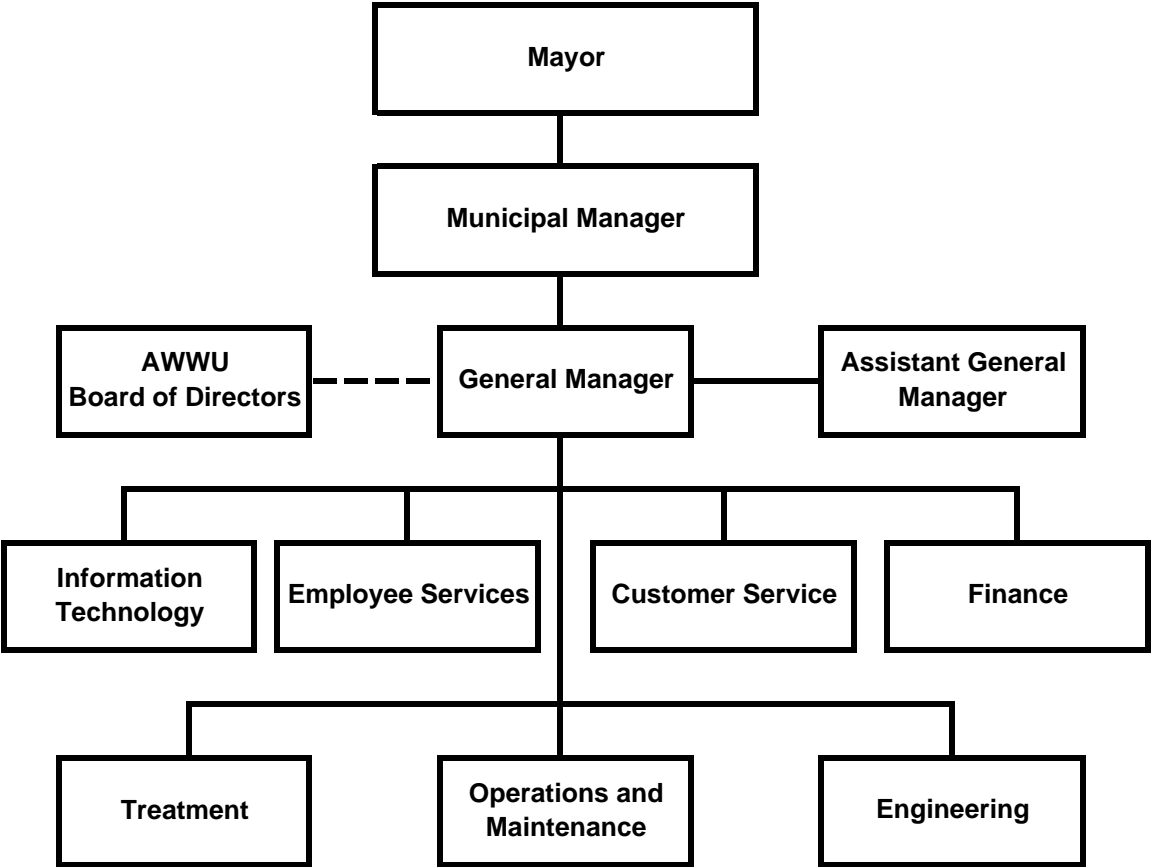


Anchorage Water & Wastewater Utility



Anchorage Water Utility

8 Year Summary

(\$ in thousands)

Financial Overview	2012 Actuals	2013 Proforma	2014 Budget	2015	2016	2017	2018	2019
				Forecast				
Revenues	55,901	58,516	61,101	64,341	67,941	72,041	72,071	73,631
Expenses and Transfers	47,707	49,069	51,657	56,633	58,793	59,983	64,708	65,771
Net Income (Loss) - Regulatory	8,194	9,447	9,444	7,708	9,148	12,058	7,363	7,860
Dividend to General Government	-	-	-	-	-	-	-	-
Increase in Net Assets	8,194	9,447	9,444	7,708	9,148	12,058	7,363	7,860
Workforce Authorized per Budget*	281.0	278.5	277.0	277.0	277.0	277.0	277.0	277.0
Capital Improvement Program	38,760	33,240	33,399	31,700	32,226	33,080	32,218	33,000
New Debt	1,628	2,600	20,000	73,700	4,800	4,900	4,800	4,900
Net Plant (12/31)	502,967	522,695	537,561	557,015	572,230	588,354	602,802	617,114
Net Assets (12/31)	103,316	111,467	120,622	128,330	137,478	149,536	156,899	164,759
Operating Cash	3,826	22,254	21,747	23,490	22,595	22,269	17,021	18,993
Construction Cash Pool	3,445	377	341	48,747	32,899	18,848	5,800	-
Restricted Cash	5,031	-	-	-	-	-	-	-
Total Cash	12,302	22,631	22,088	72,237	55,494	41,117	22,821	18,993
IGCs - General Government	935	1,307	1,135	1,135	1,135	1,135	1,135	1,135
MUSA	7,368	7,440	7,640	7,960	8,240	8,470	8,710	8,920
CCP Borrowings from Gen'l Govt.	-	-	-	-	-	-	-	14,182
Total Outstanding LT Debt	216,681	228,090	235,989	300,539	292,501	283,934	274,920	265,620
Total Annual Debt Service	18,140	18,731	19,907	19,298	24,163	24,305	24,429	24,386
Debt Service Coverage (Bond)	2.10	2.24	2.27	2.67	1.96	2.16	2.11	2.17
Debt Service Coverage (Total)	1.37	1.41	1.42	1.57	1.36	1.48	1.43	1.45
Debt/Equity Ratio	67 / 33	67 / 33	66 / 34	70 / 30	68 / 32	66 / 34	64 / 36	62 / 38
Rate Change Percent	6.0%	6.0%	4.0%	4.7%	5.2%	6.0%	0.0%	2.1%
Single Family Rate	45.85	48.60	50.54	52.92	55.67	59.01	59.01	60.25
Statistical/Performance Trends								
Number of Accounts	55,362	55,500	55,639	55,778	55,918	56,057	56,198	56,338
Average Treatment (GPD) (000)	22,100	22,155	22,211	22,266	22,322	22,378	22,434	22,490
Miles of Water Lines	837	839	841	843	845	847	850	852
Number of Hydrants	7,265	7,283	7,301	7,320	7,338	7,356	7,375	7,393

