Operating Revenue	<u>16,753</u>	<u>20,000</u>	<u>20,000</u>
Total Non-Operating Revenue	734,132	780,000	815,000
<b>Non-Operating Expense</b>			
Misc. Non-Operating Expense	449,906	426,000	400,000
Interest on Bonded Debt	13,423,715	13,356,000	13,468,000
Amortization of Bond Discount/(Premium)	(534,505)	(499,000)	(489,000)
Amortization of Bond Sale Cost & Insurance	282,853	273,000	238,000
Amortization of Loss on Refunded Debt	2,477,659	2,273,000	2,034,000
Municipal Utility Service Assessment	1,999,681	2,066,000	2,314,000
Other Interest Expense	32,271	1,000	1,000
Interest During Construction	<u>(307,850)</u>	<u>(319,000)</u>	<u>(479,000)</u>
Total Non-Operating Expense	17,823,731	17,577,000	17,487,000
Special Item-Regulatory	6,695,054	-	-
Net Income (Regulatory)	<u><u>\$14,011,325</u></u>	<u><u>\$13,380,000</u></u>	<u><u>24,984,000</u></u>
<b>Adjustments for GAAP</b>			
Restricted Interest Income	<u>39,454</u>	<u>-</u>	<u>-</u>
Net Income (GAAP)	<u><u>\$14,050,779</u></u>	<u><u>\$13,380,000</u></u>	<u><u>24,984,000</u></u>

**Municipal Light & Power**  
**2005 Operating Budget**  
**Statement of Cash Sources and Cash Uses**

	<b><u>2003</u></b> <b><u>Actual</u></b>	<b><u>2004</u></b> <b><u>Proforma</u></b>	<b><u>2005</u></b> <b><u>Budget</u></b>
<b>Sources of Cash Funds</b>			
Net Income GAAP	\$14,050,779	\$13,380,000	\$24,984,000
Depreciation/Depletion	15,122,738	15,694,000	16,737,000
Amortized Bond Discount/(Premium)	(534,505)	(499,000)	(489,000)
Amortization of Bond Sale Costs	282,853	273,000	238,000
Amortization of Refunded Debt	2,477,659	2,273,000	2,034,000
Bond Proceeds	-	-	-
Grant Proceeds	-	-	9,875,000
Deferred Charges and Other Assets	(3,172,121)	2,073,000	311,000
Contributions	1,616,694	800,000	500,000
Changes in Assets and Liabilities	<u>(10,676,793)</u>	<u>15,054,907</u>	<u>(13,727,215)</u>
Total Sources of Cash Funds	19,167,305	49,048,907	40,462,784
<b>Uses of Cash Funds</b>			
Additions to Plant	17,385,492	19,337,000	42,221,000
Debt Principal Payment	11,815,000	12,830,000	13,310,000
Total Uses of Cash Funds	<u>29,200,492</u>	<u>32,167,000</u>	<u>55,531,000</u>
Net Increase (Decrease) in Cash Funds	<u>(10,033,187)</u>	<u>16,881,907</u>	<u>(15,068,216)</u>
Cash Balance, January 1	67,642,015	57,608,828	74,490,736
Cash Balance, December 31	<u><u>\$57,608,828</u></u>	<u><u>\$74,490,735</u></u>	<u><u>\$59,422,519</u></u>
<b>Detail of Cash &amp; Investment Balance</b>			
General Cash Less Customer Deposits	14,571,785	\$30,942,673	18,607,113
Bond Cash	-	-	-
Grant Construction	3,674,614	3,174,614	-
Bond Investment	24,841,707	25,121,364	25,201,320
Debt Service	7,110,363	6,031,279	5,893,281
Operating Fund Investment & Customer Deposits	<u>7,410,359</u>	<u>9,220,805</u>	<u>9,720,805</u>
Cash Balance, December 31	<u><u>\$57,608,828</u></u>	<u><u>\$74,490,735</u></u>	<u><u>\$59,422,519</u></u>

## **Municipal Light & Power**

### **2005 Operating Budget**

#### **2005 Operating Budget Detail**

	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
	<b><u>Actual</u></b>	<b><u>Proforma</u></b>	<b><u>Budget</u></b>
<b>Labor Expenses</b>			
Personnel Costs	\$10,697,680	\$11,850,000	\$13,001,000
Benefit Costs	<u>5,522,350</u>	<u>5,657,000</u>	<u>6,742,000</u>
Subtotal	16,220,030	17,507,000	19,743,000
<b>Intergovernmental Expenses</b>			
Financial Info Systems	311,597	559,000	688,000
PeopleSoft Services	507,330	474,000	610,000
Self Insurance-Workers Comp.	575,229	448,000	473,000
Mayor	207,692	247,000	341,000
Municipal Manager	121,744	111,000	132,000
Purchasing	154,344	132,000	160,000
Accounts Payable	123,356	144,000	121,000
Other Intergovernmental Charges	<u>1,065,298</u>	<u>1,147,000</u>	<u>1,385,000</u>
Subtotal	3,066,590	3,262,000	3,910,000
<b>Other Expenses</b>			
Natural Gas Purchases & Transportation	18,800,565	26,309,000	28,033,000
Depreciation, Depletion & Amortization	17,348,745	17,741,000	18,477,000
Interest on Long-Term Debt	13,423,715	13,356,000	13,468,000
Purchased Power	3,426,148	4,071,000	4,104,000
MUSA	1,999,681	2,066,000	2,314,000
Gas Non-Fuel Production Expense	1,173,661	2,022,000	2,051,000
Taxes Other than Income	1,575,382	1,777,000	2,048,000
Regulatory Compliance	629,207	518,000	538,000
Professional Services	937,498	743,000	1,314,000
Deferred Regulatory Cost	(1,930,524)	-	-
Interest During Construction	(307,850)	(319,000)	(479,000)
Materials & Other Expenses	<u>7,149,572</u>	<u>7,837,000</u>	<u>6,366,000</u>
Subtotal	<u>64,225,800</u>	<u>76,121,000</u>	<u>78,234,000</u>
Total Expenses	<u><u>\$83,512,421</u></u>	<u><u>\$96,890,000</u></u>	<u><u>\$101,887,000</u></u>