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Water Utility

2014 Statement of Revenues and Expenses

	2012 Actuals	2013 Proforma	2013 Revised	2014 Proposed	14 v 13 % Chg
Operating Revenue					
Charges for services	53,631,892	57,355,000	57,550,000	59,800,000	3.9%
Miscellaneous	1,367,638	976,000	894,000	981,000	9.7%
Total Operating Revenue	54,999,530	58,331,000	58,444,000	60,781,000	4.0%
Non Operating Revenue					
Investment Income	747,654	65,000	240,000	190,000	-20.8%
Other Income	153,581	120,000	35,000	130,000	271.4%
Total Non Operating Revenue	901,235	185,000	275,000	320,000	16.4%
Total Revenue	55,900,765	58,516,000	58,719,000	61,101,000	4.1%
Operating Expenses					
Labor					
Labor and Benefits	14,441,149	14,328,000	15,196,953	15,783,090	3.9%
Overtime	408,994	370,000	362,500	362,500	0.0%
Total Labor	14,850,143	14,698,000	15,559,453	16,145,590	3.8%
Non Labor					
Non Labor	8,157,137	7,621,000	8,332,000	7,887,400	-5.3%
Travel	51,928	64,000	68,000	68,000	0.0%
Transfers (MUSA and gross receipts)	7,367,771	7,439,549	7,461,682	7,640,000	2.4%
Depreciation and Amortization	9,387,673	10,069,000	10,623,000	10,500,000	-1.2%
Total Non Labor	24,964,509	25,193,549	26,484,682	26,095,400	-1.5%
Total Direct Cost	39,814,652	39,891,549	42,044,135	42,240,990	0.5%
Charges from other departments	935,023	1,307,000	1,604,498	1,315,999	-18.0%
Charges to other departments				(180,000)	
Total Operating Expense	40,749,675	41,198,549	43,648,633	43,376,989	-0.6%
Non Operating Expense					
Interest on bonded debt	5,953,855	6,110,000	6,430,000	6,225,000	-3.2%
Amortization of debt expense	348,094	350,000	375,000	350,000	-6.7%
Other interest expense	1,178,825	1,660,000	2,185,000	1,985,000	-9.2%
Interest during construction	(522,984)	(250,000)	(290,000)	(280,000)	-3.4%
Total Non Operating Expense	6,957,790	7,870,000	8,700,000	8,280,000	-4.8%
Total Expenses (Function Cost)	47,707,465	49,068,549	52,348,633	51,656,989	-1.3%
Net Income	8,193,300	9,447,451	6,370,367	9,444,011	48.2%
Appropriation:					
Total Expenses				51,656,989	
Less: Non Cash items					
Depreciation and amortization				10,500,000	
Amortization of debt expense				350,000	
Interest during construction				(280,000)	
Total Non-Cash				10,570,000	
Amount to be Appropriated (Cash Expenses)				41,086,989	

Anchorage Water Utility Reconciliation from 2013 Revised Budget to 2014 Proposed Budget

	Appropriation	Positions		
		FT	PT	T
2013 Revised Budget	41,640,633	277	1	7
Transfers (to)/from Other Agencies				
- Transfers MUSA	178,318	-	-	-
- Charges from other departments	(288,499)	-	-	-
- Charges to other departments	(180,000)	-	-	-
Changes in Existing Programs/Funding for 2014				
- Salary and benefits adjustments	153,256	-	-	-
- Interest on bonded debt	(205,000)	-	-	-
- Other interest expense	(200,000)	-	-	-
2014 Continuation Level	41,098,708	277	1	7
2014 Proposed Budget Changes				
- GIS Center of Excellence	180,000	-	-	-
- Eliminate Assistant GM and AP Clerk Positions and add back 1/2 time Courier	(105,244)	(2)	1	-
- Misc. Non Labor Savings	(86,475)	-	-	-
2014 Proposed Budget	41,086,989	275	2	7

Anchorage Water Utility
2014 - 2019 Capital Improvement Program
(in thousands)

Project Category	2014	2015	2016	2017	2018	2019	Total
Equipment	4,548	4,082	4,178	2,812	2,708	2,050	20,378
Plant	8,723	2,420	1,270	4,198	4,760	2,235	23,606
Pipe	20,128	25,198	26,818	26,070	24,750	28,715	151,679
Total	33,399	31,700	32,266	33,080	32,218	33,000	195,663

Funding Source	2014	2015	2016	2017	2018	2019	Total
Debt	23,399	21,700	20,766	19,080	17,718	25,000	127,663
Grants	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Equity/Operations	8,000	8,000	9,500	12,000	12,500	6,000	56,000
Total	33,399	31,700	32,266	33,080	32,218	33,000	195,663

Anchorage Water Utility
2014 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
22nd Ave from Wayne to Illian Water Rehab	-	-	1,939	1,939
347 Zone Conversion	473	-	-	473
430 Zone Conversion	534	-	-	534
458-424 Zone Merge	1,359	-	-	1,359
520_Res_Site_Acquisition	255	-	-	255
92nd Ave PRV	300	-	-	300
ADOT-MOA-Emerg-WTR	944	-	2,711	3,655
AMS-WTR	125	-	-	125
APU Purchase Private Service Line	100	-	-	100
ARRC Yard 12" Water Rehab	1,711	-	-	1,711
Asphalt Truck (94450)	-	-	250	250
Customer Service: CIS Enhancements	443	-	-	443
Customer Service: Customer Permit System	45	-	-	45
Denali Water Rehab N Lights to Fireweed	-	-	1,689	1,689
E Bluff Wtr Rehab PhII	500	-	-	500
Engr_Archives_Sys-WTR	50	-	-	50
ENGR_PM_Mgmt_Tools-WTR	75	-	-	75
FacEQUIP-OM-WTR	50	-	-	50
FacEQUIP-TR-WTR	50	-	-	50
FacPIPE-OM-WTR	170	-	-	170
FacPIPE-TR-WTR	100	-	-	100
FacPLANT-OM-WTR	100	-	-	100
FacPLANT-TR-WTR	900	-	-	900
Gas Detection Equipment	30	-	-	30
Geospatial Publish-ArcGIS	75	-	-	75
GIS Desktop Development	50	-	-	50
GIS Implementation	75	-	-	75
GIS Integration: GPS Vehicle Tracking	50	-	-	50
GIS Integration-Mobile Computing	50	-	-	50
Hyd Model Support	40	-	-	40
Installation of Pressure Transducers	250	-	-	250
IT Infrastructure	441	-	-	441
Misc IT Systems	440	-	-	440
North Point Drive Water Rehab	926	-	-	926
Plant Oversize Improvement-WTR	25	-	-	25
Res 3 & 4 Circulation Line	1,267	-	-	1,267
Reservoir Rehab	3,224	-	-	3,224
Resurrection Drive Water Rehab	811	-	-	811
San Roberto_Klevin to Hoyt Water Rehab	-	-	1,130	1,130
SAR-WTR	125	-	-	125
SCADA Equip	1,548	-	-	1,548
SCWTF Process Mechanical Operation	707	2,000	-	2,707
Transmission Main Ext	1,000	-	-	1,000
Upper Eagle River Zone Consolidation	153	-	-	153
Vehicles-WTR	-	-	281	281
Water Quality Mgt: Env Compliance Monitoring Reporting	55	-	-	55
Wesleyan Drive-Checkmate to Queen WTR Rehab	671	-	-	671
West Airpark Wtr Ext	2,287	-	-	2,287
WMS	200	-	-	200
Wtr Upgr Prelim Engr	150	-	-	150
Utilities Acquisition	465	-	-	465
Total	23,399	2,000	8,000	33,399

Anchorage Water Utility Statement of Cash Sources and Uses

	2012 Actual	2013 Proforma	2014 Budget
Sources of Cash Funds			
Operating Income	21,617,626	23,327,000	25,044,011
Depreciation, net of amortization	9,387,673	10,060,000	10,500,000
Transfer from Escrow Account	-	-	-
Grant Proceeds	552,115	2,000,000	2,000,000
Special Assessment Proceeds	241,708	250,000	250,000
State of Alaska Loan Proceeds	1,628,396	5,000,000	5,000,000
Bond/Commercial Paper Proceeds	-	21,000,000	15,000,000
Miscellaneous Non-Operating Revenues	141,581	35,000	130,000
Interest Received	831,154	228,000	190,000
Transfer from Other Funds	12,000	-	-
Changes in Assets and Liabilities	(2,871,431)	3,440,873	(2,545,751)
Total Sources of Cash Funds	31,540,822	65,340,873	55,568,260
Uses of Cash Funds			
Capital Construction	19,198,609	32,068,000	28,035,250
Debt Principal Payment	10,960,761	11,452,378	12,450,293
Debt Interest Payments	7,195,292	7,238,525	7,974,818
Interfund Loan to Wastewater Utility	8,224,234	(8,224,234)	-
MUSA	7,367,771	7,439,549	7,640,000
Total Uses of Cash Funds	52,946,667	49,974,218	56,100,361
Net Increase (Decrease) in Cash Funds	(21,405,845)	15,366,655	(532,101)
Cash Balance, January 1	28,959,790	7,553,945	22,920,600
Cash Balance, December 31	7,553,945	22,920,600	22,388,499
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	3,825,555	22,253,600	21,747,499
Construction Cash	3,444,556	377,000	341,000
Operating Fund Investment & Customer Deposits	283,834	290,000	300,000
Cash Balance, December 31	7,553,945	22,920,600	22,388,499

Anchorage Wastewater Utility

8 Year Summary

(\$ in thousands)

Financial Overview	2012 Actuals	2013 Proforma	2014 Budget	2015	2016	2017	2018	2019
				Forecast				
Revenues	47,279	49,117	51,515	53,305	56,575	60,415	64,155	69,685
Expenses and Transfers	39,767	42,221	44,677	48,458	51,638	55,348	59,578	62,328
Net Income (Loss) - Regulatory	7,512	6,896	6,838	4,847	4,937	5,067	4,577	7,357
Dividend to General Government	-	-	-	-	-	-	-	-
Increase in Net Assets	7,512	6,896	6,838	4,847	4,937	5,067	4,577	7,357
Workforce Authorized per Budget*	281.0	278.5	277.0	277.0	277.0	277.0	277.0	277.0
Capital Improvement Program	30,381	31,863	31,863	33,345	34,200	35,150	36,000	37,000
New Debt	3,896	22,000	9,000	74,000	6,000	105,000	6,000	6,000
Net Plant (12/31)	353,058	371,076	380,620	402,145	418,964	435,560	499,215	522,052
Net Assets (12/31)	70,445	76,373	83,095	87,942	92,879	97,946	102,523	109,880
Operating Cash	13,381	18,845	19,959	21,452	20,654	23,244	20,202	20,108
Construction Cash Pool	-	-	-	46,679	20,677	75,400	50,527	23,977
Restricted Cash	-	-	-	-	-	-	-	-
Total Cash	13,381	18,845	19,959	68,131	41,331	98,644	70,729	44,085
IGCs - General Government	923	1,292	1,480	1,480	1,480	1,480	1,480	1,480
MUSA	5,342	5,376	5,530	5,670	5,990	6,240	6,490	7,440
CCP Borrowings from Gen'l Govt.	14,670	342	258	-	-	-	-	-
Total Outstanding LT Debt	136,550	137,039	137,155	224,078	220,845	316,261	309,354	302,305
Total Annual Debt Service	9,757	9,938	10,490	12,463	17,101	19,513	24,816	24,627
Debt Service Coverage (Bond)	4.82	4.86	5.19	3.63	2.34	2.14	1.65	1.90
Debt Service Coverage (Total)	1.87	1.86	1.88	1.62	1.31	1.28	1.12	1.27
Debt/Equity Ratio	66 / 34	64 / 36	62 / 38	72 / 28	70 / 30	76 / 24	75 / 25	73 / 27
Rate Change Percent	11.00%	4.50%	5.50%	2.50%	5.70%	6.50%	5.80%	8.80%
Single Family Rate	37.36	39.04	41.19	42.22	44.62	47.52	50.28	54.70
Statistical/Performance Trends								
Number of Accounts	56,251	56,392	56,533	56,674	56,816	56,958	57,100	57,243
Average Treatment (GPD) (000)	29,600	29,674	29,748	29,822	29,897	29,972	30,047	30,122
Miles of Wastewater Lines	762	764	766	768	770	772	774	776

* Workforce Authorized per Budget is for both Water and Wastewater utilities.

Anchorage Wastewater Utility

2014 Statement of Revenues and Expenses

	2012 Actuals	2013 Proforma	2013 Revised	2014 Proposed	14 v 13 % Chg
Operating Revenue					
Charges for Services	45,778,399	48,211,000	47,700,000	50,500,000	5.9%
Miscellaneous	1,522,985	975,000	1,021,000	970,000	-5.0%
Total Operating Revenue	47,301,384	49,186,000	48,721,000	51,470,000	5.6%
Non Operating Revenue					
Investment Income	53,078	(84,000)	30,000	30,000	0.0%
Other Income	19,111	15,000	15,000	15,000	100.0%
Total Non Operating Revenue	72,189	(69,000)	45,000	45,000	0.0%
Total Revenue	47,373,573	49,117,000	48,766,000	51,515,000	5.6%
Operating Expenses					
Labor					
Labor and Benefits	14,338,093	14,910,000	14,726,208	16,165,292	9.8%
Overtime	340,864	390,000	378,000	378,000	0.0%
Total Labor	14,678,957	15,300,000	15,104,208	16,543,292	9.5%
Non Labor					
Non Labor	8,380,271	8,136,000	8,632,000	8,354,557	-3.2%
Travel	59,271	64,000	68,000	68,000	0.0%
Transfers (MUSA and gross receipts)	5,342,405	5,376,225	5,386,686	5,530,000	2.7%
Depreciation and Amortization	7,018,513	7,728,000	7,968,000	8,200,000	2.9%
Total Non Labor	20,800,460	21,304,225	22,054,686	22,152,557	0.4%
Total Direct Cost	35,479,417	36,604,225	37,158,894	38,695,849	4.1%
Charges from other departments	922,669	1,292,000	1,596,940	1,480,888	-7.3%
Total Operating Expense	36,402,086	37,896,225	38,755,834	40,176,737	3.7%
Non Operating Expense					
Interest on bonded debt	3,123,131	3,351,000	3,568,000	3,640,000	2.0%
Amortization of debt expense	39,696	40,000	50,000	40,000	-20.0%
Other interest expense	1,111,136	1,437,000	1,612,000	1,500,000	-6.9%
Interest during construction	(814,830)	(503,000)	(350,000)	(680,000)	94.3%
Total Non Operating Expense	3,459,133	4,325,000	4,880,000	4,500,000	-7.8%
Total Expenses (Function Cost)	39,861,219	42,221,225	43,635,834	44,676,737	2.4%
Net Income	7,512,354	6,895,775	5,130,166	6,838,263	33.3%
Appropriation					
Total Expenses				44,676,737	
Less: Non Cash items					
Depreciation and amortization				8,200,000	
Amortization of debt expense				40,000	
Interest during construction				(680,000)	
Total Non-Cash				7,560,000	
Amount to be Appropriated (Cash Expenses)				37,116,737	