## **Municipal Light & Power**

### 2005 - 2010 Capital Improvement Budget

(\$000)

<b><u>Project Category:</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>Total</u></b>
Production	\$11,853	\$19,855	\$14,490	\$31,325	\$36,440	\$39,150	\$153,113
Transmission	425	2,465	4,260	750	760	760	9,420
Distribution	8,295	8,580	8,830	9,025	9,355	9,465	53,550
General Plant	4,939	7,019	4,394	3,658	3,207	3,030	26,247
Regulatory Compliance	50	50	50	50	50	50	300
Eklutna Transmission Project	13,000	5,500	-	-	-	-	18,500
Beluga River Gas Field	6,500	3,200	3,300	3,400	3,500	5,600	25,500
Total Capital Budget	<u>\$45,062</u>	<u>\$46,669</u>	<u>\$35,324</u>	<u>\$48,208</u>	<u>\$53,312</u>	<u>\$58,055</u>	<u>\$286,630</u>

<b><u>Source of Funding</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>Total</u></b>
G.O. Bonds	-	-	-	-	-	-	-
Revenue Bonds	-	18,563	-	44,808	-	-	63,371
Loans	-	-	-	-	-	-	-
Equity/Operations	25,562	19,406	32,024	-	49,812	52,455	179,259
Beluga Operations	6,500	3,200	3,300	3,400	3,500	5,600	25,500
State Grant	13,000	5,500	-	-	-	-	18,500
Federal Grant	-	-	-	-	-	-	-
Direct Appropriation	-	-	-	-	-	-	-
Total Capital Budget	<u>\$45,062</u>	<u>\$46,669</u>	<u>\$35,324</u>	<u>\$48,208</u>	<u>\$53,312</u>	<u>\$58,055</u>	<u>\$286,630</u>

\*Approximately \$3.4 million in personnel costs will be spent on capital projects during 2005.

## **Municipal Light & Power**

### 2005 - 2010 Capital Improvement Budget (\$000)

<b><u>Production:</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>Total</u></b>
Steam	2,000	-	-	1,500	-	2,000	\$5,500
Turbines & Generators	9,483	19,650	14,175	29,425	36,100	37,100	145,933
Eklutna Power Plant	330	165	285	350	290	-	1,420
Structures & Improvements	<u>40</u>	<u>40</u>	<u>30</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>260</u>
Subtotal	11,853	19,855	14,490	31,325	36,440	39,150	153,113

<b><u>Transmission:</u></b>							
Land & Land Rights	50	50	60	60	70	70	360
Transmission Lines	175	275	675	425	425	425	2,400
Transmission Stations	200	2,140	3,525	265	265	265	6,660
Eklutna Project	<u>13,000</u>	<u>5,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,500</u>
Subtotal	13,425	7,965	4,260	750	760	760	27,920

<b><u>Distribution:</u></b>							
Distribution Equipment	3,205	1,525	1,825	1,825	1,825	1,825	12,030
Land & Land Rights	75	110	110	115	115	115	640
Meters	560	470	175	175	175	175	1,730
Overhead Lines	665	685	695	705	755	755	4,260
Street Lighting	10	10	15	15	15	15	80
Transformer Services	1,700	1,800	1,900	2,000	2,150	2,150	11,700
Underground Lines	<u>2,080</u>	<u>3,980</u>	<u>4,110</u>	<u>4,190</u>	<u>4,320</u>	<u>4,430</u>	<u>23,110</u>
Subtotal	8,295	8,580	8,830	9,025	9,355	9,465	53,550

<b><u>General Plant:</u></b>							
Communications	2,163	4,079	2,014	1,499	1,031	1,019	11,805
Furniture & Misc Equipment	123	113	99	132	138	106	711
Stores/Tools/Lab	588	377	336	337	428	310	2,376
Structures & Improvements	1,565	1,950	1,445	1,190	1,110	1,095	8,355
Transportation	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>3,000</u>
Subtotal	4,939	7,019	4,394	3,658	3,207	3,030	26,247

<b><u>Regulatory Compliance:</u></b>							
Environmental	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>300</u>
Subtotal	50	50	50	50	50	50	300

<b><u>Beluga River Gas Field:</u></b>							
Improvements	<u>6,500</u>	<u>3,200</u>	<u>3,300</u>	<u>3,400</u>	<u>3,500</u>	<u>5,600</u>	<u>25,500</u>
Subtotal	6,500	3,200	3,300	3,400	3,500	5,600	25,500

Total Capital Budget	<u>\$45,062</u>	<u>\$46,669</u>	<u>\$35,324</u>	<u>\$48,208</u>	<u>\$53,312</u>	<u>\$58,055</u>	<u>\$286,630</u>
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