Anchorage Wastewater Utility Reconciliation from 2013 Revised Budget to 2014 Proposed Budget

		Positions		
	Appropriation	FT	PT	T
2013 Revised Budget	35,967,834	277	1	7
Transfers (to)/from Other Agencies				
- Transfers MUSA	143,314	-	-	-
- Charges from other departments	(116,052)	-	-	-
Changes in Existing Programs/Funding for 2014				
- Salary and benefits adjustments	1,544,328	-	-	-
- Purchased water at Asplund	400,000	-	-	-
Water purchases at Asplund offset by increased revenue in AWU				
2014 Continuation Level	37,939,424	277	1	7
2014 Proposed Budget Changes				
- Eliminate Assistant GM and AP Clerk Positions and add back 1/2 time Courier	(105,244)	(2)	1	-
- Misc. Non Labor Savings	(717,443)	-	-	-
2014 Proposed Budget	37,116,737	275	2	7

Anchorage Wastewater Utility
2014 - 2019 Capital Improvement Program
(in thousands)

Project Category	2014	2015	2016	2017	2018	2019	Total
Equipment	4,080	3,907	4,253	2,812	2,748	2,050	19,850
Plant	18,832	19,744	14,870	9,053	7,953	13,545	83,997
Pipe	8,951	9,694	15,077	23,285	25,299	21,405	103,711
Total	31,863	33,345	34,200	35,150	36,000	37,000	207,558

Funding Source	2014	2015	2016	2017	2018	2019	Total
Debt	21,863	24,845	25,700	29,650	27,500	27,500	157,058
Grants	2,000	2,000	2,000	2,000	2,000	2,000	12,000
Equity/Operations	8,000	6,500	6,500	3,500	6,500	7,500	38,500
Total	31,863	33,345	34,200	35,150	36,000	37,000	207,558

Anchorage Wastewater Utility
2014 Capital Improvement Budget
(in thousands)

Project Title	Debt	State/Fed Grant	Equity/ Operations	Total
ADOT-MOA-Emerg-SWR	262	-	1,014	1,276
AMS-SWR	125	-	-	125
Asplund Clarifiers	-	-	1,000	1,000
AWWTF Code Analysis and Upgrades with Fire Barriers and Sprinklers	-	-	300	300
AWWTF Gravity Thickener Rehab	400	-	-	400
AWWTF Headworks Hot Water System Upgrade	-	-	250	250
AWWTF Screen Rebuild & Automation	-	-	1,000	1,000
AWWTF Sludge Dewatering Replacement	-	-	1,000	1,000
Customer Service: CIS Enhancements	443	-	-	443
Customer Service: Customer Permit System	45	-	-	45
Engr_Archives_Sys-Swr	50	-	-	50
ENGR_PM_Mgmt_Tools-SWR	75	-	-	75
ERWWTF Alarm Sys Replacement	152	-	-	152
ERWWTF RAS Line Modification	585	-	-	585
ERWWTF-Screening_Headworks_Generator	515	-	-	515
FacEQUIP-OM-SWR	50	-	-	50
FacEQUIP-TR-SWR	50	-	-	50
FacPIPE-OM-SWR	170	-	-	170
FacPLANT-OM-SWR	100	-	-	100
FacPLANT-TR-SWR	200	-	-	200
Fish Creek Gravity Interceptor	3,500	-	-	3,500
Gas Detection Equipment	30	-	-	30
Geospatial Publish-ArcGIS	51	-	-	51
Girdwood I & I	-	-	350	350
Girdwood Outfall	3,250	2,000	-	5,250
Girdwood WWTF Upgrade & Replacement	6,985	-	-	6,985
GIS Desktop Development	50	-	-	50
GIS Implementation	75	-	-	75
GIS Integration: GPS Vehicle Tracking	50	-	-	50
GIS Integration: Mobile Computing	50	-	-	50
Hollywood Elm Swr Rehab	-	-	300	300
Hyd Model Support	40	-	-	40
Interceptor Upgrades	2,000	-	-	2,000
IT Infrastructure	441	-	-	441
Jet (94945) Jet (94946)	-	-	480	480
King St Warm Storage Roof	-	-	675	675
Misc IT Systems	440	-	-	440
Plant Oversize Improvement-SWR	25	-	-	25
PS 30 & 31 Upgr	-	-	550	550
SAR-SWR	125	-	-	125
SCADA Equip	874	-	-	874
Security Improv-SWR	250	-	-	250
Small Pipe Replacement	-	-	800	800
Swr Upgr Prelim Engr	150	-	-	150
Vehicles-SWR	-	-	281	281
Water Quality Mgt: Env Compliance Monitoring Reporting	55	-	-	55
WMS	200	-	-	200
Total	21,863	2,000	8,000	31,863

Anchorage Wastewater Utility Statement of Cash Sources and Uses

	2012 Actual	2013 Proforma	2014 Budget
Sources of Cash Funds			
Operating Income	16,241,703	15,544,000	16,823,263
Depreciation, net of amortization	7,018,513	8,088,000	8,200,000
Transfer from Escrow Account	-	-	-
Grant Proceeds	4,732,912	3,000,000	6,000,000
Special Assessment Proceeds	308,997	300,000	300,000
State of Alaska Loan Proceeds	5,729,654	6,000,000	6,000,000
Interfund Loan from Water Utility	8,224,234	(8,224,234)	-
Bond/Commercial Paper Proceeds	-	16,000,000	3,000,000
Miscellaneous Non-Operating Revenues	19,111	15,000	15,000
Interest Received	59,914	(55,000)	30,000
Changes in Assets and Liabilities	(1,752,644)	778,681	(322,843)
Total Sources of Cash Funds	40,582,394	41,446,447	40,045,420
Uses of Cash Funds			
Capital Construction	21,106,613	20,672,000	22,916,000
Debt Principal Payment	5,613,132	5,551,472	5,924,089
Debt Interest Payments	4,215,915	4,382,131	4,561,223
MUSA	5,342,405	5,376,225	5,530,000
Total Uses of Cash Funds	36,278,065	35,981,828	38,931,312
Net Increase (Decrease) in Cash Funds	4,304,329	5,464,619	1,114,108
Cash Balance, January 1	9,395,996	13,700,325	19,164,944
Cash Balance, December 31	13,700,325	19,164,944	20,279,052
Detail of Cash and Investment Funds			
General Cash Less Customer Deposits	13,380,641	18,844,944	19,959,052
Construction Cash	-	-	-
Operating Fund Investment & Customer Deposits	319,684	320,000	320,000
Cash Balance, December 31	13,700,325	19,164,944	20,279,052

Anchorage Water and Wastewater Utility Workforce Projections

Division	2012	2013	2014	2015	2016	2017	2018	2019
General Manager	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Information Technology	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Operations and Maintenance	86.0	86.0	86.0	86.0	86.0	86.0	86.0	86.0
Treatment	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Finance	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Employee Services	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Customer Service	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
Engineering	40.5	40.5	40.5	40.5	40.5	40.5	40.5	40.5
Total full time	279.0	277.5	277.5	277.5	277.5	277.5	277.5	277.5
Part-Time/Temporary	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Positions	281.0	279.5	279.5	279.5	279.5	279.5	279.5	279.5
Total FTE	281.0	279.5	279.5	279.5	279.5	279.5	279.5	279.5
Interns	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

About Anchorage Water and Wastewater

Anchorage Water Utility History

From the first intake of water at Lower Ship Creek, and a few miles of woodstave water lines downtown more than 90 years ago, Anchorage's public water utility has grown into an enterprise with a net plant in service of approximately \$503 million that delivers nearly 27 million gallons of water to customers each day. 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. In 1929, an aqueduct was drilled through the mountains north of Anchorage to supply water from Eklutna Lake to the Eklutna hydroelectric power plant along the Knik River. In 1985, AWWU tapped this aqueduct and connected a 7.8 mile long transmission main (intake portal) to provide water from the Lake to the Eklutna Water Treatment Facility. A 2.6 mile raw water line to Ship Creek was built in 1980 to replace an earlier raw water main originally constructed in 1962 for the Ship Creek Water Treatment Facility (WTF).

Anchorage Wastewater Utility History

The Alaska Engineering Commission first installed sewers in downtown Anchorage in 1916 along the lower bluff near the Alaska Railroad Depot. As Anchorage grew, construction of sewers continued and by the end of World War II, sewers were available to much of the area between Ship Creek and Chester Creek, west of Cordova Street. Greater Anchorage Area Borough (GAAB) was created in 1964, and was granted area wide sewer authority. The last major private sewer utility was acquired by the GAAB in 1972. The wastewater utility is now owned and governed by the Municipality of Anchorage as a result of unification of the City of Anchorage and the GAAB on September 15, 1975. Anchorage's public wastewater utility has grown into an enterprise with a net plant in service of approximately \$353 million.

Service

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

Governance

AWWU has a Board of Directors as codified in Anchorage Municipal Code section 4.80.020. The Board is appointed by the Mayor to staggered 3-year terms, with nominees subject to Assembly approval. The Board by code makes recommendations to the Mayor, establishes procedures for customer complaints, and recommends changes in code to the Assembly that the Board deems necessary or desirable for the efficient operation of the Utility or for the benefit of its customers. The authority for operation and management of the Utility is under the control of the Mayor. The current Board members are very experienced professionals in the fields of law, accounting, and public health. As of August 2013, the Board seat representing legal expertise is vacant. Regular meetings are held monthly and are open to the public. Board meetings focus on Utility operations and highlights.

Economic Regulation and Accounting

Since 1970, both the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU) have been regulated by the Alaska Public Utilities Commission (APUC), which was renamed the Regulatory Commission of Alaska (RCA) on July 1, 1999. AWU and ASU each hold a Certificate of Public Convenience and Necessity for serving portions of the Anchorage Bowl, Eagle River and Girdwood. This commission must approve all rates and tariffs prior to implementation. They also regulate service areas and service quality. The RCA is composed of five members appointed to six-year staggered terms by the Governor of the State of Alaska and confirmed by the State Legislature.

AWWU is an Enterprise Fund. Enterprise Funds are used to account for operations where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes. AWWU applies all applicable provisions of the Governmental Accounting Standards Board (GASB) which has authority for setting accounting standards for governmental entities. The accounting records of the Utility conform to the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The accrual basis of accounting is used for Enterprise Funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Environmental Regulation

AWU's activities are dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. Potable water produced by AWU must comply with the regulations promulgated under the Safe Drinking Water Act (SDWA). The SDWA is the main federal law governing the quality of drinking water in the United States. The ADEC has authority (primacy) to administer the SDWA regulations for the EPA. The SDWA sets standards for the chemical and microbial quality of drinking water and establishes requirements for informing the public.

ASU's activities are also dictated by a wide variety of environmental regulations administered by the EPA and the ADEC. All wastewater discharges must comply with the regulations promulgated under the Clean Water Act (CWA). The CWA is the main federal law governing discharges into the waters of the United States. The CWA requires that each treatment facility have a unique National Pollution Discharge Elimination System (NPDES) permit that specifies the discharge limits from each facility for a wide variety of chemical and biological constituents. The ADEC has authority (primacy) to issue and administer the NPDES permits for ASU's Eagle River and Girdwood WWTF's. Authority to issue and administer the 301(h) modification for the Asplund WWTF has been retained by EPA, due to the special conditions of this discharge as outlined in section 301(h) of the CWA. In addition to the CWA laws, ASU's sewage sludge incinerator must also comply with the provisions specified in Title V of the Clean Air Act (CAA). ADEC has primacy for the CAA and administers the permit for EPA.

Failure to comply with the regulations promulgated under the SDWA, CWA and CAA can result in fines and/or compliance orders and criminal charges.

Physical Plant

The John M. Asplund Wastewater Treatment Facility is one of the few facilities in the nation operating as a primary treatment facility under Section 301(h) of the Clean Water Act. The primary treatment provided by this facility removes up to 45% of the BOD and 80% of the solids from the influent wastewater meeting the criteria necessary for discharge to the marine waters of Cook Inlet.

The smaller Eagle River and Girdwood Wastewater Treatment facilities provide advanced secondary treatment prior to discharge to Eagle River and Glacier Creek respectively. These facilities remove up to 99% of the pollutants from the incoming wastewater prior to discharge.

In 2012, the Asplund Wastewater Treatment Facility treated an average of 27.7 million gallons per day (mgd). The Eagle River Wastewater Treatment Facility treated an average 1.4 mgd and the Girdwood Wastewater Treatment Facility treated 0.5 mgd. The three facilities have a design capacity of 61.1 mgd. The wastewater collection system has approximately 746 miles of pipes.

The Asplund Facility, built in 1972, is Alaska's largest wastewater treatment plant. 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 Asplund plant was upgraded in 1982, and expanded and upgraded again in 1989.

In conjunction with the permit renewal process, a facilities plan update was prepared in 1999. The facilities plan evaluated the existing condition of the Asplund facility and identified improvements necessary to meet the future needs of the community. The facilities plan identified a cumulative \$40 million worth of improvements to the solids handling, headworks, administration, laboratory, incineration, and thickening processes and control and power systems. These projects, along with careful operation, have made Asplund a modern, state of the art treatment facility. ASU continues to maintain its treatment plants. Additional projects at Asplund, Eagle River and Girdwood are underway, all designed to replace, rehabilitate and provide for the near-term needs of the areas being serviced.

AWU's three sources of water are Eklutna Lake, Ship Creek and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl and Girdwood Valley. Eklutna Water Treatment Facility and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the two water systems. The Ship Creek Water Treatment Facility and the remainder of water wells are used to augment the primary water supply as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl.

Of these sources, the Eklutna Water Treatment Facility (WTF) now provides, on average, 87 percent of total water production for the Northern Communities and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU's total water production, all water produced and distributed is from two wells.

Projects to maintain the surface water plants and AWU's wells are on-going. The purpose of these projects is multiple fold: to rehabilitate and upgrade facilities where equipment has reached the end of its useful life; to automate and increase operational efficiency of facilities; to increase yield from existing well sites; and to meet stricter federal and state regulations regarding water quality.

Anchorage Water and Wastewater Organizational Overview

Overview

The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

System Description

Provide water and sewer services, AWWU owns and operates five Treatment Facilities (2 water and 3 wastewater), over 1,600 miles of pipe, and over 325,000 square feet of facility space distributed throughout the Municipality. The certificated water service area covers 130.4 square miles in three distinct geographic areas, Northern Communities, the Anchorage Bowl and Girdwood Valley. Estimates place the water service population at approximately 240,000 people via nearly 55,000 customer accounts. The certificated sewer service area is larger, encompassing virtually all of the Municipality. ASU currently provides sewer service to approximately 250,000 people via approximately 56,000 customer accounts. Additionally, AWWU receives septage pumped from on-site wastewater systems on lots in areas not directly connected to the sewer system.

AWU's three sources of water are Eklutna Lake, Ship Creek, and groundwater accessed through a system of wells in the Northern Communities, the Anchorage Bowl and Girdwood Valley. Eklutna Water Treatment Facility (WTF) and the wells which supply Girdwood are operated year-round and serve as the primary supply sources for the Anchorage and Girdwood water systems. The Ship Creek Water Treatment Facility and the remainder of the water wells are used to augment the primary water supply, mainly in times of peak demand, as well as provide redundancy to the Eklutna source for Eagle River and the Anchorage Bowl. Of these sources, the Eklutna Water Treatment Facility now provides approximately 90% of total water production for the Northern Communities/Eagle River and the Anchorage Bowl. In Girdwood, where system demand constitutes less than 2 percent of AWWU's total water production, all water produced and distributed is from two municipally-owned and managed wells.

ASU operates three wastewater treatment facilities to treat wastewater collected in three geographically separate but commonly managed sewer systems. The largest of these is the John M. Asplund Wastewater Treatment Facility (WWTF) located at Point Woronzof. The Asplund WWTF was constructed in the early 1970's when Anchorage eliminated direct ocean discharges. It services the wastewater treatment needs of the Anchorage Bowl. The Asplund facility has received numerous upgrades including improved handling of sludge solids, new headworks and process equipment to replace aged infrastructure. The Asplund facility operates in accordance with a National Pollution Discharge Elimination System (NPDES) permit administered by the U.S. Environmental Protection Agency (EPA). The permit, which expired in 2005 but has been administratively extended by EPA, allows discharge of effluent receiving primary treatment, in accordance with Section 301(h) of the Clean Water Act.

The Eagle River WWTF was originally built in the 1960's and upgraded several times. It services the public wastewater treatment and disposal needs within Eagle River and Chugiak. The Eagle River facility provides biological secondary treatment and discharges treated effluent

to Eagle River under an expired NPDES permit which has been administratively extended by the Alaska Department of Environmental Conservation (ADEC), which has assumed primacy over wastewater discharge permits from the EPA.

The third facility is Girdwood WWTF. It was originally constructed in the 1970's and also has undergone several process modifications and upgrades. The core facility is now at the end of its useful life. The Girdwood facility provides biological secondary treatment and discharges treated effluent to Glacier Creek under an administratively extended NPDES permit administered by the ADEC.

Over the past two decades, investments in physical infrastructure have resulted in an increase in the value of AWU. From 1990 to present, plant in service has increased by 112% from \$355.2 million to \$751.9 million. This growth is primarily a result of an increasing amount of investment in transmission and distribution assets (pipelines), with lesser investments in general plant assets (e.g., structures and intangible assets).

From 1990 to present, ASU's plant in service has increased by 92% from \$301.5 million to \$578.3 million. This growth is primarily a result of an increasing investment in sewer collection pipeline network, followed by upgrades in sewer treatment facilities, and modest investment in pumping plant (sewage lift or pump stations), general plant (structures), and intangible assets.

Organization

AWWU is organized into 7 divisions. The General Manager's office is responsible for overall operation of AWWU. The Engineering Division is responsible for development and execution of AWWU's capital program and for system planning. The Treatment Division is responsible for day to day operation of the treatment facilities and water distribution system and for maintaining compliance with all state and federal regulations. The Operations and Maintenance (O&M) Division maintains the treatment facilities, repairs all water and sewer piping and lift stations. The O&M Division also operates the wastewater collection system and is responsible for AWWU's SCADA system. The Customer Service Division is responsible for responding to customer inquiries, billing & collections for both utilities, billing & collection of special assessments, issuing of permits and field service functions. The Information Technology Division provides support for all of AWWU's computers, network and software systems. The Administrative Services Division provides for training, safety, and internal and external communications. The Finance Division is responsible for all general ledger and plant accounting; preparation of utility budgets and financial statements; and regulatory filings.

Anchorage Water and Wastewater Utility Business Plan

Mission

Supporting the public health, safety and economic interests of the community by providing quality water and wastewater services in a responsible, efficient and sustainable manner.

Services

The Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. AWWU currently serves the Municipality of Anchorage extending from Eklutna to as far south as Girdwood. Although they share one workforce, AWWU operates as two separate economic and regulated entities: the Anchorage Water Utility (AWU) and the Anchorage Wastewater Utility (ASU).

Business Goals

- Be an employer of choice; attract and retain quality staff at all levels of the Utility.
- Be a leader in providing exceptional customer service.
- Protect public health and be environmentally responsible.
- Sustain the long term financial health of the utility through growth, development, and efficiency of business practices.
- Optimize Utility processes to promote best business practices, sustainability, and improved efficiencies.

Strategies to Achieve Goals

AWWU's strategic plan provides a framework to achieve results for the customer. AWWU has identified the following customer commitments which represent the outcomes or accomplishments of the Utilities activities as viewed by the customer.

1. Provide safe drinking water that meets or exceeds all standards.
2. Protect the environment through appropriate wastewater collection, treatment, and disposal.
3. Provide reliable service.
4. Have timely, professional, and courteous interactions with customers.
5. Manage finances responsibly and transparently.
6. Set rates that fairly reflect the cost of providing service and maintaining infrastructure.
7. Deliver services affordably to promote a strong Anchorage economy.
8. Invest wisely to minimize risk and maintain service levels.
9. Continuously improve the efficiency of our operations.
10. Anticipate change and prepare for the future.

Performance Measures to Track Progress in Achieving Goals

AWWU measures progress in achieving these customer commitments using the set of quantifiable performance measures.

1. Compliance with all State and Federal drinking water, wastewater and air standards
2. Number of planned and unplanned water outages
3. Sanitary sewer overflows
4. Recordable incident rate (as compared to the standard incident rate for water and wastewater utilities)
5. Execution of capital improvement budget
6. Debt to equity ratio

Anchorage Water and Wastewater Utility

Anchorage: Performance. Value. Results.

Mission

Supporting the public health, safety, and economic interests of the community by providing quality water and wastewater services in a responsible, efficient, and sustainable manner.

Core Services

- Reliably treat and distribute potable water for domestic, commercial, and firefighting uses throughout the certificated service area.
- Reliably collect, treat and dispose of wastewater in accordance with laws and regulations that protect public health and the environment.

Accomplishment Goals

- Provide reliable service
- Provide safe drinking water that meets or exceeds all standards
- Protect the environment through appropriate wastewater collection, treatment, and disposal.
- Fiscal responsibility and transparency with utility finances.
- Timely, professional, and courteous interactions with customers.
- Rates that fairly reflect the cost of providing service and maintaining infrastructure
- Continuous improvement in the efficiency of our operations
- Anticipate change and be prepared for the future.

Performance Measures

Progress in achieving goals shall be measured by:

1. Compliance with all State and Federal drinking water standards
/wastewater standards
/Clean Air Act standards
2. Number of planned and unplanned water outages
3. Sanitary sewer overflows
4. Recordable incident rate (as compared to the standard incident rate for water and wastewater utilities)
5. Execution of capital improvement budget
6. Debt to equity ratio

Measure #1: Compliance with all State and Federal drinking water, wastewater, and clean air standards

Compliance with all State and Federal drinking water, wastewater, and clean air standards	Goal	2 nd Q 2013	Historical Information			
			1 st Q 2013	2012 Annual	2011 Annual	2010 Annual
Safe Drinking Water Act Compliance	100%	100%	100%	100%	100%	100%
Clean Water Act (NPDES permit) Compliance	100%				100%	99.99%
-Asplund		100%	100%	100%		
-Eagle River		100%	100%	99.5%		
-Girdwood		100%	100%	97.5%		
Clean Air Act Compliance (Asplund Incinerator)	100%	100%	99.99%	99.99%	99.99%	99.99%

Measure #2: Number of planned and unplanned water outages

Planned and unplanned water outages (customers per month)	Goal (Affected customers per month)	2 nd Q 2013 (monthly average)	1 st Q 2013 (monthly average)	Historical monthly average			
				2012	2011	2010	2009
Planned Outages							
<4 hours	<20	13	0	18	12	12	107
4-12 hours	<20	47	0.7	47	23	28	96
>12 hours	0	0	0	0.2	0.1	0.2	27
Unplanned Outages							
<4 hours	<20	32	9	46	23	30	27
4-12 hours	<50	36	21	38	51	50	59
>12 hours	0	5	13	4	9	3	15

Measure #3: Sanitary Sewer Overflows

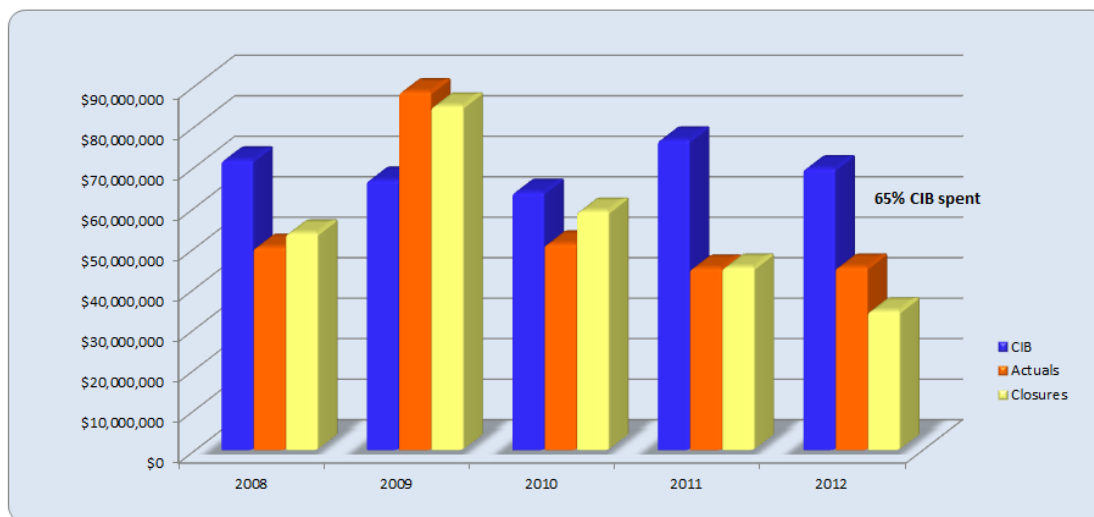
	Goal	2 nd Q 2013 (per month)	1 st Q 2013 (per month)	Historical monthly average				
				2012	2011	2010	2009	2008
Sanitary Sewer Overflows (monthly)	<1.5	1.33	2.33	1.83	1.91	1.33	1.58	1

Measure #4: Number of reportable injuries and accidents

	Goal		Historical Information			
		2012	2011	2010	2009	2008
Number of reportable injuries and accidents (annual)	<4.60	5.2	4.4	1.72	4.10	4.00

Measure #5: Execution of Capital Improvement Budget

	Goal	2012	Historical Information			
			2011	2010	2009	2008
Execution of Capital Improvement Budget (annual)	75%	65%	61%	66%	129%	67%

**Measure #6: Debt to Equity Ratio**

	Goal	2012	Historical Information			
			2011	2010	2009	2008
Debt to Equity Ratio (annual)						
Water Utility	67/33	67/33	70/30	70/30	71/29	72/28
Wastewater Utility	67/33	66/34	68/32	69/31	68/32	66/34

Anchorage Water and Wastewater Highlights and Future Events

Aging Infrastructure

At the current time, AWWU provides best-in-class service as measured against industry benchmarks such as drinking water compliance rate, water quality complaints, water pipeline breaks, unplanned service disruptions, compliance with discharge permits, collection system failures, and sewer overflows. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

In aggregate, AWU's physical assets are considered to have about one-half of their useful lives consumed. The water transmission and distribution system pipe network, which now consists of 836.1 miles of pipe, has a weighted average age of over 35 years. Other AWU assets including treatment facilities, reservoirs, wells, booster stations and major valve vaults are of varying age, but in aggregate, have reached just over one-half of their useful lives and have undergone or have been scheduled for major re-investment over the next 5-10 years.

The weighted average age of ASU's sewer pipe is 33 years old, again reflecting just over one-half of the estimated useful lives of pipe and approximately three-fifths of the estimated useful lives of other sewer plant. Unlike the water system however, some treatment facility assets are new. Within the Anchorage Bowl, more than \$40 million of treatment plant investment occurred over the past decade, much of that for new assets (e.g., new headworks, solids handling, building improvements and liquid process improvements) at the Asplund WWTF. In Eagle River, new process improvements and support systems (UV disinfection, mechanical and HVAC systems) worth over \$3 million were built over the last five years. The exception is the Girdwood WWTF, which is now over 30 years old and reaching the end of its useful life as documented by multiple studies performed since 2006.

AWWU has implemented a state of the art asset management program to manage the Utility's aging infrastructure. The primary components of AWWU's asset management program include:

- Risk based approach that categorizes AWWU's assets and evaluates each asset's class on the basis of consequence and likelihood of failure.
- Robust analysis of system performance and maintenance data to predict service lives of different asset classes.
- Business case analysis of major projects to determine lowest overall life cycle costs.
- Use of state of the art repair and rehabilitation technologies to reduce service disruption and reduce costs.
- Condition assessment monitoring and evaluation using both AWWU staff and specialized contractors.

Limited Customer Growth

The Anchorage economy and land use development patterns and restrictions are such that AWWU does not anticipate significant customer growth rate for the foreseeable future. AWWU's water master plan projects a customer growth rate of approximately 0.3% per year for the next 25 years. Limited customer growth represents a significant challenge for AWWU because there are few new customers to help cover the cost of maintaining infrastructure. Exacerbating the lack of customer growth is the repair and replacement of contributed plant. In the 1990's, over 70% of the plant in-service was contributed (i.e., given to AWWU or paid for by grants). Today that percentage is about 50% and decreasing steadily. Contributed plant is not included in rates for calculating depreciation costs and earning a return. However, repair and replacement of this considerable portion of our plant-in-service must be borne wholly by customers. With a very slow growth of the customer base, cost of this repair and replacement will increase over time for each customer.

There is very little AWWU can do to encourage significant customer growth without major changes in policy and community desires. Most of AWWU's customer growth will come from redevelopment of existing properties in the MOA and limited infill. Redevelopment and infill must comply with current codes and utility tariffs, which may require upgrades to existing utility service.

Aging Workforce

AWWU is typical of the industry in that we have an aging workforce. 10% of AWWU's workforce has over 25 years of experience with the Utility. These individuals can be expected to retire in the next few years. Many of these individuals are the experienced and licensed professionals required to operate AWWU's facilities in compliance with Alaska regulations. Alaska's oil industry and the boom in oil and gas development in the lower 48 represents a significant threat to retaining water and wastewater professionals. The oil industry typically pays significantly higher wages than AWWU.

AWWU is working with Plumbers & Pipefitters Union Local 367 to develop an apprentice program to provide more workers. AWWU also has a long standing intern program with the Alaska Job Corp and various universities. And while these programs will help, AWWU expects to be under severe pressure for the next several years as senior staff retire. AWWU has no realistic option to fill these vacancies except primarily through in house training programs.

Debt

At the end of 2012, AWWU was carrying approximately \$354 million in total net debt. AWWU can easily service this debt and the Utility maintains healthy operating margins and debt service coverage ratios. However, compared to peer utilities, AWWU has a significant amount of debt and finances much less of its capital program with equity.

Two major factors have contributed to AWWU's current debt/equity position. First, during the 1990's, AWWU did not have rate increases and had a very modest capital improvement budget (CIB). During these years, reductions in workforce levels and improvements in worker productivity as a result of investments in appropriate technology allowed the Utility to operate effectively, but not accumulate equity.

Second, AWWU has historically asked for less in rates than justified by revenue requirement studies. And while limiting rate increase requests has mitigated the impact on customers, historic under-recovery in rates has not allowed AWWU to accumulate equity and as a result, more of the Utility's capital program must be financed through debt.

Rate Increases Calculated, Requested and Approved AWWU 2004 - 2013

Rate Year	Calculated Rate Increase in RRS		Requested Permanent Rate Increase		Approved/Stipulated Permanent Rate Increase		Reason For Requesting Increases Less Than The Calculated Increases
	AWU	ASU	AWU	ASU	AWU	ASU	
2004	14.2%	8.1%	14.2%	8.1%	13.6%	8.1%	The calculated increases were requested due to the change in the MUSA calculation.
2005	7.2%	6.8%	7.2%	6.8%	7.8%	3.0%	The calculated increases were requested due to the change in the MUSA calculation.
2006	12.4%	15.0%	8.9%	10.6%	6.5%	10.6%	Policy direction to limit rate increases requested to reduce impact on customers.
2007	15.0%	17.8%	14.5%	13.0%	7.0%	9.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2008	-	-	-	-	-	-	Rate changes were not requested by AWWU for 2008.
2009	8.7%	8.0%	7.0%	6.5%	5.6%	6.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2010	7.0%	9.5%	2.5%	2.5%	2.5%	2.5%	Policy direction to limit rate increases requested to reduce impact on customers.
2011	18.5%	26.2%	8.0%	15.0%	8.0%	15.0%	Policy direction to limit rate increases requested to reduce impact on customers.
2012	13.0%	16.6%	6.0%	11.0%	6.0%	11.0%	Policy direction to limit rate increases requested to reduce impact on customers.
2013	9.1%	6.8%	6.0%	4.5%	6.0%	4.5%	Policy direction to limit rate increases requested to reduce impact on customers.

To improve its debt position, AWWU must continue to request reasonable rates and at the same time control expenses. The budget provided in this package provides just such a balance.

Environmental Issues

Beginning in 1993, in accordance with State of Alaska Department of Environmental Conservation (ADEC) regulations, AWWU commenced activities to remove four leaking, underground fuel storage tanks and the surrounding contaminated soils. Additional contamination was identified on the affected property (unrelated to the tank leakage) requiring additional removal of soils. In 2010, the Utility completed additional site characterization. In 2011, AWWU submitted work plans and received approval from ADEC for continued groundwater monitoring while working towards closure of the case on this site. Budgeted remediation for those sites with continued monitoring and approved work plans has been programmed in 2014 to address the business risk to the Utility from further migration of contamination from Utility property.

AWWU used the expected cash flow technique to measure the liability. AWWU estimated a reasonable range of potential outlays of \$380,000 to \$593,000 and multiplied those outlays by their probability of occurring to estimate a pollution remediation obligation of \$222,500 for AWU and \$245,000 for ASU. The potential for a material change in the estimate is possible depending upon the response received from ADEC.

Wastewater Treatment Facilities Discharge Permits

The State of Alaska Department of Environmental Conservation (ADEC) assumed authority for permitting wastewater discharges for the Girdwood and Eagle River Wastewater Treatment Facilities (WWTF) in November 2008. The Eagle River WWTF permit is administratively extended pending reissuance by ADEC. ADEC is working on the renewal and expects to issue a draft permit for public comment in 2013. The Girdwood WWTF permit is also administratively extended pending reissuance by ADEC. The Utility is working closely with ADEC to ensure that a proposed upgrade to the Girdwood WWTF is consistent with terms and conditions of the new permit, when it is reissued.

Authorization of discharge into marine waters from the Asplund WWTF under the provisions of Section 301(h) of the Clean Water Act remains under the auspices of the U.S. Environmental Protection Agency (EPA). EPA is currently evaluating the Utility's application for reauthorization of the permit. The renewal process includes an evaluation by EPA to determine whether Asplund continues to meet the Clean Water Act criteria necessary to reissue a permit with a 301(h) modification allowing only primary treatment. Subsequent to a positive determination, EPA is required to consult with the National Marine Fisheries Service (NMFS) on the effects of the permit reauthorization on endangered species (i.e., the Cook Inlet beluga whale). If NMFS finds that the discharge reauthorization is likely to jeopardize continued existence of the species or adversely modify critical habitat, NMFS may impose conditions on the permit to mitigate the effects on the species. Discussions with federal agencies to date suggest that such a finding is unlikely.

Anchorage Water and Wastewater Utility External Impacts

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Aging Infrastructure

At the current time, AWWU provides best-in-class service as measured against industry benchmarks. However, the infrastructure required to provide water and sewer service is aging and will require significant annual capital investments to maintain service levels.

AWWU has implemented a state-of-the-art asset management program to optimize spending on the Utility's aging infrastructure. We are performing business case analyses of major projects to determine lowest overall life cycle costs, as well as extensive condition assessment monitoring and evaluation using both AWWU staff and specialized contractors. This work is expected to continue to provide reduced costs to ratepayers in the long term.

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